

## News

# Law firm networks: Staying ahead of the game

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*Lawyers from independent law firms from all four corners of the world recently gathered in London for the inaugural . **Sophie Evans** reports from the conference*

What do clients look for when instructing an independent law firm? It may seem like an obvious question, the answer to which all firms have worked out long ago. But judging by the appetite of the 80-plus delegates who attended the Legal Week Independent Law Firms Forum, partners at independent law firms are as keen as ever to know exactly what clients look for in their legal advisers. Delegates came from as far afield as Egypt, Korea, South Africa and Ukraine to take part in the conference and hear from peers and clients on how to expand and improve their law firms in the face of tough global competition from the Anglo-Saxon legal giants.

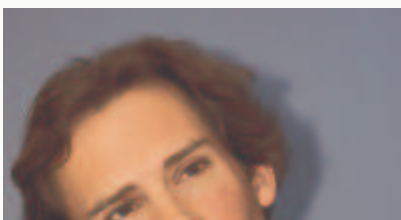


According to the panel of general counsel who offered the client perspective, it is often the most basic information about law firms that general counsel find they are lacking. Independent law firms' websites and partner profiles are often not up to the standards of international law firms, making it less likely that general counsel will opt for an independent firm to work with.

### Getting a foot in the door

So how do independent law firms hit the radar of the general counsel they want to be instructed by? Sandie Okoro, group general counsel at Baring Asset Management, said she has never been approached for new business by a law firm based in a market where Barings is known to be launching a product: "Law firms tend not to be very proactive in that sense," she said. Where law firms are considering a 'roadshow' around European financial centres to drum up business and build contacts — common practice among independent law firms — the panellists advised them to time it right in order to secure an appointment. If a recent press announcement has been made about a company investing in Romania, for example, then a Romanian law firm will obviously be welcome.

Humphrey Edginton (*pictured left*), head of legal coverage for Morgan Stanley's real estate



investment business in Europe, the Middle East and Africa, advised delegates to make friends with Morgan Stanley's regular advisers: "When we do business in a new jurisdiction, we often seek the advice of our existing advisers as to which local firm to use, so a good way for an independent firm to bring itself to our attention is to forge links with the law firms that we know."

Once you have the attention of a potential client, showing off your knowledge of the company is essential. “Anyone who shows a good understanding of our business is going to be streets ahead of advisers who do not. Our legal advisers must understand what we are about and how we carry on our business,” he said.

All the panellists agreed that a good way of getting to know a potential client is to offer a secondee who will gain invaluable knowledge of the way a potential client is structured and the way they work. Okoro recommended a minimum of three months on secondment to get to know the business: “The secondee is often copied in on general emails about what is happening in the business, so they could bring back a lot of useful business knowledge to the firm. Crucially, they learn how to communicate with the business and they learn the language of the in-house lawyer.”

So what bad experiences of using law firms did the panellists cite? Okoro said that law firms did not always know the simple facts about the business. For example, some law firms have assumed that Baring Asset Management is still part of ING, when in fact it is now owned by MassMutual. Both Claire Chapman, general counsel of car retailer Inchcape, and Edginton cited examples of when they were unaware of the right questions to ask when seeking advice in unfamiliar jurisdictions. Having a legal adviser with the local knowledge to anticipate problems and to ask the right questions in order to get the deal done is crucial. “I did not know what additional questions we needed to ask — I wanted someone to help me out and say ‘you might want to consider these points as well’,” said Chapman of her experience of doing business in a new jurisdiction, China. “It is about moving away from being a supplier of legal services to working in partnership,” she added.

One of the main reasons that big companies instruct independent law firms is to take advantage of their local knowledge. “The best-case scenario is to have that local knowledge, coupled with an understanding of where we are coming from,” said Edginton.

### **On billing**

Understanding the gripes that in-house lawyers have with their advisers’ billing methods is another crucial element that has to be right for a relationship to be anything other than a flash in the pan. The overwhelming consensus was a need for ‘no surprises’ — regular bills in order to be able to do monthly forecasting with accuracy and regular updates on how the bill is matching up to the original estimate.

Chapman said flexibility was the key. “It is not about getting jobs done for free; it is about recognising that certain transactions are more valuable than others,” she said. One tip from the panel was for external counsel not to bill for time spent talking internally: “When you are billing, think about the person on the other end, scrutinising the bill.”

