

Back to the future

Despite a record year for the world's largest law firms - challenges and threats abound. To mark this year's Global 100 report, *Legal Business* teamed up with The Royal Bank of Scotland to hear how the legal elite aims to respond

ALEX NOVARESE

Given that the world's 100 largest law firms notched up another year of respectable growth, with total fees up 4% to \$88.63bn, it is striking how insecure senior lawyers at elite firms remain.

Legal Business and The Royal Bank of Scotland in October gathered a group of senior lawyers from top 100 firms to mark the publication of this year's Global 100 report with a debate and dinner. While there was agreement that the upper reaches of the profession have so far adapted reasonably well to the post-2008 environment and that confidence in the US and UK economies has risen markedly over the last 12 months, the consensus was that the profession is barely into a series of shifts that will fundamentally reshape the legal industry. Among those forces are continued globalisation, the march of technology, the renewed push of credible non-law firm competitors and changing client expectations.

The consensus was that the legal services market as it has evolved since the 1970s - based on easy growth, increasing fee-earner/partner leverage and the willingness of bluechip clients to pay for armies of lawyers on repetitive tasks - is in its final days.

White & Case City head Oliver Brettle spoke for many around the table when he noted the modern law firm in some regards going back to the earlier incarnation of a leaner, more partner-led outfit. But the paradox is that this borrowing from the past will have to be grafted on to an uncertain future in which even high-end advisers will be expected to move beyond conventional billing models and be willing to farm out an increasing array of non-core tasks to cheaper providers. Views remained ominously divided on whether conventional partnership will provide the agility and ability to raise the capital that elite law firms will require.

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Alex Novarese, Legal Business: Thank you everybody for attending. How is it feeling out there? Mark, can you kick us off?

Mark Rawlinson, Freshfields Bruckhaus Deringer: Fine but, as ever, not as good as it could be. M&A could definitely be better. But areas like dispute resolution and arbitration are doing really well. Regulatory lawyers are increasingly in demand. US is doing pretty well and expanding but Europe is patchy. Asia always seems to be volatile. Overall not brilliant but very solid.

Alex Novarese: James, you have a very particular geographical footprint now. Is it a similar experience for you?

James Collis, Ashurst: Australia has been through a pretty tough time but in the last couple of months in particular, activity levels have definitely picked up. Combined with what is going to be a more uncertain second half in Europe, you will see the two coming more in line.

Alex Novarese: What is the mood in the Asia-Pacific region generally? A few years ago, there were huge expectations placed on that market. Now, people are more jaded.

James Collis: People are being much more selective about where they put their investment. But economies like Korea, Japan and the Hong Kong market have been pretty busy. Indonesia is also picking up. Certainly in a lot of the smaller economies in Asia, we are seeing increased levels of activity. The script has yet to be written for China in a clear way.

Alex Novarese: Peter, how is it feeling to you right now?

Lord Peter Goldsmith QC, Debevoise & Plimpton: Litigation is busy across all three strands, which is commercial litigation, arbitration, and white-collar investigation work. In New York, the US practice ►





Lord Peter Goldsmith QC, Debevoise & Plimpton: Accountants will be a serious threat in the market



Andy Ryde, Slaughter and May: English law still has a global edge over New York law

'The profession is fantastically fragmented given the amount of money involved. The church globalised 2,000 years before the law.'

Lord Goldsmith, Debevoise & Plimpton

► is doing well. We have been putting more effort into Asia, particularly on the dispute resolution side and investigations. China is now demonstrating that it is actually going to deal with foreign investors, as well its own people, if it finds irregularities. That makes a big difference. On the corporate side, it has picked up.

Alex Novarese: When people talk about China and the capacity for the market to develop, it is a common view that it is very fee-sensitive and that China does not have the same view of the rule of law. Rob, is that your sense of things?

