Why careful planning is key to your firm’s success abroad

By Jenny Jones
20th October 2016

Expanding your firm internationally is both a great opportunity and a risk, if not planned properly. There are many examples of firms entering new markets and enhancing their reputation internationally, but also cases – perhaps less well known – where a new office fails to live up to its initial promise, despite considerable effort and money.

International expansion is now a core strategic objective for many firms. The benefits are obvious: meeting client and market demand; reducing reliance on the UK market; creating opportunities for cross-selling from your existing office; and having a more compelling case in pitches for cross-border transactions.

It might appear that the firms opening offices in new jurisdictions are following clear strategies. But this is not always the case. On the contrary, these are often reactive moves. A classic scenario might be a senior management or high profile partner with interest in a particular market declaring one day that the firm should have an office ‘here’, while pointing at a map. Before you know it, the firm has a new priority.

It matters little whether the firm has a global strategy; the idea is made to fit. An inordinate amount of senior partner time is invested before someone is sent to the proposed country to make it happen. This might be the partner, who sometimes acts without appropriate ratification being given by the partnership.

Planning is lacklustre. Existing internal procedures are used that don’t accommodate the nuances of the international market. Senior partners spend valuable time sorting the problems. It costs more than expected. In a year or two’s time, the firm decides that the new office isn’t as successful as expected.

But it need not be like this. There are steps to follow and the more planning with the appropriate expertise that is done upfront, the greater the likelihood of success. The potential savings involved, with better decision making by the right people at the right time, are also hugely important.

Your firm must ensure that the project is aligned to your global strategy from the outset. An honest assessment of the benefits of each proposed jurisdiction, the strength of the market and growth potential is required. If the expansion proves significant, it may need to be approved by the partnership, depending on the firm’s constitution.
Actually opening the new office requires input from senior management, partners and others. This is a costly resource and day-to-day issues invariably crop up, which need managing. The needs of ‘head office’ must be kept in mind, along with a sensitivity for local cultural issues. Good planning is critical, which involves:

- A dedicated team, led by a project manager
- Identifying prospective partners and staff and ensuring a cultural ‘fit’ with the firm itself and each other
- A business plan in line with the firm’s objectives
- Considering local issues, in particular how the partners and staff ‘fit’ into the reporting structure
- Assessing the client book, ensuring alignment with the firm’s strategy and managing the ‘client tail’
- Appointing partners in line with the firm’s constitutional arrangements
- Establishing how the new entity should be structured
- Understanding the local regulatory and statutory requirements
- Carrying out business intake procedures
- Operational issues: premises, IT, finance, business development and ‘knowhow’.

One issue that frequently crops up for new or existing offices is tension between the head office and local office. These may be cultural issues, perhaps poor awareness of ‘how things are done’ in a particular market and concerns at the new office about ‘edicts’ from head office. Tensions need to be dealt with quickly.

Whether establishing a new office or managing an existing one, you should consider:

- How your offices are working locally and as part of the global network
- Whether you are maximising your cross-border potential
- What your clients want internationally and locally
- How well you understand your offices and how they operate locally
- The local office’s understanding of the head office’s requirements and why things are structured in the way they are.

Chances of success are maximised through careful planning and a proactive management approach. The more that your firm knows about the jurisdictional requirements and the offices in each of the countries it operates in – and the more these offices know about the firm’s modus operandi – the greater the chance of a well known success story rather than an avoidable flop.

_Jenny Jones is a consultant at Jomati._

_Available Online: http://www.legalweek.com/sites/legalweek/2016/10/20/how-should-i-structure-my-law-firm/_