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Time to Rethink Your Staffing Structure?

Managing costs has become a priority for most law firms. Law firm support structures today are more efficient than ever before, and this efficiency has increased materially in just the past several years. Overall ratios of support staff to lawyers in large law firms now run in the .8-.9 to 1 range, while ratios in the 1-1.2 range were more typical only a few years ago.

Based on our work with firms and a recent benchmarking study we conducted of a group of large law firms, we know that firms are actively rethinking their staffing models to be more efficient and to provide a more sophisticated level of service to the firm. In addition to lowering administrative staff to lawyer ratios, firms are also hiring professional staff with specialized expertise in areas that didn't exist a few years ago.

Where are firms becoming more efficient?

The largest pool of support staff in law firms tends to be the legal secretaries. Much of the efficiency gains in recent years has been through improvements in the legal secretary to timekeeper ratios. While some of this is a natural evolution as technology has allowed lawyers to become more self-sufficient, some is also the result of new approaches to secretarial support. Numerous firms have now instituted secretarial teams or pools to support a larger pool of lawyers. The team can spread the workload around more evenly and can cover vacations and extended hours of the day more effectively, thus increasing service levels to the lawyers with a smaller team. Some firms are experimenting with moving the secretarial team off-site, to lower cost space or locations, to further increase efficiencies. This has tended to work best when the team is supporting younger lawyers who are facile with technology. And some firms are creating multiple levels of secretaries so that they can hire lower paid secretarial assistants to do work that requires less skill, reserving the higher value work for the more highly compensated and experienced senior secretaries in a team. In combination with technology advances and training, the ratio of lawyers to secretaries is on the rise (with some firms achieving ratios in the 4 to 5:1 range, and some getting to 8:1 with their associate pool), and firms are far less reliant on secretarial support than ever before.

Firms are also gaining efficiency through increased use of centralized services and off-site centers. For multi-office firms, it is about centralizing the majority of the staff in a particular function in a single office location. While this seems somewhat counterintuitive in today's environment of flexible workplaces and technology that supports remote working, firms find that centralized staffing can provide for better management oversight and training, better sharing of workloads and increased satisfaction for the staff.

Some firms in high cost locations have taken it a step further and invested in shared support centers in lower cost markets to handle everything from IT support, billing, benefits management, knowledge management, marketing support and in some cases legal services. While the first of these centers was established in 2002 and initial adoption was slow, there are now at least 25 large US-based firms who have moved to this off-site model in locations from Kansas City to Nashville to Manila. Firms have been thoughtful about differentiating between the services required on-site and those that can be equally or more effectively done off-site. A recent ALM Intelligence study indicated that the long-term savings from these centers can be 30+ percent of annual labor and lease costs, although there are significant start-up costs that need to be factored in.

Interestingly, despite some early interest in outsourcing administrative functions to outside providers, relatively few firms have moved in this direction in a significant way. In some cases, the cost of outsourcing is not seen to provide for significant savings and firms prefer to retain control. However, there may be collateral benefits to outsourcing, including not being responsible for hiring and managing outsourced staff, as well as the ability to scale the staff up and down more nimbly than if they were firm employees. Some firms have gone to managed services as an alternative, which means that an outside provider handles management responsibility as well as process and operational functionality of a particular team or function.

Where are firms investing?

While overall ratios of support staff to lawyers may be coming down, the talent mix is clearly shifting. Firms are finding that they need more specialized and more experienced professionals supporting the firm. Key areas of growth include support for pricing and project management, financial analysis, information security and information governance, knowledge management, and sales and business development, among others.

We also see firms increasing their risk management function, with most midsize and large firms now having a General Counsel. In some cases, particularly in larger firms, there is a broader team of ‘in-house’ lawyers supporting the General Counsel. And more firms are hiring lawyers to handle aspects of the conflict and new business intake processes.

Firms are also rethinking the leadership of the operational side of the firm. In some cases, the COO role has expanded significantly to take on some of the responsibilities typically handled by the Managing Partner, and in other cases the COO role has been eliminated with the next level of chiefs reporting directly to the Managing Partner. Overall, the skills required from the C-suite (CFO, CIO, CMO, etc.) have increased as the scope and complexity of their roles has expanded and sometimes this requires investments in new talent.

Firms are adding new senior level roles in specific areas like strategy, innovation, practice economics, diversity and competitive intelligence. These roles often align with a firm’s strategic focus. A firm who has made innovation or diversity and inclusion a core part of their strategy is more likely to invest in talent to support those goals.

When firms experiment with new roles and functions it is important to have reasonably clear expectations for the function. That can be a challenge when a firm is an early adopter – one of the first firms to experiment with a new role or function. However, clarity is critical in order to attract high caliber talent and to win the support of the partners for the investment required.

What is on the horizon?

We expect that firms will continue to look for ways to balance the cost of running the firm with the need to make investments in emerging areas. Firms will need to continue to invest in critical areas like information security. Given competitive dynamics, firms will also choose to invest in areas like pricing and business development in order to protect or grow market share.

Space needs are a major consideration for firms, and reducing occupancy costs through more efficient use of space and fewer people to house in Class A space is a top priority for many firms.

Overall, firms are focused on cutting administrative staffing expenses, and are requiring lawyers to become more efficient (i.e., self-sufficient) and operational staff to take on more responsibility and broader roles, often spreading resources out across offices, practices, etc. This means that lawyers may need to adapt their approaches and increase their own efficiency. The days of making exceptions for partners may be numbered. Both lawyers and staff need to adapt to succeed.

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