

BEST OF BOTH



WORLDS

The big law firms are proud of their international identities – but these days it pays to retain what is local as well. **Caroline Regidor** reports on the ‘glocalisation’ of the legal world

Log on to the websites of the big law firms and one of the first things you will come across is the word “international”. Internet marketing for law firms appears to be an extension of their letterheads, which usually boast which cities they have placed flags in.

Allen & Overy says that it is “a premier international law firm”; Clifford Chance calls itself a “truly integrated global law firm”; and Coudert Brothers claims that it has “for more than 150 years pioneered the practice of commercial law for the international community”. But it is Baker & McKenzie that trumps them all: “Before

many people recognised that we lived in a global economy, we were building a distinctive global law firm to serve its needs,” it boasts. Amid all the one-upmanship going on between the powerhouse firms either side of the Atlantic it is easy to overlook where the rest of the world fits in the globalisation of the legal market. Here we look at the international law firms that have managed to forge strong local identities.

The globalised locals

Singapore-born, US and UK-trained Kevin Wong joined Linklaters in London about 13 years ago. After four years in London he returned to Asia for a four-year stint in Hong Kong. He then hopped over to the Mainland to establish the firm’s Shanghai office. He was there for another four years. Last year he was appointed managing partner of Linklaters’ Singapore office. He is also co-chairman of the joint law venture between Linklaters and Allen & Gledhill.



David L Kreider



Janine Canham

Definition corner

globalisation – the creation of international strategies by organisations for overseas expansion and operation on a worldwide level. The process of globalisation has been precipitated by a number of factors including: rapid technological developments enabling global communications; political developments such as the fall of communism; and transport developments enabling faster and more frequent travel.

glocalisation – the process of tailoring products, or services, to different local markets around the world. Glocalisation is a combination of globalisation and localisation. Improved communication and the advancements in technology have made worldwide markets accessible to even small companies but, rather than being homogeneous, the global market is in fact made up of many different localities. Success in a globalised environment is more likely if products are not globalised, or mass marketed, but glocalised and customised for individual local communities that have different needs and different cultural approaches.

Source: www.economist.com/encyclopedia.

“Law firms in joint ventures or mergers tend to emphasise the importance of matching cultures with the firms they partner with”



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Wong could well be the face of the ‘glocalisation’ of the legal market – global and localised at the same time. Wong’s background allows him to comment from the perspective of both an international lawyer and a local. As an international lawyer Wong has some strong opinions about the article on international law firms published in *The Economist* in February. The article contrasts the expansionist strategy of London’s ‘magic circle’ firms with the relative reluctance of New York’s ‘charmed circle’ firms to look outside the city. “We got it wrong, that’s what the article says,” Wong comments. “To be frank, we tend to take a more strategic, longer view. British firms are compelled to be international – we don’t have the luxury of the New York market. We need to steer the course. International law firms see logic in spreading the risk. Whether US firms will get caught, well, even when there’s been recessions, there’s still work going on in the US.”

Speaking of lean economic times, Singapore has been tough going for international law firms. US firms have been reducing their numbers in Singapore, Wong says. He believes that the future for the Singaporean legal market “lies in cross-border transactions – there’s compelling logic that there will be more joint law ventures”. He adds, however, that “given the current economic climate, it’s difficult for international firms to consent to new ventures”.

Law firms in joint ventures or mergers tend to emphasise the importance of matching cultures with the firms they partner with. Speaking about whether foreign-born lawyers adapt to the local culture more generally, Wong says: “Even when the work is international, the companies you’re dealing with are Asian. You don’t get by without learning the language. You cannot sit in an ivory tower and not try to adapt and learn. That’s part of the business.”

For Huen Wong, the Hong Kong-based managing partner for the China region of London-based firm Simmons & Simmons, localising meant doorknocking when the firm

An in-house perspective

David L Kreider is the general counsel at China Mobile. He shares his observations on international law firms in China with ALB

Many international firms have shrunk their lawyer numbers across Asia – a couple of US firms have pulled out of the region altogether. Were firms too quick to expand into Asia? Is a more cautious approach advisable?

