

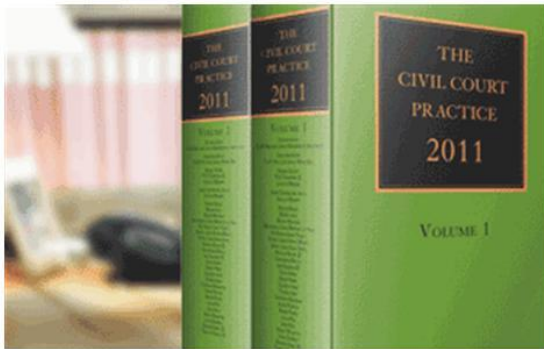
Per ardua ad astra?

Italian firms are emerging from their cloistered market and are now ready to launch a credible challenge in the international arena. Joanne Harris talks to the main contenders



Italy in history has never been an internationally orientated country, not in any field - unless you go back to the Roman Empire,” says Luca Arnaboldi, senior partner at Italian independent Carnelutti. “The country was always the object and target of international companies coming here and taking what they needed.”

According to Arnaboldi, history is the reason Italian firms have shied away from opening many international offices. It is true that some of the independent boutiques - including in its day Carnelutti - have made forays outside Italy’s borders, but most of those have been confined to small offices in cities such as London, Brussels and New York.



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Signs that this is changing have emerged in the past 12 months, with no fewer than three international office openings announced by Italian firms.

“It’s a must for Italian firms,” insists Chiomenti Studio Legale managing partner Francesco Tedeschi. “The way it’s achieved is different from one [firm] to the other, but the end is shared.”

Gianni Origoni Grippo & Partners was first out of the blocks, revealing to the market in January 2010 that it was planning an Abu Dhabi office. It took the firm several months to get the office up and running, but there are now six lawyers there.

Gianni Origoni founder and senior partner Francesco Gianni explains that the firm wanted to become more international and felt there was a client need for its services in the Middle East. The Abu Dhabi office is designed to act as a Middle Eastern hub for the firm rather than focusing solely on the one emirate.

But the firm is planning further expansion overseas. “The other areas we’re interested in are clearly India and China and to this end in 2007 we started a ‘Chindia’ desk,” says Gianni. He adds that in the meantime the firm is expanding the practice areas covered by its other overseas offices - London, Brussels and New York - by sending lawyers to those offices on secondment. Thus, for example, London’s finance capability will be boosted with an additional partner and an associate focusing on corporate work.

He believes Gianni Origoni continues to have the broadest international presence of any of the Italian independents, although this still pales into insignificance compared with most Anglo-Saxon outfits’.

Other Italian firms are starting to catch up, however. In 2009 Chiomenti became the first to open an office in China. And last year NCTM followed.

NCTM managing partner Vittorio Nosedà says the venture into China has got off to a good start.

“It’s a pretty good business opportunity because naturally there are more than 1,600 Italian companies already operational in China,” he says. “We thought it was important to be able to offer our services in the market.”

As well as opening its own nine-lawyer office in Shanghai in September 2010, NCTM forged an alliance with Chinese giant AllBright Law Offices in May 2010. Nosedà explains that AllBright’s “modern” culture was a good match for NCTM.

“It’s working out well because we think we’re much quicker and more cost-effective than other firms through our own knowledge and regional reach,” he adds.

European edge

While firms such as NCTM and Chiomenti were looking to the East, others have explored opportunities a little closer to home. Independent Nunziante Magrone, which is also best friends with Nabarro, signed exclusive tie-ups with firms in Albania and Turkey in January this year.

Partner Gianmatteo Nunziante says the strategic thinking behind each alliance was quite distinct. In Albania the firm had existing clients it had been working with for more than a decade.

Nunziante Magrone’s connections with Turkey are much more recent, however.

“We’ve been looking at Turkey for the past few years, but until last year we didn’t have any involvement there,” says Nunziante. “We’ve always thought that Turkey is an extremely interesting country for Italian enterprises.

“Traditionally Italy has had excellent relationships with Turkey, especially in recent years. The number of Italian enterprises has doubled in the country. Everybody’s looking at Turkey as a huge market where labour is less expensive than in our country.”

However, Nunziante says his firm has no plans to open offices everywhere in the world. Other than the Mediterranean region, Nunziante Magrone is happy with its best friends approach. This gives it a link to the UK, via Nabarro; France, via August & Debouzy; and Germany, through GSK Stockmann & Kollegen.

