

Time to Start Thinking Differently...Again?

By [Joseph B. Altonji](#) on October 9, 2014

For the past several years we have argued consistently that the industry is in a period of “winners and losers” and that growth in an essentially flat marketplace requires capturing additional market share. It is becoming increasingly evident that this durable market shift requires a fundamental reconsideration of core strategic approaches at many firms. Mid-size firms, in particular, need to begin to rethink their strategic priorities to create a new basis for competition. Over the last few weeks we have had dozens of conversations with leaders of these types of firms that suggest a need to put an even greater emphasis on rethinking core strategies. We observe the following facts from these discussions:

- Many firms’ strategic plans have at least some component of “growth” as a key focus, though many, if not most midsize firms emphasizing such strategies have failed to grow. In fact, many have shrunk. A substantial number of firms have not yet returned to their pre-recession sizes, and many have continued to shrink in spite of a modestly growing economy;
- Lateral hiring is ineffective as a growth strategy for most mid-size firms. At best, and particularly in major markets, it barely keeps you “even” on a net basis;
- Headhunters tell us that most laterals – particularly those with material “portable business” – are not interested in single market firms; and
- Most midsize firms have been reluctant to entertain the concept of merger, but some are rethinking that reluctance right now.

What’s changed? At the beginning of the recession, most mid-size firms relied on their long-held belief that they had a dramatic pricing advantage over the “big firms” and that this would result in their firms being more attractive to clients, and therefore to the lawyers that served those clients. Yes, in the early days of the recession there was an exodus of lawyers from the “national” and “international” firms to firms more compatible to those client’s needs. But a funny thing happened along the way – lawyers (and clients?) discovered that there was more variation in the market than “Big” vs. “Mid-Sized.”

There are a number of firms building solid platforms around mid-market clients but with sufficient scale and geographic reach to serve a wider range of needs with depth in specialties needed to handle the sophisticated work when it comes up. Furthermore, these services are offered at price points not particularly different from those of mid-sized commercial law firms. This result is particularly evident in larger markets around the country – in Chicago, for instance, where the number of top 50 firms headquartered elsewhere (regional and super-regional firms) has grown from less than 15 percent of all firms to almost 40 percent over the last decade. These firms are capable of delivering services at client-appropriate pricing levels coupled with a breadth of services that is, in many cases, beyond the services from limited-market commercial firms.

Good growth requires a compelling story for those who are not yet in your firm but should be. If your firm is “just as good as firm X but (no longer) cheaper,” what is it that you do offer? Do you have a great culture? Culture is valuable in keeping your best people but of limited value in attracting new ones. How is your culture creating real client value that would be attractive to a lateral candidate?

The key challenge for mid-size firms today is to find a new definition of market relevance, before you lose what you have. Once cost advantage has disappeared entirely, what is it that makes you different and special? Why should clients come to you, and even more importantly, why should the best lawyers with the skills and personalities needed to attract and retain clients come to you? Growth is not dead, at least as a possibility for individual firms, but it is much harder to achieve than it once was. It's time to start thinking differently...yet again.