

SPECIALIST OR FULL SERVICE LAW FIRM: WHAT MAKES YOU SPECIAL?

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Quite often law firms wonder whether their strategies are the best ones to guarantee a profitable and sustainable future. The trend towards specialisation and developing stronger practice and sector groups has become the reality in the leading firms around the world. There is a clear client demand.

I participated as panel member at a recent **IBA Mediterranean Conference** (#IBAMedConf) in Rome, together with other panel members that included Joan Roca , Managing Partner at Roca Junyent; Vittorio Nosedà, Managing Partner at NCTM Studio Legale; Lluís Paradell, Partner at Freshfields; Emiliano Berti, Head of Legal and Compliance Europe at Nokia and Nasser Ali Khasawneh, Managing Partner Middle East, Eversheds, where we debated this issue.

The key question was whether culture –in this case our mediterranean culture- has a direct impact on our management models and our approach to client's attraction and retention.

Client needs are becoming more specific, and they want more specialized lawyers who know their sectors and legal concerns. Iberian Lawyer published a survey of General Counsel that is quite revealing. In 2015, the survey highlighted that 61% considered that one of the **biggest mistakes** law firms made when **pitching** for work was that "they did not demonstrate an understanding of our business", ("What makes you special" [Iberian Lawyer 2015](#)).

The economic crisis proved to be one of the detonators of a market change, where clients gained

power and took charge on how would they buy legal services, looking for more transparency from law firms . "Trust was one of the first casualties of the downturn" said one Madrid managing partner.

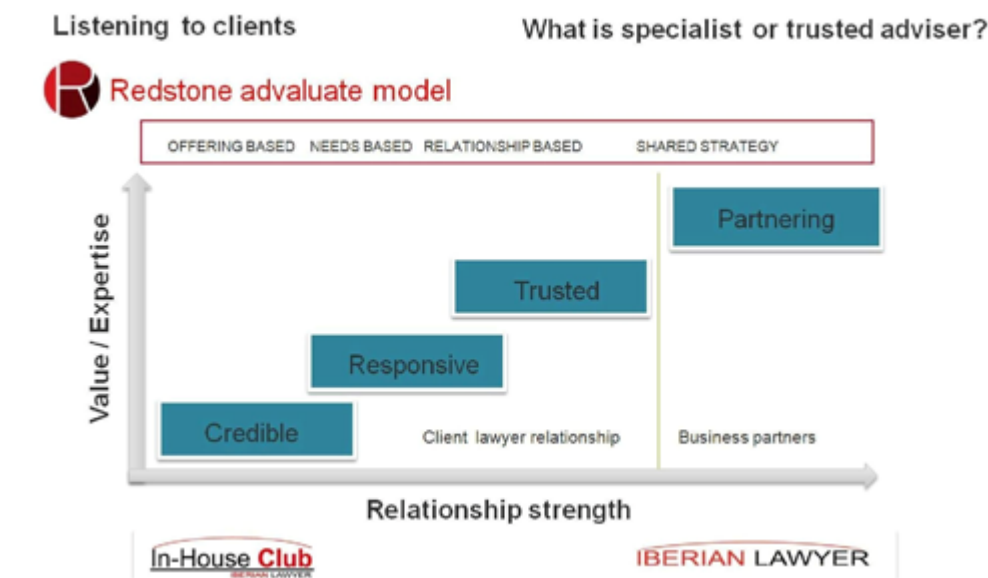
The majority of law firms in the Iberian region were **used to establishing a close relationship with their clients**. Much more so than in say, London or New York. In some ways, the aim was to become their trusted adviser, in order to be able to resolve all their key problems.

