

Revenge of the client

In-house lawyers are under-resourced, under pressure to cut external spending and looking for better value from law firms. And it may well be specialist firms that stand to benefit most from this state of affairs

If the halcyon days of the pre-credit-crunch era were the glory days for the commercial law firm, perhaps we are now witnessing the era of the corporate lawyer. The shifting of power in the law firm-client relationship and the increased capacity of the client to set the terms of the relationship have certainly become an accepted part of the industry landscape. The extent to which clients wield decisive control over the relationship and are prepared to use that power, however, remains the subject of some conjecture.

If the more extreme predictions are to be believed, the in-house profession in Australia and New Zealand is making preparations to desert the large national law firms *en masse*, in favour of specialist firms and increased internal resourcing. Some exaggeration is inevitable, particularly from those who have a vested interest to do so. The 2010 *Legal Department Benchmarking Report* therefore provides a timely – and more moderate – perspective on the industry and the likely beneficiaries of this emerging state of affairs.

Which firm?

In the belt-tightening post-GFC environment, specialist firms have been claiming ascendancy in the continuing quest to win more work from full-service firms. The usual argument advanced on behalf of specialist firms is that they are better placed to offer value, because they are not encumbered with the traditional overheads of national full-service firms. While this is a familiar argument in areas such as insurance and IP, the recent “cherry picking” of talent in the banking & finance area by Allen & Overy suggests that the concept has potential in other practice areas.

The 2010 *Legal Department Benchmarking Report* does provide a certain level of support for the theory that the tide is beginning to turn in favour of boutique and specialist firms.

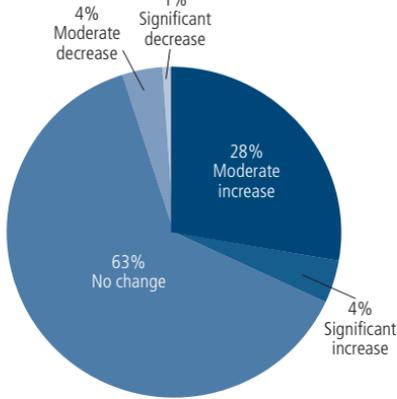
While a clear majority of general counsels surveyed did not predict any changes to the type of law firm they used, 32% of respondents did say that they intended to increase their use of boutique or specialist firms, while only 5% indicated that they intended to use those firms less. By contrast, only 9% of respondents said that they would increase their use of national full-service firms while 30% said they intended to reduce their use of those firms. These results certainly give credence to frequently-made claims by specialist firms that they are winning work at the expense of national firms.

Ron Pol of Team Factors, which assisted with research into the report, says changes in which firms will receive work is a reflection of cost sensitivity. “Anecdotal evidence often indicated a perception that the big national full-service firms can sometimes be more expensive than specialist firms and local and regional firms,” he explained.

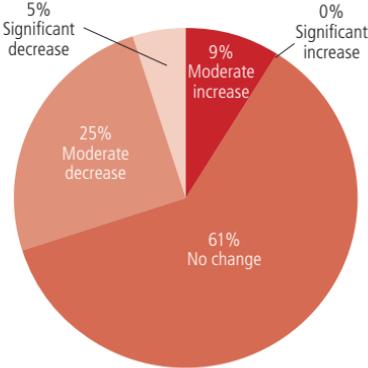
The study does not cover another familiar battle ground, namely the continuing rivalry between mid-tier and top-tier firms. Pol said that it would be difficult to conduct a survey on this topic because of the lack of a consistent definition of what constitutes the “top tier” or the “mid tier” for law firms. However, if cost pressures are causing clients to gravitate towards specialist firms it would not be unreasonable to infer, by the same logic, that clients would also gravitate towards mid-sized firms for the same reasons.

Those GCs interviewed by *ALB* were divided on this point. Qantas general counsel Brett Johnson said he has found both top-tier and mid-tier firms willing to negotiate on rates. In contrast, George Weston Foods group general counsel Asia Pacific Tim Wong said that he has found more flexibility with mid-tier firms “as they are keen to take work off the top-tier firms and their management structures allow a bit more flexibility to

▶ **DO YOU INTEND TO INCREASE OR DECREASE YOUR USE OF SPECIALIST/ BOUTIQUE FIRMS?**



▶ **DO YOU INTEND TO INCREASE OR DECREASE YOUR USE OF NATIONAL FULL-SERVICE FIRMS?**



Source: ACLAI/CLANZ Legal Department Benchmarking Report 2010

already peaked. Simpson Grierson chairman Kevin Jaffe says he has not seen a noticeable increase in the size of in-house teams. "If anything, they have stabilised or diminished a little because of the increased use of secondments."

Nonetheless, the study does demonstrate that in-house teams are more likely to continue growing than not. Commonwealth Bank GC David Cohen is not looking to increase his team – in fact he's decreased headcount over the past two years – but he can understand why other GCs would require more resources. "Over the past two years there has been an increase in the amount of government regulation. This is a big issue for corporations, and hence in-house legal departments," he observed.

The increasingly complicated nature of the work is also another factor – Qantas general counsel Brett Johnson said he intended to increase the size of his legal and competition team "to reflect the increased workload and complexity". ALB

news in brief >>

■ HDY APPOINTS NEW CHAIRMAN OF PARTNERS

Henry Davis York has appointed leading insolvency, commercial and banking lawyer Philip Crawford as chairman of partners. Crawford has worked with Henry Davis York for more than 30 years, during which time he has acted for major financial institutions and insolvency professionals.

The appointment comes as on the back of record growth in revenue for the firm – up 13% to A\$96m between 2009 and 2010. The firm has also bolstered staff numbers, and now has 155 lawyers and 48 partners. In June the firm announced 28 new senior appointments – including five new partners – plus the appointment of two banking & finance partners from with Corrs Chambers Westgarth.

■ BELL GULLY CHAIRMAN ELECTED TO LEAD BUSINESS THINK-TANK

Bell Gully chairman Roger Partridge has been elected as the new chair of the New Zealand Business Roundtable.

Partridge has been chairman of Bell Gully since 2007 and prior to that headed the firm's litigation department for three years. He has been a member of the Business Roundtable since 2008 and was also a director of the Legal Research Foundation, a private law reform body, from 2001 to 2010.

■ MINTER ELLISON OPENS NEW OFFICE IN BEIJING

As foreshadowed by ALB last year, Minter Ellison has officially opened an office in Beijing. International managing partner Mark Green said the Beijing office was a natural extension of the firm's footprint in China. "As China's administrative, policy and regulatory hub, Beijing is an important centre," he said. "Having a Minter Ellison office here is both a strategic move and the next logical step for us in China."

Minter Ellison has had offices in Hong Kong since the early 1980s and in Shanghai since 1999. Its other overseas offices are in London and New Zealand through Minter Ellison Rudd Watts. The firm's practice model in Greater China has been to focus on niche areas where the firm's expertise allows it to provide a specialised service. "Our key focus in Beijing is to work with clients on outbound M&A and inbound and outbound investment opportunities," Green added.

The team in Beijing will include partner Sam Farrands as initial chief representative, as well as lawyers Tim Knowles, Andrew Thomson and Kevin Zhou.

