

## PART I: GLOBALIZATION

### The Rise of International Deals

When the *American Lawyer* tracked European mergers and acquisitions in 1996, Shearman & Sterling had worked on just four deals and Simpson, Thacher & Bartlett had done five. By 1999 the value of European M&A deals approached \$1.3 trillion. Shearman & Sterling handled at least 46 deals by the end of 1999, and Simpson, Thacher & Bartlett, the second most active U.S. firm, had already handled 34 European transactions. Steven Davis, an M&A partner at LeBoeuf, Lamb, Greene & MacRae, stated that, "the European Union is really setting up policies to encourage a single market" and "that's driving a lot of consolidation." Davis Polk's John McCarthy added that, "there is a whole separate current of deregulation occurring across lots of industries, including industries that are consolidating, like Telecom, causing markets to look to do M&A." Steven Davis concluded by saying, "there is also an emerging global market."<sup>1</sup>

### The Global Three: Coudert Brothers, Baker & McKenzie, and White & Case

The notion of a global practice is not new: Coudert Brothers was founded in the in 1853 and is "a truly international law firm dedicated to providing legal advice on international business transactions and dispute resolution in the major business and financial centers around the world."<sup>2</sup> Coudert's first non-U.S. office was opened in Paris in 1879, and Coudert was the first U.S. firm to establish an office in Hong Kong (1972), Singapore (1972), Beijing (1979) and Moscow (1988). The firm maintains that "Coudert attorneys are qualified to practice globally in a wide range of jurisdictions, and a multitude of languages."<sup>3</sup> We begin with a short analysis of Coudert, Baker & McKenzie and White & Case, three multi-office law firms with international practices.

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<sup>1</sup> See Anna Snider, *American lawyers on the move: US law firms seen in lead on both sides of European deals*, N.Y.L.J., Nov. 15, 1999, at S6.

<sup>2</sup> Coudert Brothers, *World Wide Offices—Firm Overview*.

<sup>3</sup> *Id.*

Headquartered in New York, Coudert Brothers has approximately 750 lawyers worldwide, located in eight North American and 20 overseas offices, as well as associated offices in Mexico City, Budapest and Prague.<sup>4</sup> Coudert claims to be "a world law firm with partners from many nations – not simply an American law firm with foreign offices."<sup>5</sup> Coudert has a relatively smaller network of offices than do White & Case and Baker & McKenzie. For example, its large Latin American practice is managed out of New York and Mexico City, with a network of local counsel distributed among 20 countries.<sup>6</sup> Coudert has increased in size approximately 50 percent over the past three years. During that period of time they have acquired or promoted 220 lawyers into the partnership. The firm is governed by a managing partner and a five-person executive committee. The managing partner devotes 70 percent of his time to administration and travel among the firm's approximately 30 offices.<sup>7</sup> The firm attempts to integrate further by having regular regional meetings at least twice a year. They use an internal communication system that is described as "hub and spoke." There are three hubs for the dissemination of e-mail and the communications system has been described as a "seamless linking."<sup>8</sup> Coudert Brothers seeks to find those partners who are capable of generating considerable practices for others to service.<sup>9</sup> They maintain that over the years they have accumulated a depth of talent and breadth of experience. In addition, their communications system is regarded by them as a "key element of our success"<sup>10</sup> and is, from their point of view, a valuable service that they provide. Their offices are linked by an around-the-world, round-the-clock telecommunications system for voice and

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<sup>4</sup> Interview by Judah Best with Managing Partner, Coudert Brothers, May 2001.

<sup>5</sup> *Id.*

<sup>6</sup> See J. V. Beaverstock, R. G. Smith & P. J. Taylor, *Geographies of Globalization: U.S. Law Firms in World Cities*, 21 *Urban Geography* 95, 113 (2000) [hereinafter, *Geographies of Globalization*].

