

Joining the alliance

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As the GFC continues to take hold in Asia, many law firms are reaping the benefits of being part of something bigger

It's no secret that legal markets across the Asia-Pacific region are among the fastest growing in the world. The legal press are continually thrown into overdrive reporting on the birth of new law firms, en masse partner moves, alliances, mergers and joint ventures. But despite this growth, legal sectors in the region are still viewed in some quarters as the most underdeveloped, isolated and least capable of dealing with the increasingly complex demands of multi-national clients.



All are problems with one clear solution, according to some. A policy of expansion is needed, premised on planting one's flag in each corner of the globe by establishing branch offices – something that has worked well for some firms in the Asia-Pacific region. From Australia to Singapore and China, there are countless domestic firms who have followed the lead of their clients into new jurisdictions. But in the face of rising operational costs, a worsening global financial crisis and general economic uncertainty, expansion plans have been put on ice, shelved for more favourable or at least more stable markets. Enter international legal associations. These networks of law firms (and other professional services providers in some cases) offer law firms a viable alternative.

More than just referrals

Ask most lawyers about the benefits of being a member of an international legal association and there is a good chance they will tell you it's all about increasing the amount of inbound referrals. Richard Hetke, CEO of **ALFA** International, goes as far to say that "first and foremost", his association serves as a referral network. "Our members expect to receive, and do receive, business referrals from the other 135 member law firms," he says.

But even Hetke concedes there is much more to international legal associations than just this. Today, they represent a vital part of the rapidly developing Asian legal services market. In many respects they act as a gateway between the East and the West, a means by which knowledge, know-how and business development skills can be transferred between developed and developing markets.

International legal associations provide member firms with a wealth of shared resources, the costs of which would normally be prohibitively expensive for smaller firms to bear. "We serve as a resource pooling channel whereby members can tap into the resources of other members," Hetke says. "We combine to shoulder the cost of large-scale seminars and marketing efforts that would be beyond the financial wherewithal of most individual members."

Making connections

While cost minimisation is always a major factor for smaller firms, generating revenues is just as important. Here, international legal association members support each other by offering guidance on optimising organisational structures as well as making the all-important introductions to potential clients.

"Our network helps member firms manage their own legal businesses," Hetke says. "We have working groups of managing partners, marketing directors, event planners and business managers from many of the firms, and they exchange advice, data and experiences on a wide variety of subjects."

"Association membership is an invaluable business development resource for the mid-sized firm that is looking to increase its regional and international client base," says James Mendelsohn, chief executive of MSI Network. In his experience, international legal associations also give that extra edge to law firms' pitches. "Access to global resources provided by an international association opens the door to new business opportunities that would previously have been out of the firm's reach and enables firms to project a stronger marketing proposition when pitching for work from new clients and when trying to win more business from existing clients," he says.

They also provide firms, many of which are in a nascent stage of development, with a ready-made set of contacts who are only a phone call away. "The benefit for Asian firms – many of whom are newer and have less developed contacts than their counterparts in Europe – is that association membership will provide a network of 'guaranteed' contacts where none existed in the past. [This is different from the] US or Europe, where many professionals have some historic contacts and simply use a network or association to supplement them," Mendelsohn says.

[Azmi](#) Modh Ali, the founding and managing partner of Malaysian firm [Azmi & Associates](#), says his firm's membership of Terralex has been pivotal to practice development, allowing him to learn from the business development strategies employed by US and European firms.

"International legal associations are a consequence of the globalisation of business and the globalisation of law," he says. "Naturally, some legal sectors are less developed and this is the case in Malaysia, where we have very little information to call on when it

comes to how to grow practices. But I have found that through our membership we have gained invaluable skills here and it has allowed us to grow our firm, get new work, hold on to the valued clients we have and establish lasting and close ties with other member firms across the world, while all the time maintaining our independence."

No time like the present

For those firms considering joining an international legal association all lawyers interviewed by ALB believe there is no time like the present. Whether a firm is actively seeking out alternative streams of instructions, looking to bolster its regional and international profile in a depressed market or for avenues of growth that do not come with the costly overheads associated with opening branch offices, legal associations may hold the solution.

