

# PRK's

## Randl sets up a new shop

Law firms on the Czech market hit the economic downturn head on, after almost 15 years of growth. Moves on the legal market accelerated in 2008, as lawyers adapted their specializations from real estate and finances to bankruptcy and restructuring law. Such moves will probably push the maturity of the Czech legal market further, said Pavel Randl, former founding partner of the largest Czech law firm PRK Procházka Randl Kubr, now **PRK Partners**.

BY CRISTINA MUNTEAN

**I**n Randl's view, the economic crisis showed its presence on the Czech legal market via international law firms. The departure of two major players, UK-based Linklaters and the Germany's Gleiss Lutz Hootz Hirsch & Partner from Prague in 2008 were signs that something was wrong, he said. Even though he wouldn't comment on who might follow, Randl, a lawyer specializing in corporate and banking law and mergers and acquisitions (M&A) who has been active on the Czech market almost since the fall of communism said that this would release a necessary number of talented staff that could be used by domestic firms to grow further.

In his first major interview after leaving PRK Partners in February 2009 because of personal health problems, Randl talked to *CBW* about the reasons for his departure and about his plans for Randl and Partners, the new law firm he recently set up in Prague together with his wife, Nataša Randlová.

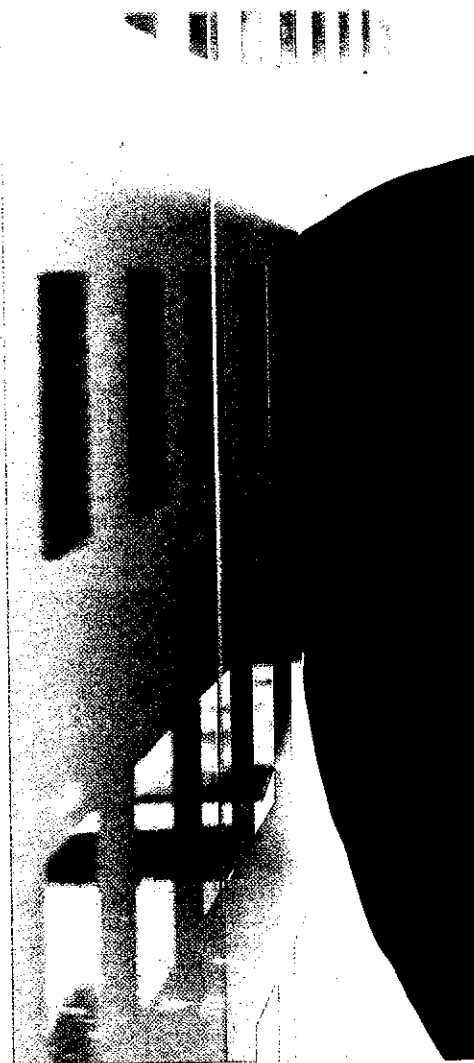
When expanding abroad, Czech law firms aimed east, driven by their clients who discovered markets not much tapped by foreign investments prior to 2000 such as Romania, Bulgaria, Ukraine or Russia. Randl didn't discount that one day his new firm

might also head east, but for the moment it is too soon for such plans. Currently, the firm is trying to find the right balance between size and quality to make it through the downturn. It expects to build a solid labor law and corporate legal business in Prague, Randl says.

### Q: How is the Czech legal market changing under the impact of the crisis?

**A:** The Czech legal market includes both local and international law firms. I would tend to say that the impact on them is a bit different. The first signs of crisis could be seen on international firms. We were surprised to hear that Linklaters was basically getting rid of its office in Prague. In my view, that decision was surprising because I believed that they were respected and successful. Of course, it's a question how much money they were making, but I'm sure that they were making money. But the decision was that Linklaters wanted to concentrate on profitable business, whatever that means. This was last year. Another big surprise was Gleiss Lutz. For me this was very special because I was one of the people who set up their Prague office back in 1992.

### Q: Why did you leave Gleiss Lutz in 1995, if you were one of their local founding partners?



**A:** I think it might look like as if, back in 1995, I was one of those young lawyers educated abroad who got some training with an international law firm and then left to set up his own firm. I didn't leave because I didn't like working for Gleiss Lutz. I simply didn't fit in the firm. At the beginning, they told me that it doesn't matter that I didn't speak any German because they needed help to set up their Czech office. I was glad and so was my wife because ... we wanted to go back to Europe [after studies in the U.S.].

