

# Legal Week

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INDEPENDENT LAW FIRMS IN EUROPE

Autumn 2010

## PREDICTING THE FUTURE

### **FRENCH RESISTANCE**

A surge of new boutiques is testing market resilience

### **DEALMAKER**

Boekel de Neree's new London head Ferdinand Mason on his toga mishap

FROM AUSTRIA TO THE UKRAINE, THE CONTINENT'S INDEPENDENT LAW FIRMS REVEAL THEIR PLANS FOR 2011

# OUT OF THE ASHES

Caroline Hill looks at the story behind the numbers in this year's survey

In spite of the understandably cautious rhetoric among European independent law firms when it comes to their plans for the forthcoming year and the still troubled economic environments in which many practise, the latest statistics reveal an undeniable and significant trend towards growth.

Seventy three percent of the 141 respondents to this year's *Independent Law Firms in Europe* survey said they are planning on increasing their headcount firm-wide over the next 18 months – of which 30% plan on increasing it by over 10%.

While for 41% of firms a more modest growth of 0-10% is anticipated, 24% said they intended to grow the firm-wide head count by 10-20% and 6% said they would grow by 20-30%.

Expansive Helsinki-headquartered Hannes Snellman, which recently raised its Nordic coverage to three jurisdictions with the launch of its Copenhagen office, said it plans to expand by between 10 and 30%.

Elsewhere beleaguered leading German independent Graf von Westphalen, which in July lost 50 lawyers including 25 partners when its Cologne and Freiburg offices split off, has set an aggressive growth target of 40-50% for the 18 month period. Both Spanish IP boutique ECIIA – which in September last year moved into Barcelona with the takeover of technology firm Legal Link – and top-tier Iceland practice BBA//Legal said they plan to grow by 20-30%.

By jurisdiction, Germany, seen by investors as one of the few exciting European markets at the moment, saw one of the highest levels of targeted growth, with 80% of independents expecting to see their numbers increase. Elsewhere in Switzerland, which has again escaped relatively unscathed from the latest financial crisis, 100% of firms who answered are expecting a modest growth of 0-15%.

But the rest of Western Europe is below trend. In France, albeit that established independent firms are not known for their size, firms reflected the stagnating economy by either saying they had no plans to grow or not disclosing their strategy. In Spain and Portugal the number planning on some growth in headcount was 30% and 25% respectively.

## Lateral hires on the up

In what is seen as one of the best indicators of confidence returning to the market, the 2009/10 financial year to April also saw a significant increase in the number of lateral hires. A total of 119 partners moved between firms compared with 72 during the same

period in 2008/09, an increase of 65%.

While the increase is spread across the board, firms to have taken on an above average number of laterals in the 2009/10 financial year included Spanish Gomez-Acebo & Pombo (9); Austrian-headquartered CEE-focused firms Schoenherr (7) and Wolf Theiss (5); leading Danish practice Bech-Bruun (6); Paris-based De Pardieu Brocas Maffei (5); together with top-tier Irish firm A&L Goodbody and Hannes Snellman, both on four hires each. Notably A&L has so far hired six partners in 2010. However, by far the greatest number of lateral hires in the last financial year was recorded by Italian independent NCTM, which took on 16 partners after a series of acquisitions including niche Brussels practice O'Connor and Company.

## Partner promotions

Firms may be hiring more partners but the numbers of associates being promoted to the partnership is down. This year a total of 298 fee-earners were made up to partner, a decrease of 10% on the same period in 2009, when that figure was 328. Forty percent of firms promoted no partners this year.

Firms to have seen the biggest leap in promotions between last year and this year include Austrian CHSH Cerha Hempel Spiegelfeld Hlawati (up from 0 to 4); Finnish firms Castren & Snellman (0 to 5) and Hannes Snellman (3 to 7); Graf von Westphalen (0 to 5); A&L Goodbody (1 to 5); Milan's De Berti Jacchia Franchini Forlani (0 to 5); PLMJ in Portugal (0 to 4) and Stockholm's Setterwalls (1 to 7).

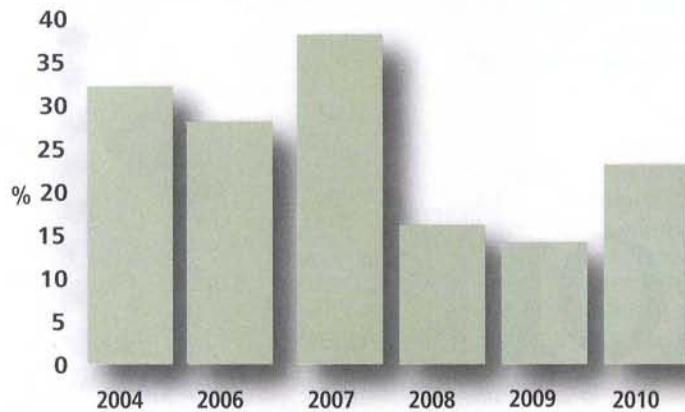
## London growth targets

Increasing optimism is extending outside of European independents' home jurisdictions as the number planning to increase their London office headcount over the next 18 months has increased slightly from 41% to 46%.