"Opening offices everywhere was never in our business model," [Azmi](#) says. "The costs of doing this are unsustainable for a firm of our size and we really need something which cancels these costs out but gives us access to local law advice. We have this now and it's just as good as having a branch office for our clients who want to do business outside of Malaysia." Having some form of presence outside one's home market is a necessity for all law firms at the moment, regardless of size.

"Membership in an international legal network is becoming more of a necessity for firms that want to compete for the major work of global companies," Hetke says. "These companies want seamless legal coverage or at least want access to local firms in distant countries without the risks attendant to selecting lawyers in unfamiliar jurisdictions...network membership provides a prudent alternative to the problematic opening of offices in far-flung places."

The growing importance of legal association membership in serving these needs runs parallel to a number of attitudinal shifts in legal sectors across the region, shifts which Mendelsohn believes will benefit firms that are part of global legal networks.

"We are seeing two interesting trends emerge. Firstly, in-house counsel are under huge pressure to control costs and are looking at the role that can be played by mid-sized firms that offer not only more competitive and flexible rates, but also better services," he says.

"Secondly, good opportunities for mid-sized firms to make lateral hires from larger firms are emerging as partners running successful practices at 'big' law firms become disillusioned with the overheads inherent in the larger firm structure. They are attracted by the opportunities offered by the smaller firms, particularly those that are members of international associations, and are in a strong position to capitalise on both of these exciting growth opportunities," he says.

The global financial crisis and Asia

Despite the worsening global economic crisis, international legal associations remain optimistic about the future and are only too well aware that the Asia-Pacific region has a huge role to play in ensuring stability returns to world markets. It should come as no surprise then, that each of the legal associations interviewed by ALB are redoubling their efforts to attract new Asia-Pacific members, particularly from emerging markets.

"There are a number of emerging markets in the Asian region whose firms will benefit greatly from improved access to quality firms [and their clients] overseas. For example, Vietnam, Cambodia and Laos," Mendelssohn says. And while he notes that MSI continues to receive a steady stream of enquiries or recommendations from existing law firm members in the region, he says that the flow of these has certainly slowed. Nonetheless, Mendelssohn says that MSI is looking to fill vacancies in a number of key jurisdictions. "We anticipate a surge of enquiries later this year and throughout 2010 and are advising firms that are pondering association membership to come forward sooner rather than later as territorial vacancies with the larger, more prestigious associations are limited. We are currently seeking members in Brunei, Cambodia, Fiji, Laos, New Zealand, South Korea, Taiwan and Vietnam," he says.

Hetke's **ALFA** International is also actively looking for members. It recently welcomed New Zealand firm Anthony Harper, Beijing-based **Gaopeng** & Partners and Vietnamese firm DFDL Mekong into its fold, but is still keen for more firms in the region. "Our recruiting efforts in the Pacific Rim are focused on Japan, South Korea, Indonesia and Malaysia," he says. "We are also looking for a second Chinese firm due to the size and importance of that country."

► **INTERNATIONAL LAW FIRM NETWORKS:
QUICK FACTS ON THE MAJOR PLAYERS**

Lex Mundi

- Established 1989
- 160 firms in 99 countries
- Members are prominent local law firms recognised for breadth and depth of legal expertise and reputations in jurisdictions
- All members are full-service commercial law firms

Meritas

- Established 1990
- 170 firms in 60 countries
- Firms practise in all business areas, both transactional and litigation

MSI Global Alliance

- Established 1990
- 250 firms in 100 countries
- Membership includes accounting firms
- Caters for full service, commercial firms which are independent and medium-sized in their market and focused on one specific geographic region

TerraLex

- 158 firms in 100 countries
- Members are full-service law firms
- Typically has single member in each market, however, some jurisdictions have multiple distinct markets

ALFA International

- 132 firms in 37 countries
- Members are full-service corporate law firms
- Each metropolitan area, state, or country served by one member