Independence? It works for us

Travers managing partner David Patient on building relationships in a global market
Leader

Independent firms can still be global

When the alliance between Herbert Smith, Gleiss Lutz and Stibbe fell apart three years ago, it was the start of a new era for all three firms and their partners. While Herbert Smith went global, Gleiss opted for a non-exclusive European alliance and Stibbe has remained stubbornly independent.

Meanwhile, the former director-general of the alliance, Olivier Clevenbergh, decided smaller was better and launched a boutique. Two years on, Belgium’s Strella has forged a series of strong referral relationships allowing the boutique to access top-quality work from a range of clients. There are no huge secrets to Strella’s success – just hard work and a lot of phone calls and meetings.

In pursuing this approach, Strella has adopted the model employed for years by the likes of Travers Smith or Macfarlanes. At last month’s European Legal Networks Summit, Travers managing partner David Patient revealed the firm receives upwards of 300 visits a year to its London offices, while investing heavily in travel around the world to make its own contacts overseas.

That investment led Travers to work with more than 200 firms in 100 countries last year. Patient believes this model, which some have described as the firm’s Achilles heel, remains a more economic way of working internationally.

Certainly Travers has no intention of following so many of its former City rivals into a global merger. Both Patient and Clevenbergh are confident that the current trend for boutiques will mean there remains a vibrant and thriving referral market between independent firms, despite the growing competition from both international law firms and the accountants.

Indeed, as Nixon Peabody director of regional sales David Kaufman told the summit, although there are thousands of lawyers now working in the London offices of US firms, there remains a vast untapped market for European independents to work with regional US players lacking an international presence.

Many European independent firms are examining their international strategies, weighing up the benefits of joining a membership network or pursuing closer relationships with a small number of best friends. But perhaps the success of Travers over the years shows that having strong relationships with hand-picked firms around the world remains the simplest and most effective way of picking up those valuable cross-border mandates.

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Eder J’s early retirement highlights a judiciary plagued by low morale
Following the news that Mr Justice Eder is retiring early from the bench, The Lawyer asks whether low pay and low morale in the judiciary could result in others following suit.

York and City uni students crowned UK’s brightest legal minds
Two of the country’s sharpest legal prospects have walked away with a £5,000 prize, as well as the title of Future Legal Mind 2015, for their essays on access to justice.

The Lawyer Eats
Nicky Richmond learns to fly, Thai-style, at The Heron in London’s West End (pictured below).

Joanne Harris, special reports and Europe editor
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Making the link

Travers’ determination to stay independent was once seen as its Achilles heel. But maybe it was ahead of its time

Referral networks are a tricky thing to get the most out of. How many firms should you be ‘best friends’ with? Should you be part of an exclusive network or is it better to be polygamous in your referral affairs? And when does your firm cross the line from being independent to being international?

These questions were among the main topics of conversation at The Lawyer’s first-ever European Legal Networks Summit in association with Thomson Reuters, held in London last month. Senior and managing partners as well as general counsel from more than 20 European gathered to brainstorm the best ways to leverage relationships in today’s international market.

There was no single answer to the questions above. But if delegates agreed on one thing, it was that monitoring the quality of those you are referring work to is paramount, and not always easy.

The sessions revealed that many firms or networks are at the forefront of innovation in the legal market, employing unique strategies to leverage relationships to maximise client service, for example Charles Russell Speechlys’ bespoke alliances for Nike and other clients.

Here are some of the highlights of the summit and the key lessons to be learned.

TRAVERS SMITH: A ‘LEGAL QUARTERBACK’

The background
Travers Smith is, famously, one of the few remaining City-headquartered firms with little or no international presence. Its only overseas office is in Paris, but the firm does not practise French law.

Amid rapid growth and consolidation by much of the market, only Travers and Macfarlanes have stuck to this strategy while others – Alsop Wilkinson, Denton Hall, Frere Cholmeley and Rowe & Maw – have vanished into some of the world’s largest firms (now DLA Piper, Dentons, Eversheds and Mayer Brown respectively).

Managing partner David Patient acknowledges that the market has not always understood Travers’ strategy.

“Our international strategy has at times been described as our Achilles heel,” he admits. “But going it alone is now the thing to do.”

The Travers model
“Our international strategy is founded on our independence and
is something we value above all else,” says Patient.

The firm works with independent peers that it believes are the best in class in each jurisdiction. It has multiple best friends in each country, although usually a maximum of three. Last year, Travers worked alongside over 200 other firms in nearly 100 jurisdictions. “One could argue that’s spreading ourselves a bit thin,” he admits.

