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INDIA PROPOSES TO OPEN ARMS TO THE GLOBAL LEGAL PROFESSION

By Bithika Anand

India is finally gearing up to permit foreign law firms to conduct business within its borders. As Edge International's principal in India, I would be more than happy to assist firms that are interested in exploring possible future opportunities for entering into this exciting new market.

A Decade of Working for Change

The admission of non-Indian law firms to India's legal sector finally appears to be coming about after a difficult process that took more than ten years of debate and discussion. During that time, the Government of India considered and addressed many concerns that were raised by individual lawyers in India, and by associations that act as custodians of interest to Indian lawyers – in particular the Bar Council of India (BCI), which is the apex body regulating the legal profession in India, and the Society of Indian Law Firms (SILF), which represents the top law firms in the country. Most of their concerns related to maintaining a level playing field for domestic firms, although there were also other issues that derived from the particular history and nature of India's legal industry and of India itself.

Since the latter half of 2015, the Government of India has been pro-active in reaching out to all stakeholders, explaining its rationale for opening up the legal sector in a calibrated manner. The profession is now in advanced stages of its discussions with the Government regarding the global liberalization of legal services. The move aims to set certain regulations in place to protect some of the interests and mandates of Indian firms and regulatory agencies. In addition, to enhance the goals of a level playing field for all legal practitioners, for the first time ever, Indian law firms may be allowed to advertise on a limited basis.

It is contemplated that foreign law firms entering the Indian legal sector will be able to practice only in certain restricted fields, and within particular guidelines. They are likely to be more successful if they are familiar with the traditional structures and ways of thinking that currently exist within the Indian legal market. This is where I believe Edge International can help.

As the world economies are integrating, India is seen as the most progressive nation in Asia, with the government opening its key sectors to invite investments and know-how, while creating a new and fair level playing field for Indian companies. This is an opportune moment for firms from around the world to investigate how they may be able to contribute to this exciting and rapidly growing economy.

We Can Help

In 2011, as part of its ongoing mission to provide global support to law firms of all sizes and areas of expertise, Edge International created an alliance with Legal League Consulting of Delhi and Mumbai – the oldest and most respected consultancy to law firms and corporate legal departments in India. As founder and CEO of Legal League, and a chartered accountant with more than thirty years of experience in working with top Indian law firms, I joined Edge International as a principal. Since then, the staff of Legal League's offices have been instrumental in facilitating Edge International's work in India.

Please contact Edge International if I or any of my Edge colleagues can be of assistance to you in taking your first steps into India's legal landscape.

IMPORTANT ALERT REGARDING INDIA

By Gerry Riskin

For decades, I have spoken about India with the senior leaders of major law firms around the world. Because India was closed to the idea of foreign law firms practicing within its borders, the subject was academic to many.

This is changing now. My fellow Edge principal, Bithika Anand – founder of Legal League, India's most prominent consultancy to the legal profession, and former executive within India's most prominent law firm, Armachand – now announces that India is relaxing its restrictions. While India is opening its doors carefully, it is nonetheless doing so.

Many of the law firm leaders outside India have operated under the misapprehension that the legal market in India was fundamentally the inexpensive variety, utilized for outsourcing. That is a myth. The top law firms in India are among the best in the world. They are not only among the finest in terms of the substantive quality of legal work they provide, but they also employ management sophistication that is rarely seen elsewhere.

Notwithstanding that foreign lawyers have not been allowed to practice in India, top Indian firms have often involved the best foreign lawyers in the world in their efforts stay at an unsurpassed level of global sophistication in their substantive practice areas.

Read Bithika's article contained in this special issue of *Edge International Communiqué* closely. If your firm wants to explore India, whether from the vantage point of having a "best friend" relationship, practising on the ground there, or simply attracting work from some of India's top corporations, feel free to contact Bithika or any other Edge principal to discuss this in much

greater detail.

Bithika will be joining select fellow Edge principals in Australia next month and in California early next year for informal meetings with law firm leaders who are interested in what Bithika has to say.

STRATEGY ON THE BACK OF AN ENVELOPE

By Neil Oakes

I've just participated in a two-week charity fundraising event, driving 40-year-old cars 5000 kilometres through the Australian outback to raise money for disadvantaged kids. The fleet consisted of 95 pre-1976 vehicles, no four-wheel drive, no engine modification allowed.

This event presented me with a useful metaphor for the business of legal practice. Nearly everyone made it *despite* himself or herself. About two percent of the field had a well-thought-out, well-executed strategy. The rest of us succeeded because our ability to get out of strife was a tiny bit better than our ability to get into it (sound familiar?).

