



An Overview of the State of the Legal Profession in Australia and Across the Asia Pacific Region in 2016

Law Department Management



Asia Pacific is vast with exceptionally diverse legal, regulatory, and economic environments. As such, making predictions about the future of the legal profession for the entire region is challenging. However, we believe there are a number of key trends that have emerged over the past few years,

particularly in Australia and Asia, which will influence and shape the region's legal markets in 2016. These are globalisation, deregulation, and the burgeoning of alternative services providers and innovative solutions.

Significant economic and regulatory factors underpin these trends and they are reshaping the way legal services are both delivered and offered to clients. Here are our thoughts about each trend and how they may impact in-house legal teams going forward:

Mergers and the emergence of the global firm

Throughout Asia, foreign law firm leaders remain optimistic about [legal market growth](#) based on the overall macro-economic conditions in China and Southeast Asia. Despite a recent slowdown in Chinese GDP, there was an increase in cross border deals, with [M&A activity](#) in the Asia Pacific region (excluding Japan) reaching a peak in 2015. In addition, the establishment of the ASEAN Economic Community in 2015 has contributed to rising economic integration among Asian countries, which has a standardising effect on cross-border trade and regulatory practices and mechanisms.

However, regulatory issues and competitive challenges from entrenched domestic law firms are moderating that optimism. This has led to a climate where some firms have chosen to [expand into the region](#) through acquisition or mergers while [others have pulled back, particularly from China](#), in the face of stiff price competition and challenging regulatory hurdles.

During 2015, a record number of law firm mergers and acquisitions occurred worldwide — 91 in all. This is the largest number of law firm mergers on record, [according to Altman Weil](#), a US-based management consulting firm to the legal services sector. An increase in the complexity and pace of economic activity has driven the drive to consolidate, resulting in some truly international law firms — global foreign law behemoths promising to seamlessly serve the needs of clients across borders globally.

For example, in 2012 King & Wood Mallesons was the [first-ever merger](#) of a Western and Chinese law firm, adding UK law firm SJ Berwin in 2013. In 2015, Dentons merged with China's Dacheng, creating the world's largest law firm. Regionally, Dentons have continued during the course of 2015 to merge with Australia's Gadens and Singapore's oldest law firm Rodyk. When these recent Dentons mergers are finalised, the firm's headcount will exceed 7,000 lawyers.

The promise of these mega mergers is consistent, seamless, quality global services — easy to say, but hard to achieve. However if they are successful, the simplicity of a single point of contact for all legal services will no doubt be very appealing to multinational corporate counsel. This will be to the detriment of firms with less of a unified global footprint.

A byproduct of these mergers is increased partner mobility — between jurisdictions and firms. The ability to offer clients a global and mobile workforce and lawyers a global workplace is a significant benefit of the global firm. International law firms therefore typically facilitate and encourage movement of lawyers between jurisdictions. As a consequence, partners are moving jurisdictions more freely than ever before. It used to be the case that lawyers typically did their overseas stint pre-partnership and returned home to make partnership. Now the global firms are moving partners to bolster skills needed in far flung locations to encourage integration and cross-fertilisation or to open new offices and follow client activities. This offers exciting career options to adventurous partners and the deepening of global expertise in the firms that will surely benefit clients.

A less positive product of these mergers, however, is the noticeably increased movement of partners between firms in the last decade. It appears that if you change the original brand, loyalty can wane. Perhaps also the tumult inherent in mergers in effect allows partners to consider a different future. This creates an interesting dilemma for corporate counsel — whether to follow the partner or stick with the known brand. Anecdotally it seems more and more are prepared to follow the partner.

Deregulation and growth in alternative services providers

In the Asia Pacific region, deregulation of the legal industry is occurring apace, however at different rates and creating different opportunities. For example, the Ministry of Law in Singapore approved ABS (alternative business structures) in 2014. This permits non-lawyer ownership of up to 25 percent of legal services providers. [In Japan and Korea](#), a liberalisation of legal markets to permit more foreign law firm participation, coupled with an expansion of the number of law graduates entering the workforce, has helped foreign firms gain greater market share. Throughout the region the opening up of markets to foreign law firms has been in the wind for years and we are likely to see more opportunities for foreign law firms in [Malaysia](#) and [India](#). It is not all plain sailing; however, there has been a [pushback in Korea](#) to the final phase of legal market liberalisation.

