

Double meaning

Improve client relationships with cultural intelligence

Pricing alchemy

Why your firm needs a blend of pricing options

All ears

Create a firmwide client listening programme

Jonathan Agar

Why leading lawyers is a lot like leading soldiers

Legal frontiers

KEY TAKEAWAY POINTS

1

Learning early enough what not to do is at least equally important as learning what to do in business and management

2

When expanding abroad, look first for the right person to do the job and do not rush before you have that person ready

3

Any firm which operates in more than one location should carefully consider the benefits of preparing a firmwide quality management system and agreeing mutual firmwide values

4

Although it is very difficult, the best results are usually achieved when an multi-office firm is fully integrated in all aspects

5

A modified lockstep with careful and regular partner evaluation keeps the firm focused and driven

Aku Sorainen shares his experiences in building the first pan-Baltic law firm in the chaos that ensued following the fall of the Iron Curtain

In the autumn of 1991, the Baltic countries declared themselves independent from Soviet Union. During those days, I decided to do a masters thesis at the University of Lapland in Finland on Baltic legislation regulating foreign investment and business. In November, I made my first trip to the Baltic states to attend the European Law Students' Association (ELSA) conference, which was held for the first time in Lithuania.

In 1992, I made several study trips to Latvia and Estonia after getting several major Finnish corporations to sponsor my thesis. All were eager to obtain information on new business laws in the Baltics. Among these was the Ministry of Trade and Industry, which issued me with a letter of recommendation that helped me to quickly get visas to the Baltics.

In Latvia, I came to know ELSA activist Raimonds Cirpus, who worked in the office

of parliamentarian Yury Boyars. The latter became famous for not trying to hide his background as an ex-KGB colonel. Boyars organised several meetings for me with the Latvian parliament. I was given copies of the new laws, but was expected to bring my own copy paper with me, since there was a shortage of it.


I finished my thesis A Foreign Investor in the Baltics in February 1993 and it was subsequently published by the Finnish Lawyers' Association. Suddenly, I was considered a specialist of Baltic law in Finland. I decided to capitalise on my new reputation and gained new business contacts.

I contacted a medium-sized Finnish law firm and proposed starting an office for it in Estonia. The firm agreed. It was quite a challenge for me, as I had never really practised law (even in Finland) before and now had the task of establishing and managing the first foreign law office in Estonia and practising foreign business law.

The Wild East

In 1994, I took part in celebrations as the last Russian troops left Estonia. Just prior to that, there was a large wave of car thefts. Rumours were spread that Russian troops loaded their ships and cargo planes with stolen cars. Western cars were in demand, but my 10-year old orange Skoda

“I started my law firm in one furnished rented room with €3,000 in my bank account. The firm’s turnover in the first full year was €280,000”



was left alone, even though its doors did not lock anymore.

Security in general was quite low. People were recommended not to walk alone at night on the streets and many of my friends were robbed doing so. Many apartments were emptied as well; often even the toilet bowl, sink and copper water hoses were stolen.

Small entrepreneurs often faced collectors of 'protection money'. I was asked to help, but of course there was nothing a lawyer could do. Many bombs went off as organised criminals managed their relations and the term 'the Wild East' was used often. The police was fairly inefficient.

Many new laws were passed and they were to a large extent copied from Finland, Sweden and especially Germany. I found out that my Finnish law education was a real competitive edge, since the terminology and structure of the new laws was very easy for me to understand, while local lawyers with a Soviet time education often found these difficult to grasp.

Founding the firm

After having being employed for two and a half years, I started to feel that the time had come to move on. I had not received much training, but had been forced to learn almost everything on my own. I had learned a lot about how not to behave and

“We established a fully-integrated regional partnership, including sharing the profits of the whole group between all of the partners”

manage a law firm and felt that I knew the business well enough to try managing one on my own.

In September 1995, I started my newly-formed law firm, Sorainen, in Tallinn, in one furnished rented room with €3,000 in my bank account; our first employee was a secretary, Kristiina Härms; today she is our regional HR manager.

The firm had no office machines; our first business PC and a printer was borrowed from our first client, gas company AGA. The first investment the new firm made was in a mobile phone and fax machine; the investment paid off very soon. I started active sales and marketing work, meeting 100 (mostly foreign) businessmen on various occasions during the first two weeks.

