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ASIA

Couple global resources with local access to excel

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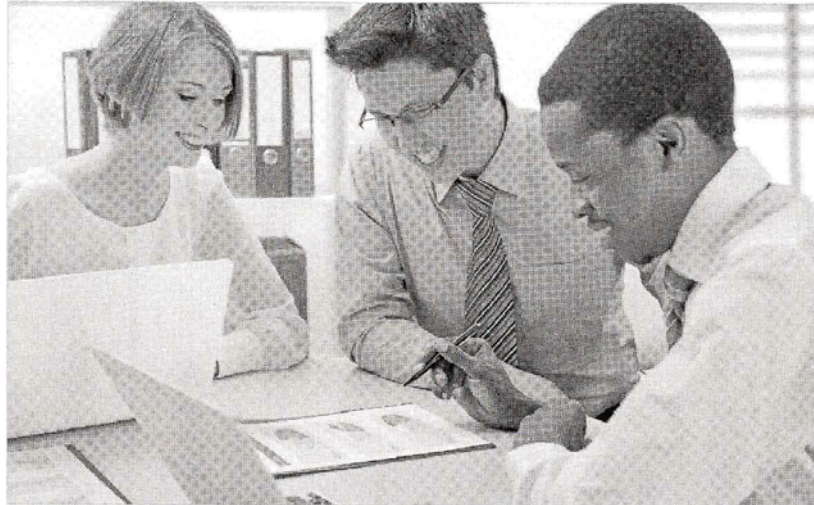
Borrowing the title of New York Times columnist Thomas Friedman's book, the legal landscape today is hot, flat and crowded. Since the legal industry's realignment, accelerated by the Great Recession in 2008, three principles have emerged: first, law firms are evolving — pruning unprofitable practice areas and adding ones either with higher rates or more modest rates with high volume; second, geographic fiefdoms and rich legacies historically tied to large, institutional clients have quickly faded; and third, years of restructuring combined with technology upgrades along with near-shoring and/or offshoring legal services has provided many firms with a more focused and cost-effective platform. In this maelstrom, finding a way to offer clients services that exceed market expectations is critical to long-term success.

A firm dedicated to management-side labor and employment issues would, at first glance, seem to be a very straight-forward business proposition. However, the needs of employers have never been more diverse or complex. As is well known, the technology driving much of today's economy is due in part to a well-oiled design, supply, manufacturing and logistics chain. The notion of companies producing products from start-to-finish — a process best embodied by the early days of the automotive industry — is ancient history. This means that California-based businesses must be aware of and engaged in markets abroad, particularly Asia. And law firms who wish to provide services to those clients must quickly adapt to this new market reality or they place themselves at a major competitive disadvantage.

The history of business is littered with the remains of concerns that failed to adapt their operations to suit the changing needs of their customers. Eighty-nine percent of the original Fortune 500 companies composing the list in its inaugural year of 1955 are no longer listed, with many ceasing to exist altogether. Law firms are not immune to this sort of creative destruction, which is why the embrace of "foreign desks" and "residencies" is critical to their survival, especially for specialty and regional firms.

California as the Hub of Asia

One of the advantages of being a member of a global law firm alliance



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is the broad exposure it provides to nations, cultures and markets. California — by virtue of its excellent ports, its position as essentially an economy-within-an-economy and its volume of direct flight service to key Asian business centers — has attracted a large number of Asian-based companies. The question, especially for the legal community, has been, "If these foreign-based companies are taking root on our soil, how are we positioning ourselves to serve as effective strategic partners?"

For integrated global law firms and "Swiss Vereins," the answer has involved the establishment of regional outposts. However, this solution provides numerous challenges and problems. First, these firms simply can't be everywhere, and therefore, are often forced to provide legal advice in one country from a nearby office. This means that lawyers who are providing the advice may not fully understand the legal nuances of that legal locale, charge rates higher than are paid in that local market and operate without fully understanding the cultural issues that often drive decision making. Second, in many specialty areas such as labor and employment, which in most global firms amounts to a modest "service business," they are often stuck with providing their clients with a very thin bench. Finally, many of these global law firms were created through the merger or absorption of local lawyers and/or local law firms and therefore, often lack cohesion, collegiality and consistency across their legal enterprise.

Boutique and regional firms have

increasingly turned to non-traditional ways of doing business, primarily by joining law firm networks and alliances as a vehicle for providing their clients with local advice around the globe. While in many cases, these "virtual" enterprises successfully address many of the challenges and problems faced by global law firms, they often inherit problems of their own. How does a San Francisco employment lawyer provide advice to a Silicon Valley company with a legal matter in India and ensure that the services delivered by an Indian lawyer will be sufficiently "Americanized?" When that same San Francisco lawyer provides California employment law advice to a Taiwanese company, how does she ensure that the advice is communicated in a way that meets the expectation of a Taiwan-based business and takes into account their local customs and mores?

The creation of a law firm "residency" model with regional desks helps California-based lawyers to fully understand the cultural nuances and legal systems that its foreign clients grapple with on a daily basis. A lawyer in this sort of program might go on secondment to, for example, a South Korean law firm so that he can learn how legal disputes in that jurisdiction are resolved, how Korean businesses approach problems and assess risk and what impact Korean culture has on addressing and resolving legal problems. This insight will allow a lawyer to better serve his or her foreign clients when they have legal issues in the U.S., as well as assist his or her American clients with legal challenges abroad.

Communication and Culture

Consider what happens when one types a common English question or phrase into a translator: often, a foreign speaker is left confused as the language and its many nuances, rules and exceptions do not allow for a one-to-one conversion. In law, this divide is particularly dangerous for clients. The crux of most matters can only be found through a careful sorting of the details. This complexity, inherent in a global economy, is a particular concern for multi-national corporations — where an employee may be working in Beijing on Monday and Bakersfield on Friday.

Beyond effectively communicating, embracing a program that trains attorneys as global citizens also helps broaden a firm's depth of cultural knowledge. For instance, in many Asian countries, gift-giving is customary on the occasions of marriage and death. In Japan, the concept of allowing one to "save face" is crucial, both from a cultural and legal perspective, therefore a company is generally not permitted to dismiss an employee without first offering the individual the right to resign "voluntarily." Understanding these nuances will directly affect the quality of the legal advice provided.

The Next Evolution

One of the great allures of the Golden State is its reputation as a hotbed of innovation. Now, more than ever, law firms need to evolve and spend time thinking about what the future holds. For specialty and regional firms, flexibility is perhaps

the most effective arrow in their quivers. Aligning with geographically compatible and complementary firms through a networked alliance is one option that provides scale without: a) loss of independence; or b) increasing overhead. But, this move is not enough.

Becoming truly integrated in the global economy through training programs and the creation of foreign "desks" ensures a firm access to the largest possible marketplace and provides a firewall against current or prospective clients opting for alternate representation when looking to do business globally. The market of companies that make products for the United States in the United States is minuscule and shrinking with each passing year. A firm shouldn't position itself as a "firm serving California companies," but, rather as a "California-based firm with global knowledge and resources."

Innovation is a constant across industries and disciplines. History quite emphatically is on the side of those who embrace change and think creatively. Where the legal profession will be in ten years is an open question. However, what is not debatable is that it will not look the same as it does today. Gaining global perspective and forging alliances in far-off, but strategically important markets, mirrors the moves of the broader business community. By accomplishing this objective, a law firm will be in the best possible position to exceed its clients' expectations and deliver services demanded in the years to come.

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