

# **Global Law Firms: globalization and organizational spaces of cross-border legal work**

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### **Abstract**

It is now widely accepted that the global law firm has arrived and is a central actor in the global economy. In this paper we seek to unravel the complexities of: (a) the factors driving the presence and absence of global law firms in different cities; and (b) the way that law firms have been reconfigured to operate as spatially integrated organizations present in cities as far a part as New York and Tokyo and London and Hong Kong. As we show, the decision 'to be there' (or not) and the intricacies of operating as a global organization are both issues that have unique peculiarities when examined in relation to law firms. Yet to date limited attention has been paid to these organizational peculiarities despite the fact that the effective organization of global firms is essential to deal with regulatory challenges and to allow transnational lawyering, the opening up of cross-border business opportunities and ultimately the diffusion of Anglo-America styles of legal service.

## Introduction

“Like the drummers, messengers and concubines that accompanied ancient armies on the march, professional-service firms followed their industrial clients as they expanded around the world in the 1980s and 1990s. Wherever western multinationals went to set up or buy a new business, there too went their accountants, bankers, consultants and *lawyers* ... to advise on what deals to do, how to finance them, how to compute their consequences and how to tie up all those messy loose ends” (emphasis added)<sup>1</sup>.

It is now widely accepted that the global law firm has arrived and is a central actor in the global economy<sup>2</sup>. Indeed, the globalization of the legal profession has been rapid with

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<sup>1</sup> Anon (2004) Home torts from abroad *The Economist*, 28<sup>th</sup> February, 12-13.

<sup>2</sup> See Beaverstock, J. V., Smith, R., Taylor, P. J. (1999) The long arm of the law: London's law firms in a globalising world economy. . *Environment and Planning A* 13 1857-1876;  
Faulconbridge, J. R. (2007) Relational spaces of knowledge production in transnational law firms. *Geoforum* 38 (3) 925-940; Flood, J. (1996) Megalawyering in the global order: the cultural, social and economic transformation of global legal practice. *International Journal of the Legal Profession* 3 (1/2) 169-214; Morgan, G., Quack, S. (2005) Institutional legacies and firm dynamics: the growth and internationalization of UK and German law firms. *Organization Studies* 26 (12) 1765-1785;

exponential growth from the halcyon period of the mid-1980s onwards.<sup>3</sup> After a decade or so of a number of large law firms pursuing a global strategy designed to serve existing clients and to extend their market coverage, by the year 2000 legal services had firmly joined other professional services in creating organized global service provision using networks of offices in numerous cities, thus bringing the global and local together in the products offered to clients.

The aim of this paper is not, however, to generically chart the rise of the global law firm; others have already done this<sup>4</sup>. Instead, our interest lies in better understanding how existing geographies of globalization of law and lawyers, alongside the new geographies of professional partnership and legal work, have created opportunities and challenges for global law firms. More specifically, we seek to unravel the complexities of: (a) the factors driving the presence and absence of global law firms in different cities; and (b) the way that law firms have been reconfigured to operate as spatially distributed organizations present in cities as far a part as New York and Tokyo and London and

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<sup>3</sup> For example see: Abel R (1994) Transnational law practice *Case Western Law Review* 44, 2, 737-870; Anon (1996) The globalization of corporate law *The Economist*, November, 109-112; Daniels P (1993) *Service Industries in the World Economy* Blackwell, London; Delazay Y and Sugarman D (Eds.) (1995) *Professional Competition and Professional Power: Lawyers, Accountants and the Social Construction of Markets* Routledge, London; Galanter M and Palay T (1991) *Tournament of Lawyers: The Transformation of the Big law Firms* University of Chicago Press, Chicago; Spar D L (1997) Lawyers Abroad: The internationalization of legal practice *California Management Review* 39, 3, 8-28; Warf B (2001) Global dimensions of US legal services *The Professional Geographer*, 53, 398-406.

<sup>4</sup> Baumann, J. R. (1999). *Pioneering a global vision. The story of Baker & McKenzie*. Chicago, Harcourt Professional Education Group; Beaverstock, Smith and Taylor (1999), *Op Cit*. No. 2

Hong Kong. As we show, the decision 'to be there' and the intricacies of operating as a global organization are both issues that have unique peculiarities when examined in relation to law and law firms, something that prevents generalization from existing studies of other professional industries. To date, however, limited attention has been paid to these organizational peculiarities. This paper seeks to fill this research void, something that is significant because the peculiarities of how global law firms operate provide the foundations upon which allow the likes of Clifford Chance to become lubricators of global capitalism through transnational lawyering and law making<sup>5</sup>.

### **Globalised lawyering at the beginning of the twenty first century**

Three empirical barometers aptly illustrate the unprecedented rates of globalization of the legal profession and firms from the 1980s. First, there has been a remarkable increase in international trade in legal services involving the two most significant countries in the world economy, the United States of America (USA) and the United Kingdom (UK). For example, an analysis of the exports of UK legal services abroad indicates that it stood at £2,612 million in 2006, which was almost six times more than in 1991 (£445 million) (table 1)<sup>6</sup>. Such increases in revenues have been generated by the annual growth of UK law firms providing legal services abroad (including intra-firm

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<sup>5</sup> Flood, J. (2007) Lawyers as Sanctifiers: The Role of Elite Law Firms in International Business Transactions. *Indiana Journal of Global Legal Studies* 14 (1) 35-66; Quack, S. (2007) Legal professionals and transnational law-making: a case of distributed agency. *Organization* 14 (5) 643-666; Suddaby, R., Cooper, D. J., Greenwood, R. (2007) Transnational regulation of professional services: governance dynamics of field level organizational change. *Accounting Organizations and Society* 32 (4-5) 333-362.

<sup>6</sup> Office for National Statistics (ONS) (2001) *The Pink Book. 2001 Edition*. H.M.S.O., London; ONS (2007) *The Pink Book. 2006 Edition*. H.M.S.O., London.

trade within transnational legal firms), barristers providing services to foreign clients, and legal services supplied by UK lawyers who are employed by firms that are not legal firms.<sup>7</sup> Second, there has been significant growth in the stock and flow of foreign direct investment (FDI) in legal services in the world economy, an indicator which directly illustrates the investments of firms outside of their home country. For example, in almost two decades, the USA's stock of outward FDI in legal services has expanded seventy-two fold, from \$27 million in 1988 to \$1,956 million in 2006 (table 2)<sup>8</sup>. During this same period, the USA's outflow of FDI in legal services has increased over eighty-fold, from \$6 million to \$502 million, with much of these investments targeted to the London and European market<sup>9</sup>. Third, and related to the second, there has been the steady internationalization of the leading global firms into established and new global markets, both directly leading to increases in the number of partners and lawyers (solicitors) employed in such firms, and the global coverage of their international operations. Table 3 shows the internationalization of eight leading global law firms from 1987 to 2002. There have been average growth rates of 182 and 414 per cents in the numbers of partners/lawyers (solicitors) and international offices, respectively during this period. The dominance of US and UK (English in particular) firms and the rise of the global firm in this period are significant: they signal a new era where Anglo-American transnational lawyering is central to the global economy. This is a theme that cuts across our

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<sup>7</sup> International Financial Services, London (2007) *Legal Services. City Business Services.*

[www.ifsl.org.uk](http://www.ifsl.org.uk)

<sup>8</sup> UNCTAD (2004) *2004 World Investment Report: The Shift Towards Services* UNCTAD, New York Box table III5.1. and US Department of Commerce ([www.bea.gov/international/di1usdbal.htm](http://www.bea.gov/international/di1usdbal.htm), accessed 30<sup>th</sup> December 2007).

<sup>9</sup> Cullen-Mandikos B and MacPherson A (2002) U.S. Foreign direct investment in the London legal market: An empirical analysis *The Professional Geographer*, 54, 4, 491-499

discussion in this paper. But, where were these firms opening offices in the 1980s and 1990s and why?

*[Insert table 1, 2 & 3 somewhere here]*

### *Mapping the geography of global law firms*

A comprehensive worldwide survey of the geography of this globalization was carried out in 2000 covering 100 banking and professional service firms.<sup>10</sup> Here we report the results for the 16 law firms in the survey<sup>11</sup>. In effect, we provide a snapshot of the globalization of selected global law firms at the beginning of the twenty first century. Overall the law firms were found to be present in 105 cities worldwide. Using data on these offices we can estimate the importance of these cities – where most ‘global lawyering’ takes place within and between the cities. This defines a city network of law provision through which the global law market operates. Within this network the key measure of importance is the ‘network connectivity’ of a city. Table 4 shows the top 20 cities for this global lawyering – connectivities are presented as a proportion of the most connected city (London). The first thing to note is the duopoly at the top of this ranking: in global lawyering London and New York stand out as the prime centres of the service. The centrality of London and New York as legal service centres has led to the centrality

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<sup>10</sup>For details of the full survey see Taylor, P. J. Catalano, G and Walker, D 2002. ‘Measurement of the world city network’ *Urban Studies* 39, 2367-76; the underlying model is presented in Taylor, P J 2001, “Specification of the world city network”, *Geographical Analysis* 33, 181-94, and full results are presented in Taylor, P J 2004 *World city network: a global urban analysis*. London, Routledge.