Pretty soon I was able to hire our first local lawyer. She soon left and another one joined us fresh out of law school. The firm's turnover during the first six months

was €70,000, which easily covered all expenses (salaries were a few hundred euros per employee per month then) and left a good profit for the business.

From the very beginning, our work was very much within corporate, commercial, real estate, banking, financing and employment law. During the first six months, we advised clients on the privatisation and acquisition of factories and businesses; a contemplated hostile takeover of a public company; the purchase and privatisation of major industrial real estate; the sale of a multi-million-euro mobile telephone network; and a multi-million-euro telecom credit financing transaction.

It is fair to say that, considering our level of experience at that time, we did quite challenging work. I had just over two years of experience post graduation; the other lawyer, Kaido Loor, was right out of law school and Karin Madisson was still a law student (both are partners today).

The firm's turnover in the first full year, 1996, was €280,000. We out sent 600 Christmas greetings; not a bad amount of contacts at that time.

Regional growth

In the beginning of 1997, we hired a young Finnish law student to start a new office for us in Riga, Latvia. He had very good communication skills, was very

convincing and seemed to understand the business. By August 1997, the new office was running and we had won a tender to advise the Latvian Privatisation Agency on privatisation work.

Towards the end of 1997, we had 10 lawyers altogether; eight in Estonia and two in Latvia. We had a strong clientele: ABB, Danish and Finnish Development Funds, Heidelberg Cement, NCC and Skanska, Velux, AGA, Siemens, IBM and ASG, to name but a few.

I kept wondering who could have expected that we, such a young team (with an average age of 24) and none admitted to the local Bar yet (I was admitted to the Finnish Bar in November 1997), could so quickly build such a growing clientele and business.

All of a sudden, our existence was under threat in Estonia. A draft law was to be passed with a stipulation that only local Estonian advocates admitted to the local Bar may practise law in Estonia. I immediately contacted my good friend Henrik Hololei, the head of the European Integration office of Estonia, as well as the Finnish ambassador. Both understood that the draft law was in conflict with the EU association agreement, which Estonia had signed. The issue was raised in the Cabinet of Ministers and the draft law was changed.

We had several foreign lawyers in the firm during our early years, since they had a better understanding of business than most local lawyers then and most of our clients were foreigners anyway.

I was hoping to expand in Lithuania soon and I was sure that, eventually, we could build the largest law firm in the Baltics, but first we would need to find the right person to establish us in Lithuania. Towards the end of 1998, we were ready to expand in Lithuania as Pekka Puolakka, a 27-year-old newly-graduated Finnish lawyer, joined us (he is our managing partner today).

Although Pekka had never been to Lithuania, I was sure he was the right

man with the right attitude, persistence, diligence and business skills to build the office there. A famous Lithuanian arbitrator, Renata Berzanskiene, whom I had known since 1993, joined us from day one as of-counsel; thus we were operational in Lithuania in January 1999.

In 2006, we started to prepare for expansion into Belarus. Due to its political situation, it was considered the last 'untouched frontier' within Europe. With 10 million people and a very large industrial base, it had more potential than all Baltic countries combined. No serious foreign law firm had entered there yet and we saw an opportunity.

“Some of our competitors told me how silly I was in trying to operate regionally, since the law, culture and languages were so different in each Baltic country. The results showed I was right”

While visiting Minsk with a German trade delegation, I met a promising young Belarusian lawyer, Maksim Salahub. After he moved to the US to do his LLM and then obtained a traineeship at Latham & Watkins, we felt that he would be the best person to start our Belarus practice. In the autumn of 2007, we hired Maksim, trained him for a few months in Lithuania and then sent him back home to start our Belarus office.

During the first months, we operated from Maksim's kitchen until we finally found good premises. Soon, however, the premises became too small and, by 2009, we employed 12 lawyers and had in total 20 people in Minsk, which made us one

of the largest law firms in the country; this was just the start.

By 2009, the M&A market had collapsed in the Baltics, so we sent the head of our M&A team, Toomas Prangli, to Minsk as he was not too busy at home. Toomas had been in the firm almost from the very beginning and was thus the right person to help integrate the fast-growing new office into the rest of the firm.

Integration efforts

In 2001, we invited the managers of our Riga and Vilnius offices to become partners and to open the door for more partners from among our associate ranks. At the time, I realised that each office had developed its own working procedures, from how to file and name a case to how to record incoming mail and send invoices.