To have a **"trusted adviser"** brings some benefits to General Counsel, making communication between law firm and client more effective. "The term **trusted adviser** is commonly used to describe professionals that provide an integral consultancy service to clients" says Juan Antonio Ruiz partner at Cuatrecasas, Gonçalves Pereira and Thomas Pessanha partner at PLMJ added "one becomes **a trusted adviser** when repeatedly asked to give advice beyond his area of expertise". Wider than advising on a specific area of law, clients welcome "sound advise" on a wide range of challenges, (read [news article "Trusted advisers"](#) Iberian Lawyer 2016).

In 2016, however, law firms are still seeing further changes. Iberian Lawyer surveyed General Counsel again in order to have a clear view whether their process of selecting lawyers is changing.

Based on **RedstoneConsultants** AdValuate model, internationally there are clear differences in the type of lawyer required depending on how much value added is expected and the level of relationship developed between the client and the law firm (see chart 1). Credible lawyers, tend to be asked to do day-to-day work, while responsive lawyers have a level of expertise and speciality that offers a higher value to clients. Finally the trusted adviser has a greater proximity to the client and is expected to offer the highest value. However, the highest client requirement is now "partnership". This is when lawyer and clients sit together to jointly solve issues, investing resources to do so - often in alternative delivery models. Thought still uncommon, it is a model that is growing amongst corporate that want their firms to move beyond buyer/seller relationship, sit at the table together and jointly solve their problem with them.

Chart 1:



Our research shows that, in the Iberian region, 93% of General Counsel would select a specialist lawyer for complex cases (litigation, tax, competition) and 73% would select the trusted adviser for strategic legal decisions. The area which was interesting is corruption cases where 55% would choose a specialist but 45% would like to have their trusted adviser supporting (see chart 2).

Chart 2:

Listening to clients

Q2: When would you use a specialist lawyer or your trusted adviser?

	Specialist lawyer	Trusted adviser
In a complex legal case (litigation, tax, competition, etc)	93.69% 104	6.31% 7
In a strategic legal decision	27.08% 26	72.92% 70
In an international dispute	84.62% 88	15.38% 16
In a merge or acquisition	74.51% 76	25.49% 26
In a corruption case	55.56% 50	44.44% 40

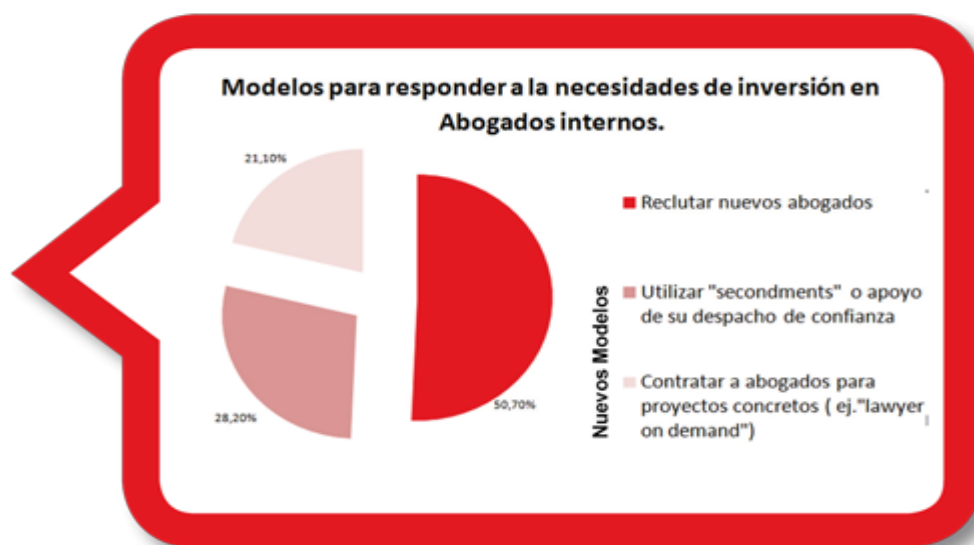
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From the survey 93,6% suggested that they expect their trusted adviser to give them "sincere" advice (even if it is not in writing) and 86% require the external lawyer to understand very well their business and to be "available for me" (83%).