<sup>7</sup> Interview by Judah Best with Managing Partner, *supra*, n. 4.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Coudert Brothers Promotional Materials, *supra* note 2 at 4.

data services. "But most importantly" they maintain, they are "linked by common training and personal friendships built from the experience of working together as one firm."<sup>11</sup>

Baker & McKenzie is the largest law firm in the world and is the most globalized, with 1,800 lawyers working outside the U.S. "They are the law firm with the longest global pedigree, having originally grown internationally in the 1950s and 1960s to service the outflow of U.S. investment across the world."<sup>12</sup> Baker & McKenzie are intrinsically global in their organization. The Chicago office is not referred to as the firm's headquarters: Their publicity material identifies Chicago as merely the "founding office of the firm." Indeed, Baker & McKenzie has been termed a franchise operation and organized separately in each country in which it practices.<sup>13</sup>

The hundreds of partners all over the world each have an equal say in the policy of the firm. Eight partners form the Management Board of the Executive Committee, which meets regularly in different cities across the world. Baker & McKenzie "Does not have foreign offices, it simply has offices."<sup>14</sup> They have "BakerNet," their internal communication system. This provides instant communication between offices for their various projects and instant access for clients to their lawyers' offices. "Becoming a client of Baker & McKenzie means having global accessibility for transfer of documents, advice and information around the clock and across the globe. BakerNet is organized around three hubs centered on Chicago, serving offices from Toronto to Santiago, London servicing offices from Madrid to Almaty, and Hong Kong, serving offices from Beijing to Melbourne."<sup>15</sup>

Finally, Baker & McKenzie operates with a "global network of offices, with each office having strong local roots."<sup>16</sup> There is an attempt to maintain an inherently national nature of each country office as well as providing assistance with international matters.

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<sup>11</sup> *Id* at 4.

<sup>12</sup> *Geographies of Globalization*, *supra* note 6 at 109.

<sup>13</sup> See M. Stevens, Power of Attorney: The Rise of the Giant Law Firms, 156, New York: Simon & Shuster (1987) [hereinafter, *Stevens*].

<sup>14</sup> Victoria Lee, *Who's Afraid of Baker & McKenzie?* International FIN. L. REV., September 1993, at 9 [hereinafter, *Lee*].

<sup>15</sup> *Geographies of Globalization*, *supra* note 6 at 11.

<sup>16</sup> *Id* at 111.

White & Case has 39 offices in 27 countries. There are 291 partners in the firm, of which the majority are "equity" partners and a small number are "contract" partners. All told there are 1,400 lawyers at White & Case, 980 of them associates. In addition, they have approximately 85 lawyers designated "counsel" or "of counsel." Over the past three years, White & Case has been involved in a merger in Germany acquiring approximately 170 lawyers, a merger in Brussels with 25 lawyers, and in Italy adding 20 lawyers; they have also become involved in a joint venture in Singapore, which added an additional 70 lawyers.<sup>17</sup>

White & Case has been on a path of internationalization for over 20 years. In the past year or so, the firm grew an astounding 40 percent. White & Case is managed by a managing partner who is the head of an eight-person Board. The Board is elected by all of the partners and then picks the managing partner, who remains as the day-to-day manager of the firm. Unlike Baker & McKenzie, which has a decentralized global partnership, White & Case operates as a single partnership with New York as the headquarters.

White & Case regards themselves as having a strong name and that they are preeminent in several practice areas: (1) project finance, (2) bank finance, (3) leasing, and (4) international arbitration.

The jury remains out on whether any of these three law firms have achieved the right balance.<sup>18</sup> Baker & McKenzie's critics pointed to their relatively low returns per partner and quality control problems.<sup>19</sup> As a result, the firm has lost key partners in recent years.<sup>20</sup> Coudert has shown a particularly low profit per partner record and the loss of key partners.<sup>21</sup>

What, then, are the characteristics of a successful global operation? White & Case has defined a global legal practice as the representation of clients by a law firm in multiple countries ("Foreign countries") other than the one in which the principal office of the law

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<sup>17</sup> Interview by Judah Best with Managing Partner, White & Case, in New York, NY (Mar. 27, 2001).