This deregulation has also led to the emergence of new firms with different business strategies aggressively striving to provide corporate counsel with a wider variety of options.

There has been a perception that Australia and the Asia Pacific region lagged behind the rest of the world in legal innovation, but according to the Legal500 today the reality is different. In Australia, Singapore, and Hong Kong in particular, a group of new legal services companies using alternate business structures, new pricing models, and technologies to optimise services, processes, and new client development have sought increasingly to take market share from traditional law firms. These are legal technology startups, NewLaw firms championing secondments and alternate service delivery, and legal process outsourcing companies (LPOs). In addition, some traditional law firms have adopted NewLaw-style service divisions in an effort to meet the needs of corporate counsel seeking flexible, price competitive secondments and other services.

NewLaw firms such as AdventBalance have been able to create virtual teams that provide greater flexibility for lawyers and corporate counsel alike in when, where, and how legal services are delivered — rendering greater cost savings from these innovative solutions as compared to their traditional law firm rivals. And tech-based firms like Australia's LawPath and Hong Kong-based Dragon Law are forging new, cost effective technology-based solutions for clients. Notably, these options have created a new dynamic for lawyers where career options abound, from flexible NewLaw careers to even more entrepreneurial legal startup endeavours.

Australia's Crowd & Co and LegalVision and Singapore-based Asia Law Network have sought to harness the power of the internet to connect lawyers to clients via a variety of creative online strategies including content marketing and proprietary or public matchmaking portals.

Many traditional partnership law firms have great difficulty being innovative, which is one of the main reasons for the rise of client-centric NewLaw firms. A case in point is a recent study conducted by [ALM Legal Intelligence](#), outlining how general counsel want alternative fee arrangements with outside counsel, but that many traditional law firms are not responding to these demands effectively. NewLaw firms have been adept at addressing this gap between traditional law firms and the needs of the corporate counsel.

This growth in new entrants to the Asian and Australian legal markets — foreign law firms, NewLaw providers, outsourcers, and IT legal solutions providers throughout the region — gives corporate counsel significantly more choice and should lead to cost effective and better legal outcomes.

In conclusion, growing competition amid a rapidly changing legal landscape means firms are looking for new avenues to effectively compete with one another in a crowded legal marketplace.

As [Eric Chin](#), management consultant to the region's professional services firms, has outlined:

"Disruptive innovation should put the client service experience at the center of change. We can anticipate a 'kaleidoscope future' where different types of legal services providers have a specified place in the market. Law firms of the future will be characterised by different service/business models for different tiers in the market."

This has been our experience at AdventBalance. The rapidly evolving legal marketplace in Australia and Asia is helping to change corporate counsel buying behavior as the option of unbundling legal services provides them with a menu of service options they have not previously had. In addition, the deregulation of Asian legal markets will facilitate access to new providers and increased competition will drive improved service delivery. The rise of NewLaw and other innovative businesses promise to bring greater choice, more customer-focused service, and competitive pricing options to corporate counsel in Australia and Asia.

Further Reading

[Doing Business Across Asia: Legal Convergence in an Asian Century: International Conference and Launch of the Asian Business Law Institute](#), 21-22 January, 2016, Singapore.