However, it was an irony because we worked for a couple of months in Prague



worked from home, but this changed my perception. For me, the impact of the crisis wasn't as serious as my health problems.

**Q: Why did you actually leave PRK?**

**A:** Well, I had to slow down. I came back to the [PRK] office and I started working at some 60 to 80 percent of my capacity, but I didn't feel this was exactly how I could live. I had to limit my workload to some eight to nine hours. In a firm like PRK, this meant limiting my work to office business and pushing me out of the client business. It was like not doing my work. So, I didn't leave because of the crisis but because of my health problems.

**Q: What areas of expertise are you developing currently?**

**A:** In Gleiss what I originally did was mergers and acquisitions. Then we set up the office with Marek [Procházka], he's Swiss and he practiced banking law in White & Case. So, we concentrated on banking business, transaction financing and stuff like that. Till the end of the '90s, I did mainly banking law. By 2000, PRK grew to be one of the largest firms already on the Czech market—it had some 30 lawyers—and we felt we had to diversify. We decided that some of us could do rather M&A and real estate. So, after that I've mainly done M&A, corporate and commercial law.

**Q: Isn't it setting up a new legal practice almost as stressful as being the partner of a reputable large one, from your health perspective?**

**A:** The decision [to leave PRK] was related to my health problems. As I realized that I can't do what I used to do before and I didn't want to quit my legal practice and focus mainly on the office work, I said ok, I'd try to start like a small business again. In this case, I would limit my work for the firm because if you have a small firm of 10 people, you don't have to manage it that much. Besides, my wife developed one of the best labor practices in Prague. So, we decided that this is what we'll do: labor law and commercial law. The latter won't include large M&A and transactions because it's quite labor-intensive.

Jan Tršátek

and then we relocated to Stuttgart where there were a lot of clients interested in Czech-related work. So, I ended up in a German-speaking environment where I had to work in German, and this was tough, especially at the beginning. My wife didn't like it, so she came back to Prague and I followed her after two years.

Here, together with another friend whom we met in the U.S., Marek Procházka, we set up **Procházka Randl Kubr**—Radan Kubr actually joined us a few months later. So, back to Gleiss Lutz, I am surprised that after 15 years of successful practice they decided to get rid of their office.

**Q: Why did they do so, in your opinion?**

**A:** They said they wanted to concentrate on their core business in Germany—but I don't know. However, in my view these were the first signs of the crisis that one could see on the market.

**Q: And how did the crisis impact PRK last year, when you were still with them?**

**A:** Of course there was some impact on our own business, but my personal perception of the situation was greatly influenced by the fact that last summer I had some major back problems that needed a serious surgery. Afterwards, I was away for several months; I

**Q: How have you been recruiting your clients for your new office?**

**A:** In fact, to some extent it was the request of some of our clients from whom I've been working for some 15 years now that it's their will to work with me even after I left PRK. So, I continue providing services to them—daily commercial matters, but that also includes things like small acquisitions, some litigation, some real estate—something that an average law firm would do on a daily basis. At the same time, we're providing regular legal advice to our new clients. ➤

## ON THE RECORD

**Q:** Back to the economic crisis, you said that you noticed the effect of the downturn mainly on international law firms because two of them withdrew from Prague last year. But such firms were making similar moves in 2005–06 as well: Dewey Ballentine or Freshfields, for example. Yet, there was no crisis to justify their departure. So, is the departure of Linklaters and Gleiss Lutz really an effect of the crisis or just a natural development in their headquarters' strategy?

**A:** It can be both, actually. Quite frankly, you can't ever distinguish that because firms won't ever tell you the real reason for the move. They will always sell it that it was in the best interest of the firm and of the clients. So, it's hard to tell. But some of these firms were—I'd hate to say forced to do it because I don't believe that any of those firms were actually forced—but they did it because of fear of the crisis. I do believe that any reasonable mid-sized firm can restructure in a way to survive the crisis, if they want [to do] so.

**Q:** What other moves do you expect this year—who will be the next to withdraw from Prague?

**A:** I don't know because you never know what will happen until it happens. Every firm is very careful about telling it or even not giving any sign that anything like that might happen.