He describes the firm as a “legal quarterback” as it “assembles the best players and coordinates the rules” of the game being played.

Each Travers partner has complete freedom to choose which firm or individual to work with on a cross-border transaction. Patient says what Travers is selling is “the ability to put the best legal team on the pitch”.

There is an international element to around half of Travers’ work and Patient says inbound referral business accounts for “many millions” of the firm’s £97.2m turnover.

Building the relationships takes a significant amount of time and investment. Patient sums up the process as “travel, travel, travel”, which he claims is a less expensive way of running international work than having an office abroad.

Conferences such as the International Bar Association’s are also useful and Travers receives more than 300 visits a year to its London office from current or prospective referral partners.

At any one time there are a number of Travers associates on secondment overseas and a number of lawyers from overseas firms on secondment in London. Patient dismisses any argument that not having an overseas office deters potential new joiners. “Success isn’t determined by size,” he adds.

The advantage for the client

Although Travers does not have a branded network or exclusive relationships, it prides itself on offering clients a seamless service. “The product is at least as good, if not better, than that offered by our competitors,” believes Patient.

Clients often do not have a direct relationship with a foreign firm on a cross-border deal – if they instruct Travers, the firm delivers a single engagement letter, one due diligence report and, perhaps most importantly, one bill. As independent firms are all “relationship seekers” there is an advantage for all the firms involved in being attentive to making the relationship work.

“We prefer simplicity and we think clients do too,” Patient says.

The independent elites

STARING FROM SCRATCH

The background

Across Europe there has been a pronounced and continued trend for partners or senior associates to launch independent boutiques.

One of these is Belgium’s Strelia, established in 2013 by a team of partners from large Benelux firms Stibbe and NautaDutilh and smaller Belgian outfit Tossens & Associés.

Strelia scooped the title of European referral firm of the year at The Lawyer European Awards this year, after a nomination from a referral partner praised its quality, noting that the firm gave back work equal to that it received.

“Within a short period of time, the firms grew to trust each other in that their lawyers would go the extra mile for a client referred by the other,” said the nomination.

Establishing the relationships

When he launched Strelia, founding partner Olivier Clevenbergh brought significant experience of working alongside other firms. Clevenbergh had previously been the secretary-general of the alliance between legacy Herbert Smith, Gleiss Lutz and Stibbe before it dissolved in late 2011.

Clevenbergh says the founding partners’ experiences of much larger firms meant they had the background and contacts to begin building referral relationships from day one.

“Being active in referral relationships was one of the elements of the business plan from the start,” says Clevenbergh, explaining that many of the clients that followed the team to Strelia had an international focus. “We thought we’d be well-placed to do the Belgian part of the international work for the firms that didn’t have an office in Brussels,” he explains.

On launch, the Strelia team got on the phone and visited firms and clients in a number of countries to make them aware of their existence. Ensuring clients knew that Strelia could find firms of an equal quality in other countries was a key element of the plan to build cross-border relationships, says Clevenbergh.

Strelia looks for non-exclusive relationships and Clevenbergh does not expect this to change. “I can see some advantages in a network or alliance,” he says, “but I see more disadvantages than advantages.”

Making referrals work

Although Strelia started out with a number of existing matters and contacts, Clevenbergh reveals that the firm’s first inbound referral – which came less than a month after it was founded – was from a firm none of the partners had worked with before. A small French boutique, also recently-established, was looking for a similar firm to refer a matter to in Belgium and had unearthed Strelia through an internet search.

“The client referred to us has become a very big client of this firm,” says Clevenbergh. He adds that although he has not yet referred work back to the French firm, he would do if the right issue came up.

“That’s always an important part of the referral relationship – a firm which sends work likes to receive work as well,” he says.

It is among the cohort of new boutiques across Europe that Strelia has found its most fertile referral market, both inbound and outbound.

“These partners all also have international clients,” Clevenbergh says. “All these smaller firms look for smaller firms to work with internationally. That’s a new trend which makes cross-border work more important than it’s been before, when the market was more concentrat-ed.”

He believes clients are attracted to the boutique model because of the higher level of partner involvement they are likely to get.

“The relationship between a lawyer and his client is still very personal,” Clevenbergh adds. “They come to us because they trust us personally.”

Like many larger firms, Strelia offers clients a single point of contact for cross-border deals, coordinating the international work from Belgium. “This more personal touch extends to the referral relationship.”

“If you work in a network or an integrated firm, you’re generally a captive client,” Clevenbergh explains. “But we really want to impress the firm that we work with because we also want to get the next job.”