Rob Day, King & Wood Mallesons: We regard ourselves as a reasonably good

barometer of activity, and life has been good for our China business. It is back into those high single-digit/low double-digit growth numbers again. The overall economic slowdown, which is undoubtedly there, is not constraining activity at the moment. Capital markets activity has got going again, which is fuel for so many other areas.

On the contentious side, going back to the rule of law question, there is clearly a desire on the part of the leadership to stamp out the bribery and corruption, not just Chinese institutions and officials, but also for Western businesses. There is a lot of criticism of the legal system at times, but we successfully transact about 3,000 cases a year for Western institutions in front of Chinese courts.

There is a big question as to when the legal market will open up, and there is a desire within China to open up the services sector now that manufacturing has been pushed. The next move will be an opening of services, but when law will be part of that I do not know.

Mark Rawlinson: You do not think it is going to follow the Indian model?

Rob Day: I doubt it. But if you ask my China partners whether they think it is going to open up fast, the answer I get back is 'probably not'. Ultimately, China will open to the extent it is to its macro-geopolitical advantage to do so. It will happen, but don't hold your breath.

Alex Novarese: There is often a claim that, in China, legal services are pretty low down the food chain. Is that fair, and do you see that changing at all?

Rob Day: It very much depends on the institution. We sometimes forget from a Western perspective that [state-owned enterprises] are government institutions

and they have procurement rules. They run pretty tough competitive procurement processes, and that means fees can be very, very aggressive.

To make money in that environment, you do need a different approach than that with which most international firms are familiar. I can say that as someone who, as a legacy SJ Berwin managing partner, managed to lose a fair degree of cash in Hong Kong before our combination. We also lost a lot of money in Shanghai as well.

If you look at a number of international investors, and particularly the private businesses that are becoming international players, they are getting increasingly sophisticated. They are hiring very high-powered general counsel (GCs) that would be recognisable to everybody around the table. They do not wish to overpay but will pay for good quality legal advice.

Alex Novarese: Leonie, how does it feel in terms of your buying decisions? How much have they changed over the last few years?

Leonie Fleming, RBS Group Legal: There is an enormous amount of regulatory and investigatory work out there, so for the banks, on both a UK and on a global scale, that is where a lot of the fees are being generated at the moment. That level of regulatory intrusiveness, and that level of litigation, will remain with us for years to come. In terms of transactional work, yes, we are certainly seeing that begin to increase. Confidence in the UK economy is growing but cost continues to be a big issue for banks.

Lord Goldsmith: You would like to pay more?

Leonie Fleming: [Laughs] We are looking for value, so, for certain types of activity, we will want to engage specialist advice from certain firms, and we know what that costs. For other activity, we will continue to look to commoditise some of that, and look at how we engage law firms, how we look at using things like a Mexican wave, how we look at the different law firm offerings in terms of how they utilise low-cost locations. But all major corporates will still need a core group of top quality firms as go-to advisers.

Alex Novarese: To what extent in the post-Lehman period, have major law firms responded to these concerns around value?

Leonie Fleming: We are seeing people look at innovating how they set up, whether it is having people in low-cost locations, how they operate the model in terms of structure around transactions, and whether they are prepared to use non-law firms for certain types of activity. That has all been really welcome.

Alex Novarese: You would see that up to the largest, most established firms?

Leonie Fleming: Yes. Everyone post-2008 has looked at the value proposition again.

Alex Novarese: James, what is your sense of the global market at the moment?

James Tsolakis, The Royal Bank of Scotland: The internationalisation trend is continuing and in some respects, there is an alarming momentum towards increasing globalisation and internationalisation of the legal sector.

Alex Novarese: Alarming?

James Tsolakis: I say that in the context that some firms are going into markets which look to me to be very heavily populated. Singapore is one example. It is quite astonishing that firms continue to arrive in that marketplace. It is therefore difficult to ascertain how one could, unless you have a particular niche or a client-driven need, run a successful and profitable practice in that market. There is very, very significant cost inflation and rates are under extreme pressure as the supply of legal services is abundant.

The trend towards being an international player and being relevant to clients, not just domestically, but internationally, is a very consistent and increasingly visible theme.