So too law firms. Leaving aside the elite, how many firms really succeed as a direct result of a well-executed strategic plan? Not a lot, I suspect. In fact, between 1980 and 2007, it probably took effort *not* to succeed. To fail, one needed a dysfunctional partnership, a bad premises deal or a propensity to pay people way too much: these were pretty much the only ways to stuff it up. Oddly enough, some folk did manage the trifecta.

Times have clearly changed. Success doesn't just happen by muddling through. Even small firms should invest in this list of must-haves:

- A well-thought-out strategy – they know what they want to be and what they don't want to be;
- A leverage structure with a balance between relatively junior solicitors and senior solicitors – not all one or the other;
- An understanding by all fee earners of 'minimum acceptable contribution';
- A clear pricing strategy, regardless of methodology (fixed fees, hourly rates, scale, perceived value or whatever). The best performers keep all of these possibilities in their tool kits;
- An understanding of cost of production;
- A management structure with clear objectives and the support of partners;
- Leadership as well as management;
- Good financial housekeeping (price, WIP and debtor management).

My Edge colleagues and I have written, over the years, about all of the above. We continue to assist firms with pragmatic implementation.

For the benefit of those who are yet to invest in a robust strategy process, here's a better-than-nothing, back-of-the-envelope approach to start the ball rolling.

Planning Is Key

In my experience, the best self-help first step in the practice-improvement process is planning. I am not talking about a multi-volume document brimming with colourful flow charts and management clichés. On the contrary, I am talking about a discussion that results in a one-page summary that tells every partner (or sole practitioner) where they are headed. The plan will guide those who have been delegated the responsibility of implementing it.

For this planning session, meet as a partnership (or with a key advisor if you are in sole practice) away from the firm, somewhere where participants won't be distracted by staff or clients. Give each item full and frank consideration. Business plans in small firms are next to useless without consensus. Partners will simply agree in the meeting and then continue doing whatever the heck they want.

I recommend that the discussion revolve around the following decisions:

	This year	+1	+2	+3	+4	+5
What type of work						
Partner numbers						
Gross fees						
Net profit per partner						
Employed fee earners						
Support staff						
Space (sqm)						
IT commitments						

- ***Partner numbers*** – refers to the number of equity partners. You may wish to include salaried partners here, but I usually put them into the "employed fee earner" section.
- ***Gross fees*** – refers to the total fee billings of the practice (excluding disbursements).

- ***Net profit per partner*** – refers to the desired profit per partner. When you are considering desired profit, remember that as a principal you should receive a reasonable pay for your time and effort, and a reasonable profit.
- ***Employed fee earners*** – refers to the number of employed solicitors, associates, non-equity partners and paralegals. (Full-time equivalent, so someone may be 0.5 paralegal and 0.5 support.)
- ***Support staff*** – refers to all support staff in full-time equivalents.
- ***Space (sqm)*** – refers to the office space required. The average Australian firm uses about 25sqm per person (including public space like reception and meeting rooms). This is not ideal though. I suggest that you allow for about 18sqm/person. (We are told that best practice space utilisation is about 7sqm/person, but this requires significant cultural and operational change.)
- ***IT commitments*** – refers to any foreseen expenditure on technology such as PMS, litigation support, marketing data base, etc.

The best way to approach these discussions is to fill out the actual numbers for this year, then do Year +5 first. Come back and do Year +1 next, then simply 'join the dots'.

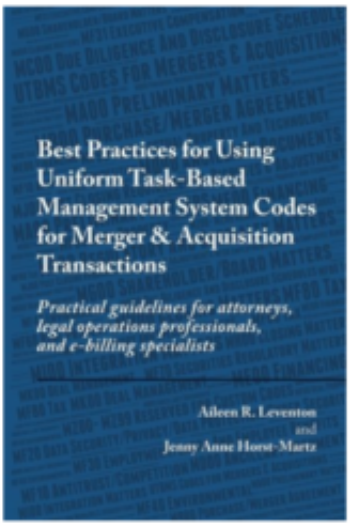
This is a start – a bit rough and ready but better than nothing.

By the way, our "Annual Variety B to B Bash" raised 2.25 million dollars for disadvantaged Aussie kids – admittedly despite most of us, not because of most of us.

Next year I'll be one of the planners.