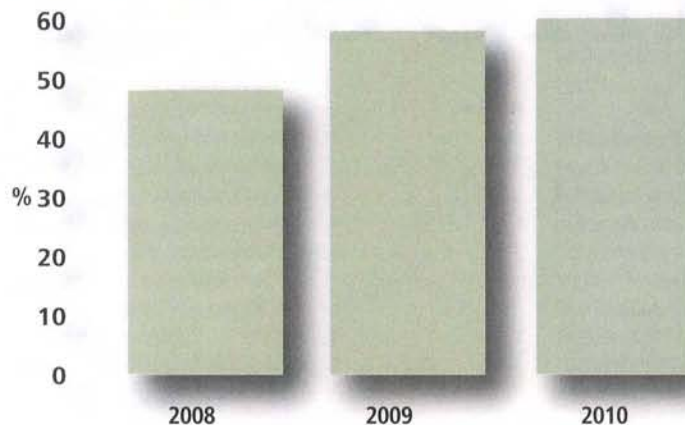
Leading Netherlands firm Boekel de Neree announced its long-awaited London launch this Autumn and intends to grow by 0-10% in the region, while German outfit Noerr opened a London presence in October and now has five lawyers and three support staff in the office.

Elsewhere, firms planning to grow in London by 0-10% include Arthur Cox; NCTM; NautaDutilh, Uria Menendez

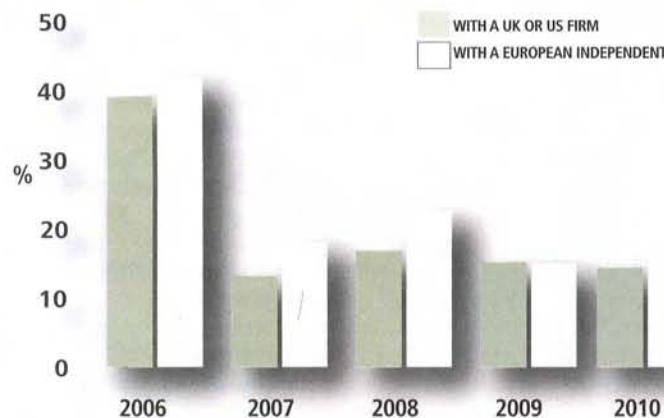
## PERCENTAGE OF FIRMS PLANNING TO LAUNCH A NEW PRACTICE AREA IN THE NEXT 12 MONTHS



## PERCENTAGE OF FIRMS THAT ARE MEMBERS OF A LEGAL ALLIANCE



## PERCENTAGE OF FIRMS CONSIDERING A MERGER IN THE NEXT 18 MONTHS



and Ukraine's Astapov Lawyers. Leading French, Italian and Russian independents Gide Loyrette Nouel, Chiomenti Studio Legale and Egorov Puginsky Afanasiev & Partners (EPAM) plan an above average London growth of 10-20% and 20-30% respectively.

For the majority of firms these London growth targets are on a par with their overall growth figures, but in the case of EPAM, the target is double the firm's overall target of 10-20%.

### New practice areas

Independent firms' plans for London may only be slightly up on last year but the number planning on launching into new areas of practice has doubled. Just over 23% of independents have firm plans to launch new areas of practice, with a further 4% of firms saying it is a possibility. This compares with 14% who were considering launching new practices in 2009.

Tax and energy are, unsurprisingly, areas of particular focus, with Brussels independent Lydian and Helsinki's Dittmar & Indrenius planning on launching a tax practice and Athens independent Potamitis 'possibly' expanding into the area. Stibbe in Brussels; top-tier Helsinki firm Roschier; Riga-based Raidla Lejins & Norcou; Soltysinski Kawecki & Szlezak in Poland and Ventura Garces & Lopez Ibor in Spain all plan to launch an energy practice over the coming months.

### Merger plans

Despite an increase in the number of firms seeking to broaden their services in order to meet existing or anticipated demand, the number of European independents claiming to be interested in a merger, either with a US/UK firm or another European independent, is only marginally up on last year.