<sup>18</sup> *Geographies of Globalization*, *supra* note 6 at 111-115.

<sup>19</sup> See D. L. Spar, *Lawyer's Abroad: The internationalization of legal practice*, 39 CA. MGMT. REV. 8 at 22 (1977).

<sup>20</sup> See *Lee*, *supra* note 14 at 9-10.

<sup>21</sup> See *Spar*, *supra* note 19 at 23.

firm is located (the "Homecountry").<sup>22</sup> We suggest that the concept of globalization contemplates a so-called "one-stop" law firm with offices in many countries around the world and which holds itself out as able to practice local as well as American and English law, and is capable of handling a wide variety of legal work for big companies and financial institutions. These three firms, more or less, fit the description. Whether they are successful financially is another matter.

#### International Expansion of U.S. Firms

Based on 1997 figures of the largest 250 U.S. law firms (as measured by the number of lawyers), 100 had offices outside the U.S. The historical basis for expansion was typically client led. Thus, Citibank opened a Paris office in 1967 and so did Shearman & Sterling. Expansion beyond a single international city began in the 1960s. By 1985 the top 250 U.S. law firms had 124 foreign offices among them. By 1997 U.S. law firms had 368 foreign offices – 307 of those offices are in Western Europe, Pacific Asia or Eastern Europe, and 269 of the 307 offices are found in just 15 cities.<sup>23</sup>

#### Developing A Global Practice

What are the various models for developing a global legal practice? The answer to that appears to vary with the culture of the law firm. Some use correspondent law firms in foreign countries. Others form alliances with law firms in foreign countries. Still others establish offices in foreign countries that are staffed primarily by lawyers from the home country, and there are firms that establish offices in foreign countries staffed primarily by lawyers from the foreign countries. The final model is a merger with law firms in foreign countries. While these are examples of growth, they should not be considered exclusive. In some instances, U.S. law firms have merged with law firms in foreign countries and have established offices as well.<sup>24</sup>

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<sup>22</sup> See Duane Wall & Walter Driver, *One Size Doesn't Fit All: Practical Strategic Planning for Law Firms*, (Mar. 15, 2001) (unpublished outline, on file with author) [hereinafter, *Unpublished Outline*].

<sup>23</sup> See *Geographies of Globalization*, *supra* note 6 at 100.

<sup>24</sup> See *Unpublished Outline*, *supra* note 22 at 1.

<sup>25</sup> See John E. Morris, *Traitor to His Class: Watch Out World*, THE AM. LAW., Jan. 6, 2000.

Many are looking with considerable interest at the merger of New York's Rogers & Wells, Germany's Punder, Volhard, Weber & Axster and Clifford Chance to create a 3,000 lawyer global firm with estimated revenues of \$1.2 billion during its first full year. Analysis of their background indicates that economics has played the pivotal role in this merger. Thus, for example, Rogers & Wells lost \$2.2 million operating its small London, Frankfurt and Hong Kong offices in 1998, while Punder was losing money in Hong Kong and barely breaking even in New York. Clifford Chance was squeezing out an 11 percent profit for its 40-lawyer practice in New York and Washington, D.C., which is far below the 40-plus percent margins it was posting in London and Western Europe and far below the profit of such offices as Moscow and Hong Kong.<sup>25</sup>

#### Globalization By U.K. Firms

London firms appear bent on a program of globalization. Let's look at several examples:

