

# GLOBAL LEGAL SERVICES IN A DISRUPTIVE WORLD

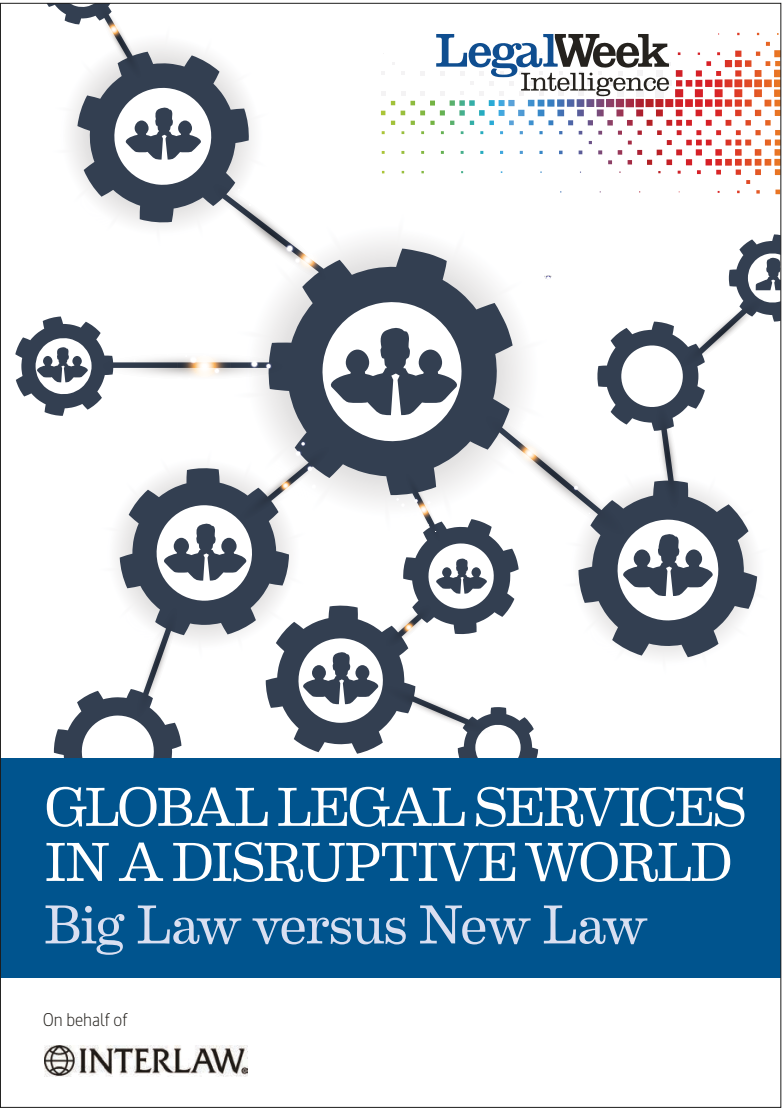
## Big Law versus New Law

On behalf of



# Contents

Summary	4
What are GCs looking for?	6
A genuine global presence?	8
Cracks in ‘Big Law’ model?	10
Networks gaining ground, but will they win overall?	11
One size does not fit all – indie strength?	13
Conclusion	14



**Legal Week Intelligence is the independent research division of Legal Week, part of the ALM Media group of leading business publications.**

For over 10 years, Legal Week Intelligence has conducted research for global and national law firms, companies and vendors as a group or individually, under strict Market Research Society guidelines, on generic and industry specific topics. Research can be in the public domain or form part of a confidential project for individual clients on a bespoke basis. Over the years, we have reached out to thousands of associates, partners and general counsel.

We advise business leaders on their critical issues and opportunities including strategy, marketing, operations and technology. We work with leading organisations across the private, public and social sectors. We have deep functional and industry expertise as well as breadth of geographical reach.

In all cases, Legal Week Intelligence benefits from access to the industry expertise of Legal Week editors and journalists, a dedicated research & analysis team and the global reach of ALM Media and its affiliates. This enables our clients to improve the quality of their decision-making by providing them with reliable data, robust analysis and actionable advice.