Considering the client's demands, the survey wanted to find out when selecting a lawyer (whether specialist or trusted adviser), what is it that they value the most (see chart 3). Providing creative solutions (69%) and being an excellent technical lawyer (57%) was very important and "knowing my sector" (43%) and having good reputation (42%) was important.

Chart 3:



This could make us think that specialised lawyers are more valued nowadays. So the question is whether this data **is reflected in law firm revenues?**

The Spanish newspaper Expansión, publishes a annual Revenue Per Law Firm figures and a Revenue Per Partner figures that is quite telling. In the annual revenue ranking, the top 3 law firms are independent Spanish law firms, followed by the Big 4 and then the rest. But when compared with the Revenue Per Partner the top 5 law firms in the ranking are Global/UK firms (except one) and followed by some boutique firms (see below). Why such differences?

We need to ask ourselves whether the Anglo-Saxon law firm model has differentiated itself by offering specialised practice areas or sectors, and clients are appreciating this by paying higher fees?

Ranking Expansión:

Listening to clients

Expansion ranking
Annual revenue

LAS FIRMAS QUE MÁS FACTURAN EN ESPAÑA

Clasificación en millones de euros

Despacho	2008	2009	Var. (%)	Despacho	2008	2009	Var. (%)
1 Garrigues	204,5	222,0	8,5	21 Ramón & Cajal Abogados	10,0	10,7	7,0
2 Cuatrecasas, González Pons	222,0	220,4	-0,7	22 Lamer	10,0	10,3	3,0
3 Uría Menéndez	199	198,8	-0,1	23 Capdeville Abogados	10,0	10,7	7,0
4 PwC Tax & Legal Services	194,0	192,9	-0,5	24 Barrios	10,0	10,3	3,0
5 BNG Abogados	150,4	151,0	0,4	25 Broseta Abogados	9,7	10,4	7,0
6 El Abogado	101,7	101,0	-0,7	26 BDI Abogados	10,0	10,3	3,0
7 Deloitte Abogados y Asesores Tributarios	100,0	100,0	0,0	27 Martínez Leizaola, Pérez y Ferrero	10,0	10,3	3,0
8 Clifford Chance (*)	97	99,3	2,3	28 Otros despachos internacionales presentes en España			
9 Baker & McKenzie	97	98	1,0	29 Riccio	10,0	10,3	3,0
10 Linklaters	142,7	142,7	0,0	30 Grant Thornton	10,0	10,3	3,0
11 Gómez-Acebo & Pombo	102,7	101	-1,7	31 Cross Hemet Legal y Tributario	10,0	10,3	3,0
12 Hogen Lovells	104,4	103,9	-0,5	32 King & Wood Mallesons (*)	10,0	10,3	3,0
13 Pérez-Llorca	103,9	103,9	0,0	33 Dentons	10,0	10,3	3,0
14 S.J. Piper	103,9	103,9	0,0	34 Escudéu Nova	10,0	10,3	3,0
15 Eclja	103,9	103,9	0,0	35 Hall & Partners	10,0	10,3	3,0
16 Allen & Overy	103,9	103,9	0,0	36 Squire Patton Boggs	10,0	10,3	3,0
17 Roca Junyent	103,9	103,9	0,0	37 Watson Farley & Williams	10,0	10,3	3,0
18 CMS Albaladejo & Suárez de Leizaola	103,9	103,9	0,0				
19 Richard	103,9	103,9	0,0				
20 Arriaga Abogados	103,9	103,9	0,0				
21 Rosendal García Charro BCD	103,9	103,9	0,0				
22 Deloitte	103,9	103,9	0,0				