**Q:** To look at the other part of the market, what reaction do you expect from domestic law firms to the crisis?

**A:** Czech law firms are in fact doing two things. If they can, they are growing when there is a chance to grow because there are more people available on the market. If you have a respectable firm closing down—Linklaters is a good example—everyone is trying to get their people to strengthen their position. This was the case of Freshfields in Slovakia; there, PRK made a deal to take over their local people. That's something I believe: that firms which consider themselves strong at that moment, they would just take what's on the market. At the same time, firms are selecting from the people they have. If they feel that they have some five to 10 percent of people who don't fit the firm or don't meet the standards, they would let them go. This is something that reasonable firms would do, crisis or no crisis.

**Q:** So, you actually expect Czech law firms to keep growing, despite the crisis?

**A:** Generally, the trend is here. The firms are growing, but also what you can see on the market is that you'll have boutique firms with specialties like labor law. This is very different from banking or M&A firms because it isn't so labor intensive and you don't



need to have 50 people to provide top services to your clients. The scope might not be so big—you might not have so many clients—but you can still deliver top services and have top clients. On the other hand, if you're in the banking business you need to have a certain amount of people. It depends on the specialty. Those firms that consider themselves top firms on the market will certainly grow as long as they can afford it.

**Q:** However, law firms aren't usually growing or expanding abroad just because there are more good lawyers on the market. They grow because clients ask them for services that require more people or offices abroad. But this crisis is harming Czech companies, which also reshapes the profile of services offered to them by their lawyers. Do you still think Czech law firms have room to grow, even though the Czech industrial production, exports and gross domestic product (GDP) are contracting?

**A:** Yes, you are right to say so. However, I have a pretty good idea how it works because I was the founding partner of the biggest Czech law firm on the market, so I know it. Of course, you feel that the market expects from you that you're big enough to serve them—in the Czech Republic or abroad. You can do it directly or indirectly. Directly is by setting up an office abroad; this is justified if you have enough work in some specific markets. In the PRK case, it was Slovakia that was an obvious first choice. We were referring so much business in Slovakia and, quite frankly, we weren't getting much back because the Slovak competitors feared

that we could steal their clients. For us, it was just a one-way road to have an office in Slovakia. We thought: OK, perhaps we have a lot of business in Budapest and this would be some added-value for Bratislava. So, last year PRK made a decision to open in Budapest. Last year, PRK also decided to open in Ostrava [North Moravia]. But, again, it's very important that you can staff your office and that you have quality people. It's all related because, quite frankly, the legal market is still quite tough when you're looking for quality people willing to work for you.

**Q:** What direction of development would you expect for PRK in the future?

**A:** They were a bit concerned that if I left they wouldn't be the biggest firm in the market anymore. I didn't believe that because they already have new partners, they expanded in Budapest and they substantially expanded in Ostrava. I do believe that in the future they might expand further east—Kyiv or Moscow, for example. They have a partner specialized in Russian deals, so I believe that's just a matter of time.

**Q:** What kind of know-how can Czech lawyers bring to eastern markets where they expand?

**A:** You must distinguish between what you can bring to your clients investing abroad and what you can offer to local clients. The majority of [Czech law] firms went abroad because of their domestic clients. In other words, you have [Czech] firms investing in Russia, Ukraine, Hungary and Slovakia; you work for this client, so you go

abroad. This is, I believe, in most cases the first reason for doing so. At the same time, you have firms from that particular region investing in the Czech Republic and you want to get closer to them. For example, you have a Ukrainian company doing business in the Czech Republic, so you'll go to Kyiv. Step number three is that you are in Kyiv and do local business for local clients there. Frankly, that depends very much because you might have certain expertise in transactions from abroad to the Czech Republic.

It quite often happens that the same things repeat after a certain period of time in another country. In the beginning of the '90s, we had privatizations, then a wave of restructuring and financing of various projects. Then, you could see the same in Slovakia or in Ukraine. I don't want to imply that these countries would be behind, but if you do things that you did here some time ago, you might have some experience at that.

**Q: What is the particular advantage of Czech firms over, let's say British law firms?**

**A:** The advantage is that, when compared with an English firm, the basis of our economy is more similar than, say, Ukraine and English economies or legal systems. I believe that our experience with things in our country and our market is a little bit easier to apply in Hungary, Romania and Ukraine.