We focus debate on the most important and pressing issues using scalable research products and a flexible multi-media output. Furthermore, we emphasise the conversion of our information into actionable advice and we strive to leave businesses stronger after every engagement.





# Summary

## About the research

Interlaw, the elite global law firm network, partnered with Legal Week Intelligence, part of ALM Media, to uncover the key drivers in general counsel (GC) decision-making when instructing external lawyers globally. This report is based on a comprehensive survey, conducted by Legal Week Intelligence on behalf of Interlaw, of 102 senior in-house lawyers and purchasers of global legal services, and 55 independent law firms across 41 countries.

The research findings shine a light on how the legal sector is adjusting to meet the needs of ever-demanding global clients in a volatile world of unprecedented and often unforeseen developments, caused frequently by technological advances and political turmoil. While such occurrences will be viewed by most as disruptive, they create exciting opportunities to challenge the traditional global law firm model.

## Key findings

This report, published in February 2018, underlines several themes, including the constraints of 'Big Law' law firms, often borne out of political infighting between different overseas offices; the rapid rise of law firm networks; the difficulties faced by some independent law firms in winning international mandates; and the importance of promoting a firm's autonomy when pitching for work. It also reaffirms the widely-held belief that today's GCs are continuing their quest to find a panacea for the provision of their global legal services – a provider that combines high quality service, a global footprint, local insight and cultural awareness. In the end, the geographic arms race to create a global platform that offers clients rapid access to top quality and seamless legal advice, regardless of where in the world they are headquartered or operate, rages on.

## Evolution of the networks

Over the years, law firm networks have sometimes been described as hugely expensive 'social clubs', standing little chance of securing a victory against the Goliaths of the legal market. However, this report shows that they are now credible players, leading some of the charge on innovation and changing working practices in the legal market.

Indeed, with 77% of the in-house lawyers surveyed describing their experience of using law firm networks as 'excellent' or 'good' the model is clearly gaining momentum. Meanwhile, 87% said they either 'strongly agreed' or 'agreed' with the following statement: "I'm increasingly more focused on ensuring I receive a quality service in each jurisdiction in which my organisation operates, than the structure of my legal services provider." Moreover, 46% said they either 'strongly agree' or 'agree' that they already use, or intend to use, law firm networks more for work outside their home jurisdictions.

The respondents went on to describe networks as 'convenient', 'dependable', 'efficient', 'effective' 'professional' and reliable. That said, there is still work to be done, with some respondents using words such as 'complicated', 'confusing', 'impractical', and 'inflexible'.

Many of the independent law firms surveyed also recognised the value of the network model. More than two thirds (66%) said they are a member of an external network or are in the process of joining one. The independent firms were asked to rank the benefits from their experience of working with legal networks, with cooperation between firms coming out on top.

