

THE VIEW FROM ABOVE—MANAGING THE INTERNATIONAL LAW FIRM



WORLD DOMINATION

SERIES - 3 / ARTICLE - 8
NOVEMBER 03, 2022

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We are all familiar with Corporate Governance, that system of practices and processes by which effective hierarchical management is carried out in the business world. In fact, many of us counsel our clients as to not only what works in Corporate Governance but also—and critically—what sort of regulatory compliance is required of them.

From adopting principles of DEI to embracing sustainability, governance has elements of both a legislative and executive function. Those same concepts are applied to Big Law firms in order to keep them running smoothly and in step with what society demands of all businesses today. But when applied to cross-border structures, what works and what doesn't can become more complex.

Classic Law Firm Structure

The system of law firm management most familiar to both associates and partners is that of committee-based management. The problem is that rule-by-committee—or, more correctly, numerous committees—can end up being cumbersome, with endless meetings, agendas, and talking points taking the place of truly constructive input and consensus-building. As the old joke goes: 'what is a camel? Why, a horse—designed by a committee'. Oftentimes, committee management can slow down the decision-making process and halt advances that could otherwise be made in a wide variety of law firm functions.

It is for that reason that the venerable multi-committee model is slowly giving way to the lean committee structure, which usually consists of a partner admissions committee, a management committee that reviews overall performance, and in keeping with today's business culture, a diversity committee. In other words, the fewer committees, the better. What doesn't make the cut are the marketing and business development committees, as well as technology and finance committees. Either those functions are placed in the hands of a single manager and his or her small staff,

or they might be outsourced to outside consultants/managers.

Bottom-Up, or Top-Down

Until the late 1980s, most governance hierarchies abided by the top-down scenario: A board of directors called all the shots and imposed their will (whether flawed or not) on all levels of management below them. While that might have made sense in cases where the board was composed of people who knew the business backwards and forwards, over time, shareholders became members of boards governing a business they knew little about. Enter the bottom-up management style whereby the board, and indeed all levels of management, welcomed not only feedback but even project direction from those who were actually working in the field.

There is, however, a downside to bottom-up management. A lack of overall corporate insight can result in recommendations for change or processes which disregard the big-picture view held by those sitting at the top. In an ideal management system, both approaches are employed with a proper measure of the balance between them.

Cross-border Complexities

So, what happens when a law firm operates in different jurisdictions

Executive Summary

› The Issue

How best to structure governance in the context of the international law firm?

› The Gravamen

The multiple-committee model and attempts at universal consensus-building are not conducive to the international law firm scenario.

› The Path Forward

In order to address local regulatory compliance and locally-accepted ESG frameworks, local governance experts must be utilized.

and is governed by very different compliance requirements—not to mention differing work cultures? Here is where attempts at universal firm governance can get tricky, and firm-wide management by consensus becomes almost useless or, at the very least, inefficient. Consensus—or the lack thereof—leads to paralysis and going nowhere fast. Initiatives that might be appropriate to one location can get nay-sayed by those who have no idea what the value of such an approach is to those who favor it.

It is in this situation where local governance services are highly advised. It would be foolish and irresponsible for partners sitting in New York to direct governance affecting offices in the UK, the Middle East, or Asia as to AML risk, GDPR, discrimination, or any other regulatory compliance framework issues. The risk of regulatory sanctions, as well as adverse tax ramifications, can either be eliminated or greatly reduced by 'going local' with the governance of overseas operations.

International-first Tax Concerns

The increasing emphasis on global tax transparency is of particular concern to global law firms. The 'Global Forum on Transparency and Exchange of Information for Tax Purposes' has as its mission the implementation of an international standard to address tax evasion, tax havens, offshore financial mechanisms, as well as AML. This makes international law firms a prime target due to the very nature of moving wealth around the globe and advising clients as to what 'tax shelters' can assist them—all while remaining fully tax-transparent.

The problem, of course, is that to date, there is no such thing as an international tax standard, and the rules and regulations that have been promulgated as such are far from clear. Tax governance structures, therefore, must be at the top of the list when it comes to global law firm governance.'

