

## DOWNSIZING IS UNDERWAY

Reductions in partner numbers is more commonplace than supposed  
(Feb 06)



Getting real law firm performance information is difficult in Australasia as non-disclosure is the order of the day. Thankfully LegalBestPractice's benchmarking service, together with the international legal media, are breaking the old taboos and enabling law firms to compare certain Key Performance Indicators. This facilitates and accelerates beneficial change and should help the most important group in the legal services food-chain: the clients.

Reports in the UK media on changes at Blake Dawson Waldron make for interesting reading as 50 partners are reported to have left in the last 2 years. Whether there is a direct 'causal link' between the departures and the not so secret restructuring programme is not known. The impact this will have on the A\$300 million turnover is moot, but it is clear the pressure is on those who remain to lift performance.

The media on this side of the Tasman are more circumspect when it comes to reporting downsizing of law firms, which can wrongly be seen as a failure of some sort but it is happening here as well. You only have to look at the lists of partners of some of the majors to get the picture. One firm is notable as having haemorrhaged more partners than most. This may be a reflection of the relentless march westwards of many Australian owned 'corporates' who have little need of a presence here other than as a distribution channel.

The loss of partners at larger firms is not the only HR change taking place; several London firms are reporting truly appalling attrition rates among the ranks of their employed solicitors. It is not clear whether this is a 'work/life' balance issue (where the next generation of partners says; "I am not going through this for 10 years when there is only a 10% chance of partnership"), the emergence of new virtual firms offering a different career path, or employers investing insufficient resources on staff. To place the actual attrition rates into some context see the table below:

Annual attrition rate	Firm
32%	Denton Wilde Sapte
26%	Ashursts
25%	Allen and Overy
25%	SJ Berwin

The impact on fee income is enormous when rates reach these levels. The true cost of replacement when taking all factors into account is up to 66% of the first year's salary. It does not require a degree in mathematics to calculate how long it takes for a solicitor to generate profit when staff turnover reaches these levels.

Staff retention is fast becoming yet another string to the successful managing partner's bow. It is notable that as the duties of management expand team size is shrinking. This is evident at Blake Dawson Waldron (Aus), Clifford Chance and Lovell White Durrant (London) among an increasing number of practices. Perhaps one day the professional management teams made up of non-partners (or shareholders) will become the norm – it will certainly be cheaper.