

THE LAW FIRM WORKFORCE OF THE FUTURE - SACRIFICING CULTURE FOR EFFICIENCY?, STEPHEN DENYER

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“I think that we may have previously been perceived in the market as too English. We were always dealing with the major international banks and financial institutions but almost all of the clients came via London.”

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The last 18 months have seen unprecedented change for businesses everywhere. A recent Allen & Overy Business of Law Seminar attempted to understand what this might mean for law firms.

Research shows that culture plays a major role in where people want to work. Asked to describe culture, definitions range from it being 'the smell of the place', to the collective personality of an organisation which influences how it treats people.

In its negative form, culture is merely an artificial set of visions and values designed to appeal to clients.

It is not reflected in the actions or experiences of people who come into contact with the business. But in its strongest form, culture comes from both the bottom and top of an organisation; exemplified by the leaders of a business and built up through every person and area of an organisation.

According to research from the London Business School, strong cultures are about 'unarticulated reciprocity' – the sense of teamwork that shows things are working well.

Un estudio coordinado por Allen & Overy demuestra que la cultura corporativa juega un papel fundamental en la empresa en el que la gente quiere trabajar. Cuando se intenta describir la cultura, las definiciones varían desde 'el olor del lugar' hasta la personalidad colectiva de la organización que influye en el trato a la gente. En su significado negativo, cultura se refiere al conjunto artificial de valores que se presentan hacia afuera. Pero, ¿qué significa la cultura para los despachos y qué tienen que sacrificar para ser más eficientes a la hora de sobrevivir a largo plazo?

In periods of change, some believe that the culture of a business can be the thing that decides whether, when the alarm goes off in the morning, you jump out of bed ready to attack the day, or you crawl back under the covers afraid of what might lie ahead.

Changing traditional beliefs?

The speed and scale of change across the world has been so great that every business needs to ask itself what it must do to adapt. It is too early to understand fully what impact the events of the past year will have on law firms, but there are certainly some key areas for debate.

Most of the major issues relate to the two most important stakeholders for law firms: clients and people. One change brought about by the global recession is the expectation of 'cradle-to-grave' careers being undermined by the unprecedented restructurings seen in the legal sector over the past year. What will that mean for graduates considering a career in law?

Equally, while those starting work now might have different expectations from those who joined a law firm 20 years ago, there are still enduring questions around work/life balance and how sustainable the long hours culture and heavy workloads are.

And how do you balance the needs of younger lawyers or people who are starting families with the demand for 24/7 legal services? This issue has been around for longer than the financial crisis, but recent events have provided a catalyst for debate.

There is also the much-debated topic of outsourcing 'commodity' level work. If it were to become the norm in law firms, what would that mean for junior lawyers? Law firms are themselves outsourced services for clients, so the concept of outsourcing work should not be alien to lawyers. And arguably things have already changed – clients will no longer pay for lots of junior lawyers to do routine work in an expensive city office location.

Nor should clients have to look to places like India for cheaper options when buying legal services – they should be able to trust that their law firm understands how to staff its client work in the most cost-effective manner.

That clearly presents a challenge for law firms, however, in how to train the next generation of lawyers.

What role would junior lawyers play if there are no longer the 'rights of passage' experiences of, for example, exhaustive document reviews – experiences that provide the 'war stories' to learn from and pass on to the next generation of trainees and junior lawyers?

Reshaping the pyramid

But looking at the possibility of outsourcing also presents an opportunity to consider more flexible models of working. There are certainly people who do not want to follow the traditional path of trainee-associate- partner – with the long- term commitment which that implies – but who could make up a more flexible, skilled workforce that does not take up expensive office space or count as an overhead.

If some of the more repetitive work were outsourced, that in turn could free up time for lawyers to do more challenging, high-end work.

That is the work a firm can justify charging premium rates for, and it is the work that the best firms have worked hard to recruit the best people for.