<sup>11</sup> Firms are those listed in table 7 plus Coudert Brothers which has now ceased to exist.

of Anglo-American common law as the system of neoliberal capitalism. We return to the implications of this for the operation of global law firms later in the paper.

*[Insert table 4 somewhere here]*

The remainder of the rankings in table 4 highlight several aspects of global lawyering. First, there is the importance of financial centres as attractors of law firms, obviously including London and New York, but also Frankfurt and three other Pacific Asian financial centres, Hong Kong, Singapore, Tokyo. Second, capital cities feature prominently with Washington D. C. and Brussels as leading examples. Thirdly, Eastern European cities are well represented; these are from ex-COMECON countries that privatised their economies in the 1990s and were therefore particularly in need of new global lawyering for a new capitalism. Overall the table show, then, global lawyering centres in the three main 'globalization areas': the USA, Europe, and Pacific Asia. Significantly for our argument here, not only are these cities major financial centres but they are also centres located in jurisdictions where re-regulation has permitted the effective operation of global law firms. Regulation is not the only a definer of the geography global law firms, but is integral to their current organizational form and mode of operation. But, what of the rest of the world? What other important trends exist in the geography of presence and absence?

Delving further into the results, Figure 1 shows 48 cities with at least one eighth of London's connectivity. That is to say, they all encompass an appreciable amount of global lawyering: they are centres in the city network through which this global servicing takes place. This map shows a consolidation of the regions identified in Table 4, but with some extension into the rest of the world economy: Latin America, the Middle East and Central Asia are now represented. However, in 2000 neither Africa nor South Asia were fully incorporated into this network: Johannesburg and Mumbai are among the 105 cities with a global law presence, but with rankings respectively of 60<sup>th</sup> and 100<sup>th</sup> they do not



constitute global law network centres. As a relatively latecomer to the global economy, the lawyering network is smaller and less global than other business services.

The effects of this relatively smaller scale of operations can be further explored by comparing these results from the 16 law firms with the overall results for all 100 business service firms in the original survey. The most direct way of doing this is to regress law connectivities against general business service connectivities (including accountancy, advertising, banking/finance, insurance, and management consultancy). Such an exercise tells us which cities are over- and under-provisioned for global lawyering compared to the other professional services. These are presented as percentages in Tables 5 and 6. For instance, in Table 5 Washington has nearly 25% more global lawyering compared to the global activities of the other services in the city. This confirms Washington as the 'emblematic lawyer city' even at this global scale of operations. These results replicate Table 1 to some extent featuring as they do capital cities, financial centres and ex-COMECON cities (including Almaty). However, there are two new results: (i) the identification of Palo Alto as the global lawyering centre for Silicon Valley: and (ii) Ciudad Juarez as the local centre for dealing with trans-jurisdictional law issues in the Mexican-US border zone.

*[Insert table 5&6 somewhere here]*

This, then, shows that the location of law firms, unsurprisingly, is actually an interaction between market demand and regulation. Table 6 is even more interesting in this regard though because it shows numerous cities that are very under-provisioned in global legal services compared to the other services. Toronto is perhaps the surprise here, outstandingly under-provisioned. Since Montreal is also listed in Table 6, it seems that although the USA has been a key centre in the development of global lawyering through New York, its North American Free Trade Association (NAFTA) partner Canada has not been part of this expansion. There are also some European capital cities under-

provisioned but the main feature of the table relevant to our argument is the number of important world cities from the South that are featured: Mumbai, Kuala Lumpur, New Delhi, Jakarta, Santiago, Buenos Aires, Johannesburg and Mexico City. As previously suggested by Figure 1, global lawyering has hardly begun to penetrate the major cities of the South. This brings us back to the point made earlier about regulation as suggests that beyond the oddity of Canada that continues to be under-represented in global, independent-firm legal networks, it is in the South where we might expect further expansion of the office networks of global law firms in the twenty first century if and when political and regulatory hurdles facilitate expansion into such cities.

*[Insert figure 1 somewhere here]*

In the remainder of the paper we explore the importance of Anglo-American law or more specifically New York State and English law and the regulatory burdens influencing the globalization process, and explain how these have defined not only where law firms operate, but the actual way they have globalized and now organize themselves. We begin by considering the way these have influenced the organizational strategies used by globalizing firms and then move on to consider the impacts on the role of global law firms in the contemporary economy and legal world.

### **Going global: typologies of globalization**

John Dunning's Ownership-Location-Internalization (OLI) paradigm provides perhaps the most useful conceptual framework which can be used to explain the rationale for law firms undertaking activities outside of their national boundaries.<sup>12</sup> Dunning forcefully argues that firms will only engage in such international activity if they

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<sup>12</sup> Dunning J (1988) *Explaining International Production*. Unwin Hyman, London; Dunning J (1993) *The Globalization of Business*. Routledge, London;

posses competitive advantages over indigenous firms with respect to ownership-location-internalisation factors.<sup>13</sup> All three of these relate in some way to our themes of regulation and the diffusion of Anglo-American lawyering. With respect to ownership advantages, law firms will only internationalise if they have specific advantages in technology, management and marketing, which will give them a competitive edge over indigenous firms. For law, such ownership competitive advantages must be accrued with regard to access to transnational clients and in quality and style of service *vis-a-vis* indigenous firms. Equally, a law firm will internationalise if it has a location advantage in undertaking professional business in a particular country. As law cannot be very easily traded as a service on an international scale, law firms require a physical presence outside of their nation-state, not least because of the need to overcome host country regulatory frameworks. Finally, law firms will wish to internationalise their operations if they have an advantages in governing and managing ownership- and location-advantages within the firm, rather than licensing or selling those advantages to indigenous firms. The ability to deliver consistent, home-country (US/English) style legal services is significant here and as Dunning's suggests, the organizational mode of entry into new markets for firms is through "some overseas partnerships, but often services are provided via movement of people (clients to home country lawyers or vice versa).<sup>14</sup> The significance of this for the diffusion of Anglo-American law becomes clear later in our discussion. Several case studies focusing on the globalization of legal services and

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<sup>13</sup> Dunning (1993, 256) Op. Cit. No. 11.

<sup>14</sup> Dunning J (1993, 276). Op. Cit. No. 11.

law firms shows the nuances of such international expansion and market penetration in this highly-competitive globalizing arena<sup>15</sup>.

### *Organizational forms*

The organizational *form* used to globalize has evolved over the past 20 years, predominantly as part of a trial and error process as firms sought the optimum strategy. Only those finding the right recipe prosper today. In short, the *modus operandi*, or what we shall call the 'typologies of globalization' of law firms operating outside of their national boundaries, has taken four common forms:

1. As independents operating as global firms developed through organic growth of international office networks staffed by expatriate partners and lawyers, and locals (including partners)<sup>16</sup>, merger and acquisition activity with local, host firms<sup>17</sup>, or combinations of organic growth and M&A activity<sup>18</sup>;

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<sup>15</sup> For example: Beaverstock J V , Smith R G and Taylor P J (2000) Geographies of globalization: United States Law Firms in world cities. *Urban Geography*, 21, 2, 95-120; Jones A (2007) More than managing across borders? The complex role of face-to-face interaction in globalizing law firms. *Journal of Economic Geography* 7, 223-246; Morgan G and Quack S (2005) Op. Cit. No. 2; Warf B and Wije C (1991) The spatial structure of large US law firms *Growth and Change* Fall, 156-174.

<sup>16</sup> Including most of the global firms listed in table 7. For example, the lineage of Skadden, Arps, Slate, Meagher & Flom international office development reads as follows: Tokyo (1987), London (1988), Hong Kong (1989), Sydney (1989), Paris (1990), Brussels (1990), Beijing (1991), Moscow (1992), Vienna (1993), Singapore (1995), Frankfurt (??) and Toronto (??) (<http://www.skadden.com>, accessed 03/01/08)

<sup>17</sup> For example Freshfields into Germany with the creation of Freshfields Bruckhaus Deringer. See Morgan and Quack (2005) Op Cit. No. 2.

2. As exemplified by firms like CMS Cameron and McKenna (ranked 82<sup>nd</sup> in The Lawyers Top 100 Global Firms), through formal network relationships and making strategic alliances/partnerships with local, host firms. CMS's mission statement reads as follows, "CMS is the alliance of major European law firms providing clients with a full range of legal and tax services based on a thorough understanding of their business. CMS's activities are coordinated through a European Economic Interest Grouping (EEIG) registered in Frankfurt, Germany."<sup>19</sup> Such alliances have become less and less popular though (Linklaters terminated its Linklaters and Alliance arrangement at the end of the 1990s in favor of a global firm model) because of the difficulty of developing consistent worldwide services;
3. Through the emergence of conglomerates providing a suite of professional services of which law is one. These effectively died out with the Enron scandal and the end of multidisciplinary partnerships;
4. Through ad hoc membership in a loosely, ephemeral formed affiliation or network, this may arise in two circumstances. First, at the 'magic circle' / 'charmed circle' end of the spectrum, where the leading global players come together in informal so called, 'best-friend' networks. Slaughter and May's strategy of not opening overseas offices, but having close relationships with overseas partners shows how this can work when the 'right' friend is chosen. Second, at the boutique or smaller size firm level, where independent firms join informal associations to engage in international legal practice. The Interlex

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<sup>18</sup> For example Freshfields Bruckhaus Deringer

<sup>19</sup> <http://www.cmslegal.com/DesktopDefault.aspx?tabid=780>, accessed 03/01/08

Group<sup>20</sup>, founded in 1973, is an association of over 40 independent law firms operating in over 125 cities around the globe that facilitates global operation for such firms.