WHY CODES MATTER: A SIMPLE TOOL WITH MANY USES

By Aileen Leventon



Any serious attempt to ensure efficiency in legal services requires analysis of reliable data. Efficiency is a big, abstract idea, which comes back to addressing the five core questions of legal project management: Why are we handling the matter? What is the legal strategy? When must the work be done? How will the work be done (phases, tasks and sequencing)? Who will do the work?

Data, Timekeeping, and Efficiency

To capture data, one approach is to analyze time entries. But anyone who has attempted to review an invoice for legal services with each lawyer's time narratives will understand that it can be an exercise in mind-reading. The client and matter are clear, and perhaps it is evident that the timekeeper was doing something to reach a goal. Beyond that, however, the narrative will either be too specific or too vague to be illuminating ("Work on Smith documents; analyze options for resolution; meet with opposing counsel—6.4 hours").

Phase codes provide the context for individual time entry narratives within the larger story of the legal matter. When codes are

used both to construct a matter budget and to analyze the team's progress, it becomes much easier to determine if the matter is on track, if the scope of the matter is changing, or if assumptions that were made at the outset continue to be valid. The sooner the lawyer in charge of the matter receives this information, the greater the opportunity to manage the matter efficiently in real time, and to report status with confidence to the client. With accurate data on the work completed and outstanding items, the matter team can make adjustments to better manage the matter to meet deadlines, manage work to budget constraints, and minimize surprises.

Codes can also be used to develop information about how to price or evaluate the cost of future similar matters, by comparing the time, billing value, and total cost for specific phases in other matters, and then adjusting for likely variances in the current one. In other words, by maintaining a database using codes, it is possible to build a base case for a matter type and then evaluate drivers of costs and opportunities to improve efficiency.

Many code sets have been created, and they all describe the work involved in handling a matter from a *process perspective* with the progression of work divided into phases (e.g., early case assessment; trial; due diligence; negotiations and documentation), tasks (e.g., issue litigation hold; review real estate leases), and activities (e.g., conference call with opposing counsel).

Fewer codes are better, and it is preferable to start by gathering data only at the phase level. This approach is reflected in the UTBMS Codes for Merger and Acquisition transactions that were developed by the Task Force on Legal Project Management in the Business Law Section of the ABA. The working group that I chaired sought simplicity and completeness in data collection that is aligned with the way practitioners all over the world handle deals. It is broad enough to cover most transactions, regardless of size, complexity or jurisdiction. Over time we expect that well-defined needs for more detail at the task level will emerge. For example, it may be useful to understand how allocating tasks among different service providers (law firm, law department, accountants) might reduce the cost/ improve the quality of due diligence.

Using only phases is a radical departure from the structure of many other code sets that require granularity without regard to the utility of such information. Although interesting information may emerge, data quality has been sacrificed. Many report that in using various litigation code sets, 80% of the time is entered in any of three catch-all categories and often incorrectly. Quality data through accurate and simple time-recording with fewer codes should offset the interest in collecting data for its own sake.

Consistency, Compliance, and Communication

Codes enable the client and legal service provider to embrace a common vocabulary for describing the work. Discussions may occur among others beyond the law firm and client: legal service providers include inside counsel and legal operations managers. They should have scoping and discussions with the business client to assure best use of corporate resources and appropriate allocation of roles and responsibilities. In addition, conversations should occur between inside counsel and the law firm; and there may be discussions with all three perspectives. Inside counsel has a particular need to evaluate these issues even if timekeeping is not required, since the phase structure provides a communication framework about how a deal may unfold.

Using the common vocabulary provided by codes starts the process of ensuring that the client's goals are reached, that the fee reflects the client's perception of value, and that the matter is profitable for the legal service provider. Like any taxonomy or standard, codes only provide value if everyone uses them the same way. This requires the legal team (comprised of both the legal service provider and the client) to confirm explicitly their understanding of how the codes should be applied, and to consider:

1. What are the phases that are reflected in the code set?
2. Which tasks are contemplated by each phase?
3. What is the appropriate level of detail for capturing information about the work?
4. Should we use the framework to assign roles and responsibilities?
5. If we have experience using a code set, what adjustments should be made? Should more granular information be captured for some or all of the phases?

Codes are fundamentally about communication. And only with effective communication can we get everyone on the same page: clients have visibility into the work that is performed, lawyers have insight into what they are doing in the context of the matter, and both law firms and their clients are better able to manage the business of law.

