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Law firm networks – Catching the white whales

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Networks are becoming more enterprising and bold in their pursuit of key in-house counsel – the ‘white whales’. Should indies take the plunge with them?

Since the recession many in-house counsel have seen their budgets cut and their resources dwindle. With greater accountability for what they spend and the quality of work, corporate counsel in global businesses are looking beyond international firms for cost-effective solutions.

Law firm networks, which have seen unprecedented growth in the past couple of decades, have become a way through which independent firms with little or no international presence can access the cross-border stage. More particularly, networks are being seen as a channel for smaller firms to hunt down the so-called ‘white whales’ of the corporate world – key general counsel.

“People talk about the economy turning around and how we’re bouncing back,” **First Law International CEO Orlando Casares** says. “Seven years have passed but we’re no richer and GCs are seven years more critical. They go to work in an environment that doesn’t resemble the company that hired them years earlier. Who, if anybody, is sympathetic enough to listen to the GC?”

What is surprising is that in-house counsel might have worked with some form of law firm network before but are just unaware of it. International firms without offices in their clients’ preferred geographical location may have liaised with local firms in the area in the past. “Magic circle firms in the UK would rely on small networks to complete things where they cannot reach,” says Casares.

He argues that the idea of the network has existed for some time, with smaller independent firms depending on referrals from large or international ones.

“One of the great things about the recession is that GCs have become more critical,” he adds. “The typical GC now in a large corporate panel should have a magic circle firm, a couple of medium-sized firms and perhaps some locals. They need to be able to say, who can do this piece of work the best?”

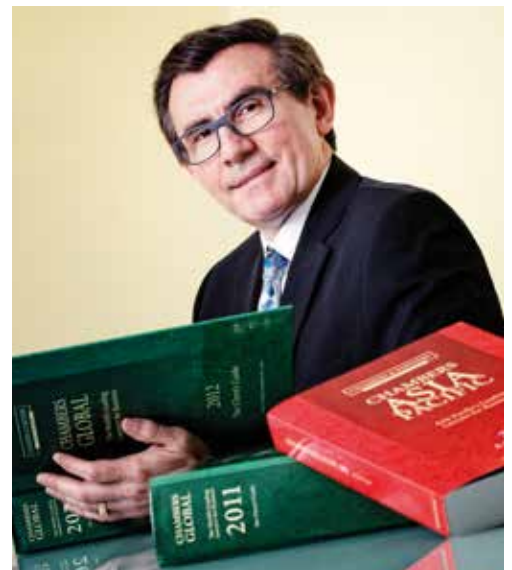
“There’s even a network between the top-tier firms,” Casares says. “They have their own law firms and then firms with whom they have a ‘best friends’ relationship, as well as lots of approved contractors. They want to tell the client they can serve them around the world.”

Casares says budgetary restraints will give networks an unprecedented opportunity to prove their value to cash-strapped heads of legal.

“There will always be some level of work that the deep-pockets will gravitate towards,” he argues. “At some point even that level of work will be up for grabs.”

He believes the days of mega-firms dominating the international market are “over”, but that they “won’t go down without a fight”.

Casares says: “The talent is going to rise with or without a network. If you have a capable young attorney, he or she will rise through the ranks. If there ever was a flight of talent from local to international law firms it was to do with salary.”



Orlando Casares

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Forging links with GCs

Convincing corporate counsel they should choose a network over an international firm can be a daunting task. Many networks opt to forgo the cold-calling and wait until the opportunity for an introduction presents itself.

Like many other global networks, TAGLaw is of the opinion that in-house lawyers will be more willing to accept referrals between network members if they are introduced by independent firms they are already working with. The network, which has 150 members in 85 countries, works exclusively through recommendations from member firms.

“Our approach has been to have some experience on both sides,” TAGLaw president Robert Sattin says. “We believe in-house counsel will be attracted to a lawyer or a firm before they will be attracted by a network.”

It is the same for the **Meritas** network, where about half the referrals are generated within global regions. “We aren’t cold-calling or contacting companies that don’t already have something to do with our firms,” president Tanna Moore explains.



Mendelssohn

But this is not the approach of all networks. **MSI Global Alliance** chair James Mendelssohn says networks in general are approaching in-house counsel more.

“The interesting thing is how the networks themselves are beginning to relate to GCs rather than going to their member firms,” he explains.

Mendelssohn believes general counsel are more willing to listen now because they are trying to adapt to tightened budgets.

“If I were a CEO and my in-house counsel continued to buy all legal services from a magic circle firm, I’d fire them,” he says.

Other networks are taking a more proactive stance, approaching in-house counsel at pitch meetings alongside independent firms or organising conferences to enable their firms to mix with general counsel.

Lex Mundi, which has 160 members in more than 100 countries, is a prime example of this approach.

President Carl Anduri says: “We try to reach the largest group of corporate counsel possible through the limited manpower and budget we have available. The corporate counsel events we sponsor have a wide range of companies, but tend to target larger ones.”