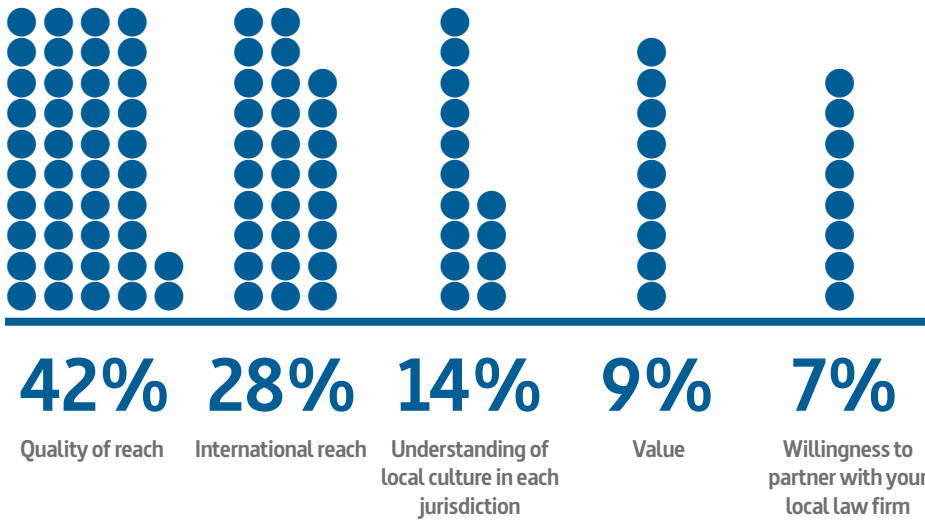
## A genuine global footprint

This is all against a backdrop of major international law firms retreating from certain jurisdictions, closing offices or severing ties when mergers have turned sour. Added to this, the research found that a sizeable 83% of international law firms' headcount is based in the UK, Europe or North America (see map on centre pages), raising legitimate questions about whether such firms do indeed have a truly global presence.

# What are GCs looking for?

In selecting legal services for matters outside of their home jurisdictions, GCs are on the hunt for quality. While some expressed a preference to work with the relevant office of their international law firm or gain access to an international network via their domestic firm, the majority of those in-house lawyers surveyed were not focused on the nature of the provider. Nearly two thirds (66%) said the structure of their external counsel was less important, provided they could be confident of good quality advice.

## Most important considerations when selecting a law firm outside a home jurisdiction



When asked specifically about the most important factors shaping their procurement of international legal services, the emphasis on quality advice came through even more clearly.



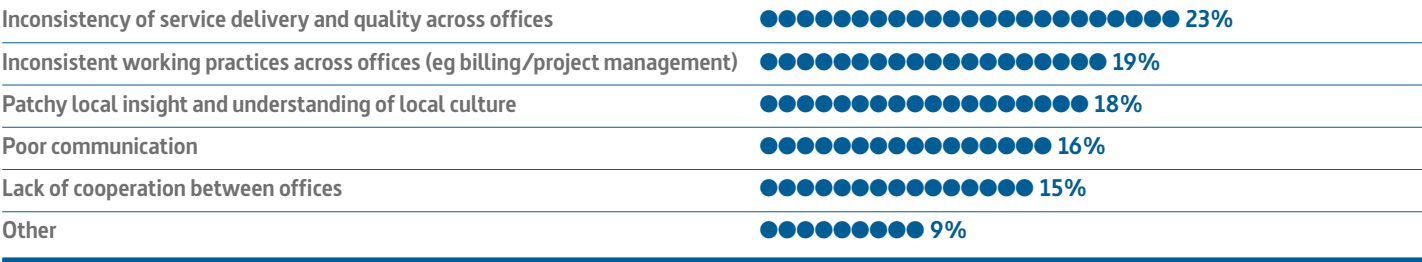
**“I pick lawyers based on reputation, expertise and cost, rather than the name on the door.”**

Bjarne Tellmann, chief legal officer,  
Pearson, New York, US

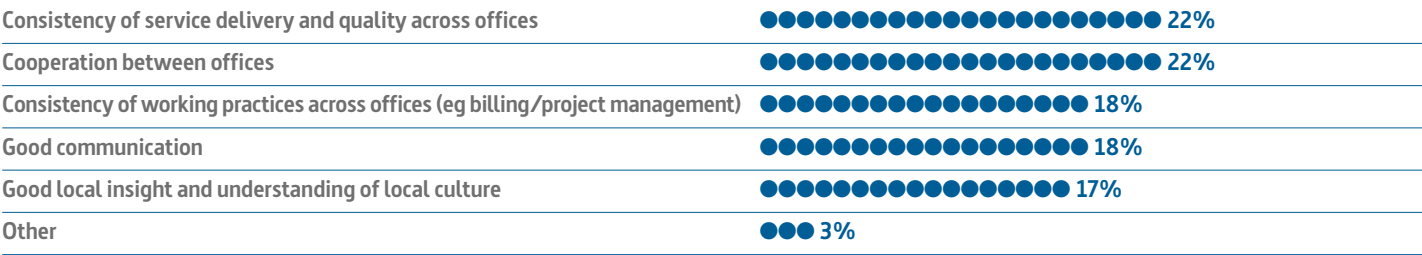
For those GCs who work with international law firms, consistency in quality and service delivery between offices and good cooperation between teams were cited as the main benefits. However, this was also an area where other in-house lawyers said they encountered issues. Other challenges highlighted included inconsistent working practices across offices, patchy local insight and understanding of different cultures.

