

What Does “Law Firm Strategy” Mean, Anyway?

By [Joseph B. Altonji](#) on May 2, 2023

I am often struck by just how frequently we encounter new law firms, particularly smaller to mid-sized firms, where when asked if the firm has a formal “strategy” (or to use the common parlance, “strategic plan”) we will be told yes, but upon seeing that document we realize that, at best, the firm has a handful of business goals or to-dos that are unconnected to each other or to any discernible strategic focus. At some point, the firm decided it needed a “strategic plan,” organized a committee and, after many meetings, agreed on a handful of to-dos to which no one could possibly object. So, the firm’s strategy might, with more detail, of course, say something like:

- Improve our profitability (mostly by doing a better job of tracking data and raising rates and maybe billing more hours).
- Build up (aka, add a few people to) our office in “location X” or grow by acquiring a small firm.
- Get people to market more.
- Improve diversity.
- Develop a technology plan to upgrade our systems.

All good things to do, perhaps, but even if successfully completed these items will leave the firm in no different strategic position (i.e., market position vis-à-vis your competitors) than before the strategic plan was developed. Furthermore, if you ask the partners in these firms what the firm’s strategy is, they will tell you either “I have no idea” or “We don’t have one.”

So why, you might ask, are such plans developed? Well, on the positive side, if done quickly and efficiently as a focusing document for critical leadership short-term planning (as many firms appropriately did during Covid, for example), they can be a useful tool to focus immediate investments. (This works best as an annual planning tool for implementation of a true strategy, however!) Too often, though, such plans are the output of a longer strategic planning exercise started out of a desire to have a “plan,” but with limited understanding of what strategy *really* means, or the willpower to really put in the effort to get it right. Real strategy is hard! The downside, of course, is that the firm will spend a few years focusing on a handful of operational to-dos while key firm lawyers get older, and the industry gets more complex and competitive. Better to leave short-term planning to the leadership team and not call these things “strategic plans.”

Almost a decade ago, in a series of posts, we addressed the topic of why so many law firm strategies failed and why there was so much un-executable strategy in the industry ([Why Can’t We Ever Seem to Get Anywhere?](#) ; [Why So Much Un-Executable Strategy?](#) Parts 1-3). Among other things, in those posts we observed that law firms produce many strategic plans but relatively little good strategy. A decade on, this remains the case for many firms.

What does it mean for a law firm to have a real strategy (whether or not there is a formal “strategic plan” attached to it)? At a minimum, a good strategy should meet the following conditions:

- It should set out clearly the challenge(s) or problem(s) the strategy is intended to address:
 - *“(Firm) has been economically successful but is gradually declining in face of increasing market penetration from outside our home market, creating an inability to recruit and maintain key talent capable of carrying the*

firm forward. This is resulting in a gradual erosion of skills, deleveraging, and loss of share of legal spend from key clients."

- It should set out clearly an achievable strategic objective that is clear to all (or how will you know if you've achieved it?):
 - *"We will be the leading firm focused on (key industries) in our region, positioned to attract the best lawyers focused on the higher value needs of these industries, while de-emphasizing areas where we cannot compete at the highest levels longer term."*
- It should clearly identify the key levers the firm has to move itself toward that strategic objective, as well as the primary actions (higher level, not every task) that must be undertaken to advance the strategy.
 - *"(Firm) must use its current economic power and recognizable brand to attract laterals and young lawyers, investing mainly in our limited range of most recognizable practices. To do this, we must commit to diverting resources from current compensation and less critical practices, realign our compensation models to favor investment, and rebuild our recruiting approach to identify and attract new talent."*
- It should commit to realigning key firm systems and processes to facilitate the strategic actions needed.
 - *E.g., Increase authority of the leadership team to direct compensation decisions, re-organize practice structures to highlight key areas of practice and facilitate their development, replace PGL's chosen due to their historic large practice bases in favor of new leaders who will actively manage growth and success, etc.*
- And last, but perhaps less obviously, it should be understood by all the firm's stakeholders, including all the lawyers and staff (and ideally the clients too). A strategy that is not understood by the stakeholders cannot, by definition, be successful because it won't be implemented. Put differently, if your partners don't know what your strategy is, you don't really have one.

Why doesn't this happen routinely? The quick answer is that while it's relatively easy to set out a few key principles to guide strategic thinking, it's actually very hard to develop a good strategy. Just coming to a clear understanding of the challenges the firm faces is tough. Then, given the psychological orientations of most lawyers, the discussion around these issues can be difficult and sometimes painful. It's so much easier to gloss over the difficult questions (e.g., "What are we *really* good at?") than it is to answer them candidly and clearly. Beyond that, a good strategy necessarily involves choosing how to allocate scarce resources in favor of the best interests of the enterprise. It's so much easier just to develop a simple plan that includes a few big things everybody agrees to, even if it won't, in the end, change much. Adding to the challenge, institutional inertia tends to lead many to fall back on minimal change. In the end, setting and then implementing a strong strategy is the critical task of firm leadership, and the test by which firms ultimately will judge their success.