

# Why law firms need best friends

Tony Williams

**This article will focus on law firms' 'best friends' relationships with other law firms. It will consider why law firms establish such relationships and how they should select, monitor and develop their best friends arrangements and provide indicators of best practice as to the operation of such structures.**

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## Why best friends?

Law firms have developed best friends for a myriad of reasons. For some of the largest and most profitable firms, in the past, their primary focus was on establishing their own offices in most major (and some not so major) business and financial centres. As a result, many independent firms were reluctant to work with such firms for fear that if they did so they would seek to recruit their best lawyers to establish their own office and also that they would corner most of the legal work on a matter and only provide the independent firm with a limited, local advice role. In recent years these concerns have largely dissipated for a number of reasons. First, the appetite of many major international firms to open new offices is largely sated. Indeed, an increasing number of major international firms have closed or downsized their operations in less strategic locations. This trend has been exacerbated by the increasing competitive pressure on the leading firms to grow their profit per equity partner (PEP) to US\$2 million and beyond. Very few locations outside the United States or London can consistently achieve that level of PEP. Firms may perceive the need for offices in a range of international locations, but the emphasis of new entrants now appears to be on small, high-quality offices in significant business and financial centres, focused on the needs of international clients rather than a local client base. Second, larger cross-border engagements, although generally very profitable, are more price constrained. There seems to be more price competition, especially on infrastructure projects. But, even on high-value transactions and disputes, clients are increasingly putting their lawyers under pressure to be price competitive. Accordingly, in some cases, the model whereby the international firm did most of the work on an engagement is starting to change. Increasingly, the international firm is partnering with an independent firm as co-counsel. The reason for this is hard economics. To be price competitive it may

make sense, if the independent firm has the necessary expertise, resources and service delivery standards, for them to do a larger share of the work. They will probably recover their full rate for the work but often be significantly cheaper than the lawyers of the international firm in New York or London. Third, and linked to one and two above, international firms are getting more mature and businesslike in recognising the benefit of working with a high-quality independent firm which has a level of experience in dealing with international clients but also a deep understanding of the business, political and cultural environment in their location.

But best friends relationships are not just for big firms. Many smaller (sometimes very small) firms recognise the benefit of such relationships. They cannot afford the financial cost or management time required to develop their own offices. They probably do not have a sufficiently regular flow of work to justify such investment. They do, however, want to remain relevant to their clients as they do business or invest abroad. And they wish to do work for international clients if the cost of obtaining such work is manageable.

It also needs to be appreciated that best friends relationships are not just appropriate for international work. Law firms may need relationships across different parts of their country or with firms with different areas of expertise.

## Where should my best friends be?

It is important to identify the regions or countries which will be of most relevance to your practice. What are the key sources of inbound investment into your country or destinations for outbound investment? Are these flows in sectors where you have particular expertise? What would your proposition be to clients from that country and how compelling is that compared to any competition? This review will need to be quite granular. For firms specialising in

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residential property they may need to identify trends of overseas purchasers and what is attracting them. For a litigation firm it will need to understand why, for example, clients come to London to litigate disputes or arbitrate and the likely impact of more recent arbitration centres such as the Singapore International Arbitration Centre (SIAC).

One needs to be realistic. Even the largest law firm has a limited capacity to initiate, develop and maintain credible best friends relationships. One firm's senior partner proudly claimed to me that his firm had well over 100 best friends relationships. I countered that this probably meant that he had at best 20 real best friends but over 80 passing acquaintances.

For an independent firm considering best friends relationships, especially with international firms, it is important to understand what their expectations are, whether the firm expects exclusivity or already has existing relationships in the jurisdiction and whether there will be opportunities to interact with the other firm's best friends in other jurisdictions. For a smaller firm the prioritisation of such relationships will be important as the resources available to develop and maintain such relationships will be limited.