Note: Portions of this article appear in Leventon & Horst-Martz, *Best Practices for Using Uniform Task-Based Management System Codes for Merger & Acquisition Transactions* (2017), available at amazon.com

PARTNER PERFORMANCE AND COMPENSATION

By David Cruickshank

Three years ago in *Communiqué*, I wrote a two-part article on "Collaboration and Compensation." Part I appeared in the September 2014 issue, and Part II in the October 2014 issue. Since that time, I have received several inquiries in compensation engagements about partner performance. The inquiries go beyond financial performance and general "team building" activities. Leaders want to know how to reward – explicitly – the activities of partners who contribute to a lasting, profitable firm.

The interest in measuring partner performance more broadly may arise from two developments in U.S. law firms over the past ten years. First, we know that many firms, from global to mid-sized, now use competency models to evaluate and promote associates. These competency systems are a product of influential professional development staffs. They have persuaded leadership to look more thoroughly at who deserves the next tier of those expensive associate salaries. For associates, a competency measure is a specific, measurable skill, knowledge level, analytical prowess or business-development activity. Typically, associates progress through three or four stages of competency before making partner.

Convinced that this works better than lockstep annual promotion for associates, these same firms are asking us if we can't also measure partner competency (but rename it "partner performance").

A second influence comes from the recognition that getting and keeping top clients requires a high level of service, value billing and legal project management. A single relationship partner can no longer meet the expectations of big clients. It takes a team. Perhaps that's why in April, global firm Linklaters announced that it was dropping individual partner metrics for compensation in favor of team-based and client-oriented metrics. Many competitor firms, especially those with dominant origination credit metrics, must be worried that Linklaters is right.

Compensation schemes that recognize a broad spectrum of partner performance do exist, but they have been slow to penetrate the AmLaw 100. Just as competency models were built on what we needed to see in associate development, partner performance models will grow from what we need in modern partners. And that means more than individual financial performance.

These are typical categories that we have developed for creating a partner-performance compensation scheme. I have provided a sample performance metric for each:

- *Financial Performance*: Partner managed above-average (associate and other) billable hours compared to practice group.
- *Business Development*: Partner participated in *x* formal client pitches and shared in a successful outcome in *y* of those pitches. (In compensation parlance, we term these performance measures [*x*] and outcome measures [*y*]).
- *Leading People and Groups*: Partner was the lead for running legal project management training in his practice group. The result was improved management and billing for three key litigation clients and reduction of write-offs. Net revenue per billable hour also improved.
- *Client Relations*: Partner led a client team that produced 20% greater revenue (year-to-year) from that client. Her specific

leadership activities were: etc., etc. Client satisfaction, as measured in a year-end interview, improved over prior year.
- *Firm Building*: Pursuant to firm policy, partner transitioned client work valued at $3.2 million to other partners or teams. This was the highest value transitioned in the firm last year.

What do you notice about each of the partner performances above? First, they all involve data that has to be tracked all year, and is often compared year over year. Second, they are all specific; there are no sweeping generalizations such as “active at business development” or “well liked by clients.” Third, financial success and profitability are baked into performance measures that also have a team feature. While it is not always possible to connect a financial outcome, we find that credible measures must at least aim in the direction of firm building and financial success for all.

Is a partner-performance compensation system in your future? Given the expectations of clients and the increasing number of junior partners who were promoted in competency models, we think the answer could be “Yes.”

MIKE WHITE, ADVOC CONFERENCE, NOVEMBER 2 – 5, 2017, JAIPUR, INDIA

By Gerry Riskin

Building a “Team of Teams” and other Forms of Client Experience Innovation

AILEEN LEVENTON, ELM USER CONFERENCE, SEPTEMBER 13, 2017, ORLANDO, FLA

By Gerry Riskin

Data Analytics, Metrics and Performance Measurement — For registration info, click on green arrow then on REGISTER HERE

THE SWISS VEREIN – TIME FOR A CLOSER LOOK

By Sean Larkan

The Swiss Verein structure, so commonly used between firms that

align within countries, or between countries, has recently received some searching analysis.

This arose through the problems experienced by King & Wood Mallesons (KWM), a Swiss Verein (SV), and its relatively young European operation, also a SV, which resulted in KWM EUME being dissolved and going into formal administration.[1] This was covered quite extensively in a recent *Lexpert* article to which three Edge principals contributed comment: http://www.lexpert.ca/article/swiss-miss/

There are a number of different possible causes for the collapse of KWM EUME: Was it due to the verein structure? Or poor choice of target firm in Europe? Inadequate leadership and management of the new expanded structure? Insufficient time and effort put into building trusted and respected relationships and collaboration between the old and new merger partners? It was probably a combination of all of them.

