

Q&A

WHY THE INDEPENDENT MODEL IS PRIMED TO THRIVE



ERNST BRÜCKNER
PARTNER
BUSE HEBERER FROMM

INDEPENDENT APPEAL

Buse Heberer Fromm's managing director, Hamburg-based partner Ernst Brückner, explains why independent law firms have the edge in attracting new talent and adapting to a shifting market

With independent law firms thriving in the German marketplace, there's plenty of advantages to be had for those nimbler, more flexible, more entrepreneurial firms. Buse Heberer Fromm's Ernst Brückner argues that talented individuals and clients alike are recognizing the promise of this kind of structure and culture.

WHY DO YOU THINK THE DISCUSSION AROUND BUSINESS MODELS FOR LAW FIRMS IN GERMANY IS AN IMPORTANT ONE RIGHT NOW?

BRÜCKNER: Transparency has entered the market, which means clients can now make informed decisions about the type of service they require and assess their counsel's expertise and benchmark pricing. The veil is lifted; law firm 'voodoo' is no longer tolerated. As such, this is the time for law firms to rethink their model because we are at last entering the "real world" of business. Who is willing to push for innovation at the peak of success? Who will be tomorrow's Kodak or Nokia? We're going to find out.

WHAT DO YOU THINK IS THE KEY TO THE SUCCESS OF ANY MODEL - WHAT DISTINGUISHES THOSE WITH LONGEVITY?

BRÜCKNER: There are a few areas. The first is transparency: firms must assume that all involved, clients, associates, staff and partners are aware of your quality, service, staffing and pricing. They must ask themselves, if the situations we reversed would they still consider the arrangement to be beneficial and equitable? That means no more international vs. domestic rates, no more inappropriate leverage, no more outrageous pensions, no more lock-down on equity partnership. By no means does this necessarily mean low pricing – rather it implies transparent value added.

Consistency is vital too. Each model must serve its market. There is a market for scalable capacity, for highly personal advice, for commodities and for ultra-specialist

expertise. Successful business models will not blend the different types in a specific service offering, but instead will be capable of focusing on the strengths of the business and build up their reputation in those areas. Global bank mergers and multi-billion IPOs will continue to be served by large firms, as we've come to expect, but on mid-cap turf, independent firms can often serve clients more closely, with leaner staffing and higher perception of benefit.

Quite a number of laterals seek agility in the market, merit-based compensation and room for individual initiatives.

They are more likely to find such an environment with independent law firms.

The final point is agility, and of course where monoliths struggle, small units can be agile and flexible. Firms that incentivize initiative at individual level will have a distinct advantage. Conversely, globally streamlined and standardized processes do not foster innovation.

ACCESSING TALENT MEANS HAVING PRESENCE AND RECOGNITION, BUT ALSO BEING ABLE TO DIFFERENTIATE - HOW ARE INDEPENDENT FIRMS ABLE TO THRIVE AND COMPETE IN THE MARKETPLACE?

BRÜCKNER: New talent is straightforward in voicing expectations. Many reject the classical law firm career path, which is perceived as a lack of commitment. I think that view is wide of the mark: most candidates look for something they can feel passionate about, and are willing to take risks if they will reap the rewards when it pays off. Building your own business is such a project. No surprise then that firms that foster an environment

of professional innovation, ownership of merits, unorthodoxy and freedom will be able to attract that talent. Independent firms are in a position to leverage that.

IN TERMS OF LATERAL HIRES, ARE INDEPENDENT FIRMS ABLE TO OFFER SOMETHING THEIR LARGER COMPETITORS AREN'T?

BRÜCKNER: The entrepreneurial freedom is unparalleled. Large "hive" firms have had to dedicate their efforts to organizational efficiency with rigid structures and strict standardization. The firm's honeypot is reserved for the chosen few and it's becoming apparent that that's not an environment to foster innovation and incentivize individual entrepreneurial initiative. Quite a number of laterals seek agility in the market, merit-based compensation and room for individual initiatives. They are more likely to find such an environment with independent law firms.