#### **Who should they be?**

Once you are clear as to the countries that you wish to prioritise and why, it is appropriate to consider who the relevant best friend should be. Inevitably, some relationships will have developed historically or by serendipity as a result of a random referral or meeting or introduction. This is not necessarily a bad thing as a relationship relies on a level of personal chemistry if it is to work. It is, however, necessary to be business focused. One will need to know that the law firm is active in that market and its particular strengths and, if possible, the best friend relationships that it already has. Does the firm have a similar practice mix, client base and approach to client service? Can you communicate effectively? Is it well regarded in its market? Have any of our clients used them and what was their experience? A level of due diligence will be appropriate but in markets that do not have an active legal press this may not be straightforward.

It is also important to be clear what sort of relationships you are looking for. Will it be an institutionalised firm-to-firm relationship or a more

personal partner-to-partner one? This can be a particular issue, especially in relation to US firms where the original partner contact may be reluctant to broaden the best friends relationship to include other partners in his or her firm for fear of jeopardising his or her origination credit under the firm's remuneration system for any work referred by the best friend. It will also be necessary to identify the partner in the potential best friend with an interest in your country. Some firms adopt a 'country desk' or 'responsible partner' approach to particular countries or regions and this may be the appropriate starting point.

#### **Should the best friends relationship be public or private?**

For the majority of cases the answer is relatively simple. The flow of work from any one referral source is unlikely to be sufficient to justify exclusivity so a level of promiscuousness may be necessary. As a result, a firm may have a range of best friends in any one country (and particularly in relation to the larger economies). This is not only appropriate in terms of workflow but also enables the firm to use the best friend with the most relevant expertise and/or the absence of client conflicts. It is, however, necessary to be measured as too many best friends in a particular country can dilute the level of referrals to or contact with any one firm thereby reducing the importance of the relationship to that firm.

The most notable exception to this approach in Europe is Slaughter and May which has a well-established and public best friends group with BonelliErede (in Italy), Bredin Prat (in France), De Brauw Blackstone Westbroek (in the Netherlands) and Uria Menendez (in Spain). This was probably done for sound business reasons as all of Slaughter and May's Magic Circle competitors had merged or opened offices across Europe and the firm needed to clearly articulate and demonstrate the depth and breadth of its combined offering. This is also a best friends plus relationship. The firms work very closely together, second lawyers, provide joint training, go to market together and give a clear message that they know each other well and work effectively together. Indeed, in 2018 these best friends claimed to have acted on 220 deals with an aggregate value of more than US\$361 billion.

**How to make a best friends arrangement work**

Just saying that you are best friends with another law firm does not, of itself, mean much. The client will want to know how effectively you work together. Are there any skills gaps, is communication constructive and proactive, is the service cost effective, are there any turf wars and, most importantly, will it result in any nasty surprises?

Clearly, the more people work together and get to know, trust and respect each other the better the relationships and client experience is likely to be.

Actions to achieve this include:

- a programme of face-to-face contact (some firms invite some best friends to their annual partners' conference in order to broaden and institutionalise the relationship);
- a secondment programme of lawyers between the firms;
- participation in training programmes (which can be particularly useful where the best friend participant explains the different approaches in his or her country and the reasons for it);
- sharing of precedents and know how;
- sharing experience in relation to IT (including cyber security) and new client-facing legal IT products; and
- jointly visiting or pitching to clients including joint seminars and presentations on areas of relevance to clients.

All of these initiatives take time and effort and need to be consistently implemented over the medium term in order to achieve sustainable results.

Another important point is to try to measure the number and value of inbound and outbound referrals involving best friends. This may not always be straightforward. It will need to be noted on the client file opening form but even that may not be sufficient. A best friend may refer you to a client and the client then contacts you direct without mentioning the best friend. If the best friend bills your client direct, you may not be aware of the final value of the referral. Despite these limitations, it is an exercise worth undertaking. Outbound referrals are valuable. Clearly, you must refer them to a firm with the necessary expertise and absence of conflicts but once that hurdle is cleared you do want the firm to which you refer work to seek to develop a relationship with you and to reciprocate when it can. Depending on the direction of business flows, the levels of referrals in may not

equate to the levels of referrals out, but you should re-examine the relationship if the best friend is consistently referring work to other firms in your jurisdiction for no compelling reason.