China may be the one shining light of strong and sustained growth in an otherwise bleak (but improving) global economy, but it is not easy to make a buck in China in any field or industry. The Chinese are tough customers and the competition for legal work is mind-numbing. My advice is, don’t come to China without a well-considered, long-term business strategy, or because “all of our competitors are there” and don’t presume that a partner who was successful in London or New York will necessarily be so when he arrives in China if he doesn’t know which end of the chopsticks to use. Hire people who have solid legal skills attained in a major financial centre, and who also know how business is done in China. Putonghua [Mandarin] fluency and reading skills have become a practical necessity.

Does a lawyer’s local reputation affect your choice when looking for someone to act for you?

Absolutely. Local and national reputation is important. My personal inclination is to identify a mainland Chinese lawyer with a solid reputation to match his or her high personal and professional standards, and who has the backing and support of a major, well-established PRC law firm.

Is there a good enough supply of lawyers in China now or is there room for more?

There is enormous room for further growth in Mainland China. There’s still a way to go before standards catch up with the more developed legal markets around the world but the pace of progress is impressive. There’s a huge need for capable lawyers here. I recall hearing a rumour that during a visit by former Chinese Premier Zhu Rongji to the White House, Zhu commented to then US President Bill Clinton that China lacked sufficient lawyers. The story goes that Clinton retorted that America had as many lawyers as it could use – and that the US would be willing to “export” a few of them if that would be helpful to China.

Which firms do you use?

Since our IPO listing in October 1997 we have been using Linklaters [Celia Lam] for our Hong Kong work and Sullivan & Cromwell [Chun Wei and William Chua] for our US work, but also Freshfields, Shearman & Sterling, Bird & Bird and Baker & McKenzie, among others, on occasion. We bid out significant projects. The Chinese firms that we have used in Mainland China include Haiwen and Associates and Commerce & Finance, among others. Of course, we have considerable legal and regulatory expertise in-house within the China Mobile Group.

WORLDS



Kevin Wong



Huen Wong

was developing its corporate practice in the 1990s. He recalls: "Our corporate department wasn't very big. We were at a crossroads. Other people said it was expensive to set up a commercial practice, that we were knocking our head against a brick wall [and we should] concentrate on litigation work." Wong stood his ground, however, and worked on growing the corporate practice. "We told people we weren't just another city firm, only working for European clients." Clients were sceptical at first. Wong says this is because people often don't understand Chinese business - and another problem was that European firms were thought to be very expensive. "I said they're not more expensive than others - this is how we sold international work." Wong also thinks struggling international firms did not diversify early enough.

The localised foreigners

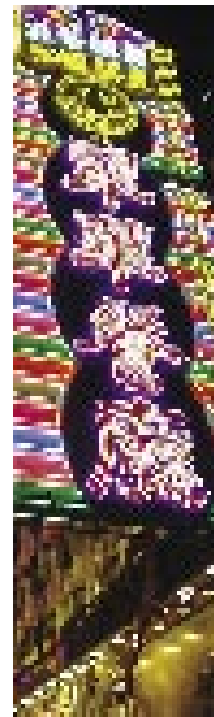
Wong joined Simmons & Simmons in the late 1980s. Through his considerable experience he has witnessed a cultural evolution within international law firms in Hong Kong. "In our Hong Kong office, we're very proud of having a high proportion of local lawyers who are partners now. We have one of the highest proportions of homegrown partners - half are local," Huen Wong says. "I am the first and still the only local to head a city law firm," he adds, with a touch of pride.

Wong has also witnessed a major cultural shift in the expat community. "In the past, overseas partners came here to do a stint in Hong Kong - to have the expat life. There were lots of privileges. These people's minds were still on London, however - they came here to make their CV look good."

Typically expats stayed in Hong Kong for three years, according to Huen Wong. The first year is a "write-off" as the lawyer spends this time learning about local business while the family is busy establishing themselves. By the time they settle down in the second year, it's already time to think about leaving. "It's a very expensive exercise," says Wong. But things have changed. "Now, they stay

for much longer than three years. Most if not all of our partners have stayed for more than 10 years. They are more Hong Kong than us now!" he says with a laugh.

