

# THE LAWYER

## Poland – Warsaw packed

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An influx of global firms and a rush of indie spin-offs has created an overcrowded legal market in Poland – and fees are suffering.

A logjam of associates frustrated by a lack of partnership prospects at global and leading local law firms in Warsaw has created a rash of spin-off boutiques – and triggered a nose-dive in client fees.

“Poland is the only significant legal market in Europe where rates over the past 20 years have gone down not up,” is the blunt assessment of one experienced local partner.

There have been plenty of cheerleaders for the Polish economy over the best part of the last generation. The country has famously experienced unbroken GDP growth during the past 20 years, not even slipping during the ‘Great Recession’.

Global and local legal professions have thrived in Poland since the country’s economy liberalised with the disbanding of the Warsaw Pact in 1991. But have the good times for lawyers faltered if not exactly come skidding to a halt?



## Key figures: Poland

GDP

**\$526bn**

Inflation

**-0.5%**

Population

**38.5m**

Life expectancy at birth

**77**

Unemployment

**12%**

Source: World Bank, Central Statistical Office

### Cramped and cut-throat

"Competition has become fierce," over the past 18 months or so, reports **Wardyński & Partners** founder Tomasz Wardyński. "There are many law firms that are dumping prices," he adds, pointing an accusatory finger at the larger international practices in Warsaw.

"The market is very crowded," agrees **Domański Zakrzewski Palinka** (DZP) managing partner Krzysztof Zakrzewski, "and year by year it's getting increasingly competitive at the top end."

Zakrzewski points out that Warsaw has been by far the most popular destination for global firms planting flags in Central and Eastern Europe, with up to 30 of varying sizes understood to be in the capital. Global law firms still dominate the top end of the market in areas such as project finance.

But, says Zakrzewski, while the country's economy continues to perform reasonably well – 2015 growth is forecast at around 3 per cent – "in terms of large transactions that would be of interest to the large global firms, there are now maybe two or three annually".

Wardyński supports that view.

"A general decline in business started two years ago," he says, attributing the slip to foreign investors shifting their focus to Asia and Latin America.

Which goes to explain, says his DZP counterpart, why the steady flow of foreign law firms to Warsaw has dried up. "The view is that the market is too competitive and too small."

### Trend for spin-offs

However, that doesn't mean there have been no new law firms in Warsaw's commercial sphere. Quite the contrary – there has been a recent flourishing of spin-off practices, mostly borne out of the offices of global players.

The trend is for small groups of three or four partners or senior associates to cut the apron strings and head out on their own.

"They've been well trained by their international law firms," explains Zakrzewski. "Now they are launching boutique practices and are being very competitive on price."

There are several motivating factors for this. First, local corporate clients – fed up with what they perceive to be big law firm rates – are encouraging them. While global firms may be low-balling on fees in some instances, their general scales are still seen as high for local business tastes.

"Local management of the offices of global firms in Warsaw are not afforded decision-making powers in relation to fee levels, while the head offices of those firms are not keen on generally lowering rates," explains Wardyński.

Another factor driving the trend is that the relatively slow growth of the international firms in Warsaw means opportunities for senior associates to be promoted to partnership tables are relatively few – if they exist at all.

“After 10 years at a firm,” suggests Zakrzewski, “they might get a bit frustrated and want to try their luck with a few like-minded colleagues.”

Not all boutiques have come out of a positive desire to try something new. Both the global and large local firms are understood to be shedding more expensive partners.

“Some of these spin-offs aren’t matters of choice,” comments one partner. “They may be relatively amicable divorces, but they are very much driven by business issues.”

### **Ukraine factor**

One clear reason for the comparatively wary business outlook in Poland is the ongoing conflict in neighbouring Ukraine. While Polish business investment is relatively slight in the country – Warsaw banks more or less withdrew 10 years ago – the unrest has still engendered caution.

Despite the conflict, Polish lawyers maintain their own jurisdiction is calming.

“When it all began a year ago, the impact was far more visible than it is now,” says Zakrzewski. “There was then a feeling of uncertainty and people were putting the brakes on transactions.

“But over time, as is the way with these things, people have gradually got used to the situation. Therefore, the transaction market for 2014 the first half was far slower than the second.”

In addition to a slightly resurgent deals market, lawyers point to two other encouraging practice areas for the next six months. Energy and infrastructure projects are looking reasonably healthy, and litigation departments have also been busy for some time.

This work flow means that despite politics, low fees and constant competition, the mood in Poland remains relatively positive – for the moment.