We agreed that we had to identify best practice in everything we did in order to ensure efficiency, best quality and a unified approach. We had a German lawyer in the firm and, in 2002, I asked him to prepare a quality management system for us. That proved to be the right choice, although I would have never guessed that the project would take so long. It was only in 2006 that we were finally able to describe and harmonise all working procedures within all of our offices and get ISO 9001 quality certification. Obtaining the ISO certification was not a main goal in itself, but knowing that we would be subject to an ISO audit provided us with the discipline to describe and integrate work processes.

During the summer of 2005, when all of the firm's personnel gathered at my



parents' farm, in Finland, we held a workshop about the firm's values. All of our people were put in small teams to try to describe

what made us what we were and what our underlying values were. This exercise proved very useful, as our values have remained the same to this very day and they form the basis for our strategy and individual expectations. We constantly refer to them and they provide us with guidance in hiring, promoting and even departing from people.

In 2006, we formed our first partners' agreement. We established a fully-integrated regional partnership, including sharing the profits of the whole group between all of the partners, thus keeping all partners focused on the best interests of the whole group instead of just the offices at which they worked.

The agreement also provided for fixed-share partners, which made it possible to promote promising associates without burdening them with too high business targets from the very beginning. In addition, the agreement provided for a strong management team, a regular and thorough partner review process and a modified lockstep. I think this is, even today, a very modern approach.

Competitive growth

Between 1999 and 2002, some of our competitors told me how silly I was in trying to operate regionally, since the law, culture and languages were so different in each Baltic country. They also thought that I was not a real lawyer, since I did not show up in court but, rather, preferred

going to conferences, managing and travelling around the region. I did not try to explain them that there is a lot of synergy in having several Baltic offices and that clients consider the region as one marketplace.

The results showed I was right, since from 2003 on our turnover grew by over 30 per cent annually until 2007, when it reached €11 m, keeping profitability at 40 per cent. During this period, salaries also skyrocketed and we found it impossible to prepare annual budgets.

Our regional success seemed to encourage our competitors and, since the Baltic States joined the EU, all of them gradually followed the same path and established pan-Baltic cooperation networks. However, for some reason, they have avoided full integration thus far.

Our firm's growth exceeded all of my expectations. By the end of 2005, when we celebrated our tenth anniversary, we had 70 lawyers, including 10 partners, and in total almost 100 people.

In around 2006, we made our first budget. When the financial crisis hit the Baltics in around 2008, we already had a bit of experience in budgeting and were thus able to maintain our profitability and invite new partners.

Maturity and clarity

In 2010, we implemented the Workstation document management system and a new intranet. Together with our already state-of-the-art case management and CRM systems, those new IT investments further improved the efficiency and know-how sharing within our firm.

We run a matrix system, where each office has 10 legal teams that are led regionally. Each team requires its own set of templates, know-how sharing standards and a training programme, the latter of which is provided by the Sorainen Academy.

Each year, the strategy becomes simpler and now we focus our efforts

“We run a matrix system, where each office has 10 legal teams that are led regionally”

on HR and training (increasing human potential), CRM and cross-referrals (increasing business from existing clients) and know-how management (increasing efficiency and quality).

Although leading a law firm is not rocket science, still each year we learn to lead the firm better and, despite the fact that we are now larger than ever before with 130 lawyers, (including 24 partners) and over 200 people in total, I think there is much more maturity and clarity within the firm than ever before.

In order to maintain the pace of growth, we have rotated the office managing partner positions in each of our offices over the past 16 months. As our reputation and brand has become known in the market, we have also gained access much easier than before to the best human resources.

It seems that also our clients are happy with our development efforts thus far. Since 2008, we have been given the 'Baltic law firm of the year' award eight times; we have also been named 'Baltic tax firm of the year' three times in a row. Last but not least, the Belarusian Ministry of Justice has twice awarded us with the title 'best provider of legal services in Belarus'.

I feel privileged to have been able to move to the Baltic States at the right time, when development started, and for having been able to spend thus far the best years of my working life with a really enthusiastic and intelligent group of ambitious people. ^{mp}

Aku Sorainen is senior partner at Baltic law firm Sorainen (www.sorainen.com)