

GETTING BETTER CONNECTED

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More than merely offering referral options to their clients as they expand internationally, law firms increasingly need to offer new skills. There are, say General Counsel, still significant opportunities for their domestic advisers to assist them as their businesses grow abroad but in order to seize them they must offer more than mere hand holding. They must understand their specific business issues, offer the right connections, and help them to manage the international challenges they face.

Más que recomendar otros despachos, los bufetes españoles tienen que demostrar a sus clientes de lo que son capaces. Según los directores de asesoría jurídica, sus abogados externos en la Península tienen la oportunidad de asesorarlos en la expansión internacional de sus empresas. Los despachos tienen que entender los problemas específicos de cada negocio y jurisdicción, ofrecer los contactos adecuados y ayudarlos cada vez más a gestionar riesgos.

Iñigo Cisneros, General Counsel of leading Spanish wind turbine manufacturer Gamesa, puts the issue into context. "In recent years both the shape and the focus of our business has changed. This is in part a reflection of the domestic downturn but also strategic decisions we have made as to where the new opportunities lie, and they are increasingly outside of Spain."

His company is now active across Europe – it recently announced the relocation of its entire offshore energy research centre to the UK – as well as the US, Latin America, India and China. In 2008 over half the company's revenues were generated in Spain; that fell to 27 percent in 2009 and

seven percent in 2010.

"By half year 2011, that figure stands at zero. China accounts for a fifth of all our revenues, as do Mexico and Brazil combined, India is as well a big part of that. I thought I had a good background for the company when I joined because I knew Spanish law but it turns out we don't need to use Spanish law very much any more."

Such a dramatic strategic change presents inevitable business and legal challenges, he says. "We are developing more products and expanding our supply chains further outside of Europe – when we launch a product we launch it in four regions at the same time and this demands ever greater levels of legal oversight."

New best friends

It is a similar story for many of Iberia's most successful companies, but this inevitably presents a challenge to some domestic law firms that have lived well on a decade of strong domestic growth. How then are the major Iberian firms reacting to such developments, and looking to assist their clients as a greater proportion of their needs are derived outside of Spain and Portugal?

"In reality, this is nothing new. The large Spanish companies have been carrying out their business outside of Spain for some time now, thus they already have first-hand knowledge of both the markets and the legal systems that are involved," says Manuel Martín, Managing Partner of Gomez-Acébo & Pombo. "Over the past few years, in-house lawyers have become well-versed and even more accustomed to working in these foreign jurisdictions than most external advisors."

In most cases, our work is focused on recommending experts to our clients or on helping to lead very specialised projects that have an impact in various jurisdictions. To do either of these activities, we do not need to extend our foreign presence any further than where we are right now."

The international investments made by his firm, like those of other Iberian law firms, continue to be in Europe and the US. However, in recent months subtle changes have been observed in how the traditional markets, like Latin America, are being viewed.

Gomez-Acébo & Pombo has long-standing relationships with leading firms in the region, such as Brazil's Pinheiro Neto and Argentina's Beccar Varela, but it is now looking to expand its referral network, in order to offer more expertise in specific niches, when required. "Our main strategy still consists of offering the highest levels of expertise for any issue our clients bring to us, no matter how complex or where it occurs."

In the current economic environment few law firms are however able, or prepared, to make the investment required to establish stand alone offices abroad, says Martín.

"If we want therefore to be coherent with our main strategy strict alliances do not work; unless they are established in relation to certain specialised practice areas. In most cases, what is the core practice area for one law firm, is not necessarily the same as that of the other firm."

"A similar view is held by Joan Roca, Managing Partner of Roca Junyent. "We can no longer talk of a crisis, but rather of a new reality: law firms face a high degree of uncertainty. Our clients have changed their business, and exports are a must for them. But in our case it is difficult to adapt to these new changes, which affect relationships with clients as well, since our clients' operations grow abroad. We continue to send many more referrals abroad than we receive back."