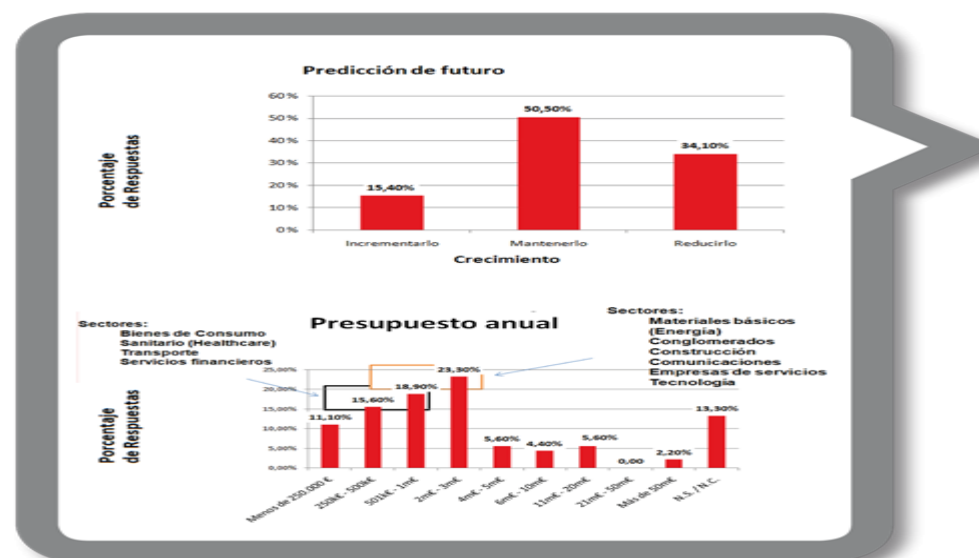
Revenue per partner

FACTURACIÓN POR PROFESIONAL*

Despacho	Facturación 2008 (mill. €)	Profesionales en 2008	Facturac. por profesional (€)
1 Clifford Chance	67	144	465.278
2 Linklaters	142,7	125	437.600
3 Uría Menéndez	220	195	378.378
4 DLA Piper	103,9	84	364.805
5 Hogen Lovells	104,4	116	296.448
6 Cuatrecasas, González Pons	220,4	897	296.230
7 Sagardoy Abogados	18	62	290.323
8 Squire Patton Boggs	10,3	21	271.333
9 Eclja	103,9	143	254.077
10 Seven Ferrero & Asociados	4,6	19	242.947
11 CMS Albaladejo & Suárez de Leizaola	103,9	100	241.300
12 Garrigues	100	140	240.426
13 Baker & McKenzie	97	241	236.515
14 Elzaburu	14,1	60	235.000
15 Allen & Overy	103,9	128	232.309
16 Pérez-Llorca	103,9	144	225.715
17 Ashurst	103,9	98	225.530
18 Arce & Ronda	5,6	25	224.000
19 Gómez-Acebo & Pombo	103,9	269	223.792
20 Gray & Angulo	5,1	26	195.385
21 Dentons	10,3	44	190.864
22 Ramón & Cajal Abogados	10,7	99	189.828
23 Serrano Albeira & Conde	4,1	22	187.273
24 Broseta Abogados	10,4	93	182.796
25 Watson Farley & Williams	10,3	30	176.667

In our research, Iberian Lawyer asked General Counsel, what is their **fee arrangement** with regards to specialist, trusted advisers or panel law firms, and they responded in their majority that their preferred fee arrangement for all is a fixed fee (see chart 4).

Chart 4:



Global and multinational companies are developing sophisticated processes to outsource legal work and as Silvia Madrid, Head of Legal said the main driver is copying with the "volume as well as the need for specific expertise".

So is the trusted adviser disappearing?

One of the conclusions from the panel was that clients will always develop a stronger relationship with a lawyer, but the future trusted adviser will have to demonstrate also that he or she has a specialty with always a strong understanding of its client sector and business.

So what makes you special?

Mari Cruz Taboada, Managing Director at Iberian Legal Group (Iberian Lawyer)