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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

