

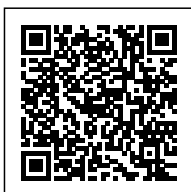
AN HONEST APPROACH TO LAW FIRM STRATEGY - GÓMEZ-ACEBO & POMBO

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Manuel Martín

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The downturn may be proving challenging to law firms but it also presents the opportunity to define their strategies for the coming years, says Manuel Martín

“Una crisis es una oportunidad demasiado buena para desaprovechar”, afirma Manuel Martín, de Gómez-Acebo & Pombo. En vista de la prolongación de la crisis, muchos despachos grandes se enfrentan a un momento crítico. No solo tienen que definir sus objetivos y estrategias para los próximos años, reflejando la realidad económica, sino también actuar en consecuencia.

“A crisis is too good an opportunity to waste”, goes the saying and when it comes to the legal market, I believe this sentiment to be true. In the face of a continuing downturn, many large law firms must now be facing a turning point. They have not only to define their projections and strategies for the coming years, which need to face the economic realities, but they also have to act upon them.

It is the latter half of this challenge that holds many in fear. For too long firms such as ours have perhaps hidden behind the impact of the crisis to explain away or cover up more fundamental issues closer to home. We have blamed external pressures for internal weaknesses.

There is no doubt that the past few years have proved extremely challenging. The sub-prime collapse, the subsequent global financial crisis and in Spain the bursting of the real estate bubble, have had an impact that only the most enlightened could have envisaged in 2007. And if some did voice warnings we ignored them anyway, in the face of expanding markets and rising company values that took law firms' revenues and profits with them.

The subsequent five years have therefore proved a true test. Many of our clients have faced falling revenues, forcing many leading companies – and very many smaller ones – to refinance their debt portfolios, restructure or face insolvency. A lack of liquidity in the debt and capital markets has been compounded by uncertainty in the sovereign debt markets. With questions surrounding the euro and a lack of confidence in Governments' public accounts international investors are inevitably taking a “wait and see” approach.

The result of all of this for our firm may have been a dramatic upturn in demand for the services of our labour and employment, administrative, tax and litigation and arbitration lawyers, and heavy workloads for our restructuring and insolvency teams, but the traditional driver of the firm has always been its corporate and M&A practices. Transactions may still be getting done, but they are fewer, smaller in value and taking much longer to close. In addition, clients are negotiating more on fees, taking longer to pay, and we have had to work harder to balance our own costs with cash flows.

I have every confidence in the future of diversified law firms like ourselves but the key question we are now finally forced to confront is, are we the right size and shape for the market as it now exists? And which looks likely to exist for the future.

Like most other firms, we have looked hard at our internal processes, sought to improve efficiencies and, where we could, cut costs. But there is only so much you can do without unsteadyding the ship. We were already pretty efficient and in any event we want people to enjoy working here, not looking over their shoulder.

So you can only ignore the inevitable for so long. We have to be honest and draw in our sails accordingly. In a market with reduced transactional activity and liquidity and in which there is uncertainty among investors, we have to define what type of firm we want to be and that which we do not or cannot any longer afford to be.

The ship we are navigating now is the right size for the current troubled waters. In a situation where agility and timely approaches are essential, we believe it is an advantage to be a frigate and not a tanker.

We need to ultimately face the future with consensus and, there is already a common consensus as to where we want to go, how we want to get there and the steps that are required to do so. This is after all a people business, and where much of the value we give clients is defined by the depth of the relationships we have with them. And despite the economic environment there is room for further investment. We may not want to grow significantly more but we need to keep developing our core skills and capabilities. We also still firmly believe in the Iberian concept and more than ever see interest in what Spanish and Portuguese lawyers can do for clients beyond our own borders, in Latin America and in Africa.

So we want again to be Spain's most international law firm. Our horizons will also always embrace the legal markets in Brussels, the UK and US, among others. In this respect we are simply capitalising on the legacy bequeathed by our founding partners. In many respects we face a new future, but one we are looking to embrace not shy away from.

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