It is difficult to suggest which is the most cost-effective typology of globalization for both firm and client. Sunk cost are extremely high in the development of organic, new office networks as opposed to joining a strategic alliance or network, but the global firm can reproduce the reputation and quality of service in any location as expected by the client. Indeed, only in the global, single firm form can the type of transnational lawyering other describe occur, and it is, therefore, this model that has become most prominent.<sup>21</sup> Indeed, many of those in table 7 are now key players in the production of transnational spaces of lawyering. But, surprisingly in existing literatures most attention has been given to theorising transnational lawyering itself and to the processes by which US and English styles of legal work might be changing incumbent national systems.<sup>22</sup> In these literatures the presence of global firms in foreign jurisdictions is often discussed as being influential and driving change in host-systems, whilst the role of firms' engagement in entrepreneurship at the level of institutions and legislative actors is examined. Yet the actual organization of the firm and the way this ensures that transnational lawyering and the diffusion of English or US practices is possible receives limited exploration. We find this troublesome because effective organizational strategies that deal with regulatory

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<sup>20</sup> <http://www.interlexgroup.com/index.asp>, accessed 03/01/08

<sup>21</sup> Op. Cit. No. 5.

<sup>22</sup> Flood, J. (2007) Op. Cit. No. 5; Morgan, G., Quack, S. (2005) Op. Cit. No. 2; Trubek, D. M., Dezalay, Y., Buchanan R., Davis, J. R. (1994). Global restructuring and the law: studies of the internationalization of legal fields and the creation of transnational arenas. Case Western reserve law review 44 (2) 407-498.

challenges and allow the effective diffusion of home-country practices undergird all forms of transnational lawyering. We, therefore, focus upon these issues under the rubric of regulation and the diffusion of Anglo-American law that we highlighted earlier. We pose the question of how global firms like those in table 7 actually develop the of integration all seem to seek and view as so important for enabling the reproduction their model of lawyering worldwide. As we show, organizing and operating in a way that fulfils such a role is not a formality, but requires careful strategic manoeuvring and recognition that lawyers are produced by professional systems with distinctive national characteristics.<sup>23</sup>

*[Insert table 7 somewhere here]*

### **The challenges of global lawyering**

For global law firms the need to operate as an integrated of community of lawyers, rather than as set of isolated offices each providing coverage for one market only, has driven recent strategic decision making. A browse through the publicity materials of leading US and English firms confirms this and the now widespread recognition of the need for the whole organization to be more than the sum of its constituent (individual office) parts (table 8). This is particularly relevant to our argument about the importance of global law firms for spreading Anglo-American lawyering. Only if the organization is integrated and able to maintain a worldwide culture can it offer aligned, common services to clients worldwide based on the principles of New York state

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<sup>23</sup> Faulconbridge, J. R., Muzio, D. (2007). Reinserting the professional into the study of professional service firms: the case of law. *Global Networks* 7 (3) 249-270.

and English law that dominate in the commercial world<sup>24</sup>. But, what are the challenges to and how do firms achieve such integration?

*[Insert table 8 somewhere here]*

*'National' systems of the professions and global law firms*

Many of the 'internal' dilemmas faced by global firms stem from the fact that they are operating across a diverse set of national legal professions. Historically, professions emerge as negotiated orders from the spatially and temporally contingent interactions between different parties, including: the professions, their clients, the state and academia.<sup>25</sup> The interests, agendas, and resource capabilities of such actors vary over space and time as do the occupational settlements that emerge from their interactions with regards to the definition, operation, organization, delivery and reward of their professional services<sup>26</sup>. Legal services are a particular example of this nationally diverse system and the experience of global law firms in any one country is influenced by how the law and the legal profession are intimately bound to the political and juridical system of their country of origin. After all, lawyers in their role as mediators and adjudicators of entitlements, disputes and obligations, make a fundamental contribution to those governance networks that support independent nation-states and their capacity to govern. Thus, despite moves towards transnational jurisdictions and institutions,

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<sup>24</sup> Trubek et al. (1994) Op. Cit. No. 24.

<sup>25</sup> Larson, M. S. (1977). *The rise of professionalism: A sociological analysis*. Berkeley, University of California Press; MacDonald, K. M. (1995). *The sociology of the professions*. London, Sage; Torstendahl, T., Burrage, M. 1990. *The formation of professions : knowledge, state and strategy* New York, Sage.

<sup>26</sup> Abbott, A. (1988). *The system of professions: an essay on the division of expert Labour*. Chicago, University of Chicago Press.



lawyering and the legal profession continues to be colored with their characteristics of their national context. The persistence of these nationally based oddities and peculiarities can prevent the development of coherent management and seamless service provision.

But, how are these national differences relevant to the case of global firms? An exhaustive account is beyond the scope of this article, but we want to highlight three salient features. First, Doctrinal/Legal differences. Each country continues to have its own nationally specific law and legal system, something that produces diversity in approaches to legal work. The situation is clearly emblemized by the split between civil law and common law traditions, which are characterized by very different legal doctrines, procedures and approaches, resulting in diverse ideas about the role and function of law and the legal profession<sup>27</sup>. At the heart of the civil tradition lies the civil code with its emphasis on formal rationality, coherence and predictability. Here, law is viewed as a neat collection of consistent, self contained and relatively static pronouncements: a 'purely analytical, intellectual construct, a sealed system of logically interconnected propositions impermeable to the economic pressures of the business world'.<sup>28</sup> Thus, the emphasis is on faithfulness if not reverence to the code and on an 'academic' approach to lawyering, which is mindful of theoretical categories, nuances and distinctions. Conversely, the common law tradition with its emphasis on the ad hoc, piecemeal and historically contingent decisions of case law has always emphasized flexibility, adaptability and the use of interpretation to support client interests. This has historically sustained a more entrepreneurial vision of lawyering with lawyers developing an intimate

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<sup>27</sup> Flood, J. (2007) Op. Cit. No. 5; Morgan, G., Quack, S. (2005) Op. Cit. No. 2.

<sup>28</sup> Osiel M.J. (1990) Lawyers as monopolists, aristocrats and entrepreneurs. Book review of Abel R. L. and P. S.C. Lewis Lawyers in society. Harvard law review 1037: 2009-2066.

connection with their corporate clients and proactively developing new services and solutions to support their interests<sup>29</sup>.

In other words, as Morgan and Quack note, such influences mean that common law tradition lawyers have historically been more entrepreneurial and business orientated than their civil law counterparts.<sup>30</sup> This includes not only an emphasis on the development of real time commercial rather than purely technical solutions, but also the earlier involvement of lawyers in the structuring of business transactions. Hence the creation of large corporate firms, which effectively operate and compete as corporate entities, took place much earlier in common law jurisdictions than in their civil law counterparts.<sup>31</sup> Indeed, echoing these doctrinal differences as well as differences in their economic orientation, countries offer varying levels of tolerance to the practices and activities of the large globally integrated law firm. In particular, some jurisdictions may use local legislation and informal understandings to restrict the activities of foreign lawyers and global law firms.

Second professional jurisdictions are also specific time and space bound settlements, which emerge from the political interaction between different groups. This is hardly surprising as professional jurisdictions confer valuable privileges and rewards, both symbolic (such as proximity to the centres of established power) and material (self-regulation, the creation of skill scarcity, the exclusive authority over the application of

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<sup>29</sup> Flood (2007) Op.Cit. No. 5; Trubek et al (1994) Op. Cit. No. 24..

<sup>30</sup> Morgan and Quack (2005) Op. Cit. No. 2.

<sup>31</sup> Flood, J. (1996) Op. Cit. No. 2; Hanlon, G. (1999) Lawyers, the state and the market.

Professionalism revisited. London, MacMillan Business.

certain knowledges and techniques).<sup>32</sup> Thus professional jurisdictions are contested by the rival claims of different occupational groups equipped with their own particular cultural capital and rethorical devices<sup>33</sup>. The fluid, changeable and contested demarcation line that separates accountants and lawyers on issues of tax advice would be a very good example of such spatially contingents occupational settlements, with some jurisdictions giving prominence to the former and others to the latter.<sup>34</sup> The division of the English legal profession in solicitors and barristers is an even more pertinent example for the purposes of this discussion.<sup>35</sup> The de facto monopoly that barrister historically hold on rights of audience in the higher court and therefore on advocacy has

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<sup>32</sup> Freidson, E. (2001) Professionalism: The third logic. Cambridge, Polity; Johnson, T. 1972. Professions and power. London, Macmillan.

<sup>33</sup> Dezalay , D Sugarman (1995) Professional competition and professional power. London, Routledge; Abbott, A. Op. Cit. No. 27  
Op. Cit. No. 26; Sugarman D. (1995) Who colonised whom? Historical reflections on the intersections between law, lawyers and accountants in England. In Dezalay Y., D. Sugarman Professional competition and professional power. London, Routledge 226-237.

