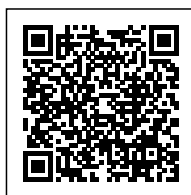


# FOCUSING ON THE INSTITUTION - GARRIGUES

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Garrigues' culture is very much more about the firm than the individual, say its leadership. It may

have fewer stars than other firms its size, but it undoubtedly has a stronger institution.

Fernando Vives y Ricardo Gómez-Barreda tienen una misión muy clara. Como socios co-directores de Garrigues, su objetivo es guiar al despacho más grande de Europa en esta época de crisis. Afirman ser pragmáticos en su modo de ver el mundo pero prudentes en la gestión de Garrigues para el año 2011.

Fernando Vives and Ricardo Gómez-Barreda are men with a clear mission. As joint Managing Partners of Garrigues, their goal is to steer Europe's largest independent law firm through turbulent times. They are, they say, pragmatists in the way they see the world but cautious in the way Garrigues must be managed through 2011.

Within the legal market, opinion on Garrigues is often polarised. For some, the crisis has been good for the firm. It is one of Spain's best known legal exports, and has continued to prosper because it is well-managed, and well-hedged both geographically and in practice terms. For others, the firm may be well-managed, but it is arguably too large for Iberia at a time of stalled economic activity. Garrigues may have global ambitions, but of its over 2,000 professionals, they vast majority remain within Spain and Portugal.

"It is very difficult to direct lawyers but is perhaps easier in a time of crisis. In the good times many think that all is easy and seem to be in constant rebellion, but in times of difficulty there is more alignment. The crisis has helped us guide all the partners in a very clear direction," says Gómez-Barreda.

### **Strategic direction**

Vives and Gómez-Barreda took over leadership of the firm in 2009 from Miguel Gordillo and José María Alonso, who had led Garrigues since the start of the decade. Gordillo and Alonso were a successful team, believe many, Gordillo managed the numbers and Alonso was the diplomat. From the outside, Vives and Gómez-Barreda are clearly different personalities, but the transition appears to have gone smoothly. They have however clearly faced a much more challenging business climate than their predecessors.

On the back of a transactional and projects boom Garrigues in the 2000s expanded significantly, across Spain, into Portugal and elsewhere across Europe, as well as opening offices in Shanghai, Tangiers and Casablanca. In 2004 it formed Affinitas, an exclusive Latin American alliance, counting firms across seven countries in the region, and in 2005 established the international tax alliance, Taxand.

Despite the severity of the economic situation the firm now faces at home, they insist however that there have been no major changes in strategic direction. "What is important is to understand the specific issues our clients now face, the immediate impact of the decisions we take, and the overriding need to continue to offer excellent service," says Vives.

Garrigues announced a 5.5 percent increase in revenues to €352.8m during 2009-2010. But he acknowledges the evident difficulties being presented by the current economic climate. "We are clearly now working more for less. There is much more competition in the market and evident pricing pressures. But what is significant is that as a firm profits-per-partner is not the only driver behind our overall strategy. We have more diversified goals."

The leitmotif of the firm is 'client service', in both the good and bad times, they insist. The approach has clearly served the firm well over the previous 18 months. Garrigues has featured in many of the major Iberian business and legal developments: advising the Spanish Government on the State Aid questions around its €9bn Fund for Orderly Bank Restructuring (FROB), intended to help promote the consolidation of the country's savings banks (cajas) among which it also featured prominently, as

well as advising Iberian through its merger with British Airways. The firm's Portuguese office advised Portugal Telecom's in the €7.5bn sale of its share of Brazilian mobile operator Vivo following a hostile bid by Telefónica, and the firm as a whole continues to play a significant role in many of Spain and Portugal's largest restructurings, insolvencies and disputes. **Major pillars**

There are three fundamental pillars to the way in which Garrigues operates, says Vives: the emphasis on quality of service, the strength of the firm's 'glue' – over 90 percent of partners began their career at the firm – and the fact that it is a reference in major centres like Madrid, Barcelona and Lisbon, as well as across the 26 other Iberian cities in which it also has offices.

“There is inevitably much debate among the partnership, but at the end of the day they have entrusted the decision-making process to us and in the current climate you need to have a very disciplined approach.”

Ricardo Gómez-Barreda.



“More than anything we have to maximise our strengths not our profits. We have a very decentralised structure that means we are able to feature prominently in the business communities wherever we are. But this also means we are able to 'outsource' work to where it can be done most effectively within our network.”

Such a structure reflects that of Spain itself, says Vives. “Across the Autonomous Communities, it remains fundamental to maintain both local political and commercial ties. There are many things that cannot be done solely from Madrid.”

