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Business of law: Local knowledge gives a lead over foreign rivals

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If in the past decade the Asia-Pacific region was dominated by UK and US law firms seeking rapid expansion, the past year may have marked a turning point where locally grown companies have finally started to lead the charge in innovative growth.

Asia-Pacific firms are creating networks and competing with the international players by being able to practise local law, offer lower rates and find new ways to raise funding.

At the same time they are using global partnerships to their advantage.

In the past year, Singapore-based ZICOlaw, whose network spans the Association of Southeast Asian Nations (Asean), created a legal structure that allowed it to publicly trade shares through a holding company; Rajah & Tann launched a large network in the Asia-Pacific region; and Singapore's Stamford Law, one of the top mergers and acquisitions shops in the region, agreed to merge with global law firm Morgan, Lewis & Bockius.

Meanwhile, some international firms are struggling in Asia. Fried Frank quit the region earlier this year, closing its Hong Kong and Shanghai offices.

"A number of firms have been trying to develop an Asean-wide capability," says Tony Williams, the founder of Jomati Consultants, which advises law firms on management and growth around the world.

"The Rajah & Tanns, the ZICOs, they see a potential sweet spot there, that there's no reason why they can't dominate the market and work with some firms from around the world," he says.

Founded in Singapore in the late 1970s, Rajah & Tann grew to 250 lawyers by 2008. Last year, it launched Rajah & Tann Asia, a network of more than 500 lawyers across nine countries who can advise on local law in their jurisdictions, creating one of the largest resources in the region through their alliances.

The ZICOlaw regional network used legal entities to create a corporate structure where a holding company could raise external capital through a public listing in Singapore last year, even though law firms are not allowed to trade shares there. ZICO Holdings listed on the Catalist Board of the Singapore Exchange in November, raising $14.4m.

"They don't seem to be in a great rush to merge with US and UK firms," Mr Williams says of the Asia-Pacific groups, adding: "There's a level of concern with doing that and being overwhelmed, and [preferring to have] control over one's destiny. It's them showing a bit more confidence. Some of those economies are doing quite well."

DFDL, founded in Laos in 1994, has sought to grow by targeting the least-developed countries in emerging Asia. It has expanded there ahead of its clients and competing law firms, giving it time to develop expertise and take advantage of incoming business. The company's presence in areas where larger international firms do not need to have an independent office, such as Bangladesh and

Myanmar, gives its lawyers the opportunity to accept external referrals from international firms as well.

David Doran, chairman and founder of DFDL, says: “From the business perspective of a young and relatively small player, first movers have the advantage of attracting similar innovative clients and attracting the top talent in local markets.”

In China, the legal market is also changing. The nation’s largest firm, Dacheng Law Offices, agreed to merge with multinational law company Dentons to create a 6,600-plus legal behemoth, the biggest in the world; and the smaller FenXun Partners and Baker & McKenzie became the first international and Chinese law firms to enter into a joint operation in the Shanghai Free-Trade Zone, the first Hong Kong-like trade area in mainland China.

Dacheng’s tie-up with Dentons is still going through the integration process and, once the dust settles, the world’s largest law firm will have about two-thirds of its lawyers in China.

Dacheng’s management saw the benefits as soon as they were approached, says Joe Andrew, the global chairman of Dentons.

“Frankly, it took no persuasion,” says Mr Andrew. “We met with them and our strategy matched their strategy.”

Dentons is hoping that Dacheng’s presence throughout China will provide work for the rest of the firm as companies in those regions increasingly seek deals internationally.

FenXun Partners and Baker & McKenzie also announced a deal in April, saying they had received regulatory approval for the first joint operation between an international and a Chinese law firm in the Shanghai Free-Trade Zone. The firms will remain separate entities. It gives Baker & McKenzie access to lawyers who are permitted to practise Chinese law, which currently is not allowed at non-Chinese firms.

While the 20-lawyer FenXun will remain a separate entity, the firm will seek to grow in areas where Baker & McKenzie is seeing an influx of work requiring local advisers, says Milton Cheng, the managing partner of Baker & McKenzie’s Hong Kong, China, Vietnam and South Korea offices.

“We’re the first — we have regulatory approval 001,” Mr Cheng says.

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