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LEVERAGE IS NOT DEAD. BUT IT IS DIFFERENT AND MORE IMPORTANT THAN EVER

"The reports of my death are greatly exaggerated."
Mark Twain

Historically leverage, defined as the ratio of associates to partners, was considered a major source of profitability in a law firm. Now, since the beginning of this latest Great Recession, many legal pundits have been proclaiming that this is no longer true and that leverage is dead.

These pronouncements, like the reports of Mark Twain's death, are not accurate to say the least. What has happened is that the old, traditional leverage has evolved into a different form. These are the components of this new leverage:

- All types of timekeepers – not just associates – including paralegals, part-time and contract lawyers as well as non-equity partners in those firms that have them.
- Outsourcing, which has been increasing, not just with large firms and corporate legal departments but also with a growing number of mid-size and even some smaller firms.
- Technology, used to the maximum. This is probably the most important component.

Of course none of these components, except possibly outsourcing, are new. What is new is the increased recognition and utilization of them, particularly due to the reduced number of associates in many firms as the result of layoffs and reductions in entry-level hiring. However, firms must realize that effective application of this "new leverage" requires greater attention to practice management. Furthermore, it also requires understanding and applying the techniques of process management, which is a new development, particularly for commodity work and fixed fee pricing.

One of the benefits of this new leverage is the affect it has on the training and development of young associates. They are no longer assigned the menial tasks that clients are unwilling to pay for but are instead performing more "lawyerly" work that is more satisfying and accelerates their development.

Seen in this light, it is clear that leverage is far from dead. In this new and more comprehensive definition, it is more important than ever.

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