<sup>34</sup> Sugarman D. (1995) Who colonised whom? Historical reflections on the intersections between law, lawyers and accountants in England. In Dezalay Y., D. Sugarman Professional competition and professional power. London, Routledge 226-237.

<sup>35</sup> Abel R. L , (1988) The legal profession in England and Wales. London, Blackwell; Abel R. L. (2004) English lawyers between market and state: The politics of professionalism. Oxford, OUP; Flood J. (1999) Professionals organizing professionals: Comparing the logic of United States and United Kingdom law practice. In Brock D., Powell M., and Hinings C.R. (eds) Restructuring the professional organization. London, Routledge 154-182; Boon A. Flood J. (1999) Trials of strength the reconfiguration of litigation as a contested terrain. Law and society review 33(3) 595-636

meant that English law firms have not been able to offer such services in house and to develop an integrated litigation service. The situation is different in most other jurisdictions and most relevantly in the US where litigation crucially including advocacy is one of the most profitable specialisms offered by large commercial firms.

Finally, third, there are some important nationally-based cultural differences which affect individual lawyer's (as well as their clients) expectations of how legal services should be legitimately defined, performed, delivered, evaluated<sup>36</sup>. These differences in cultural norms, beliefs and expectations reflect, once again, of the various nationally specific influences involved in the process of professional formation and the ways these socializing influences affect the early years of training and practice of professionals. As Faulconbridge and Muzio describe, "For globalizing legal PSFs, the effects of the geographically distributed and embedded office networks that reach across Europe, North American and Southeast Asia exaggerate the challenge of managing professionals...[Management] has to be sensitive to the norms, ideals and beliefs of professionals emerging from different national systems".<sup>37</sup> Thus deeply rooted cultural assumptions and institutional legacies require the effective management of local realities, expectations and sensitivities; something that can push global law firms towards compromises at the expense of integration and the development of optimally efficient solutions.

One recent example of the way cultural differences create such trials and tribulations is the case of Clifford Chance's merger with the US firm Roger Wells. The merger took place in 2000, but by January 2005 the front page of the *Financial Times*

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<sup>36</sup> Op. Cit. No. 23; Faulconbridge JR, Muzio, D (2008) Organizational professionalism in global law firms. *Work, Employment and Society* 22 (1).

<sup>37</sup> Op. Cit. No. 23, pp. 261.

was reporting how “Clifford Chance has struggled to create a top-class US legal practice...The firm was hit by a string of big-name departures in the US”.<sup>38</sup> Such losses should, however, have come as no surprise. When the merger was announced *The Lawyer* noted that “One of the more interesting aspects of the potential culture ‘clash’ in such mergers is the perceived differences in methods of remuneration between US and English law firms...The lockstep system has been traditionally linked with the English’s more conservative attitudes”.<sup>39</sup> In the lockstep system remuneration is based on an individual’s years of service not the profits they generate. This contrasts with “the US ‘style’...where hard work and overall top performance (primarily billings) is rewarded with the highest compensation and non-performers find themselves down and out.”<sup>40</sup> It was predicted that this difference would create problems for the firm.

Inevitably, *The Lawyer* was soon reporting that “Clifford Chance equity partners are being asked to vote...on sweeping proposals on partner underperformance...The management is asking partners to back a scheme whereby they can be not only frozen on the lockstep, but also moved down”.<sup>41</sup> When English partners resisted this was followed by reports of “managing partner Peter Cornell...issu[ing] a stern warning to partners...that failure to amend the firm’s strict lockstep would be tantamount to closing offices”.<sup>42</sup> It became clear that US Partners in New York were leaving the firm because,

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<sup>38</sup> Financial Times (2005) UK head of Clifford Chance focuses on shake-up with move to New York. Financial Times 5th January.

<sup>39</sup> The Lawyer. (1999) Square Mile. The Lawyer 8th September.

<sup>40</sup> Op. Cit. No. 40.

<sup>41</sup> The Lawyer. (2004) Lockstep revolution beckons. The Lawyer 8th March.

<sup>42</sup> The Lawyer. (2005) CC's Cornell warns lockstep must become more flexible. The Lawyer 28th February.

amongst other things, the lockstep approach ‘clashed’ with their ideals of professional organization and practice. This was basically a financial clash – lawyers felt they weren’t being paid as much as they expected. This culminated in late 2005 when it was announced that partners had “voted to reform the 2,500-lawyer firm’s lockstep compensation system to better account for differences in partner pay across geographical markets”, something the firm had wanted to avoid because of the disintegration and inter-partner friction that variations in the way lawyers are remunerated between jurisdictions could cause, thus challenging the one-firm culture seen as critical to effective transnational lawyering.<sup>43</sup> Below we look further at the management strategies used to deal with such Cultural differences, as well as the challenges *Doctrinal/Legal* and Jurisdictional diversity, as firms seek to develop an integrated firm-model capable of producing transnational spaces of lawyering.

### **New management strategies**

#### *Managing the challenges of Doctrinal/Legal and jurisdictional varieties*

The steadfastly ‘national’ nature of legal systems is one of the most fundamental problems global law firms face.<sup>44</sup> This is true at the level of the legislature and courts and legal systems themselves, but also at the level of lawyers and legal professionals as nationally regulated agents. One way many US firms initially overcame this was to practice US law overseas. More recently though English and increasingly US firms also

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<sup>43</sup> New York Law Journal (2005) Clifford Chance partners approve reform of lockstep compensation system. New York Law Journal 19th December.

<sup>44</sup> Op. Cit. no. 24.

practice local law in most of their offices.<sup>45</sup> At it simplest this means locally qualified lawyers able to deal with the local legislature and courts are needed. Yet even this can be difficult when regulatory hurdles either prevent overseas firms employing locally qualified lawyers or require a majority locally-owned alliance arrangement.

Consequently, both the need for re-regulation to permit the operation of global firms, and the desire to limit the impacts of national peculiarities in legal systems on the provision of worldwide integrated legal services by the firm (common law versus civil law especially) mean that global law firms have had to be active advocates of legislative change that favours their operation and work as servers of transnational corporations. Examples of the role of global firms in forms of legislative and institutional entrepreneurship are given in table 9. Organizations such as the World Trade Organization (WTO) (through it's working party on professional services formed in the 1990's) and the International Competition Network are also central to supporting the aims of transnational law firms and their clients and are engaged with as part of a broader aim to smooth the operation of firms in different national contexts<sup>46</sup>.

*[Insert table 9 somewhere here]*

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<sup>45</sup> Silver, C. (2002) The Case of the Foreign Lawyer: Internationalizing the U.S. Legal Profession. Fordham Journal of International Law 25 1039-1084; Silver, C. (2007) Local Matters: Internationalizing Strategies for U.S. Law Firms. Indiana Journal of Global Legal Studies 14 (1) 67-93.

<sup>46</sup> Suddaby, R., Cooper, D. J., Greenwood, R (2007) Op. Cit. No. 5; Djelic, M.-L., Kleiner, T. 2006. The international competition network: moving towards transnational governance. In Djelic, M.-L., Sahlin-Andersson, K. (Ed.) Transnational governance. Institutional dynamics of regulation. Cambridge, Cambridge University Press, 287-307.

Baker and McKenzie as a firm became vastly experienced in dealing with such challenges because of its early entrance into multiple overseas markets as providers of 'local' legal services.<sup>47</sup> However, regulatory difficulties are just one of the hurdles a global firm has to overcome if it is to be effective at transnational lawyering. By the 1990s one unintended side-effect of the Baker and McKenzie strategy was becoming clear: the firms had many pins in the map, but a limited amount of 'glue' binding the organization together<sup>48</sup>. As the firm found out, once regulatory hurdles were overcome a whole new set of problems emerge. "Because customers and cultures were so different, lawyers around the globe saw legal practice as a localized profession that did not travel well"<sup>49</sup>. As a result the firm gained the unflattering reputation of being the 'MacDonald's' of law firms – a franchise like operation that lacked any genuine coherence beyond the worldwide mandates, policies and procedures. It is clear that Baker and McKenzie is now actively seeking to overcome both the problems that may have once existed and the reputation the firm has gained as a result of this. A whole page of Baker and McKenzie's website is now dedicated to outlining how the firm has developed "Global Systems for Seamless Service". The claim made is that "Ours is not the virtual reality of a virtually global firm. It's the actual reality of a law firm that has always operated with

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<sup>47</sup> Op. Cit. No. 4.

<sup>48</sup> See Faulconbridge JR.. (2008). Managing the transnational law firm: a relational analysis of professional systems, embedded actors and time-space sensitive governance. *Economic Geography* 84; Beaverstock, J. V., Smith, R., Taylor, P. J. ( 2000) Op. Cit. No. 15; Jones, A. (2005) Truly global corporations? Theorizing organizational globalisation in advanced business-services. *Journal of Economic Geography* 5 177-200; Jones, A. (2007) Op. Cit. No. 14.

<sup>49</sup> Op. Cit. No. 4.



confidence across cultures, time zones, communications grids and power networks”<sup>50</sup>. The question is, how do you create such integration in ever larger, ever more geographically dispersed firms?