Nunziante points to the success of UK corporate powerhouse Slaughter and May as an example of why independence is good. “I think independence is important for the firm,” he says. “I really think that there’s an added value.”

Alberto Saravalle, managing partner at Slaughters’ best friend Bonelli Erede - Pappalardo, says that, despite the firm’s predominantly Italian presence, “we don’t view ourselves as an Italian firm, but rather as an international firm with headquarters in Italy. Our transactions are international by nature”.

Saravalle points to the recent establishment of a China desk at Bonelli as a good example of the way the firm has pursued its international strategy.

“We’re now looking more and more closely at the Chinese market,” he says. “At the appropriate time we’d consider joining our best friends in Beijing.”

At NCTM Nosedà notes that going international costs money - and in the present economic environment, money is something that is in short supply.

“You need large investments to open branches abroad,” he stresses. “And you need a firm with a clear strategy. Most Italian firms either haven’t got the financial strength or the strategy.”

Allied forces

Both Carnelutti and Tonucci & Partners have experimented with international offices in the past, but the two firms closed these outposts after finding their strategies were not working.

“At the beginning of our activity we had an office in Paris, we had an office in New York and we hoped to have an office in London, but then we realised that it was impossible to maintain these offices,” explains Tonucci partner Livio Esposizione.

Tonucci forged an alliance relationship with Mayer Brown in 2005, which according to Esposizione has been profitable. While for the time being Tonucci is still independent (within the Mayer Brown network), Esposizione does not rule out an eventual merger.

He says that between 15 and 20 per cent of Tonucci’s revenue is generated from Mayer Brown referrals, adding that the relative size of the two firms means “we definitely receive more than we send back”.

The importance of referral work has also been thrown into sharp focus for the - international firms present in Italy in the past couple of years. Partners at Italian - independents believe their full-service offerings, including litigation, public law and similar areas, have helped cushion them somewhat from the economic crisis.

In contrast, they say some of the international firms in the market have suffered due to a focus on corporate and finance work in the boom time. However, the mood among Anglo-Saxon firms is defiant.

Best of British

“Our model, which is not only based on referral work but also a mixture of being strong locally and at the same time being part of a large international law firm, is helping us,” states DLA Piper Italy managing partner Federico Sutti.

Sutti says that, although transactional work has suffered recently, he has been pleasantly surprised by the strength of DLA Piper’s Italian real estate practice, for example. There has also been a shift towards litigation and employment work.

The firm still has work to do, however.

“I believe that we need to strengthen our practice in the two most important areas, which are corporate and banking,” admits Sutti, revealing that DLA Piper is on the search for lateral hires in these sectors.

Those should be reasonably easy to come by. Italy has been typically fluid in the past year, with a host of partners leaving one firm for another or to set up boutiques.

Among the biggest moves was the appointment of Allen & Overy (A&O) project finance head Catia Tomasetti, plus 20 lawyers, by Bonelli. A&O Italy senior partner - Massimiliano Danusso is sanguine about the loss. "We don't see that as an indication of anything other than personal choices. Currently we don't have a significant domestic project finance practice," he admits. "[But] we're not in a hurry to replace it."

He says A&O will look at rebuilding the team, adding that as soon as news of Tomasetti's departure started circulating, the firm had enquiries from people hoping to replace her.

Simmons & Simmons managing partner Michele Citarella is equally bullish about the firm's decision to shut its Padua office in June 2010. The office was raided by Gianni Origoni. Citarella says the firm has decided to concentrate on its strengths in Milan and Rome, rather than in local offices.

Inter-city nervous

Padua is not the only regional city in Italy to have experienced a shake-up in its legal market in the past year. Doors were revolving merrily in Milan and Turin in February this year, as independent Grande Stevens took on Bryan Cave's entire Milan office but then lost seven partners from Turin to rival Pedersoli e Associati.

Pedersoli partner Andrea Gandini says industrial centre Turin is a key city for Italy.

"Even if we're not the capital or the financial centre, Turin's still the mind," says Gandini. "When Turin speaks, Italy listens. It's also important because it's not far from Milan. People move from Turin to Milan without clients realising where they are."

He thinks lateral hiring will continue to be a feature of the Italian market.

"Lateral hiring's important because it gives you immediately what you've been looking for and what you need," he says.