Lovells, a London-based international law firm previously known as Lovell, White & Durrant, was formed in 1998 through the merger of two London firms, Lovell, White & King and Durrant Piesse, and a subsequent merger in January 2000 with a German firm, Boesebeck Droste. Lovells currently has 1,100 lawyers worldwide in 21 offices, and three associated offices, in Alicante, Amsterdam, Beijing, Berlin, Brussels, Budapest, Chicago, Dusseldorf, Frankfurt, Hamburg, Ho Chi Minh, Hong Kong, London, Milan, Moscow, Munich, New York, Paris, Prague, Singapore, Tokyo, Vienna, Warsaw, and Zagreb. Lovells is very full service, particularly in the U.K. The senior partner of the firm has indicated that Lovells will continue its aggressive overseas expansion and that it believes the expansion is essential to serve globalizing clients. They have been particularly focused on expansion in the past few years because they feel that core European alliances are being forged now, and there will be nothing left later. They have preferred to expand by merging with smaller local firms. Lovells will continue to expand its U.S. presence and does not rule out a merger with a U.S. law firm.<sup>26</sup>

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<sup>26</sup> Interview by Mary Cranston with Senior Partner, Lovells (March 2001).

Herbert Smith, with more than 850 lawyers in offices in Bangkok, Beijing, Brussels, Hong Kong, London, Moscow, Paris, Singapore, and Tokyo, is frequently said to have the best litigation practice in London. They have recently announced a contractual alliance with the German firm Gleiss Lutz. There is no clear commitment to merge, but the relationship will give Herbert Smith a presence in major German cities. In January 2001, the firm also announced an alliance with a local Singapore corporate boutique, Arfat, Selvam & Gunasingham. Herbert Smith will continue to grow overseas, but believes in building around its core strengths as opposed to expanding its geographic coverage. They are interested in a merger with a top New York capital market law firm, but say that those firms are not interested in merging at this time. Herbert Smith has a lock step system and an accrual accounting system, which they believe creates serious issues in negotiating a U.S. merger. They believe that continued consolidation and the creation of global law firms is inevitable, and that the compensation and accounting issues will be dealt with.<sup>27</sup>

Cameron McKenna was created by the recent merger of two large U.K. firms. The firm is full service with particular strengths in banking and finance, corporate, energy, project and infrastructure finance, and property. The firm worldwide has 715 lawyers and offices all over the world with the exception of the United States. The firm has an expanded alliance with a number of firms throughout Europe, including the Netherlands, Belgium, Germany, Austria, France, and Switzerland. The alliance brands itself under the name CMS, and there is a contractual relationship governing referrals and cost sharing. There is a commitment to work toward full merger, but no agreement requiring it. Cameron McKenna is very interested in growing overseas rapidly and is in favor of the gradual approach, where the firms first form an alliance, and if that goes well, proceed to full merger. They are convinced there will be a large U.S.-U.K. merger, but believes there are serious accounting and cultural issues that will make such mergers complicated. Cameron McKenna uses a lock step system moderated by a bonus pool.<sup>28</sup>

Denton Wilde Sapte is also the product of a recent U.K. merger. It has 850 lawyers and 300 lawyers affiliated through alliance. Offices are particularly in the Middle East.

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<sup>27</sup> Interview by Mary Cranston with Senior Partner and Partner, Herbert Smith (March 2001).

<sup>28</sup> Interview by Mary Cranston with Senior Partner and Managing Partner, CMS Cameron McKenna (Mar. 5, 2001).

They also have a number of alliance partners, including Spain, Germany, Austria, Denmark, Hungary and Sweden. They are a full-service firm with sector strengths in bank and finance, energy, technology and property. They are very interested in further global expansion and see a merger with a U.S. firm in their future at some point, but they are intensely focused on Europe at this time.<sup>29</sup>

Ashurst Morris Crisp is one of London's top corporate firms, with a stronger U.K. focus than some of the other firms listed above. It has looked to expand by merger and has had extended discussions with Clifford Chance and then last year with Latham & Watkins. This firm has 618 lawyers with ten offices. It is strong in finance, IPOs, management buyouts, and equity capital markets. Ashurst has a lock step and a strong senior partner governance model. It is interested in the United States, but only if there is a very special fit with its existing strengths. They seem less concerned about the expansion of other U.K. firms in Europe believing that steady growth in their core competencies is the more appropriate focus.<sup>30</sup>

