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Reshaping staffing: The end of the pyramid model in law firms



Manju Manglani speaks with Clare Murray and Richard Turnor about how law firms' gearing will need to change in the 'new normal'

For many years, the traditional pyramid model has been successful in commercial law firms, enabling them to manage large-scale matters for corporate clients in a profitable manner. However, since the advent of legal process outsourcing and flexible resourcing services for routine commoditisable work, along with

alternative fee arrangements for specialist legal work, law firms have been realising that it may not be sustainable to have a large pool of junior lawyers in the longer term.

Global research has found that corporate legal departments are increasingly cutting back on legal work by junior lawyers in favour of fewer hours of premium advice by senior partners.¹ This has resulted in a 60 per cent drop in hours billed by first-year associates in the past five years. Billings by first-year lawyers now account for 1.2 per cent of all firm hours billed on average, down from 3.4 per cent five years ago. As part of their drive for value for money, corporate clients have been carving up matters between traditional law firms, alternative business structures and legal outsourcers, a trend which looks set to continue.²

It's clear that law firms need to strategically shift their focus – and their staffing – to provide true added value in the highly competitive marketplace. For Clare Murray, managing partner at CM Murray, and Richard Turnor, name partner at Maurice Turnor Gardner, the traditional pyramid structure of legal staffing is under real pressure. The co-founders of the multidisciplinary Professional Practices Alliance tell *Managing Partner* how they believe law firms' gearing will change and the impact it will have on the next generation of lawyers.

How do you think the traditional pyramid structure will change in law firms?

Clare: The traditional pyramid structure, the gearing of partners and associates, is in my view going to change dramatically as many areas of the market become even more commoditised. You're going to end up with much flatter, wider pyramids for the sort of commoditised work which could be done by banks of paralegals and very junior lawyers, with maybe just one equity partner supervising the whole commoditised process to get maximum value.

At the higher value end of the market, it's also going to be much more difficult in many areas to maintain the traditional type of pyramid structure. It's now becoming an inverted pyramid in many areas, and this appears to be the developing model in Europe too. It is focused on very senior advisors working on high value, complex matters, with very sophisticated corporate clients who are not interested in having junior or even mid-level lawyers working on their matters – they only want very senior advisors working with them and they're hiring them for their judgment, as they now often have the technical expertise in-house already. It's the sort of work which supports high charge-out rates but unfortunately does not allow much opportunity to push work down to lots of more junior lawyers. So, the shape for those areas of the market is becoming much more of an inverted, narrow pyramid.

Unfortunately, both of these emerging structures significantly limit young lawyer opportunities and potentially negatively affect women and other groups which are underrepresented at senior level. Firms need to ensure they do not allow a blinkered focus on short-term profit to cause a dysfunctional reshaping of their traditional structures which, in turn, may affect their own long-term future.

Richard: This market, like any other, is bound to be cyclical. Outsourced legal services will continue to grow for a while, but one day clients will find that they cost too much, or that the quality is not there, and traditional law firms will start to fight back and take on more of their own people again. There's going to be a constant struggle for efficiency and quality.

Clare: It also depends on what the clients demand, especially if it's driven by in-house counsel, and the costs they're prepared to incur. When you're pitching to be on a

client's panel and the client wants a standard sizeable discount, and then after the work is done it wants to take an extra cut off the costs, how sustainable is that? To then support a full bank of lawyers – senior, mid-level, junior and paralegal on those types of fee arrangements – that becomes very difficult.

Richard: If I was a major commercial law firm, I think I would focus on creating a series of small leadership teams, each with a particular focus and with junior partners led by mid-ranking partners, with overarching leadership from a very able senior partner. Then I'd have a pool of more generalist associates who could be deployed according to the ebb and flow of business.

If a deal team is well led, they don't all have to all be industry experts. All commercial lawyers use the same tools, like contracts, tort, trusts; the remedies we all use are very similar. In the commercial sphere, you don't really, at junior level, have to be an expert at a particular transaction. You can deploy your skills in a number of different areas with equal effect, as long as you're well led and directed.

Litigation lawyers have always had to be prepared to become great experts in industries and sectors almost overnight, when they get an urgent dispute in that area. Why can't commercial lawyers do the same? Why does every department and group in a major firm need to have a permanent complement of associates just because occasionally they get big transactions?

It might be much more effective to have a pool of generalists at the associate level, provided that there was a cadre of leaders to direct and lead them on particular deals. After all, Slaughter and May have always used a more generalist approach to great effect. Young lawyers in the pool would inevitably begin to develop specialist knowledge and skill sets and could develop into the next generation of well-rounded leaders, with their own access to the pool. Effective leadership would ensure quality and enable the firm to deploy its resources cost effectively, thus challenging the outsourced providers on both quality and cost.

Will that help lawyers to have more resilient careers in future?

Richard: You wouldn't get the situation where a junior partner, at the age of 35, has done nothing but securitisation work and then finds that the securitisation market has died (as it did in 2011), and that he has no work to do. If you've had experience in all sectors, you'd have much broader-based experience and be able to adapt to such changes in demand.