The Hong Kong office of London-based firm Herbert Smith straddles the dual local/international identity. Tim Parkes, managing partner for Asia, says that about 75-80% of assistant solicitors in the office are local-born. With partners, it is almost the opposite: 25% local-born. Give it some time, though, Parkes says, and there will inevitably be more local partners than expats. And it's not just the people who are increasingly local, it's also the work. "Our litigation practice especially gives us a domestic component," Parkes points



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David Fleming



Tim Parkes

out. Litigation comprises more than 50% of the firm's practice and 60-70% of litigation work is local.

Over at DLA's Hong Kong office the proportion of foreign to local lawyers is about 20 to 80; with partners it's 30 to 70. Interestingly, DLA's marketing has a slightly different angle from other international firms. Its advertising states: "We are different from the largest international firms by being local, and from the local firms by being international."

Like Simmons & Simmons, the diversity of DLA's work helped see it through the tough times. "When the large transactions weren't happening, we suffered a little but we were in a fortunate position because DLA was also doing day-to-day transactions for its clients, not just waiting for the mega deals," partner Janine Canham says.

The cultural evolution at international firms in Asia might be measured by how partners are remunerated, but most firms are sensitive about disclosing information on this subject. There are a couple of exceptions: at Simmons & Simmons, Wong says all partners are full equity partners and are paid in pounds. "It's a good currency to be paid in," he notes. At Slaughter and May the distinction between local and London partners remains to some degree. "The way it began was that the

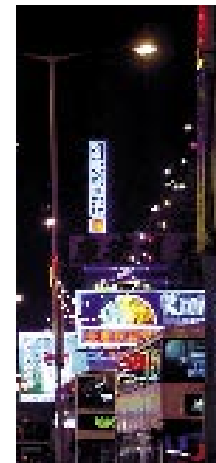
partners on secondment were full equity partners and the local-born partners were not. But that's changing," senior partner Richard Thornhill says.

The local

Davinder Singh, CEO of Singapore firm Drew & Napier, is pragmatic about the benefits international law firms have brought to Singapore. He recalls how Drew & Napier decided to join with international firm Freshfields. "There was a dearth of expertise in certain practice areas in Singapore at the time," Singh says. "Not because of a lack of talent in Singapore, but because international law firms got the work. The realistic way of getting the work was by plugging into the network. Even if it was a secondary role, we were getting better experience at doing the top-tier work, especially the junior lawyers."

The new generation of Singapore lawyers now have certain opportunities open to them, such as structured finance work and secondment to London, because of the joint law venture.

Singh has watched the standard of local law firms lift since the liberalisation of the legal market in Singapore. "I would be exaggerating if I said that Singaporean firms are up to New York and London standards,"



"I would be exaggerating if I said that Singaporean firms are up to New York and London standards"

WORLDS



International firms in Asia *

Int'l rank	ALB50 rank	Country of origin	Firm	Total	Ptrs	Others
1	7	US	Baker & McKenzie	855	264	591
2	16	UK	Clifford Chance	248	59	189
3	21	UK	Freshfields Bruckhaus Deringer	196	38	158
4	24	UK	Allen & Overy	190	48	142
5	27	US	White & Case	178	42	136
6	30	UK	Linklaters	167	33	134
7	31	US	Coudert Brothers	162	45	117
8	33	UK	Herbert Smith	156	44	112
9	36=	US	Jones Day	149	33	116
10	42	US	Paul, Hastings, Janofsky & Walker	124	22	102

* For the purpose of this table, 'international' refers to firms with a UK or US origin

he admits. "But now there are more Singaporean lawyers that can match this." Singh said more time needs to be given for general improvement. "It's better now because the economy is picking up. After the liberalisation of the legal market the economy took a dive but you will see that now, over a shorter, time standards will improve."

Some commentators predict that the gap in standards between Singaporean firms in JLVs and those that are not is likely to widen. Singh believes that the latter firms are not necessarily left behind. "There is still a transmission of knowledge in these firms. We are moving at different paces but in the same forward direction."

The last word

The most international of American law firms, Baker & McKenzie, trades on its global reputation perhaps more than any other firm in the world. David Fleming, managing partner at the firm's Hong Kong office, says the firm's strategy, where possible, is to recruit locally. At the same time, the firm's vision is for lawyers to qualify in their local jurisdiction plus one other jurisdiction. "With globalisation, expertise travels more quickly than it used to. You really need the blend between local and global," Fleming says. **ALB**

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