Simmons & Simmons has about 800 lawyers firm wide and offices in Abu Dhabi, Brussels, Hong Kong, Lisbon, London, Madrid, Milan, New York, Paris, Rome and Shanghai. Simmons had an alliance with the Federson firm in Germany, but that firm elected to merge with White & Case. Simmons is looking to fill that hole. It seems very focused on its profit improvement strategy and improving its value proposition for its key clients and less focused on overseas expansion. It is strong in a broad spectrum of practice areas including M&A and capital markets, and has a good reputation in important sectors, including pharmaceuticals, biotech, telecom, and transportation.<sup>31</sup>

#### Cravath: The Little Swiss Watch

At the other end of the spectrum are the New York law firms that are disinclined to engage in mergers with English firms and have no interest in establishing an international global leviathan. Among these firms is Cravath, Swain & Moore, which is one of the

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<sup>29</sup> Interview by Mary Cranston with Managing Partner for International Strategy, Denton Wilde Sapte (March 2001).

<sup>30</sup> Interview by Mary Cranston with Senior Partner, Ashurst Morris Crisp (March 2001).

<sup>31</sup> Interview by Mary Cranston with Senior Partner and Managing Partner, Simmons & Simmons (March 2001).

preeminent law firms in the world. The firm was founded in 1919, has approximately 400 lawyers, including 79 partners, and maintains offices in New York, London and Hong Kong only. In a brochure, Cravath "emphasizes the quality of its legal services" and goes on to say that "we are not, and will never try to be, the largest law firm measured by number of lawyers." The brochure states that the law firm stands on its record of success for clients, and that its goal "is to be the firm of choice for clients with the most demanding transactions and cases."

Cravath has one counsel and 79 partners, of which the majority are in New York, two in Hong Kong and two in London. The managing partner has said that there's been a deliberate determination not to grow and that Cravath partners "want to be partners with people we know and trust." The Managing Partner, Robert Joffe, has said that the firm feels it cannot trust lateral partners.<sup>32</sup>

Cravath provides services only with regard to U.S. law and takes no interest in practice elsewhere. There are no mergers contemplated, but the firm has a considerable amount of international business that it services for clients that have been with the firm for more than 50 years.<sup>33</sup> They do not feel a need to open an office overseas. If they have a matter that involves the application of German law, they would associate with a local German law firm. Cravath's managing partner has stated that the firm will "go find the best person we can and we'll tell the client that's what we've done." He continued by saying, "We think that's better than telling the client we're using our partner in Berlin because he just happens to be idle."<sup>34</sup> It is clear then that one of the countervailing forces towards the seemingly irresistible movement towards cross-Atlantic mergers is an American sense of elitism. Only time will tell whether the Cravath model is outdated or can withstand economic forces driving toward globalization. The question, as always, is, if per partner profits go down, will they change?

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<sup>32</sup> Interview by Judah Best Best with Managing Partner, Cravath, Swaine & Moore (March 2001).

<sup>33</sup> *Id.*

<sup>34</sup> See *The Battle of the Atlantic*, ECONOMIST, Feb. 26, 2000, available in LEXIS, News Library, ECON File.

## The Quiet Revolution: Mergers Within the U.S.

We cannot move on without discussing the subject of the quiet revolution, the national mergers within the U.S., because they present the same problems of economics, competition, and threats upon professionalism presented by international globalization. Indeed, these mergers may be a precursor toward international expansion. In the last year, New York's Winthrop, Stimson, Putnam & Roberts, composed of 265 lawyers, merged with San Francisco's Pillsbury, Madison & Sutro, composed of 490 lawyers. Pillsbury Winthrop, LLP, was created with seven offices in California, as well as offices in Connecticut, New York City, Washington, D.C., Northern Virginia, and Palm Beach, Florida, as well as offices in London, Hong Kong, Singapore, Sydney and Tokyo.<sup>35</sup> In the same period of time Paul, Hastings, Janofsky & Walker, based in Los Angeles, a 610-lawyer firm, merged with New York's Battle Fowler, a 120-lawyer law firm; Chicago's Winston & Strawn, 607 lawyers, merged with New York's Whitman, Breed, Abbot & Morgan, 178 lawyers; and Cleveland's Squire, Sanders & Dempsey, a 550-lawyer law firm, acquired San Francisco's Graham & James, a 126-lawyer California firm.<sup>36</sup>