Tom Flynn, GC at US tech company Tangoe, says he typically receives a better, more responsive experience when using global referral networks: “On one occasion when I ventured out and used a large international law firm for advice on data privacy, I had the worst experience I have had since using outside counsel. They basically gave me a collection of comments on things from all of their local offices, there was no practical advice, I had a junior person, and it cost me a fortune.”

## Challenges of using international law firms



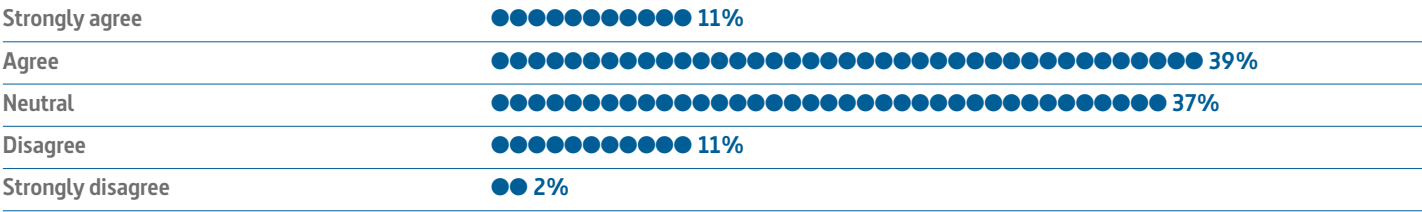
## Benefits of using international law firms



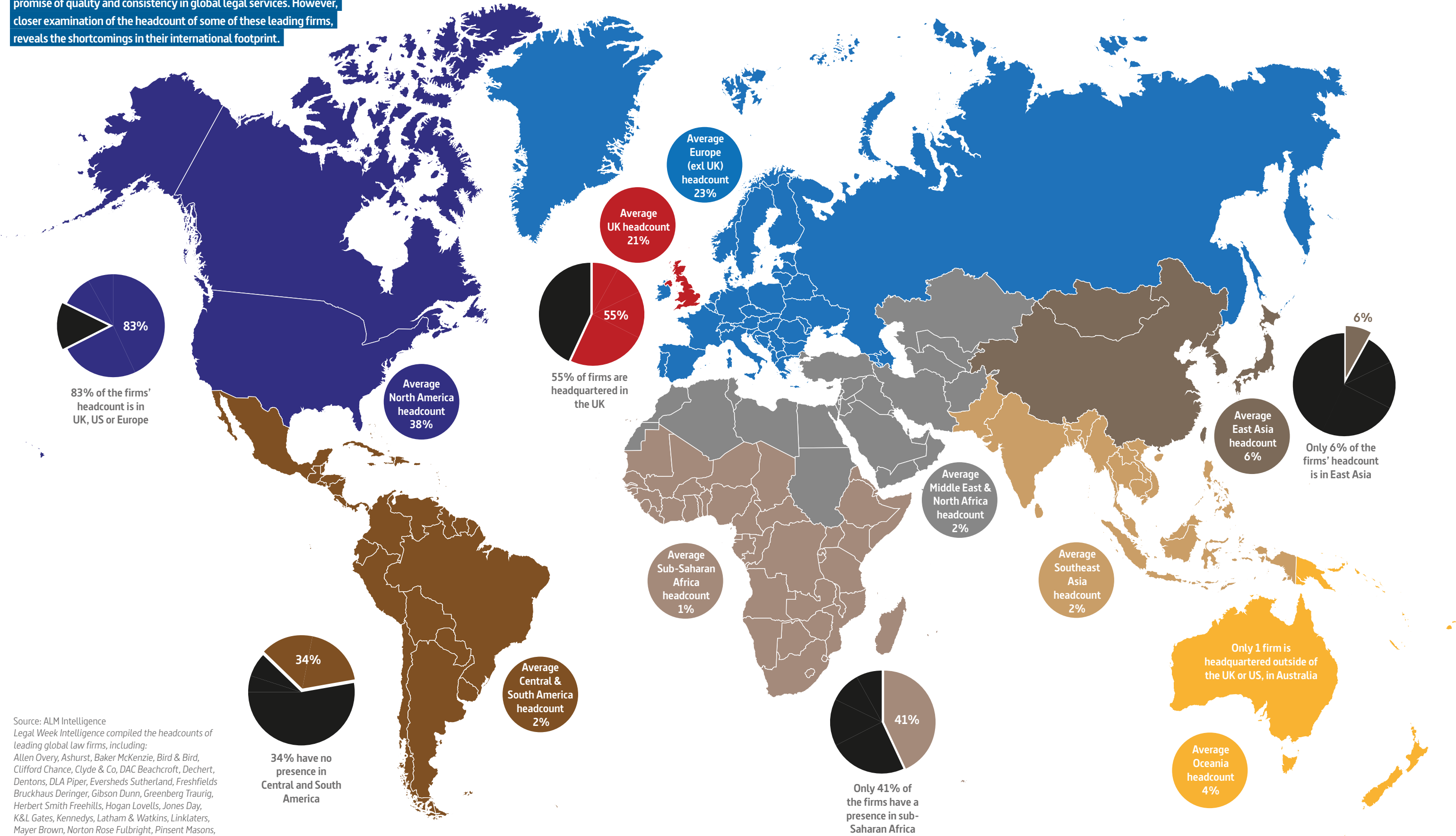
GCs also said they found it difficult to find a firm with global offices that also serve the practice areas they need. Indeed, half the in-house lawyers surveyed said that as global law firms continue to grow, they become increasingly bogged down by internal operating pressures at the expense of client service.