Susan Bright, Hogan Lovells: Unless law firms evolve to meet client demands they will not survive

Alex Novarese: Do you have any sense of any particular band or kind of firms getting ahead in the global market?

James Tsolakis: The firms that look to be more effective have a very clear strategy behind their international expansion. Those firms seem to have the ability to attract either those clients or that type of work that differentiates them in jurisdictions outside the UK that they have sought to play in.

Alex Novarese: Pranav – what is the view like from Skadden's offices?

Pranav Trivedi, Skadden, Arps, Slate, Meagher & Flom: Quite good. We have seen a significant upturn in work over the last 12 to 18 months. It has been led in large part by the US. The US corporate world has just been phenomenal. This will be one of the biggest years ever for M&A. Asia is also probably having one of its best years ever, and is driven by capital markets. Europe is doing well, but relatively less so.



James Tsolakis, The Royal Bank of Scotland: There is alarming momentum towards globalisation of the legal sector

► In Europe one of our key drivers has been investigations work, which many people have alluded to. We have created teams to service Western Europe and get in with the banks to do all the investigations that have been taking place. It's a great source of work for us, driven out of the US.

Historically, the concern for us has always been: 'Where is the work going to come from for Europe?' Initially, we were set up as a shop to service the US corporate client base. But in 2014 we are very far away from that.

Alex Novarese: *There is often a sense with a firm operating your model that there is a limit to your ambition because of profit dilution concerns. Do you feel that you are an international firm, or part of a US parent?*

Pranav Trivedi: We are very much an international firm. If you asked the question 15 or 20 years ago, it would have been a very different answer. If you see where we are making investments, it is all outside the US. We just opened an office a few months ago in South Korea, which was client driven.

see growth opportunities here, such as investigations work.

Mark McAteer, Legal Business: *Oliver, as someone at a firm that got a large part of its international strategy out of the way quite a few moons ago, what are your observations?*

Oliver Brettle, White & Case: You have to continually review your global approach and make sure that you're continuing to pursue the right work. There is a natural habit that partners continue to do work that they're comfortable doing. But suddenly you can find yourself in a situation where there are lots of competitors, and that unique selling proposition that you once had becomes not quite so unique any more. As a global firm you should be constantly asking what is that special thing you are going to pursue.

Alex Novarese: *In terms of American-bred law firms in London, does anybody feel that the market is getting to a tipping point, where American firms are starting to shift the balance of power against UK-bred practices?*

From our perspective, the growth is going to come from outside the US, but, yes, there are challenges. Profit dilution is certainly a factor, but there are broader institutional issues such as risk management.

Alex Novarese: *Would you look at the size of your London office and feel it is at maturity?*

Pranav Trivedi: Our sense is that we are just getting started here. Our aim is to be top tier everywhere across our global platform. Yes, we are modest in size here, with a bit under 150 lawyers, but we are still growing and we

Andy Ryde, Slaughter and May: US firms have made progress in London. Have they made progress at the speed, and with the impact, we were expecting? Probably not. There is very little representation of London-listed companies. Where the US law firms are doing well, unsurprisingly, is in following their US clients overseas and, when that means an inbound deal into the UK, they feature heavily. But for other work – work for UK clients or outbound from the UK – we are not seeing as much of a threat from the US firms as we thought we might do. Clearly they are breaking through in certain areas, such as private equity, but it is taking a while and that is despite some pretty significant hires.

Alex Novarese: *Public M&A has been the largest major hold out [for US law firms in London], but in the list of practice areas where they have made real traction, they are now some of the strongest players: leveraged finance, funds, and more recently, disputes. Does it not reach a point where the M&A market is surrounded and they storm that barricade?*

Andy Ryde: I'm not just talking about public M&A but private M&A too. I am talking about acting for corporate Britain. US law firms have simply not cracked that yet. They are making some inroads, but, as Pranav said, they are really just getting started on that.

