

HOW TO DEVELOP ON THE FRENCH LEGAL MARKET ?

By Laurent Marliere & Ziggy Wrench

A bee hive of opportunities

With a population of 61.3 million and 36 000 lawyers in France (120.000 lawyers in Italy and 110.000 in Germany); the French legal market is a bee hive of opportunities for international law firms, particularly Paris, where 40% of these lawyers are situated and where three quarters of the turnover generated by legal services is made.

It is for this reason that many American and British law firms choose or have chosen to implant themselves on the French legal market. They may favour this option if they feel that their local market is not large enough or they feel the need to implant themselves on the European continent because their market is not strong enough. If your firm wants a platform on the European continent, you definitely have to consider Paris or Brussels. Such is the case for many American law firms who have a traditional clientele. They are attracted to Paris due to its presence of "sophisticated, demanding and international" clients who bring them complex cases to deal with.

The last wave of investments made in France concerned full service or large corporate firms. This has been the case for newcomers like DLA Piper Rudnick, Morgan Lewis, Paul Hastings, Weil Gotshal,... We now feel a trend for niche firms to develop on the Parisian market. This is what Howrey has done with IP niche firm Cousté.

Why Paris ?

The French market, particularly Paris, is a major financial asset for international law firms. This is because Europe has a strong economy and contains relatively few large law firms whose activities are strongly regulated.

London is the city that welcomes the most foreign law firms; approximately 120, half of which are American law firms who want to serve their clients using English law. Brussels is in second position with around 73 foreign firms due to the fact that it embodies the EU, the heart of Europe. Paris is in third position with 65 foreign law firms.

There used to be a fear among the French whereby the American legal system would dominate the rest of the world and that French lawyers would be submitted to forces beyond their control. Now, they realize that foreign firms in Paris also present numerous benefits to the French legal market . Foreign firms used to serve their international or national UK or US clients on the French market. However, nowadays, they also tend to develop a specific strategy to approach pure French clients who are not as "anglo-phobic" as they used to be.

Although this rivalry still exists, it is less harsh than it was five years ago. Many French lawyers now work under an "Anglo-Saxon flag" and US or UK firms have become "True nationals" on the French market. It seems that current national laws in Europe have proved insufficiently flexible to develop the necessary legal framework for the emerging integrated European economy. Furthermore in a global economy, we now deal with transnational firms rather than just US or UK firms, who adopt the common law system due to the fact that corporate culture within these firms is much more fragmented.

How to develop in France ?

The way to develop on the French legal market and take advantage of potential opportunities is achieved by either creating a partnership, or by gradually developing the law firm's presence on the market.

Traditionally, the French legal practice was a boutique firm, made up of a small number of partners who were not interested in merging on an international scale. This has changed. The average size of French business firms has grown and French partners have realized that if they want to get the interesting jobs or be short-listed, they must have some sort of international structure.

On the other hand, many US and UK firms have understood that it was unwise to ship one lawyer with his secretary in a small office. The investment needed to be more "massive". The trend is to either merge or to attract a local team of lawyers.

Competition in Paris is increasing and the future of many French law firms is uncertain therefore they are being forced to change and adapt.

Most of the French *fiancées* to be wed have already found an English or an American prince. Good and evident opportunities to merge are scarce.

Creating a partnership with a French firm is achieved by sending a partner or a consultant to open an office in Paris whilst recruiting top French lawyers and integrating them into the larger structure as well as using the local expertise from a French legal marketing company. This then enables the US or the UK firm to follow a methodology that has, according to our experience, proven to work effectively.

The methodology to progress

- (1) Getting to know precisely what the US or UK firm wants, “who” you are & how you work
- (2) Understanding the French legal market and how to choose a French merger partner
- (3) Identifying the potential merger candidates – first list -
- (4) Selecting and assessing the right partner(s) – short list -
- (5) Approaching the short-listed to “test the water” and open pre-merger talks
- (6) Accompanying you during the merger process and the due diligence

Such a methodology is interactive and requires intermediary reports/evaluation from the local consulting company’s side as well as feedback from your side.

Definition of the 6-steps-approach

(1) Getting to know Yourself

The first step is to precise/clarify the mission. A preliminary for the local consultants is to undertake a serious analysis to clearly identify what you want and “who” you are to be sure to find the right match.