He also questions the confusion that often surrounds the size and strength of the firm's tax and other professional services, a feature of Garrigues since its merger with Arthur Andersen in 1995 – from where both Vives and Gómez-Barreda came. “Tax remains an important element of the firm but still accounts for less than a third of total revenues. It is an important element but not the most important,” says Gómez-Barreda, himself a leading tax specialist.

A more significant difference between Garrigues and many other firms is that all of its practice groups must stand alone, they say. “Areas such as labour, administrative, intellectual property or litigation do not exist to support our finance or corporate practices. They have to exist in both the good and bad economic times. Many clients use many of our services, but many more do not.”

### **The brand**

In the current difficult times, what remains fundamentally important is the cohesiveness of the firm, say Vives and Gómez-Barreda. Difficult decisions may have to be made but what is significant is that Garrigues is not a firm dominated by a few “star” lawyers.

We undoubtedly have a large number of very capable lawyers but our focus has always been on building an institution. Our culture is very much more about the firm than the individual. Some may say we have fewer stars than other firms our size, but we undoubtedly have a stronger institution.”

Vives and Gómez-Barreda may be regarded as strong managers, albeit they retain their own practice focus, but they acknowledge that the leadership role is not an easy one and so must be done in collaboration.

“Fundamentally we are lawyers not managers. It is impossible to lead a partnership if you are not part of it. You cannot lead without the co-operation and consent of those around you. You always need the majority of the partnership with you, whatever you do. And, if I were to lose touch with my clients, I would not know how to manage,” says Vives.

It may help that both he and Gómez-Barreda are prominent lawyers in their own right, but the firm's joint management is an extension of the collaborative ethos that pervades the firm, they say. Nonetheless, some suggest that they take a very proactive approach. Their focus is however on promoting Garrigues as professional services firm not an extension of a family name.

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### **Global ambition**

Like many Iberian businesses, the economic challenges facing Spain and Portugal are prompting Garrigues to place renewed focus on its international profile. "We want to be a firm of reference in the markets in which we operate but there is still a difference between being an international and a 'global' law firm – few global firms are truly integrated or have a single profit pool," says Vives.

Garrigues now has offices in the UK, US, China, Morocco, and as of this year Brazil, but the focus of the firm's lawyers remains predominantly towards Spanish or Portuguese law – albeit it has local capability in Shanghai, Casablanca and Tangiers, and in Warsaw.

For some, the past year has however brought indications that the firm has begun to rethink its international strategy. There is less talk of merging the Latin American Affinitas network and more of working in association. The decision to establish an alliance with Sao Paolo-based 26-partner Schmidt Valois Miranda is the direct result of the loss of Brazilian member Barbosa Müssnich & Aragão in 2009, reportedly over divergent opinions as to the merits of merger.

"We are in no way planning a takeover of Latin America nor are we reducing our desire to be global. For us it is not a matter of how many flags we have across the world, but a matter of strength and consistency in each one of the markets in which we operate. We remain fundamentally international in everything we do, in terms of our strategy, quality and profile. We want to get it right but we are in no hurry," says Vives.

The firm has also recently announced the closure of its Romanian office and the centralisation of its Central and Eastern European (CEE) practice to Warsaw.

Vives and Gómez-Barreda are therefore pragmatic as to the extent of Garrigues' ambition. Recent years have seen it expand into north Africa but that is the limit of the current continental ambitions. Despite the significance of Mozambique and Angola to its Portuguese lawyers there is no desire to establish a formal presence there. "We recognise that there is a commercial case to be made for further expansion into specific markets but this has to outweigh the commercial risks that accompany them," says Vives.

They do not however rule out further international growth, or the potential for merger, should the right suitor arise. Fundamentally Garrigues must play to its Spanish and Portuguese strengths, they insist. There is no desire to take on the major US and UK firms or seek global domination.

"There comes a time when the management of an international organisation becomes more efficient on a global scale but we have to be realistic about what we want to do. There is no sense of urgency," repeats Gómez-Barreda.

### **Conservatism**

With an uncertain year ahead, Garrigues is therefore being managed very conservatively, they say. "We are planning for the worst case scenario. Spain faces both an uncertain economic and political outlook and has lost its attraction to many international investors. Our clients are taking a very prudent approach and so must we," says Vives.

The firm may not have made public redundancies, but like many others in the market it has made them and has sought to manage attrition levels. A major strength of the firm remains however its balance. No single client accounts for more than 1.5 percent of total revenues. But while there may be evidence of a slight upturn in transactional activity it remains difficult to see consistently positive economic signs.

“Continued success very much depends on our internal resilience, and on managing our costs, quality and ambitions,” says Gómez-Barreda.

“We are not looking to grow for the sake of growth, we are recruiting less, but we are looking to place greater emphasis on management. We hope to grow our revenues but not purely to increase profits. This is perhaps a difference between us and some other firms. Our intention is to continue to build an institution that is ultimately stronger at the end of our term than it was at the start.”