

Developing a Framework for Law Firm Differentiation and Growth

Introducing the Apex Strategy Model

Executive Summary

In today's increasingly competitive legal market, law firms face unprecedented challenges to sustainable growth. Traditional sources of law firm growth, such as increased billing rates, may soon experience efficacy challenges. The legal industry has encountered dramatic shifts in market dynamics. Since 2006, average law firm billing rates have grown by 107% while demand for law firm services — total billable hours worked by the average law firm — has increased by only 5% during the same timeframe.

Indexed Change in Demand and Worked Rates Since 2006



Many law firms have struggled to differentiate themselves in a mature and intensely competitive market. Technology continues to play an increasing role in how law firms will deliver services in the future. Law firm leaders can easily find themselves struggling with how to steer their firms toward future success.

Based on extensive research, including in-depth interviews with nearly 80 managing partners across the legal industry, this white paper introduces the Apex Strategy Framework — a powerful tool for law firms seeking to establish meaningful differentiation and achieve strategic focus in a saturated marketplace.

As traditional profit levers become less reliable, strategic differentiation has emerged as the critical path forward. The Apex Strategy provides a structured approach to help firms make more focused decisions about resource allocation, market positioning, and growth initiatives.

Introduction: The Case for Strategic Focus

The legal industry finds itself at an inflection point. Despite being one of the oldest professional service sectors, there is no clear single firm, or even type of law firm, that has emerged as a dominant market leader. In fact, data from the Thomson Reuters Institute shows that less than 40% of top law firms have grown their top-of-mind awareness in the market over the past decade, a metric we refer to as market mindshare. During this time, the average firm experienced a 2% erosion in top-of-mind awareness among clients.

Recent interviews with managing partners also reveal that several market dynamics are driving a significant shift in their strategic thinking. While previous years were characterized by cautious optimism about market conditions, today's firm leaders have shifted more heavily toward caution, expressing heightened concern about their competitive positioning.

This uncertainty stems from multiple factors:

- Diminishing returns from traditional rate increases
- Client sophistication regarding legal service costs
- Technological disruption, particularly AI
- Economic instability, including a potential recession
- Intensifying competition for talent and clients

As a result of this uncertainty, many are contemplating fundamental transformations of their business models to create competitive differentiation rather than relying on incremental adjustments. This presents a new challenge: how to focus these transformations.

The Apex Focus Framework

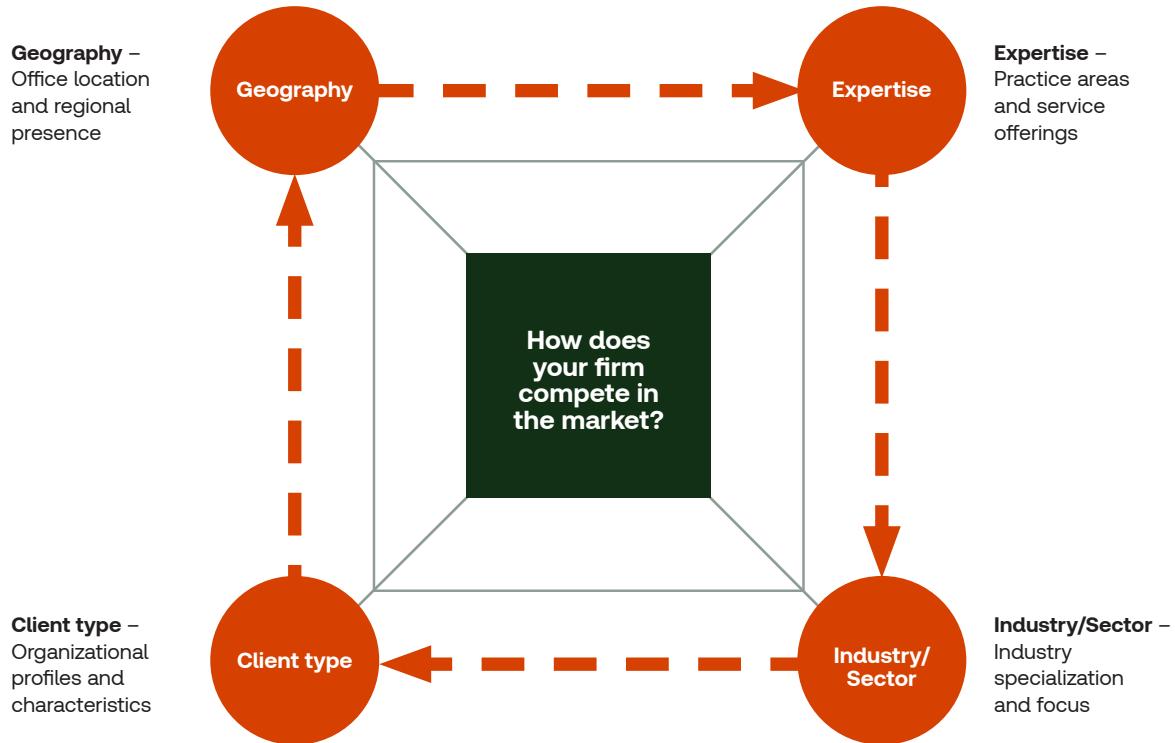
“We need to differentiate or else we’ll just be saying the same things everybody else says.”

Many law firm leaders are finding that as their firms have grown and matured, the matrix model that allowed them to be nimble and explore different growth opportunities has become difficult to manage at scale. With managing partners becoming more focused on profit and return on investment rather than on simply increasing revenue, they are quickly realizing “being all things to all clients” isn’t as profitable as having a targeted focus driving a true leadership position.