A sad end to a potentially powerful merger, the KWM EUME collapse has provided a timely wake-up call to all other SVs to review and stress-test their own structures. More importantly, they should carefully consider the leadership and management of their SV, as well as the cultural and other factors that provide the necessary glue between member firms.

It is also timely to revisit some of the attractions but also some of the potential downsides of this popular structure.

The Swiss Verein: an attractive alternative?

1. Firms in different jurisdictions, often with different structures, can present themselves internationally as a single entity without complying with all the regulations and tax codes of each country in which the SV functions. For instance, an SV can help firms to avoid the need to deal with differing regulations around the legal qualifications of law-firm owners, and the necessity of member firms or their members to file multiple tax returns;
2. Arguably the greatest attraction for merging firms is that financial matters (unless agreed otherwise) largely stay within each jurisdiction, including liabilities for financial debt, contributions to capital, sharing profits and the like. This is obviously attractive to sceptical partners in a larger, more dominant and successful firm tying up with a smaller firm that earns lower profits per partner. It also avoids issues around exchange rates, differences or fluctuations in profitability, charge-out rates and partner-compensation schemes. So, the SV can be attractive where the parties do not feel that financial merger is an unnecessary step too far;
3. SVs work well for firms in different jurisdictions that feel they want something more than an alliance (which are notoriously challenging to ‘make work’), so that they can exert some measure of control – e.g., around branding and other agreed standards – but are nervous about a full financial merger (with all the attendant challenges and concerns a merger brings with it);
4. Vereins have proven to be flexible structures, with each verein reflecting its own distinctive characteristics and personalities. Some successful vereins give the appearance of financially integrated entities, while others look no different from looser alliances or networks;
5. Indicative of this flexibility, an SV can function between firms within a country (e.g., in major centres) or between firms in multiple countries;
6. Structurally, legally and procedurally, the SV structure can be somewhat easier to unravel than a full financial merger, should this unfortunate need arise;
7. The SV is also ‘tried and tested’ in various international jurisdictions, both in the accounting world (e.g., the ‘big four’, albeit they have moved on to other structures) and legal services, where it has been the structure of choice for many mergers. This will often be enough to put querying partners’ minds at rest. The Lexpert article points out that over 30% of the top revenue-producing firms are vereins;
8. Subject to the caveats mentioned elsewhere, SVs are somewhat less complex to manage. For instance, one or other member firm is not subjected to the upheaval of changing all systems and processes to comply with a centralised one, although of course not changing can also create challenges;
9. In large measure, the SV can accommodate different cultural, political and economic issues in each jurisdiction without them impacting other member firms;
10. Still on the question of management, provided ‘other firms’ in the arrangement are well led and managed, other firms in the SV do not have to put as much time and investment into detailed management of others in other jurisdictions. However, this also can be a danger and can result in issues not surfacing in time (see below);
11. Depending on what they may choose to do from the point of view of effectiveness and consistency, firms can largely leave current management structures in place in each jurisdiction;
12. Members of SVs do not share commercial or professional liability for the debts or actions of other members (however, pre-merger due diligence on this is advised);
13. SVs can reap real benefits from well-managed and led business, and brand integration – which can prove a profitable alternative to full financial integration;
14. The verein structure can be a safe, speedy and less complex stepping stone to later financial or alternative types of closer integration;

15. Typically one or other of the merging entities does certain things really well or has implemented leading-edge systems in certain areas – clever leadership, flexible attitudes, good management and sharing can result in the benefits being moved around for the benefit of all;
16. SVs can give comfort to partners (who ultimately vote on such matters) and get them 'across the line' in regard to issues which typically worry them:
    - *What if they don't perform to our level?';*
    - *'Will we ever have to bail them out?';*
    - *'We won't have to do multiple tax returns';*
    - *'It doe ' sn't look like it will be much hassle for me – I can get on with my work and servicing my clients but there may in fact be some upsides with referrals to me';*
    - *'There will be a limit on inter-firm liability';*
    - *'We won't get bogged down in their regulatory issues';*
    - *'So, in light of the above, Why not?.'*