DO YOU THINK INDEPENDENT FIRMS ARE BECOMING MORE SOPHISTICATED IN THEIR TALENT STRATEGIES? WHAT'S CHANGING?

BRÜCKNER: All firms of standing require professional and personal qualification from their candidates, and do not materially differ in this respect. However, in attracting such talent, I see a conceptual difference of approach.

Large 'hive' firms' initiatives were adopted from 'real life' industries and subsequently promoted as legal service industry blueprints. Typically, they are concerned with compensation, benefits, trainings or specific freedoms allowed by the firm, such as sabbaticals and part-time work. The fact is that all are tailored to an employment relationship with required commitment to someone else's business, with only a remote possibility of sharing ownership.

Independent firms can choose a different approach. Their key asset is flexibility in balancing risk and opportunity. Firm members are groomed to assume their share of responsibility, and are typically granted the equitable upside opportunity. "Merits, not seniority" is a pitch to entrepreneurs, not to

employees and only independent law firms can truly make that pitch.

THINKING ABOUT THE GERMAN MARKET, HOW WOULD YOU CHARACTERIZE SOME OF THE BIG CHARACTERS AND WHAT'S MADE THEM SUCCESSFUL?

Brückner: Germany's many outstanding legal minds are revered for analytic clarity and strength of professional ethics. Those few that

Independent law firms can serve clients closer as they leverage the client relationship, not the mandate or engagement. It is easier from that position to anticipate the genuine need, gain a true understanding of the client's agenda and to be proactive.

are recognized as business leaders combine professional excellence with genuine business vision. They are truly inspiring.

ARE YOU NOTICING A SHIFT IN THE PROSPERITY OF SOME MODELS OVER OTHERS AND WHAT'S DRIVING THAT CHANGE?

BRÜCKNER: It's possible to confuse prosperity with having a model that is primed for the future. Inconsistent models are failing. Models leveraging opacity are failing. Monolithic organizations are failing. The larger the organization, the stricter the governance; resources have to be dedicated to organizational efficiency, standardization. That's sensible, but there is one downside: streamlined global processes do not foster the kind of innovation that drives firms forward. Faced with innovative ideas, you often hear: "Great idea, but this would never work in our business". This attitude will lead to failure, no matter the size, standing or present prosperity of a firm.

HOW IS THE SUCCESS OF THOSE MODELS BEING REFLECTED IN CLIENTS' ATTITUDES TOWARDS THEIR LEGAL COUNSEL - IS THERE A SHIFT IN PERCEPTION OF INDEPENDENT FIRMS?

BRÜCKNER: Clients judge consistency and decide on the firm, and by extension the model, best suited for their need and of course that means that the arrival of greater transparency will change everything. The market perceives pressure on pricing. While this is more relevant for commodities, less for high-end technical advice, the fact is: clients are now in a position to distinguish one from the other. Independent law firms can serve clients closer as they leverage the client relationship, not the mandate or engagement. It is easier from that position to anticipate the genuine need, gain a true understanding of the client's agenda and to be proactive. Clients value that.

HOW DO YOU ANTICIPATE THE LEGAL MARKET DEVELOPING IN THE COMING YEARS, GIVEN THESE DIFFERENT APPROACHES TO TALENT?

BRÜCKNER: Transparency will rule and business models will further position themselves deeper into their niches: Commodities will be served by low-margin industrialized workflows; High-end technical expertise will be provided by renowned boutiques; Capacity will be served by large "hive" firms. In the center remains personalized expertise rooted in deep client relationships. Independent law firms are best positioned to nurture these client relationships and offer the on-target service that they need.

WHAT DO YOU THINK THOSE STARTING OUT IN THEIR CAREERS IN LAW IN GERMANY SHOULD BE CONSIDERING WHEN THEY LOOK AT THE OPPORTUNITIES IN THE MARKET?

BRÜCKNER: I'd say to them: be honest with yourself, know what you want. Find the business model which accommodates your aspirations. Look beyond the voodoo and find true values that make themselves known in genuine personalities. Do not settle for less.