“The dramatic pace of the developments being undertaken in many of these countries is inevitably headline-grabbing. Mozambique is seven times bigger than Portugal, Angola is twelve times bigger, and Brazil is bigger still.”

Agostinho Pereira de Miranda



That must have positive implications for the retention of lawyers who are motivated by doing interesting and stimulating work. One of the reasons good people leave is the combination of working long hours without feeling they are doing stimulating work.

It might be that the debate has leapt forward to outsourcing before all the options around flexible working have been considered. But if rethinking the law firm workforce model can make progress on this issue, then it should be one of the options for consideration. Equally, if the law firm pyramid structure (of junior lawyers at the base and partners at the top) were to be reshaped so that there were fewer people filling up the bottom of the pyramid, that might in turn provide opportunities for people at the top to work for longer. Rather than retiring to make room for the next generation, those who wanted to continue to work could do so with greater flexibility.

If the law firm pyramid structure were to 'straighten' slightly so that the base became smaller and the top wider, that would throw up new challenges about the number of hours people work throughout their career and what is expected from them at the different stages. Perhaps people would step in and out of their careers more, rather than following the traditional lockstep model – although that could present challenges for leverage and profitability.

In all of this it is critical to remember what motivates people. Research shows that similar things motivate us regardless of what level we are at in our career: doing interesting, market-leading work, being treated fairly and being given a say in the day-to-day decision-making of a business.

There is undoubtedly an opportunity for law firms, who understand their people and clients well, to come up with improved ways of working for both groups so that they motivate their staff, maintain client loyalty and even appeal to new clients who are attracted to the benefits of a more flexible and efficient model.

Impact on law firm culture

It has been said that lawyers, while capable of being extremely innovative when it comes to legal solutions, are not the best at thinking of new ways to run their business. While the partnership structure has many strengths and is democratic, it is also very 'feedback rich' and can slow down the process of change. For change to work, all partners must buy in to and lead it, but that is not always an easy thing to achieve.

There is also the question of the capability of partners, who have spent their entire career in one firm with one distinct culture, of understanding what needs to change – or indeed of bringing about change? People who have spent their working life at one firm can become 'monocultural', and might be less able to see the weaknesses in a culture they have experienced and respected for 20 years.

But the counter-argument is that, actually, partners who have been at a firm that has changed significantly in those 20 years, know exactly how to bring about change as they have seen it happen.

Take, for example, the model of a number of major London-based firms who have successfully expanded internationally in the last 15 years. A partner working through that sort of period of rapid international expansion arguably has an excellent perspective on how to bring about change.

Changes have already started to happen in the legal sector, in part because of the financial crisis we have witnessed. But change does not have to mean sacrificing culture. For example, if firms were to adopt a more flexible approach to their workforce, it would place greater emphasis on what it means to represent a law firm's brand. The 'DNA' of the business would have to be much stronger and its culture reflected in everyone.

Flexibility

Clearly the legal industry does not have answers to all these questions yet, but developments in the last year have certainly forced many of the issues into the foreground.

A certain amount of change in law firms seems to be inevitable. Law firms are businesses – some now close to the size and scale of a large FTSE company – so the people running those businesses have to face reality and acknowledge when things need to change.



Arguably the traditional law firm model does need to introduce greater efficiency and flexibility with both clients and people. That is not to say the culture and way of working that has generated success up to now has been fundamentally wrong – only that all businesses must adapt and 'keep fit' in order to remain successful.

If an organisation is inflexible then change will be hard – the culture will have to be overhauled and turned on its head. But law firms who have developed a strong culture will not lose it overnight simply by looking at ways to improve their business. Adapting to change can happen without sacrificing those things which have made a business successful in the first place.

This article is based on a Business of Law Seminar held by Allen & Overy in September in London. For further information on the themes raised contact the firm's Global Markets Partner, Stephen Denyer, via stephen.denyer@allenover.com