To ensure you are a compatible match, the consultants need to understand your :

- needs, objectives & expectations
- vision
- values
- corporate culture
- strategic plan at the international level
- management system
- partners’ compensation and remuneration system
- general management system of the firm’s foreign network
- level of confidentiality you want to implement to the process

This will be done via:

- information gathering and analysis of the your firm’s key documents : annual report, partners agreement, strategic plan, compensation schemes and other useful documents submitted by the Management
- interview of key senior partners and the Managing Partner, to refine the expectations and the needs of your firm.

(2) Understanding the French Legal market & eventually your current presence

A cross-border merger (it will be considered as such by the French candidate(s)) has its own characteristics. To approach the French market, it is important that the consultants draw the attention of the foreign partners on specific issues in France and the evolution of the legal sector in this country.

This will be done by a brief but complete analysis and report on the French market in general.

If your firm already has a presence (correspondent, best friend, flagship,...) in Paris, consultants will also provide at this stage an external opinion on the possible reasons for dissatisfaction/weaknesses between the firms & their local partner(s), to avoid encountering similar difficulties in the future.

(3) Identifying the potential merger candidates

Consultants will review and assess in detail the Top 100 French candidates, and beyond if necessary, firstly, you submit a panel of the 10 most relevant potential candidates. (10 candidates is indicative as it will really depend on the analysis itself; besides, at this stage it would not be wise to anticipate that your firm should exclusively focus on a firm instead of a team or an individual to ensure its development).

This should be achieved by:

- Gathering Information by consultants with a clear knowledge and experience of the French legal market. At this stage, consultants will implement an initial **benchmarking strategy** with a quantitative and qualitative analysis proposing the Top 10 matches. We also conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) on this pre selected Top 10.

- The review should include, among others:
 - o ratios and statistics
 - o clients structure
 - o firm turn over & partners turn over
 - o financial compatibility & fee level & methods of invoicing
 - o services offered and areas covered
 - o history, culture & vision
 - o departments & individuals

membership, network & affiliations...

consultants will present the benchmarking to your firm's management and have an interactive meeting with your partners to debrief the survey.

(4) Selecting and assessing the right merger partner(s)

After the joint evaluation meeting with your firm's management committee, **a short-list of the most valuable opportunities will be defined**. Once the "chosen few" (max.3) are selected, consultants will assess further and provide your firm with a more precise information on these clear merger partner(s).

At this stage local consultants need to :

- Assess your firm's benefits with each specific candidate and potential profile raise
- Assess the business synergies: a successful merger needs to be mutually beneficial (win-win strategy)
- Study the profitability of the partner(s)
- Understand the benefits for your firm clients or prospects
- Track possible conflicts of interest
- Evaluate the risk. Will valuable referral work from other lawyers cease as a result of the merger? Clients drop out ? Partners leaving the merged firm and taking business or reputation with them ?
- Evoke cross-selling opportunities for existing clients of the firm and the merger partner
- Assess ways to reduce management costs
- Assess means to leverage the increased fee-earning function
- Estimate the logistical support brought by your firm and local added value of the merger partner

This will be done via:

- Further investigation
- Meeting with key people in the merger partner firm(s)

(5) Approaching the merger partner and opening talks

An evaluation meeting between your firms' representatives & the consultants will lead to a decision on THE merger partner to consider in priority.

At this stage you need to :

- Define who leads the pre-merger talks (a team, an individual, a mediator,...) and the way to contact them in the first instance.
- Define arguments to "sell" them the merger
- "Selling" your firm in France. At this stage, your firm might not have (in France) the outstanding reputation or branding that it enjoys in the US, the UK or elsewhere. Potential French candidates might be reluctant to envisage talks with an unknown partner. Specific communication efforts need to be undertaken to build trust and interest.
- Organise the talks with the pre-selected party
- If pre-merger talks are unsuccessful , envisage other options on the short-list and conduct a similar approach.

This will be done via

- Personal meetings/interviews/discussions
- Setting up with your firm's communication officers an adequate communication pack

(6) Accompanying the pre-merger process

If the chemistry and compatibility between the firms work out and both parties agree to undertake a pre-merger process, the consultants can continue to assist and accompany the process or act as an independent mediator on various issues.

Consultants can then define a **post integration action plan** and tackle issues like coaching domestic partners, harmonising the corporate culture, managing the communication and Media/PR actions to inform the local and international market on the deal,...

Your local external consultancy firm needs the ability to introduce to you the right consultant to analyse the tax & regulatory structure, etc...

This is what it takes to create or strengthen your presence in the "Ville lumière", the city of light that has become one of the key legal markets in Europe.

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