Swiss Vereins: a cautionary note

1. The relatively less tortuous path to merger provided via the SV structure, and the structure's characteristics, sometimes causes member firms to overlook some fundamental pre-merger steps, like undertaking stringent due diligence. We advocate that such due diligence should be no different to a traditional merger;
2. The passion and excitement with which firms enter into merger discussions and negotiations, coupled with the flexibility and other advantages of the verein structure, can paper over the complexities and uncertainties of international legal practice. This can be exacerbated by different styles and cultures brought to bear to consider them;
3. The verein structure can mean that issues that arise in one member firm, which may even have the potential to damage the overall firm, can sometimes, at least initially, be 'left to the troubled firm to sort out'. This is assuming the other member firms are even aware of them. This can prove disastrous, as we have seen recently;
4. Depending on how they are structured and run, SVs can be fairly loose affiliations, not far removed from law firm networks, and such networks are notoriously difficult vehicles through which to extract full potential. This is mainly due to a lack of buy-in from key partners who want any upside, but don't want the 'hassle' or time investment in getting to know or working with the other entity;
5. SV advantages (e.g., the independence of member firms) can also be disadvantageous, causing difficulties in achieving consistency in standards, systems, cultures, structures, contributions and brand understanding and support;
6. The so-called cultural glue and loyalty that sometimes keeps mobile partners in an integrated firm is not usually present to the same extent in a SV, particularly where financial and other structural issues arise;
7. Vereins don't necessarily bring about shared culture, the sharing of clients or knowledge, nor standardised practices. Because of the lack of financial integration and the type of focus and 'glue' this brings with it, the SV requires exceptional leadership, management that includes the time and commitment to provide active and ongoing involvement from both sides, coupled with some alignment of cultures. This can be hard to come by;
8. Vereins can hide real issues in member firms. A startling fact that emerged out of the KWM EUME fall-out was that the London office had expended $47m on refurbishing its office, something partners in neither member firm seemed aware of;
9. Unless they are exceptionally well managed, vereins will struggle to match financially integrated entities in regard to seamless service and technical standards, which are important to international clients;
10. Bearing in mind that strategy should determine the correct structure for any firm, firms can find that they outgrow the SV structure (but this can be an advantage, in that it can be a transitional step to full financial integration);
11. Problems can arise in less powerful member firms where, despite the verein structure, more powerful members exert cultural and strategic pressures (e.g., on particular industry sectors or practice areas) on the weaker members;
12. Because of the lack of profit-sharing, there is not always as strong an incentive for member firms to collaborate and share expertise or clients. This seemed to be a factor at the heart of the KWM EUME break-down;
13. An oft-overlooked underpinning for strong international brands is seamless operational and business integration between branded entities in different jurisdictions. This is particularly difficult to bring about in law firm vereins, where locally entrenched views around such matters can get in the way, and indeed member firms are sometimes encouraged to continue to do things 'their way'. Instead of addressing differences and building seamless services, these issues can harden differences. As a result brands suffer.

Practical considerations

1. While there are clear differences between mergers based on Swiss Vereins and those involving financial integration, there are important areas of commonality that centre, for instance, around brand and people, key assets of all firms.
    - In both structures organisational, employment and individual brands are influential on and directly impacted by the outcomes, good or bad, of the outflow of these arrangements. The KWM EUME meltdown in Europe and