Alex Novarese: *What do you make of the trend to use US financing tools in Europe?*

Andy Ryde: That is a particular feature of the bond market. It plays into one of the points I saw you have on the agenda about the relative dominance of English law versus New York law. In different financial instruments and different sorts of work, one prevails over the other. It will be very interesting to see how that plays out. Both jurisdictions sit in a very happy place in that regard, in that both our systems of law are popular choices for deals right across the globe. Overall, I believe English law has the edge.

Alex Novarese: *How sustainable do you feel the Slaughter and May model is?*

Andy Ryde: We are different in a number of ways. We are different in the sort of partnership we are and in our model for international work. All of us around this table are expert strategists, but I firmly

believe that success in our world boils down to the quality of legal service you are providing to your client. The most important strategy is to make sure you are providing to your clients the thing that matters – the highest quality legal team available. That is what we work hardest at.

Alex Novarese: One thing that strikes me about the Slaughter and May ethos is that you have quality control and consistency but the biggest challenge is you are up against firms who, over time, can refine their international networks. Is Freshfields' network more consistent now than it was ten years ago?

Mark Rawlinson: You end up globalising the product. You end up globalising service delivery. That is what global clients want. We are trying to be agnostic about whether it is English law or US law. One of the reasons why US financing has become so important in Europe is because big pools of finance are available in the US. In our own way, we have been trying to do that. The legal market will change massively more over the next ten years than it has over the last ten years. It will force firms to look at their strategy and say: 'How do I fit into this overlawyered marketplace?'

Wachtell in the US or Slaughter and May over here definitely have their place, and will still have their place. Global law firms will have their place. Boutiques like Quinn Emanuel, who concentrate on doing particular sorts of litigation, will have their place. But you will really have to work out where you are in the professional services spectrum; otherwise, you are going to struggle.

Alex Novarese: Roger, there have been some US/UK mergers that have been unhappy, but I get a sense that your union has been more positive. Could you walk us through that experience?

Roger Parker, Reed Smith: Supporting the post-merger integration group on the

ground is extremely important. But then you get into more general business advantages. The size of the firm means we have a much stronger balance sheet and resource to invest.

Our own strategy has been very focused on strengthening our energy and natural resources, shipping, logistics and transport businesses, and developing into certain areas in financial services that have been opened up a little bit post-2008, then dropping that into different jurisdictions.

I agree with James, in terms of some of these markets discussed. We opened up in Singapore two or three years ago and we have been in Hong Kong since 1979, so we have got a whole range of experiences here. If you go in with client backing and a particular sector focus, then it really can work. We have been very focused in Singapore, and it is a hub for the Asia-Pacific area for us in certain sectors, such as energy, natural resources and offshore.

Martin Kitchen, Dentons: The bigger the business, the more variability in terms of economic growth, retraction, whatever it is. But we have found that the bigger the footprint we have, the greater the workflows between regions, and that is something we have seen across industries year after year. It is something that benefits London uniquely,

because London is a big trading hub for Europe. We see that continuing.

But given what has been going on in Europe, the economies are stable, they are growing quite nicely. We have more resources, more management and more people to invest in the things we want to invest in. It is expensive; it is management-heavy. But that is the end game: to build a global firm, it's not a quick business; but there are large rewards at the end of it.

Alex Novarese: How much of a challenge is it to marry the culture of a London firm with a US practice?

Martin Kitchen: Our mantra is polycentricity. That is the way that we have managed to assemble such large operations in North America, Canada and the US, Europe, Central and Eastern Europe, France and so on, because culturally, and in terms of the way they do business in those markets, they are all lawyers. To present a mono-cultural management style across a very large firm is virtually impossible to do anyway, even if you wanted to.

'Everyone describes the same "unique" selling characteristics of "excellence" and "quality". Consolidation is about fewer law firms.'