The Apex Strategy provides a structured approach to market differentiation by identifying a primary strategic focus while maintaining balance across all essential business elements, reinforcing the strengths of the firm’s talent and investments rather than risking spreading those resources too thinly.

Untangling the matrix and finding a North Star: Apex Focus Square

The Apex Focus logic square is a simplified framework to approach a law firm’s strategy and competitive advantage. While law firms need to consider each element around the square, selecting one corner as an “Apex Focus” allows firms to make decisions and investments in initiatives that reinforce the firm’s core strategy.



Source: Thomson Reuters

One corner is selected as the primary differentiator. All other business decisions relating to the other three aspects of a firm's matrix (the other three corners) are considered through this strategic lens. This creates a coherent approach to growth that prevents the resource dilution that often occurs in overly diversified firms or from trying to pursue too many key priorities.

Implementing the Apex Strategy: A Case Example

To illustrate how the Apex Strategy works in practice, consider a hypothetical global firm operating as a verein. Their primary strategic focus is geography: establishing a global presence to help clients across every region where they have legal issues. With geography as the firm's apex focus, other strategic decisions flow logically:

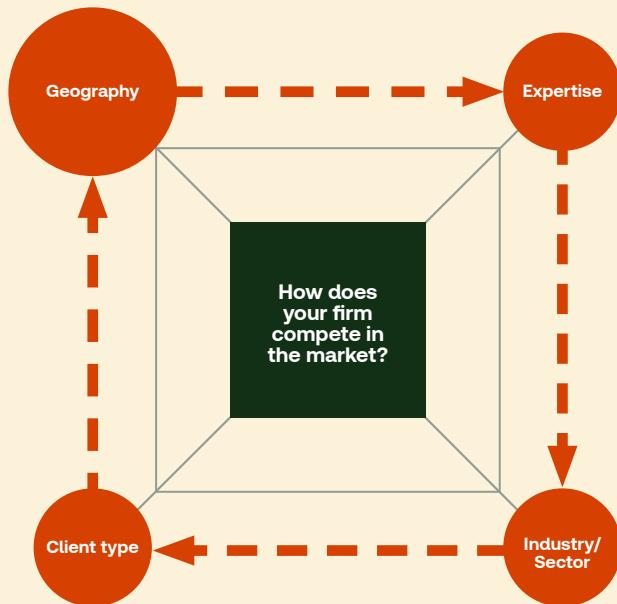
- **Expertise:** They focus on building depth and hiring marquee talent in practice areas that differentiate on a global scale, such as international trade, cross-border transactions, or global tax
- **Industry Sectors:** They build industry and client teams around only those industries with significant international needs, such as technology or manufacturing, opting away from more regionally focused sectors like healthcare
- **Client Types:** They spend the most time developing and institutionalizing relationships with companies that can continually fill the firm's core business pipeline: targeting large multinational corporations expanding their global footprint rather than organizations that only operate domestically

This approach creates a decision-making filter that helps evaluate new opportunities. When considering a new office location, practice area, or client pursuit, the firm can assess whether it aligns with its geographic-focused strategy rather than risk making an isolated decision that might dilute resources.

A hypothetical illustration

The firm: A rising law firm with a global presence focused on growing its international profile

The Apex Focus: Geographic differentiation



Source: Thomson Reuters

The request: One of the firm's top rainmakers wants to open an office outpost in Nashville. The partner has a growing startup client headquartered there which generates strong revenue for the firm with good profits. The intent is to have a physical presence to service the client as it grows to increase the share of that client's work the firm captures. The partner has cultivated the support of several other key partners, including the firm's technology sector lead.

The evaluation: It is an interesting proposition and the potential to capture additional, profitable revenue is tempting. However, the firm has set its strategic focus on its geographic ambitions, and the executive committee reviews the request in that light.

Upon review, the firm determines that there are not enough large, multinational organizations with cross-border needs headquartered in the region to support the investment.

The Strategic Imperative

The need for strategic differentiation has never been more urgent. Law firm leaders are increasingly concerned about market sustainability, with some managing partners even speculating about potential firm failures in the coming years, particularly in light of what appears to be a third major financial event in just five years. This environment has created unprecedented lateral movement opportunities, with entire leadership teams from some firms approaching competitors about potential transitions. Effective differentiation can create appeal not only to prospective clients and matters, but also to these prospective lateral attorneys.

For most firms, the path forward requires making difficult choices about where to focus limited resources. The Apex Strategy provides a framework for making these decisions coherently and strategically rather than pursuing disconnected opportunities that lead to over-diversification.

Conclusion

As the legal industry continues to evolve, strategic differentiation will be a key driver of sustainable growth. The framework posed by the Apex Strategy offers law firm leaders a practical tool to establish meaningful market differentiation and enables more focused decisions about where to invest time, talent, and resources.

By selecting a primary strategic focus — whether expertise, geography, sectors, or client types — firms can create a coherent approach to growth that resonates with clients and stands out in an increasingly competitive marketplace. In an industry where mindshare has proven difficult to capture and maintain, the Apex Strategy provides a roadmap for establishing a distinctive market position that drives long-term success.

About the Author

Jen Dezso is the Director of Client Relations at Thomson Reuters. She is a frequent presenter and author on market trends, how to identify and create opportunities in the market, and tactics to implement organizational best practices in client relationship development.

To schedule a strategic discussion and explore how the Apex Strategy Framework can help your firm, please contact Jen at Jen.Dezso@thomsonreuters.com.

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