Slater & Gordon's problems are two recent examples.
    - Similar challenges arise in relation to people in both structures – it matters not that a structure is a SV as it is still possible, in fact it may be more likely, to lose good people if those people 'don't like what they see or experience', financial instability is in question, extraordinary capital contributions are sought, colleagues get head-hunted away, the firm is 're-structured' and colleagues are let go, the style of leadership or management is inappropriate or is being imposed by the 'global entity';
2. A Swiss Verein can be a good stepping-stone to a full financial merger, and this may even be contemplated in early strategy documentation. Having practiced under the same brand for a couple of years with committed and effective management and leadership, the firms could transition to a more fully integrated model with a deeper understanding of the relative strengths and weaknesses of each business and a clearer understanding of legal and regulatory issues;
3. Because a merger is based on a verein structure, it does not mean it cannot and will not result in integrated business functions, systems and procedures, nor encourage collaboration. There are many successful vereins where these have been achieved;
4. Each firm involved in a Swiss Verein will need to contribute equitably to the international management of the merged entity. This is a big, significant investment as it should involve high calibre personnel. This could involve the appointment in each office of an international managing partner, or designated partners of each entity tasked to achieve cultural alignment, collaboration and communication. The choice of personnel is important, as is providing them with enough budget relief to get the job done. In our experience, this is a key area where such arrangements can stumble. Wherever possible, early integration of practice management systems, partner structural matters and expectations and client management protocols will be an advantage, and should be prioritised;
5. We recommend to clients that a brand strategy be developed for the merged entity and that all merger partners and their staff understand this. This ensures understanding of the brand implications of the merger and how each entity can contribute to strengthening and using the brand. It is also important that parties to the SV have an appreciation of the risk to brand value and strength of a failed merger. Even a supposedly bullet-proof brand like KWM can suffer;
6. There is invariably a lot of passion and excitement about putting such merger deals together, but firms often do not take proper account of the hard work and time commitment required after the honeymoon period is over. This is particularly so in the case of a SV where each entity is more or less expected to run its own operation;
7. It's sensible for each firm to develop a short-form business strategy outlining its strategic key business objectives in further developing its international presence, and how these verein arrangements and the designated strategies will assist them to achieve these objectives. This usually focuses the collective minds of the firms and helps identify key issues at an early stage;
8. Notwithstanding the presumed protections provided by the Swiss Verein structure, we counsel clients to obtain legal advice to ensure the structure is tax effective to ensure partners are only taxed in their own jurisdictions;
9. The wheels can quickly come off the merger cart if things do not go as planned. Exits of key partners and key practice groups impact organisational brand and employment brands and the underlying trust that should support them. Firms can find themselves with a remaining stock of lower performers which in turn makes it harder to attract top performers – a classic vicious circle quickly develops and the sharks circle to pick up the choicest morsels;
10. Advice should be sought to ensure the structure provides for regulatory clarity; e.g., the common issue that arises in some jurisdictions that only practitioners from that jurisdiction can be partners in local firms. It is also worthwhile considering limiting cross-border liability of partners to ensure legal problems in one country do not impact the merged group;
11. Some jurisdictions have particular requirements which may be peculiar to them, such as diversity requirements – these need to be unearthed in a due diligence;
12. The merged entity must not be allowed to become simply a loose association of independently run law firms operating under an umbrella brand. This depends to a great extent on the calibre and style of leadership and management of each party to the merger, and this determines success or failure.

Swiss Vereins are very attractive alternative structures to financial mergers in some circumstances, but they require exceptionally good leadership and management from each entity, and the building of a strong merged entity culture of trust and collaboration to ensure they work well. This should be coupled with a genuine interest and committed effort by these key players to ensure the success, well-being and strengthening of their fellow merger partners. In essence, firms must look beyond structure when weighing up and implementing such mergers.

[1] A spokesperson from KWM's Australian office in Sydney reiterated that "There is no direct impact to the firm here".

THE CULTURAL LENSES THROUGH WHICH WE EXAMINE LAW FIRMS

By Gerry Riskin

Cultural differences define and influence every aspect of law firms' operations, reputations and financial success. Describing a law firm's culture is difficult, even for people who know the organization intimately. When asked to describe a culture, people typically resort to words like "collegial" or "democratic." While terms like this may convey a general sense of a culture, greater definition is necessary to begin to clearly differentiate various law firms' cultures, and use knowledge of those cultures to contribute to the management of the firms.

We have created and evolved a "Law Firm Cultural Assessment," designed to recognize discrete differences among individual law firms and provide a more precise vocabulary to describe what those differences represent. Those differences can be be examined through these four lenses:

- **Collegiality:** *The manner in which people within a law firm deal with each other.*
- **Strategic Focus:** *The degree to which the firm has a clear identity, both to itself and in relation to other firms.*
- **Governance:** *The manner in which the firm deals with its people, and the way that its lawyers and staff deal with the firm.*
- **Values:** *The belief systems that represent the collective aspirations of the members of the firm.*

Details about law firm culture

Each lens examines a number of components, some of which are more complex than others. In fact, the comparative weight of these factors in the make-up of a culture becomes a feature of that culture.

1. **Collegiality**

- **Group collaboration** – the ability and willingness of groups (practice groups, offices, client service teams, etc.) to work together.
- **Individual collaboration** – the ability and willingness of individual lawyers to voluntarily work together on client matters.
- **Egalitarianism** – the willingness of lawyers to support actions of others that are in the best interest of a client or the firm but may not be in the lawyer's own immediate best interests.
- **Social interaction** – the degree to which firm lawyers seek out opportunities to participate together in social situations.
- **Deviation –** the degree to which behaviour in violation of firm mores is accepted.
- **Generationalism** – the degree to which the firm's value systems, approaches and vision differ according to age.

2. **Strategic Focus**

- **Horizon** – the relative importance of short- and long-term implications in decision-making.
- **Ambition** – the importance placed on maintaining and improving the firm's reputation and recognition.
- **Execution** – the importance placed on meeting goals and fulfilling expectations.
- **Vision** – the importance placed on conveying a clear picture of the future.
- **Self-image –** the importance placed on having an accurate and positive perception of the way the firm is viewed by outsiders.

