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DEALING WITH SUBMARKETS

# INDEPENDENCE IS NOT A STRATEGY

Specialisation, rationalisation and the increasingly international activities of clients affect all law firms. Independent ones included

BY BAREND BLONDÉ AND ANTOINE HENRY DE FRAHAN\*

**B**OB Dylan's "The times they are a-changin'" certainly applies to the legal world. Law firms that want to grow (or even just maintain their current profits, status and flow of exciting assignments) must adapt to a rapidly changing reality. Fortunately, not all law firms react in the same manner. Some choose to develop into globally integrated firms, others believe that remaining local and independent is the best way to face the new challenges.

That's the theory, at least. On the field, the real story is a bit different and clients know it very well. On the one hand, some firms that claim to be 'one firm' across jurisdictions are far better at professing integration than at demonstrating it. Differences among local offices or even local practices remain enormous. On the other hand, many of the firms that pride themselves on their independence are just using this as a 'strategy by default': "We don't want to be Anglo-Saxon, so let's be independent." Independence can also be an excuse for being conservative and avoiding tough questions.

Being international or local, being integrated or independent is not a strategy. It is merely part of a strategy. New forces are reshaping the legal market.

## The legal market doesn't exist anymore. It is breaking down into submarkets with segments dominated by niche firms

If 'being international' or 'being independent' is the only answer to these new challenges, then the strategy is incomplete, ineffective and ill-fated. A strategy is a comprehensive, thought-over and shared vision of how the firm can adapt to change and turn it into opportunities. Every business law firm has the choice: to develop a strategy or to tumble down the rankings and league tables.

### Forces shaping the legal market

Important forces are reshaping the market. We distinguish three forces that have a strong impact on every law firm, wherever it operates. The first force is specialisation. The legal market doesn't exist anymore. Both internationally and locally, it is rapidly breaking down in submarkets, and each segment is dominated by niche or multi-niche firms. Even firms like **Linklaters** and **Allen & Overy** do not dominate every submarket. They are niche-firms specialising in large transactions with a full service capacity to support that positioning. Law firms must choose in which submarkets they want to compete, and focus on them.

The second force is internationalisation, not of law firms but of their clients. Companies, even of local size, consider Europe to be their

home market rather than Spain, France or The Netherlands. Increasingly they think, decide and operate at a European or global level. Not every law firm needs international capacity, but every law firm needs an international strategy.

The third and newest force is rationalisation. Clients are becoming ever more sophisticated. They analyse their needs and they carefully select the lawyers and law firms that fit them. They choose efficient, low-cost firms to deal with recurring business, they pick renowned individual stars for complex matters and they rely on 'boardroom-proof' brands for strategic transactions. Formally selected panels are steadily replacing informal, personal relationships.

These forces do not only apply to Anglo-Saxon law firms. They apply to every law firm competing for challenging and profitable assignments. The real question today is not, "Should we be Anglo-Saxon and international or remain local and independent?". The real question is, "How can we prepare for the future and develop a law firm that is able to face these three forces while remaining in line with our values and objectives?"

### Management is not an English disease

One of the reasons lawyers or law firms choose to remain independent is their blind fear and aversion for management. They have first seen systematic law firm



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management at work in Anglo-Saxon firms and concluded that 'management' and 'Anglo-Saxon culture' are synonyms. Well, the English also invented football but this hasn't prevented other countries from dominating the game.

The capital mistake European lawyers can make is that, while snubbing the Anglo-Saxon culture of managing law firms, they also blindly reject the management instruments these firms use. Outside Rome, Romans were not very popular either, but opponents were smart enough to learn from their military and construction techniques and mingle them with their own talents.

Great organisations such as Nestlé or Nokia successfully compete with Anglo-Saxon companies, not because they reject management techniques such as marketing, human resources or financial planning, but because they flavour these techniques with their own, specific culture and values.

The market forces described above oblige lawyers to exchange knowledge, to work in teams and to manage projects and relationships across countries. Management is not an English disease; it has become a condition to face change. To be successful, European lawyers can no longer remain cynical and derisive about management techniques such as client management, practice group management, career paths, etc. They must embrace them because they are the tools of the modern lawyer.