The other key trend to have come to the fore in Italy in the past year is restructuring. A number of firms are said to have made staff redundant. Others have looked at the way they work and compensate lawyers in an effort to better serve clients.

Gianni says Gianni Origoni took the decision to work in more integrated teams across the firm to “better utilise” its lawyers.

“It was a difficult year for everybody,” he concedes. “Nevertheless our firm performed well because we made a choice of depending less on corporate finance than we did 10 years ago. That helped us last year to rebalance the decrease in volume in terms of M&A.”

At Bonelli the focus was on the management structure of the firm. Saravalle explains that the firm previously had three categories of partner - salaried, junior and equity. - Junior partners were paid through a combination of a fixed-share portion and variable, performance-based compensation. Equity partners, meanwhile, were on a modified lockstep. The junior partner category was designed as a transition to the equity. “We thought the situation was a little confusing and not the most efficient,” explains Saravalle.

So in November 2010 Bonelli’s partners voted to get rid of the junior partner role, making all junior partners equity partners. The former juniors are now at the bottom of equity, with the chance of moving up the ladder in the next few years.

Thinking ahead

The new structure should strengthen the longevity of the firm. One criticism of Italian independents is that many are not set up to outlast their big-name founders. But - Saravalle says Bonelli was always designed to be an “institution”.

“I always like to think that one day my grandchildren could come around here and say, ‘That’s where my grandfather worked’,” says Saravalle. “If you want to create an institution the senior partners must be ready to make some financial sacrifices, you have to create incentives and you have to help the young partners.”

Saravalle adds that Bonelli is looking to expand into new areas as another way of supporting the firm’s performance. An example is the increasing amount of cultural heritage law Bonelli is working on, including the recent deal that saw luxury goods

brand Tod's Group agree to sponsor the restoration of the Colosseum to the tune of e25m (£21m).

Another area providing plenty of business for Bonelli and a number of other firms is energy. Italy has been offering some of the most generous subsidies for renewable - energy projects for the past few years. Although these are set to fall this year, lawyers are confident the sector will continue to be fruitful.

Everyone agrees that 2010 was particularly slow for M&A activity, with only a handful of IPOs and a few other deals making it to market.

"This year we have a number of deals in the pipeline," confides Clifford Chance Italy head of corporate Paolo Sersale. "Whether or not these deals will happen is another thing."

Chiomenti's Tedeschini notes that clients have put more pressure on fees as a result of the economic crisis. He thinks this is likely to be a continuing feature of the country's legal market.

"Italy's a country of surprises," says Danusso at A&O. "We've gone through similar - periods in the past and the country's always been able to move on. I'm confident that in the short to medium term we'll have a country that's dynamic enough to justify a lot of law firms."

How fiat's initiative broke down industrial relations

Italy is and has always been a very litigious market, particularly in the area of employment law. But two recent developments look set to shake up the labour market - and possibly make employers and employees think twice about escalating disputes.

Last year motoring giant Fiat proposed a new collective agreement covering employees at its factories.

Two of the trade unions signed, but one, the Confederazione Generale Italiana del Lavoro (the General Confederation of Italian Labour), did not.

“It’s a challenging issue because, according to our industrial relations system, all collective agreements have been signed by all the main trade union organisations,” says Luca Failla, a partner at employment boutique LabLaw.

The agreement proposed by Fiat is seen as being less favourable to union members than the old one.

Simmons & Simmons employment partner Davide Sportelli points out that historically collective agreements have applied to entire sectors. He says Fiat deregistered itself from its association of industrial companies in order to have more flexibility to negotiate agreements.

“If all the other companies follow this trend and get out from the associations with which they’re registered, we’ll face a new era in which the old associations won’t have importance,” says Sportelli.

The other issue exercising employment lawyers at the moment is a new law known as the Collegato Lavoro (‘work-related’ law).

This was passed in November 2010 and limits the length of time within which an employee can bring a claim for unfair dismissal to 60 days. Previously employees had five years to do this.

Fixed-term contractors are also included in the legislation, and Failla says he is advising companies to wait for 60 days before rehiring people on fixed-term contracts to avoid potential claims. The law also provides for an arbitration clause in employment contracts, which is a significant development in Italy.

Sportelli says the law is unlikely to reduce the amount of employment litigation going through the Italian courts, but he does believe it could speed up the process.