Rob Day, King & Wood Mallesons



Michael Payton, Clyde & Co: The US is the easiest place in the world to do business



Oliver Brettle, White & Case: The top end of the profession is going back in time towards a more personal service

► **Susan Bright, Hogan Lovells:** One of the challenges of merging with people who talk the same language as you is that you think you understand each other, and then you find you have passed each other in the night. I remember being introduced as 'quite a good lawyer', which I found pretty insulting, whereas 'quite' can be used in a different way and means 'very'. You try harder to communicate with somebody who speaks a different language.

But the work on integrating a global business like ours is huge. When we started out, I had this concept that things should be the same but I have moved much more to thinking that you need to have principles that people share but you have to let the local markets be reflected. We have much more of a leverage model here in London than we have in the US. That is just the way people work.

In terms of where you are in the world, Africa will be a big piece of the picture. We are now in Johannesburg. That, for us, was a new departure, and we have also now moved into Mexico. You also stop being in certain places, too. It is not just about always going somewhere

experience going international at Clyde & Co. Can you just walk us through that?

Michael Payton, Clyde & Co: Clyde & Co is much more focused on the litigation and contentious side than most of the firms around this table, and we have our focus industries, particularly insurance. Our original speciality was shipping, which was of itself international. We then found that, for the insurance industry, many of those places are needed, as insurers increasingly write global covers. They want to shrink their panels. They want their lawyers to be able to do more things in more places.

We now have something like 40 offices around the globe. That is a trend that will continue because it is what the clients want.

Alex Novarese: Looking at the US experience, on many measures you have been the most successful US launch in terms of return on investment.

Michael Payton: Yes, as somebody said, almost under the radar screen. To focus on the litigation side of insurance practice in the

new. It is about constantly reflecting on your business. But that is geography. Somebody said that law firms are going to change more in the next ten years than they did in the last ten years.

Alex Novarese:
People always say that, though.

Susan Bright: It is so true, though. If we do not evolve, and do things differently, and recognise the different things that our clients want us to do, and also the different generation coming into the business, we will just not survive, quite honestly.

Alex Novarese:
Michael, you had a very particular

States, there are not so many firms that are doing that. For those larger American law firms with corporate departments, the conflicts problems are horrendous. If you just take an industry, the insurance industry, then you are not without conflicts, but you are certainly much better positioned.

Alex Novarese: *How difficult was growing the American practice?*

Michael Payton: It was not at all as difficult as I thought it would be. My great regret is not to have done it ten or 15 years before. I thought it was about the stupidest thing imaginable, to go into the most overlawyered country in the world, and that I would be eaten for tea. Actually it is probably the easiest place in the world to do business. Having got our little niche, it went much, much better than I had anticipated.

Alex Novarese: *Is that because you had such a clear niche?*

Michael Payton: Many people have made the point about the need to have a focus. You do. In the States, you really, really do.

Alex Novarese: *Let's turn to innovation. How much appetite is there from law firms to deliver?*

Neville Eisenberg, Berwin Leighton Paisner: There is huge appetite on the part of clients for different solutions to addressing their needs. In this country, law firms are increasingly experimenting with new ways of delivering their services to clients.

Lawyers On Demand evolved completely by accident, because, as the financial crisis hit, we were being flooded by requests from clients for secondments. We could not satisfy all those requests, so we thought we would try to come up with an alternative, and Lawyers On Demand was born. It has grown far quicker than we ever expected.

But the way it is evolving now is far more interesting and that is providing teams of lawyers who can work flexibly, either from home, in a law firm environment or at a client. I am constantly surprised. Firstly, by how many lawyers there are who are keen to work in this way. Secondly, by the high quality of people who exist in that pool. If one can provide a platform to match this extraordinary talent pool to meet what



Roger Parker, Reed Smith: The current law firm model may not be sustainable from a capital raising perspective



Rob Day, King & Wood Mallesons: The economic slowdown in China is not currently constraining activity

clients are increasingly looking for, there genuinely is a pot of gold to be had.

Alex Novarese: Leonie, do you get a sense clients will push through more radical changes?