We see many of the same forces for change within the U.S. that are exhibited in the global law firms. Each presents an attempt to produce a firm that can support high profits per partner and also sustained growth.<sup>37</sup> In both the domestic and global firms there will be competition with other firms for clients. There will be competition with other firms for lawyers. And, in the early stages, it is apparent that the new giant national law firms are prepared to pay high salaries for particular local lawyers and will pay higher than local

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<sup>35</sup> Investigation by Judge Joan Irion.

<sup>36</sup> See Wendy Becker, Miriam Herman, Peter Samuelson & Allen Webb, *Lawyers get down to business*, THE MCKINSEY QUARTERLY, Mar. 22, 2001 [hereinafter, *Lawyers*].

<sup>37</sup> Pillsbury Winthrop explains "some elements" of its growth/merger as competition from large globalized firms, expanding globalization needs of clients, [and a need for] more depth in case practice areas." Pillsbury Winthrop believes that they are competitive in smaller/local offices (citing successful offices in Sacramento, Orange County, Palm Beach, as examples) as well as in their international offices (London, Sydney, Hong Kong, Singapore, and Tokyo.) Investigation by Judge Joan Irion.

standards for associates. While we can all understandably yearn for the Cravath model, with its sound, friendly culture of support for highly-paid lawyers, the question becomes whether a firm that is resistant to growth and expansion like Cravath can continue to survive, particularly in the hot markets of New York and Europe. Can a Cravath, with its slow growth and relatively small opportunity for promotion, compete successfully for associates? Their loss of a valued partner to an English competitor – unheard of in the recent past – may be a harbinger of things to come.

Enter the Big Accounting Firms

In the meantime, the big five accounting firms have announced that they wish to become leading global players in the legal profession. Four of them rank among the top 10 global employers of lawyers,<sup>38</sup> and many of the largest law firms in France, Spain, and other European countries are owned by or affiliated with accounting firms.<sup>39</sup> The managing partner of one major firm has said that the only thing that saves the large law firms in the U.S. from true competition with the accounting firms is the Securities and Exchange Commission's Regulation S-X<sup>40</sup> with regard to the requisite independence that auditors must have in order to provide appropriate auditing functions to their audit clients.

<sup>38</sup> Graphics from The Hildebrandt Institute:

**New Classes of Competitors: Four of the Big-5 Accounting Firms are Among The Top Legal Employers Worldwide**

Global ranking by number of lawyers (2000)	Firm	Number of lawyers	Number of countries
1	Clifford Chance	2,840	
2	Andersen Legal	2,784	102
3	Baker & McKenzie	2,767	
4	KPMG	1,900	70
5	Freshfields Bruckhaus Deringer	1,792	
6	PriceWaterhouseCoopers (Landwell)	1,706	100
7	Ernst & Young	1,451	145
8	Skadden, Arps	1,424	
9	Eversheds	1,415	
10	Jones, Day	1,409	
11	Allen & Overy	1,238	
12	Lovells	1,162	

Source: Legal Media Group, IFLR50: The World's Largest Law Firms, 2001

<sup>39</sup> See *Lawyers*, supra note 36.

<sup>40</sup> Interview by Judah Best.