To seal the deal with sceptical in-housers, networks have to prove they have what it takes to provide the services they need on a global scale. For many, this means precise communications and objectives.

Educating in-housers

So what do in-house counsel want? For networks, their geographical advantage is just one of the factors that might make them appealing to general counsel who want to take the next international step.

Moore says in-house lawyers ask Meritas for a plethora of prerequisites, with a focus on experience rather than geography.

Kara Preedy, partner at **L&E Global** member firm **Pusch Wahlig Legal**, says that it is cost control that is the deal-breaker for many in-house counsel.

“We say that we expect to take such a time at such a cost, and ask them to let us know if that’s possible,” she says. “It’s efficient cost control because they know the price.”

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One of the biggest problems networks face is that some in-house counsel do not know what they have to offer – or, even worse, do not even know what networks are.

Anduri says networks have to be prepared to provide some education when approaching in-housers.

“The general challenge is that there are thousands of corporate counsel and no networks have the resources to reach them,” he says. “In-house counsel are isolated in a sense because the resources they have are in their department. They can be competitors with other departments so they look to their outside law firms for their resources.”

Justifications

The chance to help independent firms while looking for specialised skills in a tough economy is not enough for in-house counsel, who have to sell the idea of using a network to their companies.

With hundreds of independent firms in many countries, networks face the challenge of co-ordinating them and producing high-standard work for demanding general counsel. For many networks there is no chance of anything getting lost in translation, as membership requirements demand firms offer their services in English.

More complicated is managing the firms that are part of networks because they want to take advantage of referrals without sacrificing their identity and independence.

“Firms enjoy being independent,” Mendelssohn says. “The fact they’re independent means standards are higher.”

He believes a big problem that networks face comes from the fact they do not deal with the majority of lawyers who work directly with in-house counsel, which means they might miss out on key referrals.

“The risk of networks is that you tend to know a limited number of people in the member firms,” he says. “The more we can do to generate referrals for our member firms, the better for the network.”



Sattin

Mendelssohn says that in MSI there are benefits to involving other people from member firms in the workings of the network.

“You have a sudden spike of activity and see referrals that were not there before,” he explains.

TAGLaw’s Sattin says that firms “don’t want to do wrong” and that trust is the most important part of working with a network.

These guarantees are largely put in place by networks, which screen members before letting them in.

Moore says the courting process takes between three and six months.

“It’s like dating – you have to make a commitment to the organisation and live up to the standards we have,” she says.

“Everybody is encouraged to refer work within the group,” says **World Law Group** president Emer Gilvarry. “Some countries will not get as much work as others because of the way work travels. The larger the client, the more likely it will be that they are conducting business.”

What in-house counsel might also want to consider is that international firms work as a network too, many times filling geographical gaps with quality independent firms they refer to for specific projects.

Anduri says: “One of the things we have learned from corporate counsel is that they want their lawyer to know about their company. We’re trying to encourage our firms to do that as a network.”

Preedy adds that networks are well-received by general counsel because the latter have a need for their services.

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“People are astounded at what we’re doing because they’ve been looking for it but have not been able to find it,” she says. “A lot of firms have that international responsibility but don’t know the laws of the countries. Most work with local firms and find it difficult. They have resources, time and cost issues. We can co-ordinate it all.”

In terms of costs, in-house lawyers may be saving a chunk of money when working with networks because the prices of individual firms are adapted to the local market and currency. Many of the networks that charge for membership will see independent firms footing the bill rather than corporate counsel.

Temptations for GCs

Should in-house counsel take the plunge and move forward with networks? It is clear that one size does not fit all, and general counsel will have to weigh their options before putting strategic projects in their hands.

As for independent firms that are yet without a network, they will have to weigh the benefits these connections have to offer against the costs of being part of a network.

For TAGLaw, networks are not just an opportunity for small firms, but a matter of survival.

Sattin explains: “We talk to firms about the fact they can no longer think of themselves as a local if they want to survive. We say – pick a network you’re comfortable with and in which you have good relationships with other members.”

Mendelssohn adds that local firms can access an international platform with substantial benefits.

“Firms enjoy being independent – the fact they’re independent means their standards are higher,” he says, adding that MSI has a turnover of about 3 per cent a year in terms of firms leaving and new ones joining.

General counsel may begin to see that talented lawyers no longer gravitate towards international law firms as they see better opportunities to be involved directly with international projects in a firm that is part of a network.

Preedy adds: “It’s a great tool for recruiting young associates. You can work internationally and you have a nice team, but you do the same kind of work as an international firm.”

As the gaze of companies turns to Asian and African markets, networks could be set to profit from the demand for specialist expertise.

Anduri notes: “It’s a big market and there’s a lot of interest in Africa – the Asia Pacific region. Everyone will have to have Africa resources and we’re well-positioned.”

There may be a golden future for networks that are able to deliver results and build on relationships with corporate counsel, but only if they are able to use their connections to their full potential.