Leonie Fleming: Yes. I suspect it is still a legacy of the financial crisis, that we do things differently. I am very interested to hear Neville talk about pools of talented lawyers who are interested in working in different ways, because that is absolutely something that we see as well. The ability to bring in a big bank of lawyers for a specific project, where we are quite comfortable if they work flexibly, and they might be at home or they might be in the office, is incredibly attractive.

Neville Eisenberg: Law firms have been very, very good, in the past, at mobilising large teams of people but often at a very high price. The challenge today is to figure out different ways of resourcing these big assignments, which enables everyone to manage the cost in a different way. The challenge then is changing the mindset of the partners project managing

'Whether the partnership model can truly sustain a challenge from alternative service providers is a threat we underestimate.'

Roger Parker, Reed Smith

these assignments. That is a challenge one cannot underestimate.

Alex Novarese: There is a lot of nodding from Mark.

Mark Rawlinson: Over time, law firms have been paid a lot for leverage. You have had lots of people doing things, and you have been able to charge for it. These days, there is a massive shift within corporates. It is often the finance director who is driving the agenda, and not just the general counsel. They are saying: 'Unbundle those legal services, where you have got high gearing, low value work. Get it done by somebody else.' You can get other law firms; you can get contract lawyers. You have

got to find solutions to do that. It is moving at a fantastic rate. That will materially affect how law firms do business.

Alex Novarese: In what ways?

Mark Rawlinson: It ought to lead to more efficiency, and more ability to deliver standardised products at cheaper cost. Ultimately, it is going to have a massive effect on how law firms charge. A lot of law firms do not know how much it costs to provide the services that they are providing. In a fixed-price environment, they have got to know the cost to be able to produce it.

It is also going to mean that a lot of law firms will get smaller. The one to three or



Mark Rawlinson, Freshfields Bruckhaus Deringer: You globalise the product because that's what the client wants



Pranav Trivedi, Skadden, Arps, Slate, Meagher & Flom: The US corporate world has been phenomenal

'A lot of law firms will get smaller. The one to three or one to four leverage type model will go out the window.' Mark Rawlinson, Freshfields

► one to four leverage type model will go out the window. You can commoditise things. I still think that people at the top end, on bet-the-company type things are going to say: 'I need those judgment calls.' But you are going to be able to charge more for those, and a lot less at the other type of thing.

Alex Novarese: Often people talk about consolidation – you are raising the possibility that certain points of the market at the top end will get smaller. Any views?

Rob Day: The two things are not incompatible. Consolidation is about how many firms are playing in the marketplace. There are vast numbers of firms all competing for basically the same types of work. Everyone describes the same 'unique' selling characteristics of

'excellence' and 'quality'. There is very little differentiation. Consolidation is about fewer law firms.

Mark Rawlinson: Do you need external investors?

Rob Day: There is a big resourcing challenge, as well as a technology challenge. At the moment, because of where the market dynamics sit, there is a huge supply of lawyers coming in. A lot of firms have shrunk, particularly in Europe. There is a pool of resource available on a temporary basis, and you can do some very creative things. I suspect it will not be enduring.

You will see consolidation to drive, frankly, fewer firms chasing the business. There will still be that desire for the high-value piece, but

once you have got your high-value lawyer, do you need that person to be supervising a team of people sat in London, for the bulk of the activity? Probably not.

Roger Parker: We are not going to be able to predict what the technology and other new forces in the legal profession are really going to do to traditional services. That is going to have an impact, and the fact the global legal services spend is not increasing will enhance that impact.

Lord Goldsmith: A couple of things about the legal market strike me as interesting. One, it is fantastically fragmented, which, given the amount of money involved, is frankly surprising to an outsider. The church was globalised 2,000 years before the legal profession.

The second area is capital. Watching the developments in terms of floating companies, and people get close to it, and then they collapse. It is crazy to see professional firms, with people who are obviously of a reasonably high quality, going bankrupt because they have overextended themselves. Roger talks about



Neville Eisenberg, Berwin Leighton Paisner: The legal profession is complacent on threat of technology



James Collis, Ashurst: Successful global firms have to focus on their cultural identity

accountants. I have not heard anything around the table so far about whether there are other business models from other service providers. Actually, there is a huge degree of competition that is there.