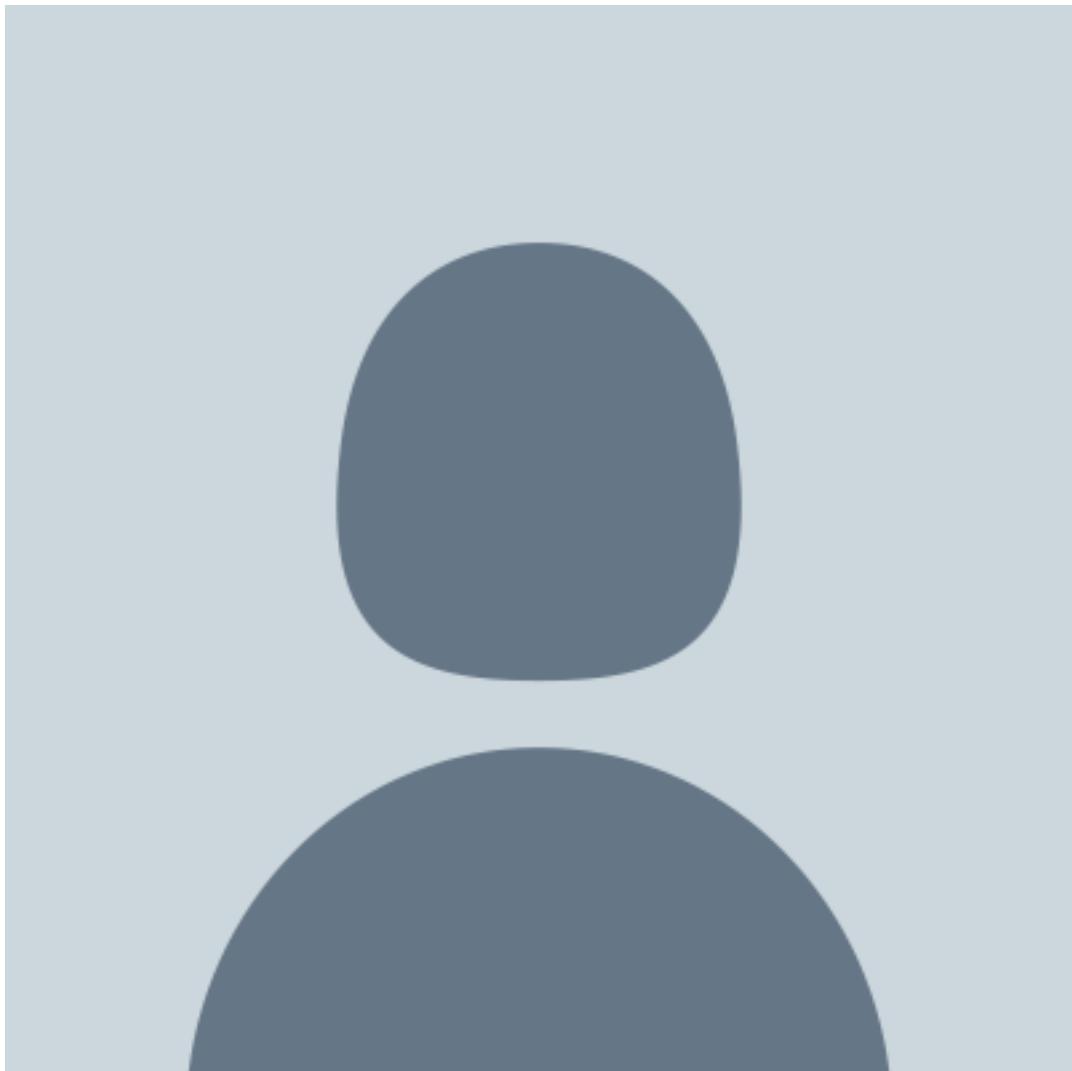
Dentons to merge with Dacheng of China to Create World's Largest Law Firm, by Neil Gough, January 27, 2015, New York Times DealBook.

Liberalizing Trade in Legal Services under Asia- Pacific FTAs: The ASEAN Case, by Pasha L. Hsie, Journal of International Economic Law, 2015, 18, 153–185 doi: 10.1093/jiel/jgv011.

UK Firms Eye Axiom-Like Outsourcing Biz in Asia, by Tom Brennan, The Asian Lawyer, August 17, 2015.

Green Shoots: The Growth of NewLaw in Asia Pacific. GC looks at the emergence of alternative legal service providers in Asia Pacific, by Catherine Wycherley, The Legal 500, Winter Issue, 2015.

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