ACTIONS SPEAK LOUDER THAN WORDS

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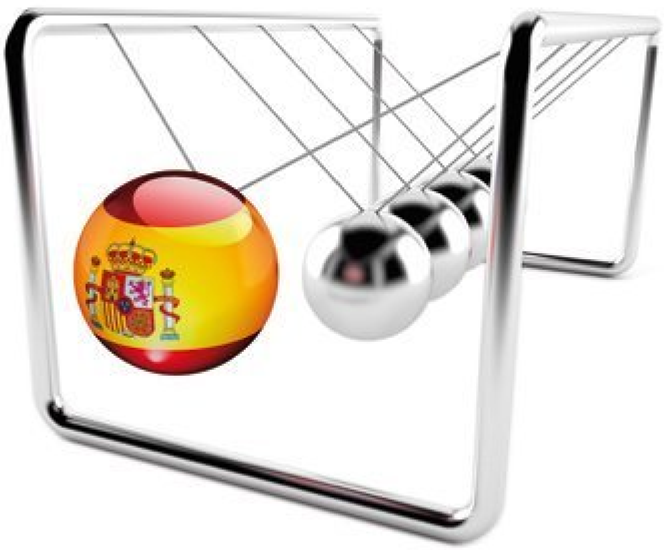

Category: Uncategorized

The economic crisis is fast becoming business as usual, and domestic law firms urgently need to take action if they are to exist in a post-crisis landscape. They need to make tough decisions, say lawyers, and, most importantly, they need to be doing it now.

For too long, many Spanish law firms have been hoping for the crisis to pass. It seems as if some Partners are paralysed, unable to take any proactive action. Others, however, have seen the current crisis as a real opportunity to turn things around and take action.

Iberia has always favoured 'bigger is better', and firms have grown at unprecedented, and some say unnecessary, rates. Many believe that those higher up the food chain have now reached a tipping point, with sizes, and Partner numbers, that are too large to maintain in the crisis and beyond. Comparing Spain to the rest of Europe, there aren't other countries that have such huge domestic players. The traditional Spanish model of growth from the boom years is now subject to a 'stress-test', says Juan Picón, Senior Partner of DLA Piper Spain, and DLA Piper's Managing Director Groups & Sectors. "This might mean that they need to right size their business to make it more aligned with the market reality, both in terms of volume of work and fees per fee-earner, and also compensation". Uría Menéndez is seen by many as having managed to preserve their leading position, client base and unique footprint in the face of the crisis. However, as one Managing Partner told Iberian Lawyer off the record, this is less to do with taking positive action and more to do with perhaps with a "preservation" strategy.

Four years into the crisis, bold decisions are being taken. A move from a two-tier partnership to a full equity structure is not straightforward, one that was taken first by Garrigues and then by Cuatrecasas, Gonçalves Pereira. This was an important development for Partners' careers, says Rafael Fontana, Chief Executive at Cuatrecasas, fomenting a sense of belonging and unity within the firm. "It was necessary to take that step to be able to tackle future challenges and achieve our objectives."

But there is also a clear need for many to balance out partnership disparities and reassess a firm's size and shape. Every firm has to have the leverage that is right for their business model, says Manuel Martín, Managing Partner at Gómez-Acebo Pombo. "This requires management of the balance between partners and associates, and it is no surprise that in these climate adjustments need to be made. We are working on this, which does not mean throwing away valuable associates and Partners."

Difficult decisions

While every domestic law firm has been affected by the crisis, some lawyers agree that it is those near to the top of the leader board that are most in need of decisive action. While for others it's the big firms that are more resilient. However, following years of growth, many have been struggling through the crisis with partner numbers that don't correspond with the changes in the market.

While some have been forthcoming about their decisions, transparency is still a huge issue for Iberia's law firms, many choosing denial instead. This 'behind closed doors' approach to the evaluation of a firm's Partners and partner structure does nothing to stop the whispers of redundancies and office closings echoing throughout the market and the media.

While many view Garrigues' recent move to full equity as a step in the right direction, more action is to come. A quiet but steady reduction in numbers is said to be going on within the firm, say sources, with more of a focus on profitability than size. This clearly shows that the firm is hitting the problem head on, albeit discreetly. Although the firm told Iberian Lawyer that numbers mentioned in recent media reports were incorrect.

Dealing with underachieving partners is key, and most firms feel unable, or unwilling to address it. In a 'true' partnership, where everyone is equal, some question the extent to which one can evaluate the performance of the other. But in firms where management is stronger, evaluation goes without saying.

"We´re having to introduce much tighter and more professional management, which is partly, but not only, a focus on financial targets. Already I can see that we are a less friendly and supportive firm," one Managing Partner told Iberian Lawyer. "I am fast becoming the least popular person in the building!"