## Big law growing pains?

To what extent do you agree with the following statement? “As global law firms have grown to become large corporate entities, they have become increasingly bogged down by internal operational pressures (such as managing and investing in the infrastructure that comes with being a large business) – to the detriment of client service.”



The 'Big Law' approach has seen large corporate entities sell GCs the promise of quality and consistency in global legal services. However, closer examination of the headcount of some of these leading firms, reveals the shortcomings in their international footprint.



Source: ALM Intelligence  
Legal Week Intelligence compiled the headcounts of leading global law firms, including: Allen Overy, Ashurst, Baker McKenzie, Bird & Bird, Clifford Chance, Clyde & Co, DAC Beachcroft, Dechert, Dentons, DLA Piper, Eversheds Sutherland, Freshfields Bruckhaus Deringer, Gibson Dunn, Greenberg Traurig, Herbert Smith Freehills, Hogan Lovells, Jones Day, K&L Gates, Kennedys, Latham & Watkins, Linklaters, Mayer Brown, Norton Rose Fulbright, Pinsent Masons, Reed Smith, Skadden, Squire Patton Boggs, White & Case, Winston Strawn

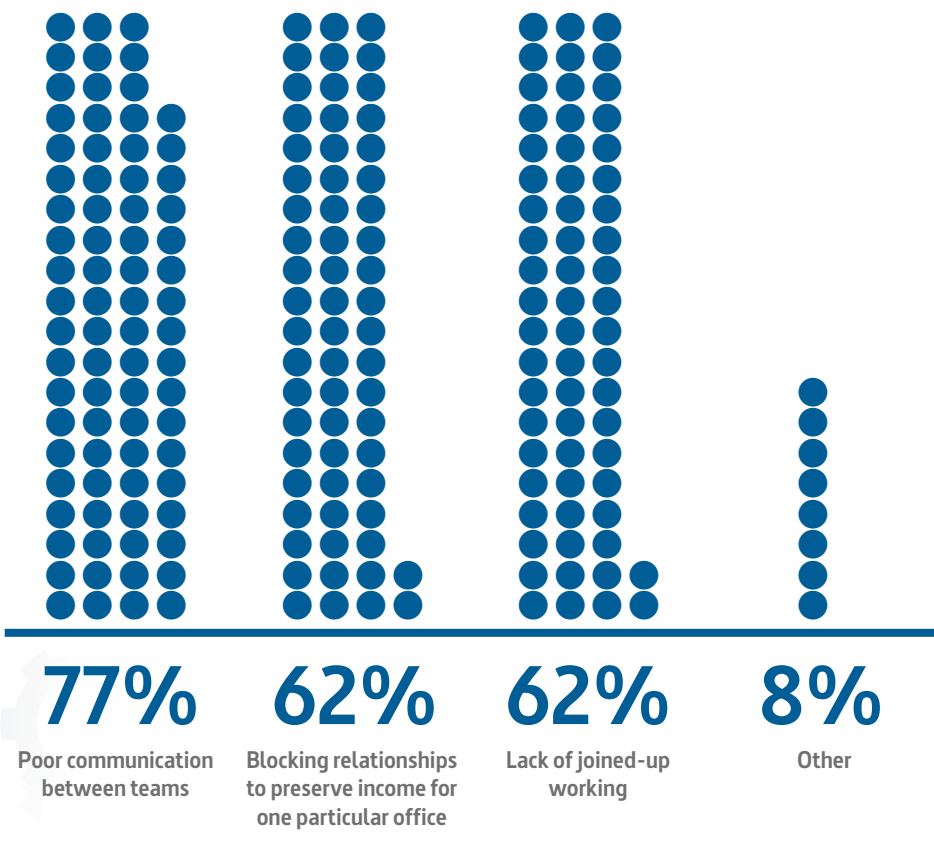
# Cracks in ‘Big Law’ model?

In addition, almost half of in-house lawyers said they are aware of inter-firm political wrangling between the offices of international law firms, with half of those stating such politics had a detrimental impact on the firm’s ability to deliver a good service.

In those instances, GCs complained of a lack of joined up working, poor communication between teams, and relationships being blocked to preserve income for one particular office. As one former international law firm partner highlighted: “In terms of career advancement, income secured for the local office is always valued more than referred revenue.” This of course depends on the culture of the individual firm, with some being more progressive in their approach to collaboration than others.