Setting ESG Targets

As if international and governmental regulatory compliance pressures weren't enough, law firms also must address the emerging Environmental, Social, and Governance (ESG) demands of clients and those who serve as watchdogs on Big Law. While most firms are, in fact, responsive to their ESG obligations, the term can mean different things in different cultures. What might be deemed an absolute in Western Europe might be quite misunderstood in an Emerging Market country. Again, this is where local 'bottom-up' governance input can be invaluable.

Facilitate and Not Complicate

Governance today must run lean while at the same time running efficiently and effectively. It must serve as a management process that unifies and gives a voice throughout the enterprise while at the same time holding no unrealistic expectations as to consensus or 'pleasing everyone' being a goal. Modern governance structure in law firms demands components of professional managers and a system that facilitates rather than complicates the entire governance methodology.

Action

1 Too Many Committees?:

Start with a review of how many committees currently run your firm and then confront the question: *Do we really need all of them?*

2 Streamline:

Assess what governance can best be handled by a committee versus what is best left to niched managers or outside managerial consultants.

3 Hierarchical Flow:

Analyze whether your firm is welcoming of input from lower levels of management and from associates and partners 'in the field', and if not, consider balancing your management style accordingly.

4 Listen Locally:

Regardless of where your global headquarters are located, employing local governance services and listening to the needs of the local work culture are crucial factors to staying in compliance overseas.

Further Reading

1. <https://www.globelawandbusiness.com/books/good-governance-in-law-firms-a-strategic-approach-to-executive-decision-making-and-management-structures>
2. <https://cms.law/en/int/publication/law-firms-and-esg-getting-it-right>
3. <https://www.dentons.com/en/about-dentons/a-unique-organizational-structure>
4. <https://www.lexisnexis.co.uk/legal/guidance/governance-structures-2019-law-firms>
5. <https://news.bloomberglaw.com/business-and-practice/do-big-law-firms-have-too-many-committees>





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After receiving his Juris Doctor degree from The John Marshall Law School in Chicago, Mr. Brochin served as an Administrative Law Judge with the Illinois Department of Labor for six years where he presided over cases dealing with job separation issues and matters pertaining to contested Unemployment Insurance claims. He also co-wrote the agency's administrative rules, and periodically served as a 'ghost writer' for Board of Review decisions.

Following that position, he was Director of Development for a Chicago-area non-profit college where he was responsible for High Net Worth donations to the institution. For the next eighteen years he practiced as a solo practitioner attorney with an emphasis in the fields of Real Estate law and Commercial Contracts transactions, and was an agent for several national title insurance agencies.

In 2003 he was recruited to head up a U.S. title insurance research office in Israel, a position he held for four years, and between 2007-2017 he participated in litigation support for several high-profile cases. He has taught Business Law as a faculty member of the Jerusalem College of Technology, and has authored a wide variety of legal White Papers and timely legal articles as a professional legal content writer for GPL clients. Separate from his legal writing, he has co-authored academic articles on Middle East security topics that have been published in peer-reviewed publications.



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William Anderson is Managing Director and Head of Law & Compliance. He leads the GreenPoint practice in providing regulatory, legal, and technology solutions to law firms, legal publishers, and in-house law departments around the world, overseeing our team of experienced US attorneys and data and technology experts. Will has over 25 years' experience working with corporations to improve the management of their legal and corporate compliance functions. Will began his legal career as a litigator with a predecessor firm to Drinker, Biddle LLP. He then served as in-house counsel to Andersen Consulting LLP, managing risk and working with outside counsel on active litigation involving the firm.

Will has leveraged his legal experience interpreting regulations and appearing before federal (DOJ, SEC, FTC) and state agencies (NYAG) to oversee research and other areas at Bear Stearns. In this capacity, he counseled analysts on regulatory risk and evolving compliance requirements. Will also consulted on the development of a proprietary tool to ensure effective documentation of compliance clearance of research reports. Will then went on to work in product development and content creation for a global online compliance development firm pioneering the dynamic updating of regulated firms' policies and procedures from online updates and resources. Will holds a Juris Doctorate with High Honors from the Washington University School of Law in Saint Louis and is admitted to state and federal bars. He lives in Pawling, NY, with his wife and daughter.



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