

From cuts to cashflow, lawyers discussed the main issues affecting law firms globally at *Legal Week's* Independent Law Firms Forum. **Charlotte Edmond** reports

Independently speaking

Coming a day after the UK budget was announced, HSBC senior economist Mark Berrisford-Smith's economic forecast for independent law firms in the coming years could be forgiven for being a little gloomy.

Speaking at *Legal Week's* annual Independent Law Firms Forum, Berrisford-Smith commended delegates for attending a session on the economy after a budget which "rammed home the message of how long it will take to clear up the mess" that the major economies are in.

Attendees were warned of how European, US and UK economies have moved from an age of prosperity to an age of crisis. However, Berrisford-Smith estimates this will not be followed by another protracted period of prosperity, but one of austerity, where tough decisions will be made by law firms for survival.

Legal aid was one example given of an area that may face drastic cuts as "some of the holy cows of public spending [are slaughtered]" to avoid taxes going through the roof.

Within Europe, Poland was singled out as the sole economy expected to grow this year, while firms relying on offices further afield to help support revenues this coming year were delivered a stark message: "Put away all cosy notions that the BRIC economies can pull the world along. Yes



Delegates discuss the economic downturn at *Legal Week's* annual forum

they are important, but without America they are not up to the job."

Many of the UK firms have, over recent months, responded to the downturn with mass redundancies that have affected international and independent firms alike. However, this model has not necessarily been replicated elsewhere in Europe, with founding partner of Germany's Beiten Burhardt Jack Schiffer and founding partner of Portugal's Abreu Advogados Miguel Teixeira de Abreu among those to claim large-scale redundancies had yet to hit their countries.

Schiffer commented: "The German firms have not seen the level of redundancies that have been witnessed in the UK and US.

Even the German arms of magic circle firms do not seem to have been affected as badly."

Teixeira de Abreu added that with no more than 20 partnerships in Portugal having more than 50 lawyers, redundancies were very hard culturally. In addition, with the largest firm having around 45 partners, redundancies at this level were pretty much unheard of.

In contrast, one of the other downturn-related trends has been mirrored around Europe: pressure from clients to decrease fees. Berwin Leighton Paisner managing partner Neville Eisenberg told delegates how the current "buyers' market" played into the hands of clients, who could now be increasingly demanding when it came to filling panel places, for example.

Eisenberg added that for firms the size of BLP, this meant making a choice between clients that were making a flight to quality and those that were on a race to the bottom.

"For clients making a flight to quality, there is less pressure on fees, whereas those in search of the bottom are less interested in the quality and just want the work done. You need to identify which type of client you are looking at," he said.

In Portugal, clients dictating

fees is a relatively new concept. Teixeira de Abreu commented that for the first time, clients were contacting firms via their websites with no formal introduction, and playing firms off each other to get the best quote.

He added that a number of firms in the country were also facing cashflow issues for the first time, as clients' lack of liquidity forced them to pay bills later and later. Whereas in September average time to payment was 75 days, he estimated this now stood at over 120.

"Unlike anywhere else, there is no tradition of law firms litigating against clients [in Portugal], so when people are looking for someone not to pay, they don't pay the law firms," he said.

However, the outlook was not entirely negative, with many of the attendees comparatively upbeat about the large-scale cut backs at international firms outside their home jurisdictions, which they believe will open up the market for independent firms once more. Not only has the downscaling allowed independent firms to pick up more work, but it has also opened the doors to some significant hires from their larger rivals.



Panelists (L-R): *Legal Week's* John Malpas, Berwin Leighton Paisner's Neville Eisenberg, Patricia Gannon from KN Karanovic and Nikolic, Miguel Teixeira de Abreu from Abreu Advogados, and Jack Schiffer from Beiten Burhardt