Judging by its success so far, Strelia is succeeding in its aim.

“The product is at least as good, if not better, than that offered by our competitors,” believes Patient.

Clients often do not have a direct relationship with a foreign firm on a cross-border deal – if they instruct Travers, the firm delivers a single engagement letter, one due diligence report and, perhaps most importantly, one bill. As independent firms are all “relationship seekers” there is an advantage for all the firms involved in being attentive to making the relationship work.

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Niche network

The issue
Data protection is at the heart of all businesses these days, says Charles Russell Speechlys head of data protection and cyber security Robert Bond. It has an impact on areas as diverse as social media, employment law, M&A transactions and a company’s international presence.

Issues can arise in any country – Charles Russell Speechlys and its legacy firms have advised clients on their data problems in jurisdictions in every continent, including in countries such as Greenland, Mongolia and Uruguay.

The need
In order to compete with larger, more international firms, Bond suggests that a niche practice area needs a niche network. “You may find that your needs dictate that you should create a network and lead it,” he says.

The solution
Charles Russell Speechlys, and previously Speechly Bircham, have been advising a Fortune 200 engineering and technology group on data security issues for 17 years. The firm does this through a niche network that has strict controls governing the quality of the work, the speed of delivery, commercial clarity, technical expertise and billing.

“We have general umbrella letters of engagement with every firm that bind them to the same objectives we have with our client,” explains Bond.

These controls allow Charles Russell Speechlys to manage the firms in the network with regular reviews of their work and response times.

“The do get rid of firms that won’t play the game,” Bond says.

The advantage
Bond strongly believes that the network should be “bigger than the sum of its parts”.

“The members sell the network and the network sells the members and itself,” he adds.

The firms meet up regularly via conference calls or at meetings – either organised by the network itself or by meeting up at sector-focused conferences. There are also training and secondment opportunities.

Bond says the relationships within the network focus primarily on individuals due to their niche expertise.

“Most of the key relationships are with partners, but in one or two cases it’s senior associates,” he adds.

The network has allowed Charles Russell Speechlys and its fellow network members to maintain a client relationship with a major company over a long period of time, despite the growing competition from larger firms.

Using technology to maximise referrals

The evidence
Thomson Reuters recently carried out a survey looking at the degree to which law firms use technology to support their business development and marketing.

It found there is still some way to go before technology is used extensively for this purpose.

The Thomson Reuters Elite survey found that only 13 per cent of respondents had adopted such technology across most of the firm. A further 39 per cent had “moderate adoption” (between 50 and 75 per cent of a firm) and 29 per cent had adopted technology for marketing purposes to some extent.

Firms do, however, realise that technology can be of benefit to business development, with 32 per cent of respondents saying it would make the greatest contribution to contact and relationship management and another 24 per cent thinking technology would be of most use for client and account insight.

The challenges
The survey also threw up some challenges with technology. A third of respondents have redeployed their client relationship management (CRM) system at least once and another 16 per cent say they are considering redeployment.

“The main challenge to implementing a CRM system is around people, with adoption by partners and fee-earners cited as the principal issue. This is mainly because they do not see the benefit of the technology, although a significant proportion say it is because they find it too difficult to use.

The benefits
Thomson Reuters’ legal team leader Jonathan Bell says the top benefits of investing in a business development platform were the facilitation of cross-selling initiatives, the ability to identify and build strong relationships, improving communication with clients, providing data to support business development and spotting untapped relationships.

But to make the most of these benefits, those leading the implementation of any system must create a consensus within a firm that the technology is needed and make sure the firm knows what its priorities are.

Which of the following challenges has proven to be most significant in CRM implementation?

- System design/interface/usability
- Integration of existing databases
- Integration with other existing systems (ie practice management)
- Adoption by partners and fee-earners
- Adoption by BD/marketing team and other business support
- Flexibility
- Data quality

Source: Thomson Reuters
Our main areas of expertise

M&A/Corporate
Banking & Finance
Dispute Resolution
Capital Markets
Commercial law
Tax

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L&E Global is an integrated alliance of premier employment law boutique firms advising on all worklaw related matters that international employers may have to deal with.

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The connected world: the view from the US

“How do you make your network more palatable to US lawyers who might or might not have an established network themselves?”

David Kaufman

The issue
While the summit focused predominantly on European firms, it is impossible to ignore the influence of the US on the legal market.

Nixon Peabody director of regional sales David Kaufman stresses the importance of the relationships between US firms and those on the other side of the Atlantic.