*Spatially stretched partnerships and global ‘culture’*

Globalization has, in many ways, exercised a strong pressure on the management of law firms increasingly rendering traditional arrangements apparently inefficient and obsolete<sup>51</sup>. In particular, the associated challenges of managing growth and of integrating geographically dispersed resources and activities, has encouraged the development of new organizational strategies, structures and practices designed to deal not only with the increase in the size of partnerships, but also with the geographically-induced issues described above. In particular, it is expected that this would require the development and introduction of more hierarchical structures and a more ‘executive’ approach to decision-making as well as the standardization of global practices and methods and the development of genuine trans-national capability through cross-

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<sup>50</sup> see <http://www.bakernet.com/BakerNet/Firm+Profile/Our+Global+Systems/default.htm> - accessed 14/12/07)

<sup>51</sup> Brock, D. M., Powell, M. J., Hinings, C. R. (1999) Restructuring the professional organization. Corporates, cobwebs and cowboys. London and New York, Routledge; Flood, J. (1995). The cultures of globalization: professional restructuring for the international market. In Dezalay, Y., Sugarman, D. (Ed.) Professional competition and professional power. Lawyers, accountants and the social construction of markets. London, Routledge, pp 139-169; Hanlon, G. (1999) Op. Cit. No. 32. Reed, M. (1996) Expert power and control in late modernity: an empirical review and theoretical synthesis. Organization Studies 17 (4) 573-597.

jurisdiction teams and knowledge management systems<sup>52</sup>. The expectation is that law firms would, in other words, undergo those processes of change already experienced by other multinational organizations as they pursue formal rationality and efficiency optimization.

Proponents of this thesis have been clustered around an influential and increasingly voluminous body of work of archetype theory, largely originating from the University of Alberta in Canada.<sup>53</sup> According to archetype theorists, professional firms are traditionally organized according to a P2 (professional partnership) configuration which emphasises values and practices of collegiality, consensus and intimacy. The P2 ultimately merges ownership, management and work execution in the small number of partners who collectively and informally govern the long term direction and everyday administration of their firm. Over the last 20 years or so, exogenous changes including de-regulation of professional services markets, globalisation of professional services and technological development, have been said to conspire to push professional organization down the route of radical structural transformation. This can be characterised as an archetypal shift from the P2 archetype to a new configuration: the

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<sup>52</sup> Cooper, D., Hinings, C. R., Greenwood, R., Brown, J. L. (1996) Sedimentation and Transformation in Organizational Change: The Case of Canadian Law Firms. *Organization Studies* 17 (4) 623-647; Greenwood, R., Hinings, C., Brown, J. S. (1990) 'P2-Form' Strategic Management: Corporate Practices in Professional Partnerships. *Academy of Management Journal* 33 (4) 725-755.

<sup>53</sup> Op. Cit. No. 52; Greenwood, R., Suddaby, R. (2006) Institutional entrepreneurship in mature fields: the big five accounting firms. *Academy of Management Journal* 49 (1) 27-48; Pinnington, A., Morris, T. (2003) Archetype change in professional organizations: Survey evidence from large law firms. *British Journal of Management* 14 (1) 85-99.

Managerial Professional Business (MPB) which characterised by rising levels of standardization, bureaucracy and centralization. Thus, a more hierarchical and specialised division of labour emerges, decision making is expected to become more concentrated, structures refocus around matrixes and multi-disciplinary groups, practices become increasingly standardised and centrally coordinated rather than ad-hoc and idiosyncratic whilst the emergence of a managerial structure with executive powers signifies the demise of collegiality and beginning of the separation of ownership and control.

Whilst the original archetype theory viewed change as a unidirectional and transformational process inexorably leading from the P2 to the MPB, more recent variants have introduced more nuanced approaches which recognise sedimentation and hybridity<sup>54</sup>. Equally importantly, recent work has expanded the range of potential configurations to recognize the multi-faceted complexity of the current legal services industry.<sup>55</sup> One category the 'Global Professional Network' (or GPN) is particularly important in the context of our discussion. This model is most likely to be relevant for the largest global law firms and is characterised by perhaps the most pronounced changes. In particular, we have the adoption of network forms of business, corporate-style governance over partnership, executive decision-making, internal differentiation and global reach. These developments are viewed as functional necessities insofar their

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<sup>54</sup> Cooper et al. (1996) Op. Cit. No. 52; Pinnington and Morris (2003) op. Cit. No. 53.

<sup>55</sup> Brock, D. M. (2006). The changing professional organization: A review of competing archetypes. *International Journal of Management Reviews* 8 (3) 157-174; Hinings, C. R. (2006) The changing nature of professional organizations. In Ackroyd, S., Batt, R., Thompson, S., Tolbert, P. (Ed.) *The Oxford Handbook of Work and Organization*. Oxford, Oxford University Press, pp

adoption is seen as essential in sustaining service delivery and financial performance for the largest firms. Thus in many ways, according to archetype theorists, the exogenous changes alluded to before have triggered a managerial revolution, centred on the principles of standardization and organizational efficiency and resulting in the adoption of more corporate patterns of operation and organization. Nowhere is this tendency stronger than in the case of the very large global firms in question that face both regulatory and cultural hurdles to effective operation.

### *Organizational professionalism*

Whilst these 'models' of organizational change are insightful in many ways, we are however left wondering whether such an epochal change has really occurred. As Faulconbridge and Muzio report, interviews with partners in global firm seem to suggest that the process of change has been limited by a series of considerations, which reflect the intrinsic characteristics of professional work, the historical formation of the various national legal systems and the nature of law as a product and which have so far hindered the development and adoption of optimally efficient organizational solutions and managerial practices.<sup>56</sup>

Lawyers, despite great heterogeneity and spatial variation in their cultures and legacies, tend to share a culture of autonomy, independence and discretion and are suspicious if not hostile to the practices and vocabularies of management and its associated rubrics of routinization, standardization and control.<sup>57</sup> Of course, values of

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<sup>56</sup> Faulconbridge Muzio (2008) op. Cit. No. 37.

<sup>57</sup> Freidson (2002) Op. Cit. No. 32; Mintzberg, H. (1979). The structuring of organizations. London, Prentice Hall; Raelin, J. A. (1991) The clash of cultures. Managers managing professionals. Boston, MA, Harvard Business School.

autonomy and discretion are at the heart of process of professional formation and socialization (and reproduced in the self-imagery and popular portrayals of this occupation). This is particularly important as law firms are autonomous professional organizations, where professionals (at least at equity partner level) themselves both own and control the means of production and therefore are in a position to effectively resist unpalatable change. Furthermore, there is a strong functional argument for professional autonomy as this guarantees the innovative, bespoke legal services that global law firms specialize in. It follows then that any drive towards management in global law firms, besides the existence of spatially heterogeneous forms of professionalism and legal practice, has to come to terms with the preferences, sensitivities and interests of individual professionals and with their deeply rooted culture of autonomy.

Hence, whilst it is inevitable that large firms employing thousands of professional across the globe must make adjustments to the imperatives of large-scale organization and modern administration, these adjustments assume the characteristics of subtle reconfigurations which crucially preserve vast pockets of practitioner autonomy, rather than of a straightforward managerial takeover. Exclusively managerial roles are still relatively thin and most crucially they tend to be filled by qualified and often practicing lawyers<sup>58</sup>. Furthermore, their powers are seldom executive or directive, but are rooted in extensive consultation and broader conversations within the whole partnership<sup>59</sup>. The bubbling-up process, whereby senior professional widely canvass opinion on proposed change with a view to secure the consensus of their peers, the reliance on committees as decision-making forums and ultimately the whole partner vote with regards to crucial

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<sup>58</sup> Ackroyd, S. and D. Muzio (2007) The Reconstructed Professional Firm Explaining Change in English Legal Practices. *Organization studies*, 48(5) 1-19.

<sup>59</sup> Pinnington and Morris (2003) *Op. Cit.* No 53.

decisions are all a clear testament to the traditions of partnership democracy which survive even in the largest global practices<sup>60</sup>. Meanwhile, within the realm of work planning and execution lawyers retain significant amounts of autonomy.

Of course, the nature of the markets in which these firms operate, has brought developments such as multidisciplinary teams, project managing roles, templates and knowledge-management systems. But, the imperative of providing individually tailored solutions to extremely demanding clients continues to minimize the potential for programmes of rationalization, routinization and standardization. Overall, the situation in global firms, despite academic and practitioner predictions of a managerial revolution as occurred in other sections of the economy, continue to reflect core professional values of autonomy. This is essential in avoiding dissatisfaction, turnover and therefore, the erosion of a firm's very own competitive foundation.

Thus what we see is a careful reconfiguring of partnerships in global law firms so as to: (a) recognize the need for executive control and power; yet also (b) maintain many of the principles of legal practice and partnership. The former is important because of the need to create integration, consistent services and reproduce the Anglo-American model of legal service worldwide; the latter is important because of the need to simultaneously maintain the autonomy, entrepreneurship and local market responsiveness and assimilation of lawyers. This is clearly a delicate balancing act that many have and continue to struggle with; a balancing act that often requires the careful use of not an archetypal hierarchy, but instead of what Alvesson calls a heterarchy: a model of management that emphasizes negotiation and coercion to convince lawyers of the value of managers' approaches.<sup>61</sup> We, therefore, review two of the most important strategies

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<sup>60</sup> Faulconbridge Muzio (2008) op. Cit. No. 37.

