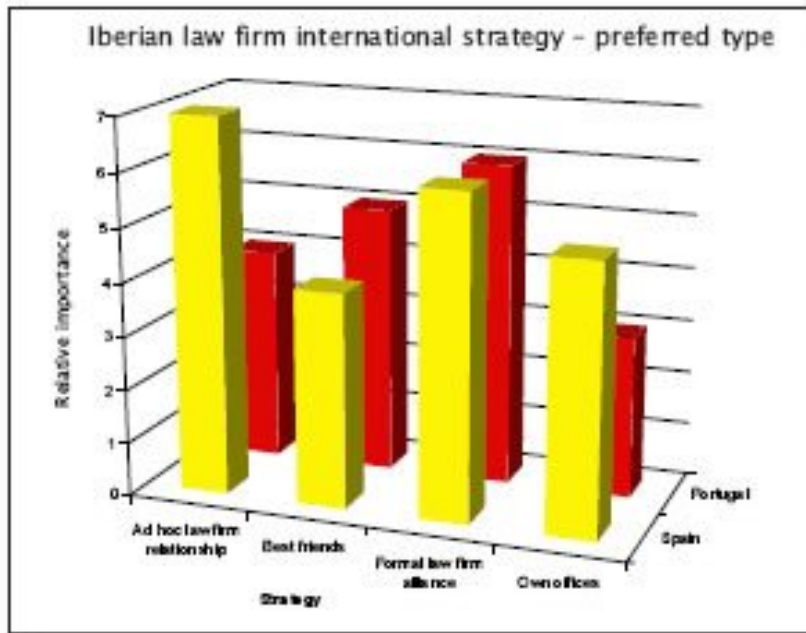


A SELF-FULFILLING PROPHECY - SRS ADVOGADOS

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The regained independence of Sociedade Rebelo de Sousa Advogados has presented the firm with an opportunity to more accurately reflect its domestic and international client needs

The decision of Simmons & Simmons to demerge its local Portuguese practice has given its Lisbon-based practice the opportunity to reassess and restructure both its strategy and structure. Despite the financial crisis impacting on the European economies, opportunities are still being presented to law firms, says Pedro Rebelo de Sousa, managing partner of the renamed Sociedade Rebelo de Sousa & Advogados Associados (SRS Advogados).

"In many respects they are being accelerated, but not all will be beneficiaries. Only those firms that are able to differentiate themselves, respond to changing clients needs, and who retain and invest in their talent and institution will find success."

In 1992 Simmons & Simmons became the first UK law firm to open in Portugal through an alliance with Grupo Legal Portugues, with the firms subsequently merging in 2002 to form Simmons & Simmons Rebelo de Sousa.

Seven years on, SRS Advogados is once again an independent 'alliance' partner of the London-based firm – a status that de Sousa believes will enable it to better react to changes in the local and international legal markets, and to more accurately reflect its own domestic client base. The crisis

has proved the catalyst for changes long demanded of the legal sector.

"Clients are more sensitive to pricing and the relative quality and value that firms bring to their operations, both substantively and in terms of client care. There is pressure across all professional services to move away from billable hour models and instead equate cost to value for money."

But the crisis has also brought new, much needed, pressures on firms' own internal processes and management practices. "Working methods have to be revisited. The pressures underlying many law firms' models have now been exposed highlighting evident inefficiencies."

His belief is that the legal market in Portugal, as elsewhere, will continue to grow but there will be greater client demand for only two types of firms: full-service or very niche boutiques.

"I do not believe that clients will any longer be willing to pay premium fees for law firms that are not able to provide solutions that are either highly specific to their business or industry sector, or which are unable to cover all of their needs in a cost-efficient manner."

Optimism

De Sousa does however see room for growth in some specific services as a direct result of the more challenging business environment.

In Portugal, he believes, this will mean increased demand for complex litigation and arbitration expertise, as businesses look to undo or clarify more cross-border and high value contractual relations.

"The domestic courts are not known for their efficiency or work in the way that users would like them to.

Arbitration must be an area of focus, it offers parties the comfort that their issue will be adjudicated by industry experts and in a relatively short time."

In addition, he sees growing demand for employment, finance and restructuring and regulatory expertise.

"We are expecting significant change in aspects of the financial system paradigm as a result of dramatic regulatory changes, which our clients must be prepared for and ready to adapt to. There is a clear trend towards preventative consulting – clients no longer want answers to only current problems."

The Portuguese economy may have already been depressed but the onset of the global financial crisis has clearly hardened an already difficult business environment.

"The expansion of the European Union had the result that a significant amount of the foreign investment made in Portugal was redirected towards central and eastern Europe. More recently we have seen a reduction in activity, or the complete withdrawal, of some of the multinational business investment."