Edginton summed up the panellists’ feelings by saying: “The main thing that will determine whether a bill is paid or not is whether they are happy with the work or not. If we have received a seamless, top-quality service, then we will be happy to pay.”

### **On pitching**

Top of the list of tips for better pitching is to find out who you are presenting to. Panel chair Rosemary Martin said law firms frequently sent all-male teams to pitch to predominantly female interviewers. Likewise, a law firm that sells itself as being partner-led on deals should take care to make sure that partners appear throughout the deal or the decision to use that particular firm may be reconsidered.

Okoro advised delegates to do their homework on the obvious things. “Every company has a personality — ask the procurement people who you are going to be presenting to and what they are

like. There is no real magic to it.” She also said persistence can work for firms that do not sit on the panel of a target client. By inviting prospective clients to relevant seminars and getting to know the partners, persistence can pay off. “Law firms do not like to push themselves too much: so be confident and push yourselves,” she advised.

For clients who are frequently involved in auctions, especially those who come into auctions late in the day, a law firm which is not on the panel may get a look-in because all the panel firms or preferred advisers are conflicted out.

Neville Eisenberg, in his closing speech for the forum, summed up the key to a good client-adviser relationship. “Clients are experts at spotting quality advisers and will respond with open minds.” Part and parcel of spotting that quality, Eisenberg argued, is a firm’s perceived capability — its reputation. “The perception of a firm’s capability is critical to whether or not it can be successful.”

For independent firms, building up a strong brand and name recognition in the home market is the most difficult task — it is a business world where bigger is traditionally perceived to be better.

### **The seven pillars of leadership**

Jack Schiffer (*pictured right*), managing partner of German independent Beiten Burkhardt, kicked off the day-long conference by outlining his seven criteria for leadership in the light of today’s tough competitive climate for independent law firms. Quality, critical mass, national strategy, international strategy, internal structure, compensation systems and support services formed his seven pillars of wisdom.

Quality and consistency of service understandably topped the prerequisites for leadership. Bearing in mind that it can take 10 years or more to build a reputation, and just 10 minutes to lose it, constant quality control is a must for ensuring quality throughout a law firm. And good quality is unlikely to be recognised if it is not delivered on time, making responsiveness part and parcel of the drive to provide the best quality service.

While some independent law firms operate with a very small number of lawyers, Schiffer cited critical mass as his second most important criteria for legal leadership. “You cannot be credible if you cannot present a sizeable presence to the market,” argued Schiffer. Tied in with the need for critical mass is the ability to be available to clients at all times as well as having the right specialists in place — Schiffer thinks the time for generalists in law firms of a certain size is over.

As in much of continental Europe, recognising the importance of support services within a law firm has taken time but, as Schiffer pointed out: “If we did not have our chief financial officer, we would be in trouble. We now have a system where we can see where we stand every day.”

### **Recruiting and retaining talent**

Uria co-managing partner Luis de Carlos, Sorainen founding partner Aku Sorainen, Borenus & Kemppinen partner Jyrki Tahtinen and Werksmans chairman Des Williams outlined their strategies for capturing and keeping the best legal talent in the market — an issue that has topped the law firm management agenda for several years. De Carlos, whose firm recruits 70 to 80 lawyers a year, said



that potential recruits, when deciding which firm to join, value the prestige and reputation of a firm first and foremost. He stressed the need for firms to be proactive about their recruitment: “We cannot just sit and wait for candidates to come to us, we have to actively look for candidates, to go to job fairs, to have a good website, to talk at universities and to offer good summer training programmes for final year law students.”

The panellists agreed that independent firms should exploit their ability to offer young lawyers a small team, which means working directly with a partner. The independents can offer a career path that has real prospects of becoming a partner.

Borenius’ Tahtinen says the growth of his pan-Baltic firm means the importance of fairness and transparency in the recruiting process has become paramount. “The bonus system has to be transparent and to encourage individual performers. We have a profit pool that depends on the annual success of the firm, coupled with individual bonuses which very much depend on each person’s performance.” Continuous learning and helping lawyers to set personal goals, Tahtinen argued, outweighs monetary compensation in terms of what lawyers like in a firm’s offering. Werkmans’ Williams agreed: “Money matters, but for lawyers committed to the profession, they should be in an environment where they can learn: any firm that does not develop its young lawyers will eventually die.”