<sup>61</sup> Alvesson, M. 2002. Understanding organizational culture. London, Sage.

adopted by global law firms to manage their geographically dispersed partnerships and the way these allow organizations capable of transnational lawyering to emerge.

### **Engineering firm-wide spaces of transnational lawyering**

#### *The community fix – transnational spaces of learning*

Practice groups have been important since the emergence of the large, mega-law firm.<sup>62</sup> Used to organise the large teams of lawyers needed to complete advanced corporate transactions and also to help clients identify the firm's specialism, the practice group and the project-teams within it are key to the sociology of work in the large law firm. In global firms their significance is elevated by the role they play in binding dispersed lawyers together into a shared community of practice.<sup>63</sup> Practice groups allow lawyers in different offices to form a shared identity on the basis of common legal practice. This then helps turn the many pins (offices) in a map into a worldwide community of lawyers, not least because practice groups allow partners to develop an awareness of a group of 50 or 75 other partners within the firm who have shared interests, rather than trying to become familiar with all of the 400 or more partners throughout the firm. Indeed, the practice group now operates as a pseudo-organization in many ways; they are often used as administrative units of the firm with turnover and profits measured at practice group level; and they usually have one or multiple 'heads' of group that act as mini-senior partners who report to firm-wide managing and senior

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<sup>62</sup> Smigel, E. O. (1965) *The Wall Street lawyer. Professional organization?* Glencoe, Free Press; Flood, J. (1996) *Op. Cit.* No.2 .

<sup>63</sup> Wenger, E. (1998) *Communities of practice: learning meaning and identity.* Cambridge, Cambridge University Press.

partners and act as the mouthpiece of partners, thus facilitating the bubbling-up process and allowing the input into decision making professionals demand.

Developing transnational practice-group communities is, therefore, a priority of all global law firms. Successful relationships between lawyers in different offices are, however, not always easy to foster. Whilst relationships might be built upon virtual interactions – emails, telephone and video-conference calls between members of the practice group – this is often not enough to secure a long-term and profitable partnership. Instead, occasional moments of proximity are critical. These moments can be in the form of meetings to close a deal, but, most significantly, are normally enabled by practice-group activities designed to meet the obligations of social proximity associated with relationship consolidation and renewal.<sup>64</sup> Annual, global practice group conferences are most important in this respect. Although it is hard to involve all lawyers in these, for partners the practice group conference acts as an essential way to meet, get to know and develop a long-lasting bond with overseas colleagues. The all-partner conference can, to a certain extent, serve a similar purpose. In a firm of hundreds of partners it is no longer the case that an all-partner conference is the place for ‘debating’ strategic decisions or amendments to the partnership constitution. Whilst an auditorium filled with lawyers might in principle provide an arena for such discussions, in reality much of the consultation needed for significant changes takes place prior to the meeting, often at the practice-group level. As a result, whilst these events retain their business focus, many of the events organised are designed to allow lawyers to meet one-another

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<sup>64</sup> Faulconbridge, J. R. (2006). Stretching tacit knowledge beyond a local fix? Global spaces of learning in advertising professional service firms. *Journal of Economic Geography* 6 517-540; Urry, J. (2003). Social networks, travel and talk. *British Journal of Sociology* 54 (2) 155-175.



and develop relationships that will then draw offices together through transnational relationships and social spaces of learning, collaboration and mutual support.

For the global law firm, then, long-lived structures like practice groups take on a new significance for the management of the firm. However, it should not be assumed that this effort to reproduce ‘collegiality’ is solely associated with compensating for the difficulties caused by larger and spatially stretched partnerships. Transnational communities developed at practice group level or otherwise also have a role in more uncomfortable management projects associated with running an effective global firm, in particular being used to manage the diverse professional cultures described above. This can be easily missed at first glance. On occasions, as Faulconbridge has shown, the communities formed within practice groups are used to ‘spread’ best practice and effectively teach lawyers about the ‘firms’ way of doing things.<sup>65</sup> Also, for lawyers outside of the Anglo-American context, these relationships are often used to promote the common-law way of delivering legal services. Interviews with partners in global firms revealed that “the networks of knowledge production are imbued with uneven geographies of power. This has an important structural affect on both the firms themselves but also more widely, on the nature of ‘global’ corporate law...global knowledge production and circulation networks are used to encourage, in particular, continental European offices and increasingly offices in the East of the continental block, to adopt mega-lawyering practices. This was a form of power that was predominantly (though not exclusively) exercised by partners in the New York offices of both US and UK transnational legal PSFs”.<sup>66</sup>

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<sup>65</sup> Faulconbridge, J. R. (2007) Op. Cit. No. 2.

<sup>66</sup> Faulconbridge, J. R. (2007) Op. Cit. No. 2, pp. 936.

This 'politics' of the new management spaces inside global law firms should not, then, be ignored and is central to firms' successful operation. Indeed, the communities that are formed through occasional encounters between lawyers in practice are also complemented by a cadre of expatriates that are also vital for managing the firm and ensuring transnational spaces of lawyering emerge.

*The human resource fix – expatriates and mobile workers*

Expatriation remains a significant organizational strategy of professional service firms.<sup>67</sup> Based upon the seminal work of Edstrom and Galbraith<sup>68</sup>, Beaverstock, using examples drawn from accounting and investment banking, has compiled a conceptual frame which characterizes the different dimensions of international mobility in contemporary professional service transnational firms (table 10).<sup>69</sup> In essence, qualified staff are deployed outside of their home office to: (a) check specific employment opportunities; (b) develop professional competencies as managers (of offices or divisions); and (c) take forward the corporate strategy of the organization, including the cultural dimension. In this conceptual frame, expatriation within professional service firms is: highly-frequent in scope; involve mobility of many time-scales between many different locations; mainly

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<sup>67</sup> See for example: Beaverstock J V (2006) World city networks from below: International mobility and inter-city relations in the global investment banking industry. In *Cities in Globalization: Practices, Policies, Theories*, Taylor, P.J., Derudder, B. Saey, P. and Wiltox, F. (Eds), Routledge, London, 52-71

<sup>68</sup> Edstrom A and Galbraith J (1977) Transfer of managers as a coordination and control strategy in multinational corporations. *Administrative Science Quarterly* 22, 248-263.

<sup>69</sup> Beaverstock J V (2007) Transnational work: Global professional labour markets in professional service accounting firms. In *The Handbook of Service Industries*, Bryson, J. and Daniels, P. (Eds.), Edward Elgar, London, pp. 403-429.

composed of fee-earning staff and/or managing partners of all nationalities; can move from headquarters to subsidiaries and visa-versa, and between subsidiaries (lateral moves); and importantly, they can move at any stage throughout their career path.

Expatriation is, then, a crucial organizational strategy of the global legal firm. In July 2006, the number of solicitors (lawyers) from England and Wales working outside of these two countries totaled 3,890, nine times more than were recorded in 1990, with a significant group being based in Hong Kong (20%) (table 11).<sup>70</sup> Individual firm data reveals the scale of expatriation with global law firms. Research undertaken by the International Financial Services London organization, based upon their analysis of *The Lawyer* and *The American Lawyer*, estimated that the ten largest London based law firms had an average of 61 per cent of their lawyers working outside of their home jurisdiction in 2003/04 (table 12).<sup>71</sup> Beaverstock, Smith and Taylor have noted that London firms have high clusters of expatriate lawyers working throughout North America, Europe and Pacific-Asia because these firms operate in many different multi-jurisdiction legal services (for example, corporate finance, banking, capital markets, taxation, intellectual property, employment) yet need to maintain integration.<sup>72</sup> In effect global law is an expatriate business because of the need to deal with the challenges of operating across multiple legal jurisdictions. Drawing upon interviews with senior human resource partners in ten global law firms, Beaverstock has unraveled this role in more detail.<sup>73</sup> In this study, it was noted that these global law firms sent lawyers

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<sup>70</sup> Source: The Law Society, cited in International Financial Services London [IFSL] (2007) *Legal Services. City Business Series*. IFSL, [www.ifsl.org.uk](http://www.ifsl.org.uk)

<sup>71</sup> IFSL (2005) *Legal Services. City Business Services*. March. IFSL, [www.ifsl.org.uk](http://www.ifsl.org.uk)

<sup>72</sup> Beaverstock J V, Smith R G and Taylor P J (1999) *Op. Cit.* No. 2.