However, the concept of cooperation appears to be somewhat at odds with the client experience some GCs reported. Instead, a more protectionist approach to work seems to prevail in some individual offices, to the detriment of a client-centred approach.

How would you describe the impact of inter-firm politics on the service you receive?



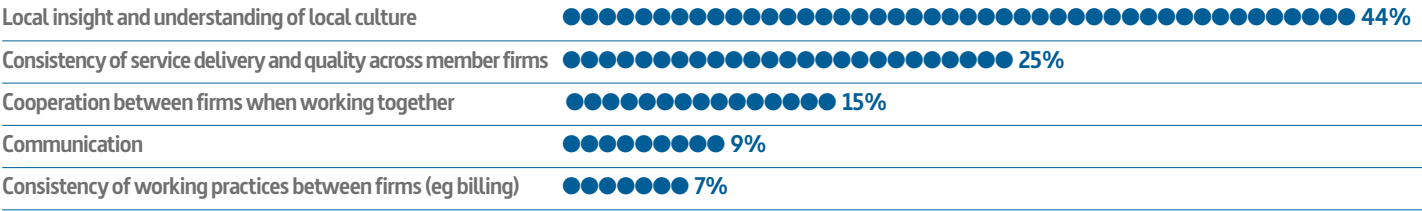
# Networks gaining ground, but will they win overall?

Many GCs will continue to use large international law firms when seeking external counsel for cross-border activities. However, as the legal market becomes more sophisticated, many are increasingly open-minded about using alternatives to the traditional international law firm model. Almost half of in-house lawyers surveyed said they already use or intend to use a network of independent law firms, while 23% of them described their experience of using networks as ‘excellent’ and another 54% saying it was ‘good’.




**“It’s been extremely useful when we need to source local counsel in areas where we might not have that thumbprint available.”**  
Vince Cordo, global sourcing officer, Shell, Houston, US

The respondents said the most important benefit of using a law firm network is greater local insight and cultural knowledge, followed by consistency of delivery and cooperation between teams



In the survey, in-house lawyers said another key reason for using a network member firm is that they are typically better value, offering more competitive fees with a more intensive level of client support.