Eighteen percent of firms said they

### IN NUMBERS

**18%**  
Firms considering a merger

**40%**  
Firms that made no partner promotions this year

would consider a merger compared with 15% last year. Twenty firms were open to as US/UK merger, while 22 would consider or were seeking a merger with another European independent.

Where the vast majority said they would 'possibly' consider a merger three firms said 'yes' to a US/UK merger and four to a European merger. Thirty partner Rome-based independent Tonucci & Partners said yes to a UK/US merger while Kiev-based Astapov said yes only to a US merger. Lisbon 11-partner F Castelo Branco & Associados said yes to a merger with an EU independent along with Madrid-based 25 partner firm Ramon Y Cajal and Croatia's Cipic Bragadin. Local Albanian firm Hoxha Memi & Hoxha said yes to a merger with a US/UK firm or an EU independent.

### Networks and alliances

While mergers may be one step too far, the majority of independents do now claim to be in a network, alliance or loose affiliation. Sixty percent of independents have some form of referral or support network.

In the Baltic States, the LAWIN network of Riga-based Klavins & Slaidins; Lepik & Luhaar in Tallinn

and Lideika Petrauskas Valiunas in Vilnius, announced in September that it was to become one firm in all but finances. It is the latest in a succession of mergers in the region that sees firms including Estonia's Tark & Co and Sutkiene Pilkauskas now listed as Tark Grunte Sutkiene; and Latvia's Kronbergs & Cukste and Lithuania's Jurevicius Bartkus & Partner now listed as Baltic Legal Solutions. Elsewhere, PLMJ established a 'best friends' network across Central and Eastern Europe and EPAM was at the forefront of an alliance spanning nine of the Commonwealth of Independent States.

In closed jurisdictions such as Switzerland, however, where non-domestic work accounts for up to 50% of most independents' revenue, firms are without exception still determinedly free from any sort of alliance or tie.

### Domestic v international

When it comes to the percentage of work done by firms for clients outside of their home jurisdiction there has been no change over the last year, perhaps reflecting the lack of significant uptick in cross-border transactions in most countries.

Forty one percent of firms said over half their work came from non-domestic clients compared with 42% last year. Of those, 33% have a practice of 50-75% non-domestic work and 8% say more than three quarters of their work is for clients outside their home country.

For those firms that said under half their work comes from non-domestic clients, 18% said it accounts for 0-25% of their work and 35% for 25-50%.

### Market share growth

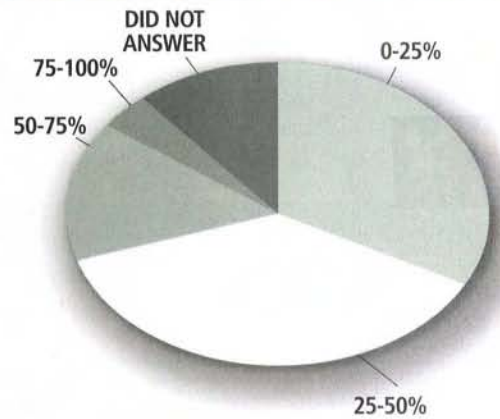
In the tussle between independents and international law firms to capture domestic market share, the position varies greatly between jurisdictions.

Overall the number of independents expecting the share of international firms to increase is similar to last year, with 38% expecting growth compared with 35%.

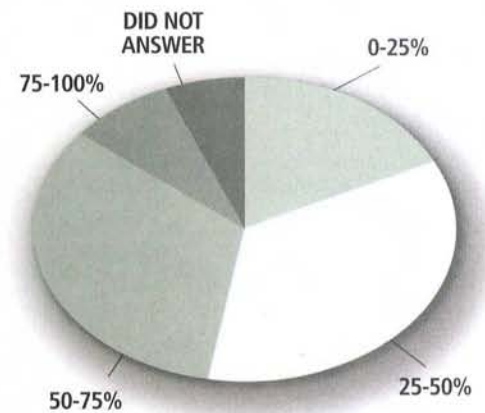
Just over half (52%) expect no change and under 1% thought there would be a drop, compared with 4% who thought that last year.

But the picture in Italy is quite different, with 77% of firms believing that international market share will grow, although the majority believe it will only grow 'modestly' or up to 10%. In the Czech Republic 71% of firms believe international market share will grow with estimates ranging from 'slowly' to 30%. In Spain 50% of firms said the internationals' stake would grow. Perhaps surprisingly given

### WHAT DO YOU ESTIMATE THE CURRENT MARKET SHARE OF FOREIGN FIRMS TO BE IN YOUR HOME JURISDICTION?



### WHAT PROPORTION OF YOUR WORK IS DONE FOR NON-DOMESTIC CLIENTS?



the arrival of highly acquisitive and ambitious Hannes Snellman, 75% of firms in Denmark said they expect no change in market share and only Plesner said it would grow by a modest 5%.