<sup>73</sup> Beaverstock J V (2004) 'Managing across borders': knowledge management and expatriation in professional service legal firms. *Journal of Economic Geography*, 4, 157-179.

to international offices like New York, Singapore, Hong Kong, Frankfurt, Paris and Tokyo mainly, for three major reasons. Firstly, in order to staff international offices in multi-jurisdictional markets with trainees on rotation or post-qualified lawyers who practice English Common Law to service a transnational clientele.<sup>74</sup> Secondly, in order to establish and manage new, organic international offices or to replace managing partners returning to London after an international posting.<sup>75</sup> Thirdly, in order to execute the global law firm's organizational development. Trainees, post-qualified and partner staff were expatriated so that they could experience working in different jurisdictional environments for different clients which would ultimately enhance their skills and competencies, develop new and extended business and social networks, and, for some, accelerate promotion to partner. The first two reasons for expatriation are most significant for our argument here. In summary, Beavertsock's study noted that, "expatriation is a business system used for transnational knowledge development and diffusion ... expatriation is an invaluable globalization strategy because capital can only be accumulated through the embodied knowledge, professional skills, trust, and reputation of its fee earning staff in any locational environment"<sup>76</sup>. As we have hinted already, the geography and organization of global law firms and the strategies used to create integrated organizations are intimately linked to the way firms manage the worldwide proliferation of Anglo-American law and the regulatory hurdles that influence the globalization processes. In this context, expatriates, as well as promoting the development of transnational communities are often charged with the socialization of lawyers in overseas offices, a process that aims to convince them of the importance and

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<sup>74</sup> Op. Cit. No 73 Pp.168

<sup>75</sup> Op. Cit. No 73 Pp. 169

<sup>76</sup> Op. Cit. No 73 Pp. 172 and 173

legitimacy of the American or English way of organizing law firms and delivering legal services.

*[Insert table 11 & 12 somewhere here]*

## **Conclusions**

In this paper we have begun to draw attention to the need for a more sophisticated analysis of the way global law firms organize themselves in order to deliver globally consistent services to clients and to develop in transnational approaches to lawyering. There is now a broad literature documenting the rise and importance of the global law firm and increasingly attention is shifting towards understanding the role of these firms in the diffusion of Anglo-American legal practice and the development of transnational spaces of lawyering and legal arbitration.<sup>77</sup> Yet in much of this literature, the firm itself is hidden in the background. We hear little about how managing and senior partners struggle to create the organizational forms that facilitate such legal work and the novel strategies being developed to manage lawyers distributed across multiple jurisdictions in a way that allows transnational lawyering.

In this paper we have sought to unveil some of the complexities of this process in the context of the globalization of US and English law firms over the past 25 years or so. The emergence of a number of key firms that have developed the capability to operate across multiple legal jurisdictions and cultures has been significant to the development of international business. Here we have shown how the process behind the emergence of these firms deserves better attention because the geography of global law firms – where firms are and are not present – is intimately linked to the nature of international business and its future development yet it is also driven by the complexities of legal doctrines, cultures and ultimately law firm management. We have also shown that the

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<sup>77</sup> Op. Cit. Nos. 2, 4, 5 and 10.

dominance of New York state and English law in commercial transactions and the worldwide proliferation of an Anglo-American style of legal service provision is closely connected to the activities of global law firms and, in particular, to specific strategies which allow the multiple challenges to global practice to be overcome.

Our analysis, therefore, provides the foundations for better understanding how transnational business and lawyering occur today and for getting to grips with the complex social processes that allow the functioning of global law firm. As we explained above, the road leading to the creation of an integrated firm has not been simple and has required the crossing of many a political hurdle inside and outside the firm. Moreover, each hurdle has had to be overcome separately and in a different way in each jurisdiction. Hence it is essential that we have a geographically sensitive analysis of globalization that is able to deal with the subtleties of national legal traditions and structures, global law firms and the multinational businesses they support.

Clearly in making our argument we have only given superficial treatment to some important issues. We recognize that it is somewhat simplistic to lump US and English lawyers and law firms together into one category. We also recognize that our descriptions of variations between common and civil law lawyering only begin to scratch the surface. However, this should not detract from our wider argument about the importance of understanding the construction of the global law firm. The aim of our discussion has been to stress the need to acknowledge when studying the global law firm the importance of recognizing the many changes that have occurred to facilitate the emergence of effective firms, something often taken for granted. The geographers amongst us would argue that this means taking spatiality and the geographies of globalization seriously; other might want to couch this in terms of the sociology of work in global law firms. Whatever terminology is used, it is clear to us that understanding the many strategies firms use to stitch together global partnerships, the many strategies

used to deal with diverse varieties of capitalism and professionalism, is essential to developing wider debates about the implications of global firms for the field of legal studies.

**Table 1**

**International trade in UK legal services, 1991 – 2006 (£ million)<sup>78</sup>**

Year	Exports	Imports	Net Exports
1991	445	20	425
1992	496	24	472
1993	495	24	471
1994	563	24	539
1995	570	24	546
1996	767	173	594
1997	924	209	715
1998	1160	249	911
1999	1171	307	864
2000	1520	490	1030
2001	1779	380	1399
2002	2031	486	1545
2003	2030	453	1577
2004	1991	416	1575
2005	2167	429	1738
2006	2612	520	2092

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<sup>78</sup> Source: Office for National Statistics (ONS) (2001) *The Pink Book*. 2001 Edition. H.M.S.O., London; ONS (2007) *The Pink Book*. 2006 Edition. H.M.S.O., London.

**Table 2**

**United States of America's outward Foreign Direct Investment in legal services, 1988-2006  
(millions of dollars)<sup>79</sup>**

Year	Stock	Outflows
1988	27	6
1989	94	44
1990	138	44
1991	181	43
1992	242	60
1993	88	44
1994	75	65
1995	145	70
1996	214	69
1997	413	71
1998	504	85
1999	370	297
2000	559	241
2001	738	232
2002	918	232
2003	1109	243
2004	1315	258
2005	1505	237
2006	1956	502

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<sup>79</sup> See UNCTAD (2004) *2004 World Investment Report: The Shift Towards Services* UNCTAD, New York Box table III5.1. and US Department of Commerce ([www.bea.gov/international/di1usdbal.htm](http://www.bea.gov/international/di1usdbal.htm), accessed 30<sup>th</sup> December 2007).



**Table 3**

**A selection of the largest law firms, 1987 – 2002 (ranked by number of foreign office, 1987)<sup>80</sup>**

Firm	No. of staff			No. of offices		
	1987	2002	% Change	1987	2002	% Change
Baker & MacKenzie	1070	3762	+252	30	68	+127
Clifford Chance <sup>81</sup>	803	3180	+296	12	33	+175
Jones, Day, Reavis <sup>82</sup>	933	1735	+86	5	29	+480
Shearman & Sterling	517	1027	+99	4	18	+350
McKenna & Co. <sup>83</sup>	351	1007	+187	4	NA	-
Freshfields	351	1604	+357	4	28	+600
Sidley & Austin	689	1278	+85	3	8	+167
Skadden & Arps <sup>84</sup>	852	1680	+97	2	22	+1000

<sup>80</sup> UNCTC (1988) *Transnational Corporations in World Development*. United Nations, New York (adapted from Annex table B.11, pages 570-571); UNCTAD (2005) *World Investment Report 2004: The Shift Towards Services* UNCTAD, New York (adapted from Annex table A.III.6, page 326)

<sup>81</sup> Known as Clifford Chance/Punder/Roger Wells in 2002

<sup>82</sup> Known as Jones Day Reavis & Pogue in 2002

<sup>83</sup> Known as CMS Cameron McKenna in 2002

<sup>84</sup> Known as Skadden Arps Slate Meagher & Flom in 2002

Note:

NA Information not known

**Table 4**      **Top 20 Global Law Centres, 2000**

<b>1</b>	<b>London</b>	<b>1.00</b>
<b>2</b>	<b>New York</b>	<b>0.89</b>
<b>3</b>	<b>Frankfurt</b>	<b>0.68</b>
<b>4</b>	<b>Hong Kong</b>	<b>0.67</b>
<b>5</b>	<b>Washington</b>	<b>0.66</b>
<b>6</b>	<b>Brussels</b>	<b>0.62</b>
<b>7</b>	<b>Paris</b>	<b>0.55</b>
<b>8</b>	<b>Singapore</b>	<b>0.53</b>
<b>9</b>	<b>Tokyo</b>	<b>0.49</b>
<b>10</b>	<b>Moscow</b>	<b>0.42</b>
<b>11</b>	<b>Amsterdam</b>	<b>0.42</b>
<b>12</b>	<b>Berlin</b>	<b>0.40</b>
<b>13</b>	<b>Budapest</b>	<b>0.39</b>
<b>14</b>	<b>Prague</b>	<b>0.38</b>
<b>15</b>	<b>Chicago</b>	<b>0.38</b>
<b>16</b>	<b>Los Angeles</b>	<b>0.34</b>
<b>17</b>	<b>Munich</b>	<b>0.33</b>
<b>18</b>	<b>Dusseldorf</b>	<b>0.32</b>
<b>19</b>	<b>Bangkok</b>	<b>0.31</b>
<b>20</b>	<b>Milan</b>	<b>0.30</b>

**Table 5            Cities Over-Provisioned by Global Law Firms**

<b>1</b>	<b>Washington</b>	<b>24.27%</b>
<b>2</b>	<b>Palo Alto</b>	<b>12.38%</b>
<b>3</b>	<b>Frankfurt</b>	<b>11.37%</b>
<b>4</b>	<b>Brussels</b>	<b>6.19%</b>
<b>5</b>	<b>Berlin</b>	<b>3.34%</b>
<b>6</b>	<b>Almaty</b>	<b>2.82%</b>
<b>7</b>	<b>Leipzig</b>	<b>1.09%</b>
<b>8</b>	<b>St Petersburg</b>	<b>0.97%</b>
<b>9</b>	<b>Ciudad Juárez</b>	<b>0.65%</b>
<b>10</b>	<b>Moscow</b>	<b>0.23%</b>