Alex Novarese: Does anyone see an existential threat to firms in the Global 100?

Neville Eisenberg: Technology is a threat we underestimate. I will never forget a discussion I had last year with a group of judges, who were discussing the prospect of computers processing information and making judgments which on average would be better than human beings would make.

Mark made a point that big companies always look to human lawyers to make the big judgement calls. Part of me agrees with that, but computing power and artificial intelligence are advancing rapidly. Which are the organisations that are going to be able to invest in this new technology, and deploy it in legal services? Law firms? Or the accountants? Or the alternative providers of legal services, who are set up in a different way, which allows them to be

capitalised by their investors to really invest in these new technologies? We ignore all of that at our peril.

Andy Ryde: There will undoubtedly be big changes in the legal landscape over the next ten years. Some firms will not be nimble enough to react but others will. Despite these changes, there will be a huge amount of high-end work that will need to be done by gifted, talented lawyers. Right now, for major corporates across the world, just going about their ordinary business and trying to do their deals is like walking through a minefield. The risks involved are only going to increase and so is the regulatory scrutiny.

Oliver Brettle: At the top end you almost feel the profession is, in some ways, going back in time, towards more individual advisers advising at a high level. Before the enormous boom period of the 1990s, you could get away with associates and assistants undertaking volume due diligence. But the way technology has advanced makes that impossible. Clients are not going to tolerate what I did when I

was a junior lawyer, sitting in a data room in Macfarlanes' offices on due diligence review for days on end.

Alex Novarese: Is partnership going to be as relevant? With the forces people are talking about, you can argue partnership limits your ability to move.

Michael Payton: The City partnership itself has changed out of all recognition. People who were partners at law firms in the 1960s would simply not recognise the partnership today. There is a degree of professional management and structure in the partnership now, which there has to be. I do not see any reason why the partnership as a concept should not survive. It has adapted and could adapt more.

Alex Novarese: Does it not have a point where you cannot push the envelope any further?

Michael Payton: You could say that for almost any structure, really. Is it unfit for purpose? Is it likely to be unfit for purpose? No. ▶



Martin Kitchen, Dentons: Building a global firm is not a quick business but there are large rewards at the end of it

► **Mark Rawlinson:** There is a big point that Neville mentioned, which was the difficulty of partners adapting to the new world. The next generation of really good partners will work in a very different way to me.

Martin Kitchen: I am not sure that they are that different. Successful lawyers of the 1960s, 1970s, 1980s and 1990s have the same attributes as those that will make partner and be successful now. They are very able technically, and very good at making good judgement calls. They can connect individually with their clients, and they can deliver a very good service.

If we are talking about doing mass due diligences, I can see that is going to be susceptible to advances in technology. If we are talking about, 'How do you grow a practice?', we may see a polarisation, where you have smaller firms providing more senior-level advice, and then a fragmentation of other organisations.

Mark Rawlinson: Law firms will look more and more like businesses. They are businesses. There is a whole load of stuff that would not

resource to fund some of the change? If you look at the technology issue, the continuation of the partnership model as it currently is,

pass muster in some of the most driven corporates. There is a war for talent. Why do people worry about profit per partner? Because you do not want to lose people to a firm that is earning materially more. If you are part of what you described as the global arms race earlier, you are on a path. The rules of the game change every single year. If you are on that path, you have to become more and more business-like.

Roger Parker: We are perhaps not taking some of the risks seriously enough. How are we going to go further down the route of pulling in

Roger Parker: I suspect the range of profitability in the London market, in global law firms, leaves plenty to be desired, in terms of the ability to raise capital. If we are looking at a game changing threat to the industry, then the current model is not sustainable from a business and capital raising perspective. It is sustainable from a quality, people and delivery perspective. But they are two completely different things.