The pressures felt by certain business sectors, notably the car and real estate sectors, have resulted in significant dismissals and collective redundancies that while unfortunate were perhaps inevitable, believes de Sousa.



Business leaders and the government now however have woken up to the scale of the issues facing the country.

"Despite all this I am relatively optimistic that Portugal can recover, and perhaps sooner than some other economies, if the right policies are put in place to limit public spending and to restructure the country's burgeoning public sector – there is wide agreement that it is the macroeconomic issues that must now be tackled."

Differentiation

As to what this means for Portugal's legal market, Rebelo de Sousa remains confident that law firms can continue to perform strongly, if they make the requisite investments in their institution and adopt the requisite international mindset.

He is adamant that firms must offer their clients more than just the telephone number of a referral law firm if they have needs overseas. His firm may no longer be a formal member of Simmons & Simmons' network but close ties still remain, he emphasises.

"What is significant at our firm is that all of our lawyers have spent at least a year outside of Portugal, working with referral law firms or spent time on secondment with our clients."

Independence has enabled the firm to determine its own specific international strategy. SRS Advogados now maintains a formal association with Simmons & Simmons' global network and with Veirano Advogados, which has offices in six cities across Brazil.

"There is a conceptual difference between an Iberian firm that has a few lawyers around the world and one that extends to many jurisdictions, is comprised of lawyers that have all practised abroad, and has clients with needs extending across multiple borders."

Greater emphasis is being placed on international platforms such as the International Bar Association, and the firm is now able to react more directly to the specific needs of its own domestic clients, with more emphasis placed on the lusophone business world.

"We can look at the world and decide where it is we want to be. Brazil is now a major world economy, and where we have tremendous ties, while emerging economies such as Angola offer obvious growth potential."

Outside perspective

In order to help SRS Advogados determine and define its own destiny it was important to get an outside perspective, says de Sousa. The firm employed consultants to undertake an analysis of the firm, its clients and the legal market.

"We have gone through a process that I believe few law firms in Portugal have undertaken. It may not have always been comfortable but it was important to understand if our perception of ourselves matched that of our clients' and their needs."

The outcome has been a renewed confidence in both the firm's strengths and direction. In addition, it has enabled it to reassess its structure, and to see opportunities to cross-sell its services including deepening its industry focus: on finance, TMT, energy and infrastructure, life sciences, real estate and tourism.

Important also have been the lessons learned around ensuring quality of service and client satisfaction. A legacy of the firm's affiliation with Simmons & Simmons, he emphasises has been the massive investment made in the firm's technology, management and know how systems.

"Brands may be less important to Iberian clients, but they obviously want to know that you are a major player, you have the necessary expertise and industry understanding. But it is also increasingly important to have efficient internal systems, time and team management skills, and an

emphasis on nurturing our own talent."

De Sousa reveals that around 70% of the firm's revenue is drawn from only 50 clients, and 90% from 100 clients – demonstrating success, he says, in ensuring clients receive a quality service and are consistently supported.

"No single client accounts for more than 5% of our total revenue but I believe we are successful because of our emphasis on developing business sector expertise.

It is critical that we are able to speak the language of the client. It means our lawyers have two dimensions, a practice and industry specialism, which enables us to apply more effective legal solutions."

In order to attract and retain the best talent, firms have to be profitable and to continue to do the most interesting work, and offer a clear and rewarding career path for their lawyers, he believes.

Dimension

The management review has helped define the firm's market positioning and has also helped refine its internal structure, says de Sousa, plus it has been important to reward those lawyers that have demonstrated a commitment throughout the challenges of the past year.

SRS Advogados counts around 80 lawyers including now ten partners and ten managing associates – a rise from seven and three respectively from the time with Simmons & Simmons. It is managed by an elected Executive Committee and is one of the very few firms to have a modified lockstep, with 30% of profits distributed on a performance basis "What has been very important has been to build an institution. It is a new game. We have made an investment in our lawyers' talent and they in turn have committed to us. It is a win-win situation."

The firm's restructuring has also been vital if it is to continue to feature prominently in the Portuguese, and wider Iberian, legal market, he says.

"We recognise that strength across different practices is vital if we are to offer a specialised and premium service to our clients – they can see through lawyers who purport to be able to do everything, and clearly are not willing to pay to support their advisers' own learning curve."

SRS Advogados may no longer be a global giant or even match the dimension of many of Portugal's largest firms but that is in its favour, believes de Sousa.

"Our aim is to be lean and mean and to retain a flexibility of approach. But we also have a legacy that has emphasis on the importance of institutional and industry expertise – which is ultimately no more than an outward reflection of the depth of our client focus."