- **Confidence** – the confidence that members of the firm express as an institution in the accuracy of their vision and the correctness of their decisions.

3. **Governance**

- **Decision-making** – the methods employed by the firm in reaching decisions.
- **Structure –** the degree of institutional involvement in the management of individual lawyers' practices.
- **Risk aversion** – the firm's willingness to accept risk in return for appropriate reward.
- **Communications** – the degree to which lawyers are informed about the firm's activities and issues.
- **Expectations** – the degree to which lawyers and staff members have a clear understanding of what the firm expects from them.
- **Motivation** – the firm's ability to influence behaviour.

4. **Values**

- **Work ethic** – the importance placed on how hard lawyers work in terms of time spent and hours produced.
- **Meritocracy** – the degree to which personal performance is rewarded in relation to overall firm performance.
- **Responsibility** – the level of control lawyers have over their client relationships.
- **Client focus** – the balance of the firm's interests compared to client's interests.
- **Continuous improvement** – the importance placed on the growth of lawyers' knowledge and capabilities.
- **Trust** – the degree of confidence by an individual that peers will not take actions adverse to that individual's interests.

Many firms for whom we do strategic assignments incorporate a cultural assessment into the process. Some firms choose to explore their cultures on a stand-alone basis and follow up that assessment with action plans to fine-tune their cultures.

If you would like to discuss your own firm's culture, write to us at:

culture@edge-international.com

BUSINESS DEVELOPMENT: AN INTRODUCTION TO THE 2-4-8 MODEL, REVENUE GAPS, AND THE RELATIONSHIP BELL CURVE

By Shirley Anne Fortina

The 2-4-8 Model

This model compares revenue against time allocation, helping us to make informed decisions around clients, productivity and sustainability.

Identify each of your clients in descending order by revenue ($) or profit margin (%). Place each client into the grid below, inserting your highest value client at number one and so on. You can continue down to 16 or 32 or 64 should you wish to.

<table>
<tr><td colspan="4">1</td><td colspan="4">2</td></tr>
<tr><td colspan="2">3</td><td colspan="2">4</td><td colspan="2">5</td><td colspan="2">6</td></tr>
<tr><td>7</td><td>8</td><td>9</td><td>10</td><td>11</td><td>12</td><td>13</td><td>14</td></tr>
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Now consider the respective relationships in your grid and the amount of time you and your business spends servicing each client – for example:

- Client No. 1 generates 20% of revenue and takes up 5% of time;
- Client No. 7 generates 3% of revenue and takes up 20% of time.

Do we spend enough time with those clients that we should, and too much time with those that we shouldn't?

Now consider the revenue over the past three years. Is the revenue for each client trending up, down, or no change?

Do you have the capability to increase your share of wallet with Client No. 7? If yes, work out a plan. If no, this client may not be financially sustainable in the long term and you need to consider your options.

Revenue Gaps

This approach uses the three-year 2-4-8 analysis to project out future revenues. Use a grid chart to identify gaps in your revenue.

Clients	Jan	Feb	Mar	April
A	x	x		
B	x			
C	x	x		

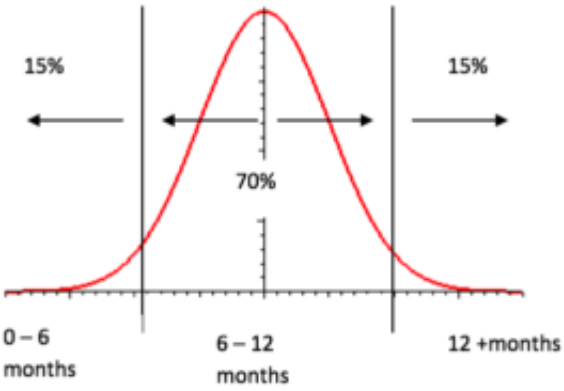
In the example above, March has no projected revenue; therefore, based on the Relationship Bell Curve concept (see below), we should have looked for opportunities to close the gap 6 to 12 months ago!

The Relationship Bell Curve

We live in an environment where everything operates at speed. We want everything and we want it now.

But effective relationships take time to develop, and to build successful, profitable relationships you must embrace **long-term** thinking vs **short-term** thinking!

It takes on average, around 6 to 12 months to develop a relationship (70%). In some instances it may happen a lot quicker (15%) and, in other cases, it may take a lot longer (15%).



Mahatma Ghandi said *“The future depends on what you do in the present”.*

Make sure that you are working on your relationships well in advance!