Building a credible referral network is now a must for firms but inevitably this takes time and will not produce immediate reciprocal returns.

"I am skeptical about the ability of Iberian firms to become truly global. This requires access to large amounts of capital, which most do not have, and a tremendous amount of managerial effort," says Pedro Pérez-Llorca, Managing Partner of Spain's Pérez-Llorca.

"We are therefore working on an alternative solution. First of all you have to nurture relationships with the right kinds of clients and firms, you also have to be able to work effectively with other teams and to travel often. This again requires investment, but is considerably cheaper."

Project management

The ability of firms to understand the wider geographic implications of issues and to make the necessary introductions in key markets is important, but for General Counsel a distinction has also to be made between the ability to manage both the routine and more complex issues their businesses face.

Law firms have long seen the value in selling their expertise and experience in international markets, but of increasing importance is to do so more efficiently. What clients increasingly want are different options, say some. They need to be able to unbundle transactions. Their domestic advisers may know their business best, but they may not be the best-placed to do the work.

"We don't always need a Ferrari-type of firm," says John Rigau, General Counsel for Pepsico Europe. "There are always projects that the company is willing to pay a lot of money for – and where we need the most sophisticated advice – but for more commodity issues firms have to be more competitive."

When it comes to addressing clients' less complex needs, firms obviously therefore have to decide what value they can realistically offer abroad. If it is enough to merely offer the name of a referral firm or if the relationship requires a more considered approach?

A recurring issue for many General Counsel, regardless of the value of the matter in question, is also their department's ability to manage issues outside of their domestic markets. Rigau's preference to date in many new jurisdictions has been for the local offices of Anglo-Saxon firms – not always the cheapest option – because of their ability to take the wider view, he says.

"Even for the most routine work it is not simply a question of getting jurisdiction-specific advice, but about a particular way of working and understanding how important the matter is to the business. In this regard we still find the London firms to be ahead in terms of their ability to project manage." Rigau is now looking to expand his own department's expertise as PepsiCo's needs change, and for many General Counsel this means placing as much emphasis on lawyers' management skills as their technical ability.

For José María Segovia, Senior Partner at Uría Menéndez, the downturn may not have drastically changed the way in which Iberian businesses operate but it has helped to highlight acute needs. "The crisis has undoubtedly impacted on clients' demands for more considered estimates and different fee arrangements and we have to show that we can bring value – to a certain degree the external firm is always competing with the internal lawyers' ability to handle an issue. I think that we have therefore to work harder on developing and then selling the expertise, skills and connections we are able to offer clients when they do move internationally."

His own firm is placing greater emphasis on its ability to act as a legal platform, notably in the facilitation of investment from China to Latin America. Portuguese firms like PLMJ may be even further ahead in such thinking, managing work for global clients in expensive markets like Angola through Lisbon.

Such developments demonstrate the awareness of firms to think beyond jurisdictional lines, but the solution to how firms capitalise on their clients' expansion may be generational, suggest some. It is the more junior lawyers that seem to have the time, patience and interest in developing the soft project management skills increasingly in demand.

However even among the largest and best-resourced law firms there is an understanding that its lawyers cannot be all things to all people.

"Our goal always is for our local clients to become global clients and this is still what underpins the growth of our own network, but we cannot do everything and we cannot be everywhere. And in fact we don't want to be," says Stephen Denyer, Global Markets Partner at Allen & Overy.

"We have to play to our strengths and this includes offering the right connections in those markets where we do not have our own capability but where we do a lot of business and can still play a role in dealing with the issues clients face."

As with Iberia's own firms this means developing new skills and nurturing relationships with more law firms in more jurisdictions. The challenge of servicing clients wherever they operate is one that is

common to law firms of all sizes. So is the solution, believes Denyer.

"It means investing more in getting to know their business, so that we can better understand their needs, and in building our network of relationship law firms around the world even if that means giving out much more in referrals than we will ever likely get back, at least in the short-term."

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