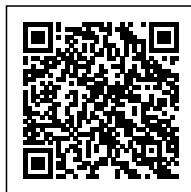


# EXPANDING THROUGH THE CRISIS - DELOITTE ABOGADOS

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**Deloitte Abogados is a firm in which many of its major strengths can also be seen as its biggest weaknesses. In Spain it now has more than 530 lawyers but which have historically been in the shadows of its more high-profile auditing and consulting practices. Its scale underscores the two sides of Deloitte. Firstly, it shows just how large and diverse the legal arm is but, simultaneously, how many in the market remain unaware of its capabilities.**

Deloitte Abogados es un despacho con una misión clara. En España cuenta con más de 530 abogados pero que muchas veces han quedado a la sombra de una de las más reconocidas áreas de auditoría o consultoría. La magnitud de su rama jurídica contrasta con el poco conocimiento que tiene el mercado de sus habilidades. Luis Fernando Guerra, Socio Director en España, tiene como misión cambiar esta percepción.

Luis Fernando Guerra, Managing Partner of Deloitte Abogados in Spain is now however on a mission to change this.

He first joined the firm in March 2004 and certainly has the experience to help reshape Deloitte's strategy. Guerra spent most of his career at Arthur Andersen's legal and tax arm (which formally merged into Garrigues in 2002) with a practice focus encompassing insurance, finance, tax and securitisation. He took over the lead of Deloitte Abogados in 2009 following the end of Luis Crespo's four-year term as Managing Partner.

### **Client reliant**

Under Guerra's stewardship, Deloitte Abogados has already undertaken a major expansion drive. He has doubled the size of the practice adding 250 lawyers, recruited lateral partners and senior associates from other law firms (including from Uría Menéndez, Clifford Chance, Garrigues and Cuatrecasas Gonçalves Pereira). He has likewise increased the intake of graduates and consolidated practice areas such as litigation, real estate, criminal law and TMT.

The expansion drive is however only one part of a bid to enhance Deloitte Abogados' standing and reputation.

As with many of its peers though, the accountancy link is something of a double-edged sword. Brands such as Ernst & Young, PricewaterhouseCoopers (PwC), KPMG and Deloitte are among the most recognised around the globe; but not for legal practices (PwC's legal arm is branded Landwell for example).

It is something that Guerra is aware of. One of his main challenges outside of building up the firm's personnel, he says, comes in the shape of the Deloitte brand, which is as much of a help as it can be a hindrance.

"The Deloitte name is synonymous with quality, professionalism and trust and that is an undoubted benefit," he states.

"However, Deloitte is still seen by some as an auditing firm and we have to communicate better with clients to show that, within the Deloitte organisation, we have built a strong law firm. I still sometimes get clients who are shocked when they find out that we have more than 500 lawyers."

### **Service levels**

Guerra is attempting a two-tiered approach to client matters to improve this perception. The first is to develop Deloitte as a full multi-disciplinary partnership (MDP) with the law firm standing alongside the auditing and financial consultancy business. The idea is to provide a single advisory firm for clients.

A recent example of how this works, he explains, is Deloitte Abogados' work alongside Deloitte Corporate Finance to assist one of the country's largest savings banks Caja Madrid (now Bankia) in

the sale and lease back of most of its banking branches. Stepping out from under the auditing umbrella, however, is a tricky process, he admits. There is a lingering market perception, or, he would say, misconception, that the only source of work for the accountancy-tied legal practices is referrals from the auditing side of the business.

It is a myth that Guerra is aware of, which is where the second element of the strategy comes in. "I want to make sure we have our own clients and this is something that I stress every day to my partners," he says.

There is a long-term plan to highlight the quality of the service and to be recognised as a leading tax and legal practice. To help in the process, he is adamant however that it will not drop fees in order to attract initial instructions. Instead. This involves marketing and communications as well as an increased presence in the rankings that goes beyond the tax team.

Indeed, Deloitte is already looking to reinforce and increase the profile of its expertise in corporate, dispute resolution, public law, employment and banking and finance.

Some may say that the firm's core areas of expertise are SMEs, but the tax team has clients including Telefónica and BBVA, Barcelona-based private equity fund Miura and Baring are transactional clients (recent deals include acting on the purchases of Guzmán Gastronomía, Gescobro and Adelte Group) while other notable instructions have come from Thomas Cook, CR Aeropuerto, Iberostar, Antena 3 and Caja Castilla-La Mancha (CCM).

It is these types of clients that Deloitte is looking to exploit to develop stronger relations. "When I took over as Managing Partner two years ago, our strategy was very different. The firm was not focused enough on client needs but, instead, looking for the next short-term instructions. There was no push to develop long-term relationships," asserts Guerra.

### **Integrated advice**

The need to deepen ties with clients and to be able to cross-sell may have required an increase in headcount but Guerra insists it does not mean that Deloitte requires a vast network of offices in Spain.

While the accountancy and tax divisions may operate a network of 20 offices, the intention of the legal arm is to have a strategic presence in no more than half these locations, among them Madrid, Barcelona and Mallorca (Guerra says he hopes to become the leading practice in the island over the next three years).

So what are the key selling points for Deloitte that make it much more attractive than its peers, and what is its value proposition?

Mr Guerra says there are three key differentiators, the first being that Deloitte can get closer to clients by offering an integrated service for tax, financial and legal consultancy. In an era where fees and advisory performance are closely scrutinised, removing the need for three separate advisers and bills would seem an attractive proposition.

Secondly, this integrated advice spans all aspects of business operations. For example, when dealing with the financial aspects of an M&A deal, Deloitte's lawyers work closely with their auditing and tax colleagues. This enables the lawyers to understand the transaction as a whole rather than merely their own specific niche, he says.

Finally, Deloitte's lawyers have access to dedicated expertise in business issues as well as the law. "This means that we can provide an industry focus depending on the client's sector and that we "speak the client's language," says Guerra.

### **Strategic growth**

Accountancy-tied firms, of course, have had mixed success over the years across Europe, and there remain some sensitivities around the MDP concept in some markets, but Deloitte certainly seems in

“ Much of the responsibility of the partners now is to get the pricing right. Clients may say that for the most important matters cost is less of an issue but in our experience it always is.”  
Ignacio Ojanguren



a strong position to expand its reach.

For the last two years, Deloitte Abogados has been one of the fastest growing firms in the Spanish legal market and Guerra feels confident that this year it will remain in the same position.

It is now among the top 10 largest legal practices in Spain and recorded revenues of €63.1m in 2010. In doing so, it has therefore surpassed E&Y (€58m) but it is still behind KPMG (€75.8m) and PwC Tax and Legal services (€119.2m) in revenue terms.

The past year has seen hires in Barcelona, Madrid and Valencia. In June the firm integrated 15-lawyer Canary Islands firm Murli & Asociados and more recently appointed former Clifford Chance Partner Alberto Plaza as Head of Real Estate. While lateral hire Javier Menor from Garrigues now leads the firm's Catalonia, Aragón and Balearics practices.

Guerra acknowledges that there remains some way to go before Deloitte is seen as an equal of the market-leading domestic firms such as Garrigues, Cuatrecasas and Uría Menéndez, but he is certainly committed to getting there.

"We face a number of challenges but I am confident that by being more proactive with clients, continuing to grow strategically and making the best use of the Deloitte brand, then we can become a leading practice," he concludes.