Does this mean that all firms must use these tools like their Anglo-Saxon counterparts? Absolutely not. Just as one can use the same bricks, concrete and steel to build very different houses, law firms can use management to build very different firms. The

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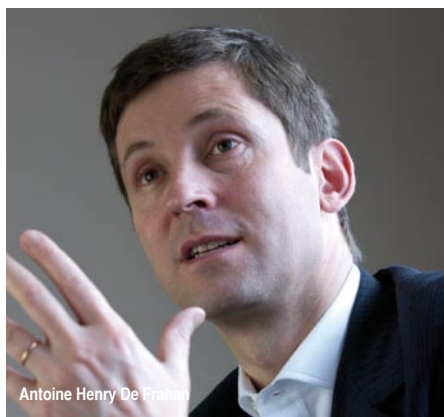
good news is that management is only effective if it's rooted in culture. Management is the arms and legs of partnership values. Copy the English and you're in for trouble. More good news is that very few Anglo-Saxon firms understand this. That is why it is taking them so long to become truly global.

### The illusion of outsourcing management

Is the conclusion, therefore, that we must run independent firms like companies such as Nestlé or Nokia? Again, the answer is 'absolutely not'. Law firms are partnerships, and partnerships are not run like companies. In partnerships, strategy and management cannot be imposed. Strong, bright personalities, the components of great law firms, will not do what rules or policies tell them to do, unless they fully understand their sense. Building a management culture in partnerships requires discussion, debate and sharing of views.

This is why 'outsourcing' management to externally recruited management professionals is not the solution. Management professionals can only add value when they can work in an environment where lawyers, from junior to diva-like-partners, are stimulated to think about management and engage in discussions on it.

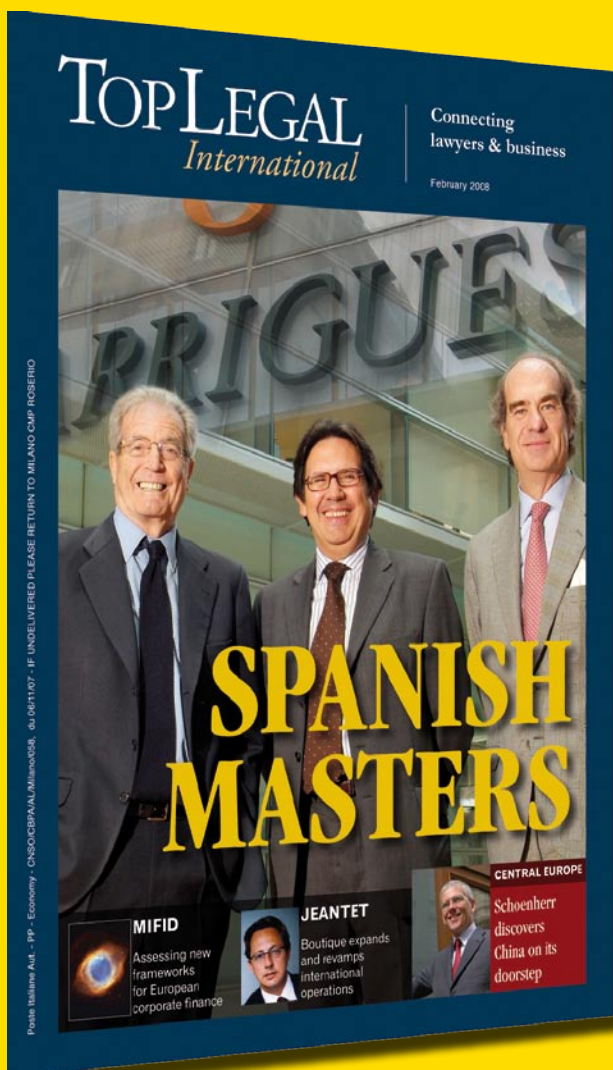
There's a double bonus for firms that succeed in developing and steering a management debate culture, however discouraging and difficult the process might sometimes be. Lawyers will respect management decisions because they were involved in it, and management decisions, shaped by in-



ternal discussions, will strengthen the partnership values and create a proper and distinguishing firm culture. Because, in the end, that's the goal of every firm: not being known for just 'international' or 'independent', but for being a leader in its own way. ■

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