Elsewhere, in Ireland, Arthur Cox was the only top-tier domestic firm to say that international market share is expected to grow.

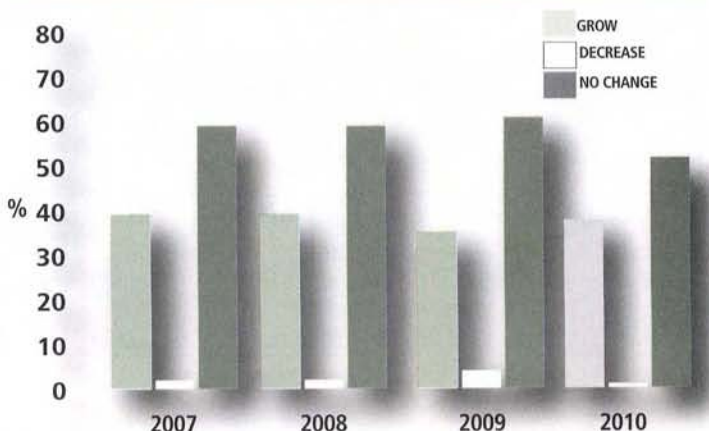
### Current market share

When it comes to the slice of the legal market that international firms occupy in Europe, overall 33% of independents estimated it at 0-10%; 37% at a 10-25% 15% at 25-50%; 4% at 50-75%.

In the Czech Republic in particular, where international firms dominate the top tiers for corporate and banking work, two firms said international firms occupy 50-75% of market share.

In France 67% said international firms have 25-50% market share while in Germany 80% of independents said the same.

### HOW WILL INDEPENDENTS' MARKET SHARE IN YOUR JURISDICTION DEVELOP IN THE NEXT 18 MONTHS?



# SURVEY RESULTS

Firm	Location of head office	Managing partner	Other offices	Total partners (no. in home jurisdiction)	Total full equity partners	Total lawyers (no. in home jurisdiction)	Total staff	Lawyers promoted to partner with effect from 2010 (2009)	Lateral partners hired during 2009 (2008)	Are you full service?	Any plans to launch new practice area in next year?
<b>HUNGARY</b>											
Nagy es Trocsanyi Ugyvedi Iroda	Budapest	Peter Berethalmi	New York	11 (11)	11	26 (26)	51	2 (0)	0 (0)	Yes	Undisclosed
<b>ICELAND</b>											
BBA/Legal	Reykjavik	Elisabet Einarsdottir	London	6 (6)	6	16 (16)	27	0 (1)	1 (0)	No	No
LOGOS Legal Services	Reykjavik	Gunnar Sturluson	London; Copenhagen	20 (15)	17	49 (39)	93	0 (2)	0 (0)	Yes	No
<b>IRELAND</b>											
A&L Goodbody	Dublin	Julian Yarr	Belfast; London; Boston; New York	70 (63)	Undiscl.	368 (334)	540	5 (1)	4 (1)	Yes	Possibly
Arthur Cox	Dublin	Padraig O'Riordain	Belfast; London; New York	98 (82)	Undiscl.	300 (240)	560	6 (7)	0 (0)	Yes	No
Dillon Eustace	Dublin	Mark Thorne	Cork; Boston; Tokyo; New York	34 (undisclosed)	Undiscl.	115 (undisclosed)	200	2 (undisc)	Undisclosed	Yes	Undisclosed
Matheson Ormsby Prentice	Dublin	Liam Quirke	London; New York; Palo Alto	78 (76)	Undiscl.	350+ (undisclosed)	550+	5 (4)	Undisclosed	Yes	Undisclosed
William Fry	Dublin	Myra Garrett	New York	62 (62)	Undiscl.	246 (246)	370	2 (0)	1 (0)	Yes	Undisclosed
<b>ITALY</b>											
Astolfo Di Amato & Associati	Rome	Astolfo Di Amato	Naples; Milan; Turin	9 (9)	3	31 (31)	36	0 (6)	0 (0)	Yes	No
Bonelli Erede Pappalardo	Milan	Alberto Saravalle	Genoa; Rome; Brussels; London	56 (51)	37	271 (249)	115	6 (5)	0 (0)	Yes	Undisclosed
Chiomenti	Rome	Carlo Croff	Milan; Turin; London; Brussels; New York; Beijing; Shanghai; Hong Kong	52 (46)	52	298 (247)	422	2 (5)	1 (0)	Yes	No
De Berti Jacchia Franchini Forlani	Milan		Rome; Brussels; Moscow	24 (23)	15	57 (45)	100	5 (0)	2 (0)	Yes	No
LABLAW	Milan	Luca Failla; Francesco Rotondi	Rome	8 (8)	3	35 (35)	50	2 (2)	2 (0)	No	Undisclosed
LCA	Milan	Giovanni Lega	Brussels; Shanghai; Beijing	10 (10)	10	30 (30)	35	3 (0)	0 (0)	No	Labour law
LEGANCE	Rome	Giovanni Nardulli	Milan	26 (26)	26	146 (146)	197	0 (1)	0 (2)	Yes	Undisclosed
Marena Castorino D'Angelo & Fagotto	Milan		n/a	6 (6)	5	16 (16)	34	0 (1)	1 (0)	Yes	Administrative

