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Iberian law firms may emerge leaner, but much better businesses after the crisis

Iberian Lawyers' recent Iberian Legal Summit brought into clear perspective the current challenges facing Spanish and Portuguese General Counsel and law firm Managing Partners. Businesses are looking to reduce external legal spend, and bring more legal work in-house, with a greater focus on fixed and capped fees and to unbundle work so that the best suited provider – internal or external – does the work. This may produce short-term pain, but more significantly for the longer-term we heard that many are also increasingly active beyond Iberia. In the face of the depth and voracity of the crisis and this client diaspora Managing Partners say they are having to reassess firms' strategies.

As businesses earn increasingly more of their revenues internationally, many say that they are looking to establish new and more flexible relationships with firms in other key markets.

Brazil may be a common focus, but in such a sophisticated market most are not yet however ready to tie themselves down to an exclusive relationship. The situation is the reverse in countries like Angola and Mozambique, where the business challenges facing clients and law firms alike have demanded the need to tie-in local capability.

Spanish and Portuguese law firms are already siezing new opportunities and more than ever looking to export their know-how across the Spanish and Portuguese speaking worlds.

Some Managing Partners admit that they have come late, even reluctantly, to internationalisation, but even they cannot now ignore the realities of the effects of the downturn on clients' domestic business.

To date, it has been Partners that have absorbed much of the impact of decreased revenues with reduced drawings and profits, and firms have preferred "natural attrition" to lay-offs, but some suggest that next year may be even tougher and require a more dramatic response.

Firms are therefore placing greater emphasis on encouraging lawyers to better understand the commercial realities of practice. The connection between fees, invoicing and collection is now an issue for all fee earners, say Managing Partners.

Iberian law firms may emerge leaner, but much better businesses after the crisis; their lawyers having a more rounded view of their practice and its place within the firm as a whole. They are after all already among the most innovative in Europe.

This is no bad thing. Lawyers who talk the same language as their clients will be better positioned to understand the commercial drivers behind their legal needs, at home and abroad.

The market has changed forever, said Managing Partners at the Summit – but many of their law firms are changing too.