In its report accompanying Amendments to Rule 2-01 of Regulation S-X, the Commission finds the provision of legal services incompatible with the independence required to perform the audit function:

We believe that there is a fundamental conflict between the role of an independent auditor and that of an attorney. The auditor's charge is to examine objectively and report, regardless of the impact on the client, while the attorney's fundamental duty is to advance the client's interest. As discussed in the Proposing Release at greater length, existing regulations, the U.S. Supreme Court, and professional legal organizations have deemed it inconsistent with the concept of auditor independence for an accountant to provide legal services to an audit client. Accordingly, we are adopting the proposed rule as to legal services with a few modifications. Final Rule 2-01(c)(4)(ix) provides that an accountant is not independent of an audit client if the accountant provides any service to an audit client under circumstances in which the person providing the service must be admitted to practice before the courts of a U. S. jurisdiction.<sup>41</sup>

The SEC also notes in passing that the large accounting firms are in the process of selling off some of their business because of a variety of dissatisfactions. For example, recently Ernst & Young sold its management consulting business to Cap Gemini Group S.A., a large and publicly-traded computer services company headquartered in France. KPMG has sold an equity interest in KPMG Consulting to Cisco Corporation and is in the process of registering additional shares in its consulting business to sell to the public in an initial public offering. PricewaterhouseCoopers has announced an intention to sell portions of its consulting businesses. And Grant Thornton recently sold its e-business consulting practice.<sup>42</sup>

Ethics rules prohibiting American lawyers from sharing fees with non-lawyers have also affected the capacity of the accounting firms to compete in the U.S. However, it is clear that accounting firms will continue to hire U.S. tax lawyers and are beginning to form alliances with U.S. law firms. Most notably, Ernst & Young recently financed a new Washington, D.C., law firm specializing in tax law.<sup>43</sup> Regulation S-X does not prevent accounting firms from providing tax counseling at least to non-audit clients, and as noted,

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<sup>41</sup> Final Rule: Revision of the Commission's Auditor Independence Requirement, Release Nos. 33-7919; 34-43602; 35-27279 (to be codified at 17 CFR Parts 210 and 240).

<sup>42</sup> *Id.* at 76013.

<sup>43</sup> *See Lawyers*, *supra* note 36.

they are paying premium dollars to hire tax counselors to provide this service. It appears that the principal impact of those protections is felt by the medium sized and smaller law firms in the U.S., which depend on being able to provide a variety of counseling services including tax. What is harder to ascertain is the impact of the competition of the large accounting firms in the global market for the provision of legal services to non-audit clients where they are not impeded by U.S. ethical rules.

### Professionalism

One of the major concerns in the movement towards globalization is professionalism and the establishment of adequate standards of practice. While all of the law firms interviewed indicated that they have training programs for associates, few had such programs for partners. Where U.S. law firms grow through merger with foreign firms, there appears to be no program underway to ensure the adequacy of the new foreign partners, at least with regard to U.S. professional standards. One firm's managing partner remarked that some of the new partners received as a result of merger are "less sophisticated" than the U.S.-trained lawyers. In the largest of these global firms supervision appears minimal, and training does not appear to be part of the semiannual regional meetings that are used in order to communicate with the new foreign partners. It is also unlikely that a managing partner rushing to maintain relationships with his partners scattered in 30 offices all over the world will have a meaningful role in lawyer supervision. This situation is very close to the problems that were engendered in the early 1980s when American firms were first expanding by branching into other U.S. cities. In most of those cases these branches were merely the acquisition of existing law firms without any home city supervision or additional training. In one such instance a major New York firm branched by acquisition of an existing San Diego law firm. The branch and its parent became embroiled in litigation as a result of an alleged failure of diligence, and costs and embarrassment hung over the firm for years.<sup>44</sup>

While no one wishes it to happen, all of the elements for a repetition of such a professional embarrassment are present in the emerging global law firms. It may well be that establishment of the quality, supervision, and control over professional conduct that is now commonplace in the U.S. offices of major law firms will only come about globally after a similar catastrophe.

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<sup>44</sup> See, *After a \$40m payment, it's not over yet for Rogers and Wells*, THE NAT. L. J., April 14, 1986, at 1.