Any plans on increasing the head count firm-wide in next 18 months?	Any plans on increasing the head count in London in next 18 months?	Five most active clients	Three recent client wins	Proportion of work done for non-domestic clients	Would you consider (a) a US/UK merger; or (b) an EU merger?	How will independent market share develop in the next 18 months?	What is the current market share of foreign firms in your jurisdiction?	Are you in a legal alliance?
0-10%	n/a	CIB Bank Zrt; EMFESZ Elso Magyar Foldgaz es Energiakereskedelmi es Szolgáltato; OTP Bank Nyrt; Suez Environment Hungaria; TEVA Magyarorszag Zrt	OTP Bank Nyrt; EMFESZ Elso Magyar Foldgaz es Szolgáltato	10-25%	(a) No; (b) No	It will grow	25-50%	Lex Mundi
20-30%	No	UK Treasury (Financial Services Compensation Scheme); Icelandic State and the City of Reykjavik; Arion Bank; Islandsbanki; Landsbanki	Microsoft Iceland; Skeljungur (Shell)	50-75%	(a) No; (b) No	No change	0	
5-10%	0-10%	Exista; Icelandair; Actavis Group; Glitnir bank and groups of creditors to the Icelandic banks	The groups of creditors of the Icelandic banks	25-50%	(a) No; (b) No	No change	10-25%	Lex Mundi
Possibly	n/a	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Less than 10%	World Services Group; International Bar Association
0-10%	0-10%	Irish State; Bank of Ireland; Aer Lingus; CRH; Dublin Port Company	Undisclosed	25-50%	(a) No; (b) No	It will grow	Less than 10%	Lex Mundi
Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Alliance with Arendt & Medernach – Luxembourg
Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed
Yes	Yes	DCC; Tesco; NAMA; Smurfit Kappa; RSA	Gap; NERA; CIE;	25-50%	(a) No; (b) No	No change	less than 10%	No
10-20%	n/a	Undisclosed	Undisclosed	50-75%	(a) No; (b) Possibly	No change	25-50%	Multilaw
Undisclosed	Undisclosed	BNP Paribas; Barilla; Credit Agricole; Intesa SanPaolo; Enel	Undisclosed	25-50%	Undisclosed	Moderate growth	10-25%	Best friends alliance with Slaughter and May; Hengeler Mueller; Uria Menendez; Bredin Prat
0-10%	10-20%	Enel; Mediobanca; Mediaset; Intesa; SanPaolo; Clessidra	Alitalia; Goldman Sachs Private Equity; GIC Singapore	25-50%	(a) No; (b) No	It will grow	10-25%	Lex Mundi
No	n/a	Stanley; Volvo; Ikea; Rolex; Sharp & Dohme	Renault Trucks; Societe Generale; SAAB	50-75	(a) Possibly; (b) Possibly	It will grow by 10%	10-25%	Interlaw; International Attorneys' Club
10-20%	n/a	Adecco; Randstad; Eni; Fujitsu Siemens; Roberto Cavalli	Hermes Italie; Prenatal; Ata Handling	25-50%	(a) Possibly; (b) Possibly	It will grow by 10%	10-25%	No
10-20%	n/a	Undisclosed	Undisclosed	25-50%	(a) Possibly; (b) Possibly	It will grow	10-25%	No
10-20%	n/a	Generali; Enel; Unicredit; STMicroelectronics; Costa Crociere	Fiat; Eni; Tata Sons	25-50%	(a) No; (b) No	No change	25-50%	No
No	n/a	Cape Natixis SGR; Opera SGR; Banca Intesa; Unicredit Banca; Ineos	Ineos; Styron; Aareal Bank	10-25%	(a) No; (b) No	Grow by 5-10%	25-50%	No