Sorainen says annual development discussions with lawyers have now become quarterly, while team members are asked to value each other with regard to the firm’s stated corporate values — which are re-stated to the firm once a year. He believes that sharing and adhering to such values send out a strong message about the firm, making a crucial differentiation between them and rival law firms.

The firm’s 360-degree reviews for partners have had some interesting results. “Once we started these reviews among staff, partners who thought they were great leaders were soon brought back to earth,” said Sorainen.

### **Successfully managing growth**

One of the most popular themes for discussion throughout the day was the opening of new offices. With a large swathe of delegates from Eastern Europe, where independent law firms are in aggressive expansion mode, the topic of discussion quickly turned to whether, how and when to open a new office in a new jurisdiction.

Berwin Leighton Paisner managing partner Neville Eisenberg, Beiten Burkhardt managing partner Jack Schiffer and Gide partner Christophe Eck led a discussion on successfully managing growth. “It is very important when thinking about opening an office overseas to have thought out the purpose of opening — it has to fit in with the overall strategy of a firm or it will not work well in the long term,” said Eisenberg, whose own firm has only three overseas offices. All three panellists agreed on the importance of managing client expectations of what the office will be able to deliver. Equally important is getting the right person to lead the office as well as the right person at the law firm headquarters to maintain contact and liaise with the new office.

The social integration aspect of a new office is especially important to Gide, said Eck. “For us, managing growth is about successfully managing integration and quality.” Gide has a central committee in Paris for screening CVs to ensure consistent quality of lawyers. Training is done under the umbrella of the Gide Academy, with training sessions organised in inter-office practice groups, via video and conference calls as well as by meeting up regularly. “The new generation of Gide lawyers is integrated and part of a worldwide firm,” said Eck.

Schiffer said each Beiten Burkhardt office had at least one equity partner to ensure strong leadership. New recruits to the firm spend time in a German office to get a feel for the firm before transferring.



His philosophy for international expansion is to create a competitive edge vis-a-vis Beiten's national competitors.

### **Managing costs and boosting performance**

Any organisation can cut costs by making redundancies, and in law firms — where the biggest cost driver by far is lawyers' salaries — this is especially true. Burges Salmon managing partner Guy Stobart led a discussion, together with Barrocas Sarmiento Neves name partner Jorge Neves, on how best to manage a law firm's costs while also boosting performance. In today's economic climate, Stobart acknowledged the specialist skills needed to manage people in a downturn: "It is a huge skill," he said. Top of the list of priorities should be maintaining staff motivation in order to buoy productivity.

Delegates were asked to give three examples of ways in which their law firm has successfully managed or reduced costs. Introducing new IT systems was a commonly-cited method of managing costs, from using systems to record time online, to automatic invoicing, to using IT to improve knowledge management. One tip a Ukrainian delegate gave was to allow IT firms to test their software on law firms, which entitled the firm — a new player in Ukraine — to a significant discount.

Partners were also keen on regular cost-checking as a means of cutting costs. Making sure finance directors can provide weekly information on the firm's financial situation is key, as it allows close monitoring of expenses against the firm's budget as well as allowing partners to react quickly if an unexpected overspend has knocked the budget off course. Jorge Neves said his firm had a strategy committee in place, with partners and associates micro-managing costs in small groups — the end result being "quite a lot of savings being made", according to Neves.

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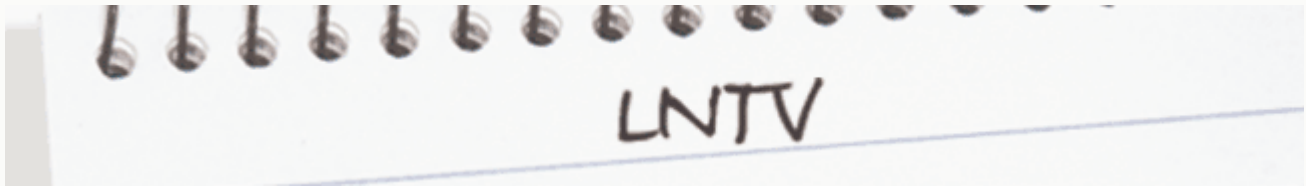
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