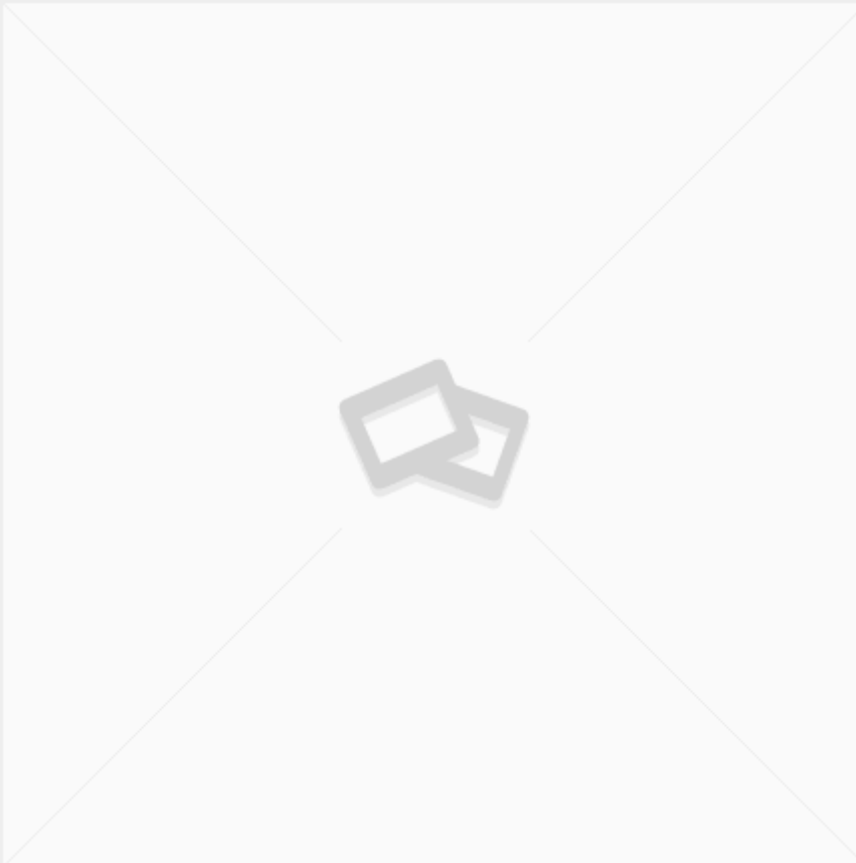
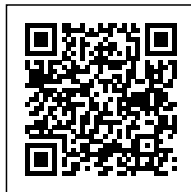


LOOKING FOR CLEAR BLUE WATER

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The global financial crisis is being felt across all business sectors all around the world, and the legal sector cannot expect to be any different, says Peter Cornell, Managing Director, Terra Firma

For an industry that places such emphasis on client focus and need, law firms will undoubtedly now be sharing some of the economic pain of their clients.

The challenge for many firms however is how to ride out this pain in the short term, and prepare for the macroeconomic trends that will emerge from the crisis.

As clients deal with a new regulatory and commercial environment, law firms will need to demonstrate their own agility in adapting to a changed business world, including shifts in geographic importance.

As a result, many firms will be revising their strategies, and debates will include practice specialisation, the legitimacy of local qualifications over international qualifications, the necessity of

scale, profitability, as well as the viability and desirability of alternative fee arrangements.

There is no wrong or right course, and no single model that will work for all firms, but already a number of firms are reassessing their strategies, structures and remuneration models.

Some firms may no longer be able to build a broad international, multi-office, practice sufficiently fast enough to justify the level of investment required, or the level of profitability necessary to maintain these operations in the short and medium-term.

While some firms may build the necessary quality around the world, through investment in the best talent and training, not all will retain them without the requisite level of remuneration and profitability.

Of course, this may be less of an issue for firms that look to operate outside of the lockstep model, or for those that are sufficiently comfortable to pay differential rates, taking into account local expectations and norms, while giving more weight to other (more profitable) markets.

Law firm managers are undoubtedly looking for validation of the strategies they are now following. There is no doubting that the process of globalisation will continue, and that law firms will look to the lessons of the crisis to question or even justify the strategies that they have chosen.

There is no single dominant law firm model, nor is there ever likely to be, but there is clearly a greater willingness within law firms to make changes, including those that may have seemed unpalatable only 12 months ago.

One of the main strengths of law firms is the partnership model and the inherent democracy that it brings to the decision-making process. But the same positive can also become a negative, when rapid strategic decisions are required. In the current environment, some of the most successful firms are also some of the least democratic.

Para un mercado jurídico enfocado en los clientes y sus necesidades, los despachos no tienen más remedio que compartir la presión económica que están sufriendo sus clientes. El reto es como librarse de esta presión a corto plazo y prepararse para las tendencias macroeconómicas que surgirán tras la crisis, dice Peter Cornell, Director General de Terra Firma y ex- socio director de Clifford Chance.

The crisis has forced many in the profession to look at what once may have been considered sacred cows, or to question the principles that underpinned law firms strategies: the ready flow of international capital, the dominance of the established investment banks and finance capitals, and the all-conquering Anglo-Saxon law firm model.

The world has experienced an unprecedented economic boom over the past two decades and most well-managed law firms have ridden the rising economic tide.

As the tide ebbs back however we shall have a clearer picture of which law firms have the agility to reach clear waters and who may become stranded.

Peter Cornell is Managing Director at the leading international private equity firm Terra Firma. He is also Vice Chairman of the Global Buyout Group at BVCA. He was previously Global Managing Partner of Clifford Chance, having led offices in Asia, the UK, the US and continental Europe.

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