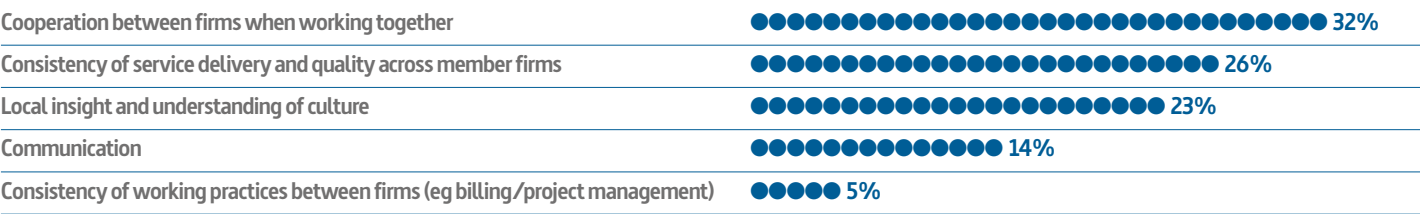


**“If I refer one of my clients to a big global law firm, that is okay if they are a big client. However, if they are not so big then they know price will be an issue and they know with big firms that the attention is on a lower level. With the more boutique services it tends to be faster and the price is in a better range.”**  
Ricardo Sitzler, senior manager for business development, Amicorp, Sao Paulo, Brazil


Many independent firms also recognise the value of such law firm networks. More than two thirds said they are a member of an external network or are in the process of joining one. Independent firms ranked the benefits from their experience of working with legal networks, with cooperation between firms coming out on top.



How would you rank the benefits from your experience of working with legal networks?




Some networks encourage their members to develop close relationships with other member firms, making it easier for them to call on fellow network lawyers for informal advice and guidance on matters, or when trying to win client work. In contrast to the typical international law firm model, referral networks are about collaboration and building trust.



**“We wanted to have a referral network where we knew our clients would be properly looked after but not poached by the referring firm.”**

Jim Harrowell, partner, Hunt & Hunt, Sydney, Australia


It is this emphasis on collaboration and camaraderie – where people strive to perform at their best because they do not want to let their network colleagues down – that sets some law firm alliances apart from others.



**“Perceptions of networks have changed and are continuing to change because they have evolved significantly in the past two decades. However, not all networks are the same, so it can be a little limiting to define them by structure alone. Progressive, professional networks understand the collective power of their member firms to be able to best serve the needs of today’s multinational client.”**


Michael Siebold, chair of Interlaw

The extent to which networks assess and vet their members so users can be confident service delivery will be consistent across firms, also helps distinguish the level of quality between different network providers.



**“Maintaining your credibility is critical when growing and nurturing client relationships, so having access to the brightest legal minds throughout the world that deliver quality results in an efficient manner to your clients is invaluable.”**

Angela de Cespedes, partner, Akerman, Miami, US



**“What’s very important for us is knowing that the management team has done its due diligence, and because we know that has been done we are very comfortable picking up the phone and calling for example, our network firm in Bolivia or in Brussels and recommending them to our clients, because the trust is there.”**

Nick Torchetti, partner, Aird & Berlis, Toronto, Canada.

With in-house lawyers favouring quality of service over the structure of their legal provider, and as more independent firms recognise the benefits of being a member of a law firm alliance, networks that can offer reliable, consistent and cost-effective local advice on a global scale are well placed to claim victory in the geographic legal services provision.

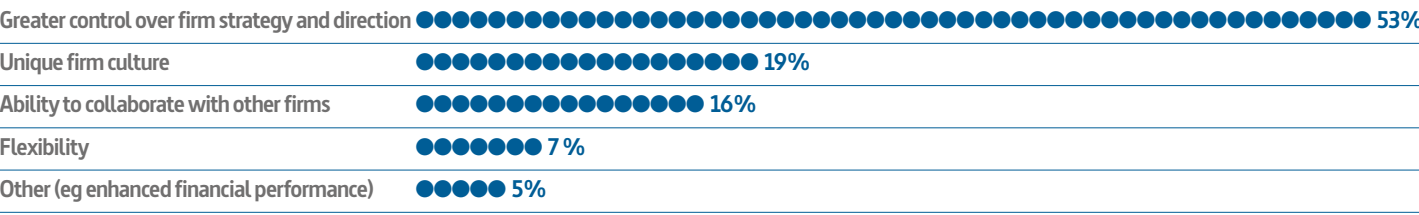
One size does not fit all – indie strength?