It is also appropriate to give and seek feedback on referrals that are made. Many firms maintain a list of best friends on which partners provide feedback identifying the type of work, the lawyers involved and the quality of their performance. Some firms also proactively seek their client feedback on their best friend's performance. In order to maintain and develop a constructive long-term relationship, the giving and receiving of constructive feedback both positive and negative is essential. Any issues need to be addressed early as otherwise the bush telegraph in a law firm can just communicate that "X firm is hopeless" thereby fatally damaging the relationship and causing partners to look elsewhere.

For a best friend of a larger firm it is always worth asking if it does keep a list of best friends and record feedback. If so, the partner should request his or her contact to record feedback on their current matter. Unfortunately, there is a tendency for lawyers, unless prompted, only to leave feedback when they are particularly dissatisfied.

**How do you keep the relationship going?**

Like any relationship, a best friends relationship needs continuous attention if it is to flourish. Regular face-to-face meetings are best, regular phone calls even if not on a specific client matter help but email can be impersonal.

As a firm develops its best friends relationships, it may need to prioritise the best friends into those where most investment in time and energy is placed. Others can be managed on a less intensive basis. Some firms use regional events such as the IBA or the IBA Annual Meeting to meet up with many of their best friends, especially where visits to each of their countries on a regular basis would not be commercially justified. This can also give the leaders of the firm the opportunity to demonstrate to the best friend that the relationship is valued.

Some firms have gone one stage further and have regular best friends events on a global or regional basis (eg, African best friends). This not only demonstrates the larger firm's commitment to its best friends but also helps to create a community of best friends who may also refer work and cooperate between themselves. Such events are likely to be a

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mix of business and social interactions and may include presentations on new legal trends, initiatives, client service and technology.

As client service and price certainty is paramount for an increasing number of clients, some firms are also being more prescriptive as to what they expect in terms of client service and pricing from their best friends. This has to be handled sensitively so as not to cause offence or overly micromanage the delivery of client services. However, a range of hygiene issues such as cyber security, document management, effective conflict checking, appropriate levels of professional indemnity insurance, good standing with the local regulator, efficient billing systems, money laundering and anti-bribery checks etc are necessary for firms wishing to act for significant international clients. Even these more formalised relationships are still usually not overtly public. However, there may be some sensitivity if the independent best friend is seen to be in the market presenting, marketing or working with another firm on a regular basis.

It is essential, from time to time, to review how the relationship is working:

- What has been the flow of work both ways?
- Has the service been good?
- Was the client feedback positive?
- Is that country still important to our firm?

Furthermore, best friend firms may change. They may merge with another firm (domestically or internationally), the key contact partner may retire or leave, or the practice of the firm may change. If the relationship is not developing as expected it will be appropriate to try to get it on the right track but if this fails, you may need a new best friend.

### Clubs and networks

Many firms are members of law firm networks such as Lex Mundi or World Law Group. There are also

regional networks and practice-specific networks. These are rarely exclusive. The members of the network may be the starting point to develop best friends relationships. Some networks work very effectively while others are somewhat more passive. It is therefore relatively unusual for a firm to find all of the best friends it needs or that are appropriate for its whole firm needs in any one network. A full review of such networks is outside the scope of this article, but the key message is the same. If you want any relationship to work well, you have to make a concerted effort. If you don't, why will others come to you?

### Conclusions

For firms of all sizes, best friends relationships can be productive in both professional and business terms. They can provide access to a range of lawyers with different experiences and backgrounds. Many of them may become close personal friends.

A best friends approach is certainly far cheaper than establishing your own offices, but it is not a free ride. It requires a level of investment (primarily in time) in developing, nurturing and reviewing the relationship. When it works well the client gets business-focused, cost-effective and locally-sensitive advice and it can significantly enhance your relevance to and relationship with the client. This can give a firm access to clients and work that it may struggle to access alone.

But in an era of greater business focus, you need to be clear what you want from a best friends relationship, what you are prepared to contribute to that relationship and how you will measure performance (whether in terms of client satisfaction, joint pitches won, referrals back etc).

And, finally, be realistic as to the range of best friends relationships that you can really manage. As Aristotle said: "a friend to all is a friend to none".

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