Neville Eisenberg: [The problem is] the inability to be truly agile. No matter how much one has been able to centralise management in the law firm, and lots of firms have centralised dramatically, one is still held back from being truly agile because one has to bring the partners along.

Alex Novarese: *What are the qualities that will make global law firms successful?*

Andy Ryde: When navigating our way through the big changes ahead over the next ten years, some firms will show that they are there for their clients no matter what. Those firms should survive. But even those firms will still need to be nimble and adapt.

That is when you get into this debate about, 'Is partnership the right model?' It certainly is when it is business as usual, because you have got owner-managers who are incentivised to do the right thing. When it is much more difficult is when you are faced

'If you are part of what you described as the global arms race earlier, you are on a path. The rules of the game change every single year.'

Mark Rawlinson, Freshfields

what do we do about external capital? The desire for wonderful people and competency sets is one thing. But whether the partnership model can truly sustain a challenge from alternative service providers who are extremely well capitalised is a threat we underestimate.

Alex Novarese: *But law firms generate large amounts of capital, they just give it away every year.*

with an existential threat and then there will be winners and losers.

Neville Eisenberg: Focus is going to be one of the key characteristics. Clarity on what the offer is, and clarity around the geographic proposition, industry sectors and the practice strengths. It brings one into the whole area of differentiation, it is going to be important for the big firms to be clear as to where their strengths are. Sheer scale is not going to be sufficient.

THE PANELLISTS

- **Oliver Brettle** City head, White & Case
- **Susan Bright** Regional managing partner, UK and Africa, Hogan Lovells
- **James Collis** Managing partner, Ashurst
- **Rob Day** Managing partner EMEA, King & Wood Mallesons
- **Neville Eisenberg** Managing partner, Berwin Leighton Paisner
- **Leonie Fleming** General counsel for corporate banking, global restructuring group and Ulster Bank, RBS Group Legal
- **Lord Peter Goldsmith QC** London co-managing partner and chair of European and Asian litigation, Debevoise & Plimpton
- **Martin Kitchen** Partner and board member, Dentons
- **Mark McAteer** Managing editor, *Legal Business*
- **Alex Novarese** Editor-in-chief, *Legal Business*
- **Roger Parker** Managing partner for Europe, Middle East and Asia, Reed Smith
- **Michael Payton** Chairman, Clyde & Co
- **Mark Rawlinson** Partner, Freshfields Bruckhaus Deringer
- **Andy Ryde** Head of corporate, Slaughter and May
- **Pranav Trivedi** London head, Skadden, Arps, Slate, Meagher & Flom
- **James Tsolakis** Head of legal services, corporate and institutional banking, The Royal Bank of Scotland



Pranav Trivedi: In the wake of the implosion of Dewey & LeBoeuf, there is much greater accountability in how law firms pursue growth.

James Collis: Focus on your cultural identity will become increasingly important. Is the culture of your firm very clear? What values do you endorse? You need to make sure the view is held consistently across the whole firm, particularly in an environment where there is a lot of change going on. Let's remember: there is a lot of consolidation in the market. If you lose sight of that then you're in dangerous territory.

Susan Bright: I would also add, not only focusing on your partners, but engaging right through the organisation. The people coming into the profession now have different expectations than I did when I started. They expect to do other things with their lives as well, so engaging everybody with whatever strategy your firm has, that

is important, and really harnessing that power, that is hugely important.

Lord Goldsmith: The law firms around this table are firms who can talk about personal service, and highest quality, and the clients will come. There are a lot of other law firms out there for whom that is not true at all. They are struggling, in circumstances where what you have got to be able to do is distinguish between the stuff that needs to be provided to the very top companies, and the top people in the companies, which they will pay for at the end of the day, and those who are doing something that is much more conveyor belt, where if you try to apply the same models, you are not going to succeed. The firms around the table will do fine, but I wonder about the rest of your readership.

Alex Novarese: *It has been an interesting debate. We will draw the line there. Thank you. LB*

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