

3 Tips For Going Global Without A Hitch

By **Aebra Coe**

Law360, New York (May 23, 2016, 3:42 PM ET) -- For law firms hoping to expand their horizons and open up an international office, experts warn that a slew of stumbling blocks along the way could mean they fail to find a foothold and end up losing money.

Many firms bleed profits overseas, according to Kent Zimmermann, a legal industry consultant at Zeughauser Group, a phenomenon that he says is often due to poor planning, a failure to consider actual client needs in the country, and an inability to find a toehold in the new, overseas market.

"Take, China, for example. A lot of firms are unhappy with their performance in China and many are losing money there," Zimmermann said. "Another market that U.S. firms have tended to focus on has been London and a lot of firms have lost a lot of money in London. It's a highly competitive market for sought-after talent and many firms spin their wheels there."

Meanwhile, law firms have opened up offices across Asia, Europe, Latin America and the Middle East and, while not all have had luck, some have found enormous success.

Silicon Valley-based venture capital heavyweight Gunderson Dettmer Stough Villeneuve Franklin & Hachigian LLP launched its first international office in Beijing in 2012 and the firm's founding partner, Robert Gunderson Jr., reports that four years later, the office is now profitable.

"If the business case is compelling and you get the right people, there is a high probability that the new office will be a success," Gunderson said. "That doesn't mean that there won't be hitches and unexpected issues along the way. There most surely will be. Expect the unexpected, have a great business case for the office and populate the office with great people. It is that easy — and that difficult."

Do It for the Right Reasons

One of the keys steps firms must take before opening an international office, according to Gunderson, is to conduct research and discover whether there is a compelling case for the office in a business and financial sense.

"Although other law firms might have different views, we would never open an office if we weren't convinced that [it] could be profitable in a reasonable period of time," he said. "For us, this is the threshold issue. This isn't an exercise in wishful thinking. It is an exercise in cold, hard analytics."

Firms can examine their business prospects by looking at how many clients they currently have in the new market, how much revenue those clients bring in, what the future of that client relationship may be, the regulatory environment in the country they plan to enter, and the costs of opening up shop, among other factors, experts say.

Legal industry consultant Mark Cohen of Legal Mosaic LLC says firms should first ask, "Why are we doing this?" The firm's goal should be to find out whether opening up an international office will truly benefit clients and whether the substantial investment they will make will ultimately pay off.

While there are many right reasons to open up an international office — having a large existing client base there, or an advantageous merger opportunity, for example — there are just as many bad reasons to do it, according to Zimmermann.

One is ego. Some firms may believe they will appear more legitimate if they have offices in London or China, but if a firm does not have the chops to make it in the market, the new office will simply be a drain on the firm's financial resources.

"You don't want to be drawn to the shiny object across the ocean. You want to do it in a way that's defensible, because it helps you achieve the financial goals that are in your strategic plan," Zimmermann said.

Serve Existing Client Needs

A firm should not even consider expanding internationally unless it has achieved "trusted adviser" status with at least one major client in the target country and the client has asked the firm to expand, not the other way around, according to Cohen.

Many firms are pursuing a "bigger is presumptively better" strategy, he explained, but just because a firm has a strong reputation in one geographic area does not necessarily mean that its brand will be successful in others. Assuming new clients will come merely because a firm has an office in the region is a major mistake.

"I would caution against an 'if you build it, they will come' strategy, especially in overseas markets where local relationships, customs and language are often key," Cohen said. "Again, we return to what it is clients want — and want from the firm."

Houston-based intellectual property law firm Patterson & Sheridan LLP opened up its first international office this April in Yokohama, Japan. Frederick Kim, the partner in charge of launching the office, says his firm's idea to open up shop in Japan was prompted purely through its relationship with a large client that the firm began serving in 2007.

The firm's relationship with the client grew steadily during the first five years of the relationship and in the last five, it has really picked up speed, according to Kim.

"As a result, we found ourselves traveling out here probably on a monthly basis for a week at a time. We could have continued doing that, but we felt that it was time," Kim said.

For Patterson & Sheridan, knowing it was time to launch internationally came down to gauging how

much time and effort was spent by the firm's partners traveling to Japan to serve their client there and was also prompted by other desires and needs of the client.

"To us, what opening the office meant to the client showed commitment on our part that we would go through the expense, effort and time to set up an office here. Even though it meant serving other clients in Japan, having office there shows commitment," Kim said.

Have the Right People Onboard

The first few years after the launch of a new office, firms are investing in the office in order to build it, Gunderson says, and it is critical that existing partners understand and support the investment. Firms must find the right people to help launch the new location who truly understand the firm's values and what it wants to accomplish there.

"It is important that we spend time with our current partners to explain the rationale or strategy behind opening the office," he said.

High-performing international offices of U.S. firms often send a "missionary partner" before opening up, according to Zimmermann, meaning a high-performing partner agrees to move to the international location to open up the office to help run and grow it.

"All the time firms will hire a couple laterals in the local jurisdiction and hope that they can grow it, but it often doesn't work," he said. "Growing exclusively with laterals is a risky proposition, particularly as a firm grows internationally."

Given the low retention rate of lateral hires, depending on them to sustain a fledgling office is often a gamble, Zimmermann says, necessitating the on-the-ground presence of someone who has been with the firm for a long time and understands its goals and culture.

According to Gunderson, his firm places a "very high" value on collaboration among attorneys, and making sure there was a tight bond between the firm's international office in China and domestic offices was a priority going into the new office's launch.

"This is primarily a people issue — can we find a team of lawyers, including a leader for the office, that understands and values these things? In the same vein, it is important that some of the opening team carry the firm's DNA, so to speak," Gunderson said.

He added that if the business case for opening up shop is compelling, it may be tempting to move forward without the right team of attorneys to do it.

"We think that is a significant mistake, even if it means there may be a significant delay in opening the office," Gunderson said. "Our view is you need both — a compelling business case and the right people."

--Editing by Katherine Rautenberg and Kelly Duncan.