**Q: How expensive is a Czech lawyer compared to a British or a Russian one?**

**A:** They are definitely cheaper than both. In London, lawyers tend to be the most expensive in the world, even more expensive than in the U.S. In Moscow, the trend is similar—lawyers tend to be very expensive, even though cheaper than those from London. Maybe Czech lawyers seem more expensive with regards to hourly rates but at the same time they're trying to be more efficient. So, at the end of the day clients should look at the final price because that makes the difference.

**Q: How large is the Czech legal market in terms of earnings' volume from legal services compared to, say, Austria?**

**A:** Until recently, no firms published their turnover. That changed because an increasing number of firms restructured and now they operate as limited liability [firms]. So, they have to publish their financials. In some firms, you can check that on the Internet. But the competition among the biggest firms isn't in terms of turnover; it's in terms of how many people they have. The idea behind is that the bigger you are, the better you can serve your client. So far, people are a bit shy about their revenues on the Czech market.

**Q: How mature did the Czech legal market get since you started in 1992?**

**A:** Of course it's more mature than 15 years ago because it started almost from point zero. What you can say is that the original Austrian tradition of sole practitioners is over. Now people don't think about whether to have larger firms or not; it's taken as a fact. People don't question the fact that firms operate as businesses. They advertise or merge; people open or sell law firms. Now that's accepted, and you can openly talk about it.

At the same time, there is room for sole practitioners in specific fields of expertise: you have boutique firms and a great variety of various players on the market. So, the market has matured and will develop further.

I tend to believe that big law firms will grow bigger—the question is how big. This will depend on the overall Czech market of legal services, how much and how firms it can absorb. Another question to which I have no answer is whether we can expect some big mergers. There are discussions about that for some five years now, and nobody is actually ready to do it yet. But something may happen, someone may start, and once it happens it may trigger a wave [of consolidation]. It may, but I don't know, quite frankly.

**Q: Would such mergers make sense between large firms that would swallow small firms, or between large firms and other large firms?**

**A:** The first is already happening without anyone noticing it—some firm announces that they have a new partner and five new people. What I'm talking about is the merger of big players. That's something I'd expect to happen at some point in the future.

**Q: So, who could start the merger wave, in your view?**

**A:** I don't know. I'm actually curious about that, too.

**Q: What are your challenges as a legal start-up?**

**A:** The main challenge is to keep the quality and work with good people. This is always a challenge to keep the right balance. Our idea at the moment isn't creating a huge firm; we don't want to be the biggest, we'd just like to be one of the best. If we succeed and we keep the quality, maybe we can expand our expertise a bit in labor law and, at the same time, can provide more commercial law.

**Q: What would the right size be?**

**A:** It depends on the type of work you're doing. For us, it would be between 12 and maybe 20 people, but I couldn't say that more precisely on a mid-term perspective.

**Q: What profitability do you expect for this year?**

**A:** We'd be happy if we managed to cover all our expenses. Then, we hope that profitability will increase in the following years. Again, we don't aim to be the most profitable firm on the market—we don't plan to be as profitable as PRK. We just want to make enough to pay our people, to keep the best people we need on the market and to expand the firm's expertise. That's our priority.

**Q: Would you consider going abroad at some time in the future, maybe in some markets untapped by your competitors?**

**A:** Never say never, but we aren't really thinking about it at this moment. Yet, there may be surprises in the future. ■



Jan Trésnik

**Who is Pavel Randl**

**Born:** Oct. 31, 1967, Prague  
**Education:** 1992, master of laws (LL.M), George Washington University, Washington D.C.; 1994, doctoral degree in law, Faculty of Law of the Charles University, Prague.  
**Work experience:** 1992–94, associate, Gleiss Lutz Hootz Hirsch & Partner, Prague and Stuttgart; 1995–2008, partner, PRK Partners, Prague; since 2009, partner with Randl and Partners, Prague. He specializes in commercial law with focus on corporate law and law of contract, mergers and acquisitions, competition law administrative law, real estate law, telecommunication law, public procurement law and public-private partnerships (PPPs). He was recommended by several international legal market observers such as the Legal 500 as an expert in general corporate law, telecommunications and media or the European Legal Experts as highly recommended in the area of corporate and commercial law. He is fluent in Czech, English and Russian and passive in German.