

When Culture and Strategy Clash

By [Joseph B. Altonji](#) on October 10, 2023

"Culture eats strategy for breakfast." – Peter Drucker

We've all heard this famous admonition from the founder of management consulting, but what does it mean to us, today, in the legal world?

The legal industry – or, perhaps more precisely, the subcomponent of the legal industry encompassing private law firms – has over time been one of the most successful and enduring of professional homes. From the modest beginnings of the professional lawyer during the Roman Empire through the period of cannon law dominance in the Middle Ages to the emergence of large law firms in the United States and England in the 19th century to the current state of the industry, lawyers – and more recently their firms – have enjoyed increasing prominence and respect. Over the last 50 years especially, this has included economic remuneration and success. The industry has been built on centuries, or even millennia, of history and precedent.

With this much history behind us, it's not surprising that lawyers and their firms tend to be risk averse, cautious, and often slow to change. Where business enterprises in most industries measure their success at least in part by growth rates, the most common reaction in many firms to a growth proposal is that "we should not grow for growth's sake." These tendencies are further reinforced by the structure of an industry that makes the value of economic performance a short-term rather than a long-term concept. Every investment is a tradeoff between short-term income and long-term growth and value. You can't (yet, at least, with minor caveats) sell a law firm, go public, or otherwise reap the benefits of growth. So, the senior lawyers with the greatest levels of influence and control over decisions have the most limited time horizons and opportunity to reap the benefits. While many will put the interests of the firm ahead of their own in decision-making, their perspective on what is in the 'firm's best interest' will often reflect a shorter term, cautious mindset. Add to this the very nature of the services lawyers provide to clients, which are significantly about managing and mitigating risk, and the cautiousness increases.

Recently (over the last 20 years – a small window in the life of the law) our risk-averse industry has seen material structural change and the outlook for the future suggests more is likely to come. A few of the more significant industry changes include:

- The rise – and fall and rise again – of the influence and presence of the accounting firms in the practice, with the scale and structural advantages they bring.
- The emergence of Alternative Legal Service Providers (ALSPs) largely based in lower cost locations taking over significant portions of the *process* of delivering legal services.
- The growth and creation of truly global law firms and alliances of law firms to counter them.
- The professionalization of in-house legal teams combined with significant advancement of the ability to monitor and manage outside counsel.
- The increasing stratification of the US-based industry, coupled with the need to build significant depth to compete for work regional and local firms once easily won.

- The commoditization of aspects of legal work and the diverging economics of different areas of practice.
- The major culture shifts nearly all organizations experienced because of Covid, coupled with significant challenges posed by generational differences, and combined with a declining population of the strongest young people interested in legal careers.

I could name many other changes that have moved the industry from the remnants of its 'guild' structure to an environment requiring real business judgement to operate successfully. Most recently, we've seen the beginnings of what could possibly be a truly revolutionary advance in the business of law – the rise of Generative AI. While the future is still emerging, for the first time ever we can see the potential displacement of much of what lawyers do with their time not to other organizations but to technology. The likely implications for firm structure and economics are immense.

While some law firms have been led by visionaries intensely focused on building the firm of the future, others are far more conditioned to be cautious, taking only limited steps and, typically, only when those are forced upon them. While their 'culture may not eat their strategy for breakfast,' in many ways their culture has *become* their strategy. At the very least, culture imposes a set of constraints on action that firms cannot see past, at least until the challenges become too clear to avoid. Unfortunately, sometimes then it's too late – possibly to survive, but in any case, to maintain relevance. Strategies (aka strategic plans) that say little more than "1) grow our office in X city, 2) invest in technology, 3) do better at cross selling, and 4) improve our DEI programs" without addressing the strategic position of the firm run the risk of placating the partners while the firm slowly erodes.

What can law firms do about this?

Begin by recognizing this situation for what it is. Your firm's culture is a large part of who you are, and for many a large part of why you have the success you have today. But for many, especially among the vast 'middle market' of commercial law firms, it is also a constraint, if not a straitjacket. To move forward you will need to change the culture you have while preserving those aspects that continue to make you strong.

Culture, and cultural change management, must become part of your strategy rather than just a framework within which you set your strategy. This may require some difficult conversations among the partners, potentially new leadership (maybe some of whom come from other industries?), and eventually a degree of generational change. It may also require a structural change that shifts the economic incentives toward a longer-term perspective.

Firms that embrace the need to manage their culture will have an existential advantage over those that remain bound to how things have always been done. Rather than having culture eat your strategy for breakfast, use it as fuel that moves your firm forward towards sustainability and success.

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