

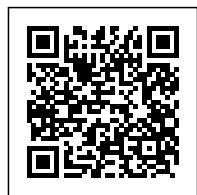
# BREAKING THE RULES

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**Portugal's largest law firm, PLMJ, say they have reached the top by breaking with convention, while their critics say, more simply, that size can bring its own problems.**

Fernando Campos Ferreira, chairman of Portugal's largest law firm PLMJ, is not scared of innovation. "We have always created our own rules without following the rest," he says with a noticeable hint of pride. Consider the firm's name. PLMJ, until 1998 known as the more cumbersome AM Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados, was the first of the country's major firms to drop the names of its founding partners.

Socio del despacho más grande de Portugal, PLMJ, Fernando Campos Ferreira revela que la firma ha conseguido llegar a la cima a base de romper con convencionalismos. Entre otras cosas, el despacho está introduciendo una política de jubilación anticipada para compensar las dificultades surgidas a raíz de la creciente diferencia generacional de los socios e incrementar así la posibilidad

de las jóvenes promesas a acceder a la posición de socio. Asimismo, la firma está revisando su estructura al considerar que está obstaculizando su propio crecimiento. Estos pasos han provocado ciertas críticas con las que se indica que la magnitud de la empresa no hace más que ocasionar problemas.

The changes being instituted at PLMJ however are much more than cosmetic. Indeed, the drive to constantly innovate and evolve in the increasingly competitive Portuguese market is necessary, Campos Ferreira says, if PLMJ is to remain the top of the tree. "Our ability to change, contrary to the competition, is our main difference," he says. The firm is currently instituting a pre-retirement policy to tackle the difficult issues that inevitably arise around older generations of partners making way for new partners. The firm has also begun a sweeping review of its departmental structure which, rivals argue, serves as an impediment to the firm's development.

Of course as the country's biggest law firm it is an easy target for the criticism of rivals, although it has not always been this way. PLMJ was founded in the late sixties by António Maria Pereira and Luís Sáragga Leal, when it was common to have small two or three lawyer practices. Partners Francisco de Oliveira Martins and José Miguel Júdice joined in the early seventies. They grew initially through organic expansion only so that by the time Fernando Campos Ferreira came on board in 1981, the firm was just seven partners and 25 lawyers. This was a considerable size, however, for Portuguese standards in the eighties and placing it already as the largest Portuguese law firm.

"At that time we were one of only two Lisbon law firms concentrating on international work," he says. Goncalves Pereira, Castelo Branco was the other main player at the time, to be followed later by Vieira de Almeida and Morais Leitão & Galvão Teles.



"I can distinctly remember Luís Sáragga Leal saying some 10 years ago that we would reach 150 lawyers and I found it then hard to imagine," Campos Ferreira recalls.

Today PLMJ has grown to 200 lawyers and 37 partners, putting a good deal of distance between it and its nearest rivals. Campos Ferreira is anything but complacent about PLMJ's position in the Portuguese legal world and says that they will continue to grow. Both Vieira de Almeida and Morais Leitão, who most acknowledge as their main domestic competitors, have had a very successful year.

He expects the demand for corporate legal work to continue to increase. "It is simply a matter of supply and demand," he explains. "The ideal size for this market depends on the number of firms. With the relatively small number of law firms doing our type of work, I feel that there is still room for growth."



That growth however must be managed. A key piece of this is ensuring that young lawyers see a clear path for advancement up the firm. PLMJ is one of the first law firms in Iberia to take this issue head-on by addressing the difficult issue of managing the exit of the most senior partners.

The firm is already unusual in that it has a retirement plan for partners aged 65 or exceptionally 68. But the proposals under discussion would create a pre-retirement scheme for partners who are 57/58 years old. One option on the table is for them to transition into more of a management role while still keeping a hand on legal work and perhaps most importantly maintaining contact with key clients. The larger goal is to institutionalise relations among a wider group of lawyers so that relationships are not dependent on a single partner.



PLMJ is a young firm, with many partners in their mid-30s. Campos Ferreira sees this new structure as pivotal in maintaining motivation throughout the firm's ranks. "This would be a good sign for our young lawyers," he explains. "The new policy shows that we are not planning to block access to partnership." A source within a Madrid Anglo-Saxon firm applauded PLMJ for taking such a proactive stance to a problem. He told Iberian Lawyer: "PLMJ is very much ahead of the game with this initiative. We have a retirement policy which, depending upon the personalities involved, may be more or less effective."