“You can’t put a fencepost around Europe,” he points out. “The US is here – what’s the big deal?”

He says that many US firms still lack a global presence and do not fully understand the issues of doing business outside their own market.

“International problems are the Achilles heel, peptic ulcer and tennis elbow of most US firms,” he says. “How do you make your network more palatable to US lawyers who might or might not have an established network themselves?”

The solution
For Nixon Peabody, the answer to handling cross-border work well has involved the establishment of what Kaufman calls a “touchdown office” in London and the careful building of relationships with a small number of firms.

“If you can develop a relationship with a firm and know a firm intimately it makes stuff so much easier,” he says.

He says European firms need to educate and explain the way their markets work to their US counterparts.

Kaufman adds that European firms should look at the way they sell their networks in order to better influence US firms’ selection processes, which often rely on existing relationships.

He concludes by pointing out that many national and regional US firms still lack an international presence – creating enormous opportunities for European and UK outfits.

Tracking new referrals

The issue
Without data it is difficult to work out exactly how effective referral relationships are. This was the issue for employment network L&E Global, which has grown rapidly since its launch in 2010 and now has a membership of 19 firms employing more than 1,500 lawyers worldwide.

Executive director Stephan Swinkels explains that international matters are an ever-increasing part of the network’s daily bread, with the number of international pitches won by the network rising from only 21 in 2012 to 74 last year.

Work is picked up through referrals, cross-selling and new clients, but there is no easy answer to the best way to win work.

Swinkels points out that referrals are the most common way to win international business and are easy to track, although difficult to coordinate. Cross-selling from one country to another has enormous potential, but it can be hard to persuade the originating firm to introduce its client to other firms.

Meanwhile, new projects can take a significant amount of time monitoring how work is flowing between members.

The network tracks every client sent to another member or associate, whether through a pitch or not.

Through use of an online database, the network tracks key information such as the source of the contact and details of pitches and the sector in which the client works while always protecting client-attorney privilege.

Since implementing the database, L&E has been able to get a much clearer grip on its workflows, which is crucial as international business keeps increasing.

Monitoring progress
Swinkels reveals that L&E Global is spending a significant amount of time monitoring how work is flowing between members.

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<thead>
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<th>International pitches won</th>
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Source: www.leglobal.org
**Can legal networks learn from other professional services?**

**The issue**
There has been significant debate recently within the sector about the advantages or disadvantages of expansion through a structure such as the Swiss verein, where a group of financially independent firms come together under one brand.

The debate heated up with the recent announcement of the creation of the “world’s largest law firm”, when Dentons and China’s Dacheng merged, as a verein, earlier this year.

Choosing the right structure – and whether to become a global firm or join a network – is tricky, says BDO senior professional services tax partner Colin Ives.

“ ‘It all depends on the strength of the glue,’ Ives says, laying out the six factors of influence in the choice firms must make: taxation, regulatory restrictions, risk, flexibility, governance and economic diversity.

**The alternatives**
Viable alternatives to the ‘global firm’ concept include alliances, associations, best friends and traditional referral relationships.

Ives points out that accountancy firms have generally moved away from the verein structure, believing they can find better legal protection under different umbrellas such as guarantee companies – a structure used by BDO, Deloitte, EY, Grant Thornton and PwC – or the Swiss cooperative structure employed by KPMG.

**The dangers**
Conflicts of interest, says Ives, remain a more significant issue for lawyers than for accountants. Despite some predicting the demise of the big four accountancy firms following the implementation of the US Sarbanes-Oxley Act in 2002, this has not happened and Ives believes the act is now understood by the sector.

He points out that the big four manage conflicts despite their overwhelming share of the audit market.

**The threat from the accountants**
With the dawn of the Legal Services Act and the adoption of alternative business structures, law firms need to be aware of the threat of multidisciplinary networks. KPMG and PwC have already gained ABS licences in the UK and all four firms are busy hiring top talent from law firms worldwide.

The accountancy firms make up a significant proportion of the legal market in Spain, Germany, Poland and France and are growing their legal capabilities in other countries, including the UK.

While Ives acknowledges that as yet the accountancy firms are not doing “top 20 type work”, he predicts that inevitably they will “slowly move further and further up the value chain.”

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### Other professionals: structural choices

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<th>Network brand/firm</th>
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| Local LLP | Local GP | Local Ltd |

### Partnership | Company | Branch

**KPMG and PwC have already gained ABS licences in the UK and all four firms are busy hiring top talent from law firms worldwide**