The dead weight

The good years of picking up the phone to ongoing client work are now a thing of the past. Partners must now go out and find new clients, new work and bring in the profits. And there is a clear divide between those that wish to run a law firm as a business, and those wishing to retain the collegial values of a traditional partnership. UK and US firms in Iberia are clear about which side they are on – just look at the rounds of redundancies and increasingly tough evaluations they have been doing. When the crisis hit, they took much more decisive and timely action. And they were transparent about it. "In 2009, we undertook a change in structure, with the consensus of all the partners, to reduce their numbers to adapt to the crisis market," says Ignacio Ojanguren, Managing Partner of Clifford Chance Spain. "We also put a much greater focus on having challenging annual partner evaluations, which is a necessity for any firm with lockstep and something that all firms should be doing."

Whether other domestic firms will take such action, remains to be seen. In fact, some say that they have already missed the boat. The largest of firms expanded without proper analysis and, now that

the crisis has struck, reducing lawyer numbers has become that much more difficult.
For those domestic firms refusing to embrace 'the now', someone needs to take the decision, and take it quick.

Modern leadership

And while many competitors would point to firms such as Cuatrecasas and Garrigues as being 'well managed' with the many systems and supports in place, you would expect to see in any modern law firm, one thing is becoming very clear; good and solid management is not always the same as leadership. Reviewing the market position and opportunities, developing a consensus for change, agreeing the strategic direction and getting the buy-in required to get the firm there, those are the signs of a good firm.

However tight your ship, you still need a captain. And there is a clear breed of leader emerging that many believe will be the only one to navigate a law firm through the testing years to come.

If you read the newspapers everyday, says Martín at Gómez-Acebo & Pombo, you may become paralysed and not take any decisions. "You have to be able to see beyond the printed page and analyse the information with the big picture in mind."

Modern leaders need to be open to the world and what is happening, embracing new objectives, which most likely will be outside of their comfort zone, says Picón at DLA Piper Spain. "In these challenging times, people sometimes feel lost and they need guidance, with vision and direction, the caring about these 'soft values' of your most valuable asset - your people – is, in my view, one attribute that will be more and more sought after."

At Cuatrecasas, Rafael Fontana is praised by some of his Partners as an able manager, who benefits from the political awareness of Executive Chairman Emilio Cuatrecasas when required. While over at Garrigues, Miguel Gordillo and José María Alonso were recognised by their competitors as skilfully sailing the firm through the hurricane of the Andersen collapse, regaining independence and persuading partners to refinance the firm.

One very important characteristic, say lawyers, is to never assume anything; always make sure. Ensure that every single partner is aware of the situation of the market, and the firm, and ensure that they are tuned into the concerns of each and every partner. To be a leader you need followers, and therefore promoting loyalty and fostering unity within the firm is crucial.

As is transparency, both internally and externally, especially if you want to be taken seriously in the market both by clients and peers. Clients are reducing numbers and being open about it, therefore it makes no sense for law firms to hide the fact, says one Managing Partner off the record. When many of your lawyers are being taken on by competitors or clearly flooding the market, clients and the market alike can put two and two together and see redundancies.

Leadership, as well as management

Taking decisive action, however, does not just come in the form of tackling problems with internal structure, workforce or leverage. It also comes from having the courage to take risks when others are holding back, and to be aware that at some point life will begin again, and you need to be ready and raring to go when it does.

Accountancy firms, for example, have made clear strategic decisions aimed at taking advantage of this situation, KPMG and Deloitte in particular. In the last year alone, KPMG has merged with Laboral Cusán Abogados, Valencia firm Ubi Lex and Castro Sueiro & Varela Abogados. Meanwhile, Deloitte have picked up lawyers moving on from the largest of firms, including Garrigues and Uría Menéndez. By seeing the crisis as a strategic opportunity, some say that they are displaying the strategic vision and effective leadership currently required by the law firms. They have been picking up respected lawyers with longstanding and profitable clients, integrating them and using this to manage out those under-performers, a great opportunity for the older generation of Founding Partners, seeking an elegant exit from the law at such a difficult time.

Some mid-size firms are, however, seeing the crisis as an opportunity to grow, in a wave of mergers,

office openings and team hirings. Dutilh merged in Barcelona becoming Vialegis Dutilh and Salans are recruiting new practice area Partners in Madrid. Jausas, for example, have just taken over Madrid firm A & S Sampere Abogados. Others, however, are bolstering their capital city bases with Partners from considerably bigger firms. Marimón Abogados's new Madrid office, for example, will be led, among others by Partners from CMS Albiñana, Ventura Garcés & López-Ibor have just acquired a Cuatrecasas Partner, and, most notably, MLA Associates, have been systematically sourcing talent from Cuatrecasas, Clifford Chance and Garrigues, among others.
The midmarket is grabbing the opportunity, with leaders taking considerable risks with growth at a time where most are reducing or consolidating. Whether those lawyers left of their own free will or were asked to leave, the smaller firms are catching the talent falling from the top of the market tree.
So now more than ever, many are suggesting that Iberia's law firms require more than simple management, they require leadership. This may come, either in the form of a single individual with the skills, legitimacy and credibility required, or likewise from a leadership team that can handle the softer issues, people and office politics, building a consensus for change and the initial challenges that brings.
Those in a state of paralysis and denial, may be running out of time to catch up. And if they don't act, they are unlikely to have a place on the starting line.