Clare: It depends on the firm, doesn't it? If you're in a very big firm which can support a bank of more generalist lawyers like that, it would be an ideal way of allowing lawyers more flexible and resilient careers. But where you've got other practices like employment, or IP, or tax, I'm not sure they are necessarily areas where you could set up banks of general lawyers which allow those lawyers to move easily between one practice and another.

Richard: That's true, you would still need to have your bank of advisory experts in areas like tax, employment and environmental law; in those advisory areas, you would probably have pyramid structures for that work.

Clare: And even then within, for example, employment law, it has become much more specialised over recent years so that people ask what kind of employment law are you doing: are you doing mainstream tribunal work? If so, the gearing pyramid for that work is looking very flat these days and is in many cases now being well serviced, at low cost, by experienced lawyers based outside London. Or, are you an employment lawyer doing high end, high-value cross-border work, where it's very much senior lawyer led, and supports higher rates but not a bank of junior lawyers? I think it's really discipline and even sub-discipline specific.

Richard: A junior lawyer could choose whether to go for the 'flying squad', or a specialist advisory team. The flying squad would be a big pool of generalists who get deployed on all of the sexy transactions and would attract a certain type of lawyer. The advisory stream would lead to a more cerebral career in which you might have to accept that you are probably never going to make quite as much money, but you become a respected expert who is valued by the firm and its clients worldwide. Both kinds of lawyers would in due course be expected to nurture client relationships and bring in new clients in their own ways.

How will this affect the skills set that lawyers will need in future?

Clare: Associates are now alive to the fact that it's not enough just to be a brilliant lawyer. I was talking to a young lawyer recently and he said to me 'I always thought it would be enough to be just a really clever person, and I have now realised it is not'. You have to be fantastic at relationship building, you have to be an amazing networker, you have to have the confidence to go out and do presentations and to meet people. From the very first day that you're an associate (and possibly even before), you need to be thinking about creating a profile, relationships and, in time, a practice – and it's essential that you are at a firm which recognises and supports that need.

Richard: You also need to understand too what business people are worrying about, or should be worrying about, and that's not just legal issues. You've got to understand the environment clients work in, the risks they face and to ask the right questions. Because actually, the law is just a tool, lawyers are just a tool which one deploys in pursuit of business objectives. It will be the primary duty of the core pyramids to ensure that the deal teams and advisory support teams are focused on this.

Clare: The new lawyers that are coming through now are so spectacularly impressive and if they can qualify in a recession and get a decent job, they're razor sharp. They're all focused and they're all going out to network on social media, they're all pushing their personal brands, they're all building their relationships from law school, knowing that these will be their future instructors and referrers. They are so smart and that's exactly what they need to be because it is going to be a leaner, meaner future. It's going to be much more sophisticated, much more technology focused, but also still focused on relationships.

They've got so much work to do and it's much a harder environment to grow up in. But I think they're far more equipped with the basic tools and awareness than I ever was when I qualified.

Unfortunately, many lawyers are going to end up in a commoditised market where they are in a paralegal-type role, despite all of their excellent qualifications. It's already happening: we've been interviewing paralegals with the most amazing qualifications who just can't find the sort of roles and career paths that they wanted when they started out as lawyers.

Richard: All of these able people who haven't got much experience need to have able leaders who can give them direction. What used to happen in the old days is you were dropped in it and, in my era, the partners would say 'can you get on with this' – you just had to work it out. You can't get away with that anymore because it wastes too much time and is frankly dangerous. You've got to be well directed and led, which helps you to learn as well.

Clare: During equity partner exits, one of the first questions we ask them is: 'Who are your allies, who can you actually call on?' What you usually find is that people who are being pushed out, in some way or another, have lost their allies, they've lost the people who helped them climb up in the first place, and they've lost their key relationships in the partnership. It's such a relationship-based business, but people do forget about their internal allies.

Similarly for young lawyers coming up, it's important to have a mentoring process. I had the benefit of two amazing mentors when I was growing up as a lawyer. It was incredible to have those people as mentors both on the technical aspects of the law as well as on how to build a practice, manage the finances and build relationships. There's no way I would be where I am today if I hadn't had those mentors to help me through the early stages of my career. So I think the key to helping lawyers come up to and through the partnership is to have mentors and allies.

Richard: The professional services firm is an organic entity. It only really works well as a team which is focused on what its clients need; every lawyer needs to play their part by collaboration, following or leading. It's the same rule for managing partners as it is for associates – you can't do anything on your own, you've got to collaborate, and leaders have to build political support.

Manju Manglani is editor of Managing Partner (www.managingpartner.com)

Endnotes

1. See [2014 Real Rate Report](#), Datacert/TyMetrix, September 2014
2. See '[PEP at top-tier US law firms £245,000 higher than at UK elite](#)', Manju Manglani, *Managing Partner*, November 2014, Vol. 17 Issue 3

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