In a business world that is becoming increasingly homogenous, independent law firms pride themselves on their ability to think and practice differently, and are increasingly embracing the opportunities that come with collaboration as a way to compete with international law firms.

Rather than the Big Law ‘one-size-fits-all’ approach, independent firms that work together are able to offer multinational clients genuinely local insight. The challenge for professional networks is to deliver their services in a seamless way for the benefit of global clients.

More than half of the firms who took part in the research said they valued their firm’s independence because it gave them greater control over their business, followed by a more unique culture and an ability to collaborate with other firms.

How would you rank the benefits of your firm’s independence?






**“We truly value our independence and we wouldn’t want to lose that. We’ve had offers [to sell to international firms] but if you go down that path you lose your DNA and what made you successful in the first place; we don’t need to be part of an international law firm to attract work.”**

Pablo Mijares, partner, Mijares, Angoitia, Cortes y Fuentes, Mexico City

Almost three quarters of independent law firm survey respondents said they promoted their firm’s independence when pitching for work, highlighting their flexibility and lack of internal conflicts. For instance, one respondent said independent law firms do not have to act on internal policies and are free from complicated conflict checking. Another said their firm can tailor its relationships to each of its clients’ unique needs quickly and without having to deal with excessive red tape. Another reason for promoting a firm’s independence is that it demonstrates a firm is an expert in its region in terms of local laws and customs.



**“The normal selling point if you’re in a smaller firm is the personal attention from the partner, and not just being treated like a sausage in a sausage factory. They like getting the commitment of the partner to producing the solution that they need – that’s harder to get in an international firm and a lot more expensive.”**

Bill Jamieson, partner, Colin NG & Partners, Singapore

Independent firms answered a number of client concerns regarding autonomy. One firm noted more flexibility when negotiating rates and fee structures to satisfy the clients’ business needs. Another said their clients liked that they are treated in a more personable way than by large international firms. Other reasons include local knowledge and experience, flexibility and less bureaucracy, and speed and choice of counsel in their jurisdictions.

# Conclusion

With consistency in quality of advice across multiple jurisdictions becoming more important than the structure of the legal services provider, the needs of the global client have exposed many weaknesses in the longstanding traditional international law firm model, especially ones whose growth has been spearheaded via an aggressive acquisitive model of expansion.

## The importance of collaboration

Meanwhile, at the opposite end of the scale, there is a clear acknowledgment among independent law firms that they need to be part of something bigger in order to compete with the international giants.

## Effective use of technology

This is especially the case for those independent firms pursuing large-scale cross-border deals, with many multinational clients remaining dubious about such firms' ability to deliver this to the same level as an international law firm. Other challenges of remaining independent cited by those surveyed included financial constraints in competing for the best talent, and not being able to spread costs.

However, innovation in technology came through clearly as one of the biggest areas where independent firms believe their larger international rivals have the competitive edge, with centralised departments of specialists on hand to roll out the necessary infrastructure. Raising their international profiles was also cited as an endeavour for independent firms, and the professional networks that are really thriving are investing heavily in branding, wise to the fact that global buyers often want the reassurance of global suppliers. These networks are also committed to substantial and ongoing investment in technology and infrastructure, training and better external communication to ensure member firms can work together seamlessly.

## The need for action

Clearly, much more must be done across the legal sector to create a dynamic and truly global legal services offering. All providers, despite whatever model they subscribe to, need to keep pace with the requirements of their current clients as well as the ones they wish to win business from in the future. However, as international law firms continue to determine their future global strategies, they must acknowledge that the network model is now a plausible threat.







On behalf of