Succession issues are a challenge to any firm of significant size. Campos Ferreira explains: "If you have a firm of over 100 lawyers, you need to have a retirement plan that accommodates your ratios." Even so, not everyone agrees that institutionalising a system that phases out older partners is the way forward. "Without our senior partners this firm would not exist," suggests a partner at a competitor Lisbon law firm, "Many senior partners have actually built their firms. They are entitled to age peacefully while still enjoying their benefits."

Others suggest that PLMJ's challenges are specific to it and thus the policy Campos Ferreira is pushing through is not appropriate for others in the industry. "PLMJ have a generation gap they need to address," one competitor told Iberian Lawyer, who said the firm's partners are roughly divided into two groups, the younger group in their 30s and 40s and then the old guard who are in their 60s.

Fernando Campos Ferreira strongly denies this. "I am in my 50s," he says, "as are others in the firm so that is clearly not the case." He also denies any attempt to move out the founding partners before they are willing to leave. António Maria Pereira has already retired, although the remaining three will still be bound by the retirement policy of 65. "There will be no issues of succession if and when the founding partners are no longer involved. We will have proved them wrong." The three remaining founding partners, still work with clients though are more closely involved in management.



Campos Ferreira is not just navigating difficult succession issues. He is also trying to overhaul the firm's awkward internal structure. "Having five separate corporate departments is no longer the best approach," he admits. Each group has developed their own distinct client base. Critics suggest that this has left the firm's different corporate groups competing with each other over clients.

"This is a historical factor of our growth as we recruited and trained good professionals and incentivised them to build their teams," says Campos Ferreira. His response to critics of the firm's structure is unequivocal: "We are always open to change which means we can adapt and adjust the firm to the changing situation."

Such changes, he believes, are crucial to remaining competitive with domestic and foreign rivals, although Campos Ferreira does not seem particularly keen on the most dramatic change of all: a merger.

"PLMJ has basically developed through organic growth", he says. "Other law firms keep growing, primarily through mergers, and they may not have the culture or glue required to stay together." In fact, he would not rule out the possibility of a de-merger occurring at one of their main competitors over the next year or two.

As in Spain, the arrival of foreign firms has forced domestic Portuguese firms to up their game. Rumours that English firms are looking for targets – if and when top lawyers become available – resurface on an almost annual basis. However, with several already in the country, he doesn't expect more to open. "There is no rationale, no need, fees are too low, and they can service clients from London and Madrid," he says.

In the meantime Campos Ferreira has his hands full with not only revamping how the firm functions internally, but also continuing to expand into new markets within Portugal. To do so, PLMJ has once

again broken from the past. In a highly unusual move, the firm signed a joint venture last month with Manuel Rebanda, Pereira Monteiro & Associados (MRPM), a firm in Coimbra, halfway between Lisbon and Porto. While some view Coimbra as primarily a university town, Campos Ferreira sees Portugal's third largest city as "very important for smaller to medium size enterprises."

The strategic aim of the agreement is to position PLMJ for referral work from clients as they develop their national and, ultimately, international business from Coimbra. Until now PLMJ's policy of independence, with three domestic offices in Lisbon, Porto and Faro (Algarve), has won it a range of referral work from the best international firms.



Domestic work for Portugal's major industries on the other hand is much more steady, which is one reason for the firm's more aggressive stance on domestic expansion. As a major full service firm, Campos Ferreira believes PLMJ is well-placed to advise on international deals, as well as high value tax and competition aspects.



The ability to develop a domestic network, cherry picking the best businesses as they expand would effectively insulate PLMJ from a major referrer opening or a downturn in international investment in Portugal. While certainly less profitable it is a more stable business model, in line with the domestic approach of Spanish majors Garrigues and Cuatrecasas.

The move has sparked the attention of rivals. While many see the development as unexpected, a partner at a competitor said: "It is a very innovative approach, they gain potential referrals from their joint venture partners but without financial investment and risk." In return, local partners gain the prestige of referral relationship with a major Lisbon firm and support with development and know-how. It is still unclear, however, how clients in Portugal's regions will take to the higher rates that are the norm for Lisbon. Campos Ferreira recognises that the firm will likely have to adjust to this: "It is likely that we will have to be more flexible on our base rates."

Like the current restructuring of the firm and implementation of the preretirement policy, the success of the move into Coimbra is far from assured. What is certain though is that the firm is not simply waiting for circumstances to dictate what the future will bring. They are breaking the rules and making new ones. It remains to be seen whether PLMJ will be the better for it. If so, surely others will be quick to follow.