**Table 6**  
**Under-Provisioned by**

<b>1</b>	<b>Toronto</b>	<b>53.16%</b>
<b>2</b>	<b>Mumbai</b>	<b>45.26%</b>
<b>3</b>	<b>Kuala Lumpur</b>	<b>44.48%</b>
<b>4</b>	<b>Dublin</b>	<b>42.97%</b>
<b>5</b>	<b>Auckland</b>	<b>41.76%</b>
<b>6</b>	<b>Madrid</b>	<b>41.45%</b>
<b>7</b>	<b>Lisbon</b>	<b>41.43%</b>
<b>8</b>	<b>Copenhagen</b>	<b>41.27%</b>
<b>9</b>	<b>Seoul</b>	<b>39.05%</b>
<b>10</b>	<b>Istanbul</b>	<b>37.35%</b>
<b>11</b>	<b>Zurich</b>	<b>37.08%</b>
<b>12</b>	<b>New Delhi</b>	<b>36.28%</b>
<b>13</b>	<b>Athens</b>	<b>36.13%</b>
<b>14</b>	<b>Jakarta</b>	<b>36.06%</b>

**Cities Grossly  
Global Law Firms**

<b>15 Santiago</b>	<b>35.53%</b>
<b>16 Melbourne</b>	<b>35.42%</b>
<b>17 Buenos Aires</b>	<b>34.35%</b>
<b>18 Montreal</b>	<b>33.91%</b>
<b>19 Johannesburg</b>	<b>32.68%</b>

<b>20 Mexico City</b>	<b>32.30%</b>
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**Table 7**  
**The top fifteen global law firms 2007<sup>85</sup>**

Firm	Nationality	Turnover (£m)		Number of lawyers offices <sup>86</sup>
Clifford Chance	UK	1030	2432	28
Linklaters	UK	935	2072	30
Skadden ARPS Slate Meagher & Flom	US	884	1699	22
Freshfields Bruckhaus Derringer	UK	882	2013	28
Latham & Watkins	US	776	1668	24
Baker & MacKenzie	US	742	2975	70
Allen & Overy	UK	736	1760	28
Jones Day	US	706	2178	29
Sidley Austin	US	617	1495	16
White & Case	US	574	1783	37
Weil Gotshal & Manges	US	558	1129	19
Mayer Brown Rowe & Maw	US	538	1331	15
Kirkland & Ellis	US	533	1056	8
DLA Piper	US	489	1327	64
Sullivan & Cromwell	US	480	589	12

<sup>85</sup> [http://www.thelawyer.com/global100/2006/tb\\_1-25.html](http://www.thelawyer.com/global100/2006/tb_1-25.html), accessed 02/01/08

<sup>86</sup> Fieldwork: data derived from firm world web sites, accessed 02/01/03

**Table 8. Examples of how global law firms emphasises their ability to work as an globally integrated organization.**

Firm	Promotional rhetoric (emphasis added)
Clifford Chance	An ambition to be the world's premier law firm underpins our business strategy. <b>We aim to achieve this goal through sustained investment in managing knowledge and information, and by creating a working culture in all our offices that enables our people to offer consistently high standards</b> of client service. <sup>87</sup>
Freshfields Bruckhaus	<b>We value teamwork highly, whether it relates to working with client teams or to operating in teams across our international network of offices.</b> We aim to be open and communicative, responsive and supportive. <sup>88</sup>
Deringer White & Case	<b>Our knowledge, like our clients' interests, transcends geographic boundaries.</b> All of our clients have access to the expertise of our lawyers, wherever they are based. As a single partnership, White & Case functions as an integrated team. <b>Our lawyers are linked by constant interaction and an electronic infrastructure that allows us to bring the Firm's wealth of experience and all its global resources to bear on clients' most demanding business and legal issues</b> — promptly and efficiently. <sup>89</sup>
Shearman & Sterling	Together, <b>our lawyers work across practices and jurisdictions to provide the highest quality legal services, bringing their collective experience to bear on the issues that clients face.</b> <sup>90</sup>

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<sup>87</sup> ([http://www.cliffordchance.com/about\\_us/about\\_the\\_firm/?LangID=UK&](http://www.cliffordchance.com/about_us/about_the_firm/?LangID=UK&) - accessed 14/12/07)

<sup>88</sup> (<http://www.freshfields.com/aboutus/ourvalues/> - accessed 14/12/07)

<sup>89</sup> (<http://www.whitecase.com/about/overview/> - accessed 14/12/07)

<sup>90</sup> (<http://www.shearman.com/about/overview/> - accessed 14/12/07)

**Table 9. Examples of how global law firms engage in regulatory entrepreneurship to facilitate the global spread of their operations.**

Regulatory hurdle	Firms/actors involved	Actions	Outcome
Acceptance of first transnational law firm in Germany <sup>91</sup> .	Baker and McKenzie (and Founding Partner Russell Baker especially)	Protracted (often quarrelsome) negotiations between Baker and the head of the German BAR, Heinz Brangsch, to find a way to change the regulatory regime to allow the firm to operate	A negotiated compromise: Baker and McKenzie was allowed to operate as long as the firm didn't display its name in the offices where its lawyers worked and the German lawyers practiced under their own names.
Opening up of Indian market to allow overseas lawyers and firms to practice freely <sup>92</sup> .	Under the guise of the UK-India Joint Economic and Trade Committee: Allen & Overy; Ashursts; Clifford Chance; Pinsent Masons; CMS Cameron McKenna; Eversheds; Herbert Smith	The Law Society in England established relations with The Society of Indian Law Firms and formed this group to help agree an accord for market deregulation and exploit India's desire for economic development. Intensive discussions about the cost/benefits to India of deregulation, driven by key partners in the law firms themselves	The signifying of an accord in January 2007 that sees exchanges of information and ideas between the two societies and annual seminars. Ultimately expected to lead to deregulation in the

<sup>91</sup> See Bauman (1999) Op. Cit.

<sup>92</sup> See The Lawyer. 2007. UK proves persuasive to India's liberalisation. The Lawyer 7th March



Acceptance of 'class actions' in France<sup>93</sup>.

In particular, the litigation partners of Clifford Chance, DLA and Sullivan & Cromwell's in Paris

By reinterpreting domestic law and using it to allow reconfigured forms of 'class action' these lawyers both show such a practice is possible and expected by investors in France. This adds pressure on regulators to devise structures that make such actions more straight forward

forthcoming years,

After the rejection by the French parliament in 2003 of attempts to put class action regulations in place, in 2005 Jacques Chirac setup a working group charged with incorporating suitable procedures to avoid France being the odd man out in Europe.

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<sup>93</sup> See The American Lawyer. 2006. Critical mass. The American Lawyer 1st January

**Table 10. Dimensions of expatriation policies in transnational professional service firms, including global legal firms.<sup>94</sup>**

Dimensions	Fill positions	Reasons for transfers	
		Develop managers	Develop organization
Relative numbers	Many.	Many.	Many.
Specialities transferred.	Fee-earning.	Fee-earning.	Fee-earning.
Location of host.	All countries.	All countries.	All countries.
Direction of flow. and	Between subsidiaries and between HQ and subsidiaries.	Between subsidiaries and between HQ office and subsidiaries.	Between subsidiaries between HQ office and subsidiaries.
Age of assignee.	Throughout career	Young to middle.	Throughout career.
Frequency.	Many moves.	Several moves.	Many moves.
Nationality of assignee.	All nationalities.	All nationalities	All nationalities.
Personnel information system.	Extensive lists of candidates candidates monitored by personnel in all in all offices.	Extensive lists of candidates monitored by personnel in all offices.	Extensive lists of monitored by personnel offices.
Power of personnel department.	Strong.	Strong.	Strong.
Strategic placement	Extensive.	Extensive.	Extensive.

<sup>94</sup> Source: Beaverstock (2007) adapted from Edstrom and Galbraith (1977a, 253).

**Table 11. Distribution of solicitors overseas from England and Wales, 2006.<sup>95</sup>**

Location of offices	Number of solicitors overseas	% share
Hong Kong	760	20
United Arab Emirates	292	8
Singapore	288	7
Channel Islands	285	7
USA	282	7
France	253	7
Netherlands	234	6
Germany	171	4
Japan	130	3
Spain	66	2
Other	1,190	29
Total	3,890	100

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<sup>95</sup> Source: Adapted from Table 4, International Financial Services, London (2007, page 4)

(original source of data, The Law Society)

**Table 12      Lawyers (solicitors) working outside of their home jurisdiction in London's top ten legal firms, 2003/04.<sup>96</sup>**

Global Rank	Firm	% outside of home jurisdiction
5	Baker & McKenzie	83
3	Freshfields Bruckhaus Deringer	66
94	Coudert Brothers	64
1	Clifford Chance	62
11	White & Case	59
20	Lovells	57
66	Norton Rose	57
4	Linklaters	55
6	Allen & Overy	53
79	Simmons & Simmons	52

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<sup>96</sup> Source: International Financial Services, London (2005) adapted from Table 6, page 5 (original source, The Lawyer/The American Lawyer)

Figure 1. The global geography of law firms offices in 2000.

