

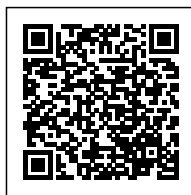
# SWITCHING ON THE INTERNATIONAL NETWORK

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CMS Albiñana & Suárez de Lezo talk to Iberian Lawyer about their search for the middle ground between independence and international merger.

A year ago, CMS Albiñana & Suárez de Lezo finally made the jump. Sort of.

Like many of the premium mid-size Spanish law firms, merging with an Anglo-Saxon firm had been an option on more than one occasion in recent years.

For some firms, teaming up with an international law firm was a natural next step in their development. For others, independence was more important.

Para muchos despachos de la península ibérica, fusionarse con una firma anglosajona para incrementar la cobertura internacional es un elemento de crecimiento natural. Sin embargo para otros, el mantener su independencia es lo primordial. Únicamente unos cuantos despachos parecen haber encontrado el equilibrio al mantener su independencia aunque dentro de una alianza o red

internacional. Entre ellos se encuentran Albiñana & Suárez de Lezo, que se fusionaron con una de las mayores redes mundiales, la alianza de CMS hace tan solo un año.

Iberian Lawyer habla con los socios Carlos Peña Boada y Luís Miguel de Dios Martínez, de CMS Albiñana & Suárez de Lezo, sobre el despacho, la alianza con CMS Cameron McKenna y sobre los beneficios que ésta les ha aportado.

Albiñana & Suárez de Lezo chose the middle road. It joined one of the biggest international law firm networks, the CMS alliance – a European network of independent firms – which at that time was unusual for a quality Spanish firm.

One year on, Iberian Lawyer talked to two of its partners, Carlos Peña Boada and Luís Miguel de Dios Martínez about the firm's decision and whether it has paid off.

## **Finance tradition**

Now approaching its 80th anniversary, Albiñana & Suárez de Lezo has been around longer than most law firms in Spain. Since Antonio Melchor de las Heras founded the firm in Madrid in 1927, it has built up a long and prestigious pedigree.

So when the firm decided last year to join the CMS alliance, adding the network's letters to its name and joining a group of eight other firms around Europe, it was not a decision taken lightly.



Originally operating as Melchor de las Heras, the firm made its name over the years through its strong finance practice, becoming Albiñana & Suárez de Lezo in 2002.

Yet long before the Anglo-Saxon firms swept into Spain or partnered with local firms, Albiñana & Suárez de Lezo's strong international practice set it apart. At a time when most Anglo-Saxon, and Spanish firms for that matter, were content to stay in their home markets, they were already drawing more than two-thirds of their business from work outside of Spain.

Much of this work came from international referrals, most notably from Coward Chance – now Clifford Chance. But Spain's importance as a legal market grew in tandem with its economy, and the Anglo-Saxon firms began to land. "The market has changed a lot," says Carlos Peña Boada. "Fifteen years ago there were three major international law firms: ourselves, Garrigues and Uría Menéndez."

## **Market changes**

The arrival of the Anglo-Saxon firms brought significant changes, not least, says Luís Miguel de Dios Martínez, the development of the full service firm. "Formerly, the lawyer was supposed to know every area of law and now, through the Anglo-Saxon influence, and new business methods, the client demands a higher level of specialisation and a full range of service", he says.

Albiñana & Suárez de Lezo, which had essentially been a niche finance practice, started to develop its other service areas to keep pace with the changing client demands. After Clifford Chance opened offices in Spain, Albiñana & Suárez de Lezo worked closely with Freshfields.

Along with the inevitable pressure on fees as more firms fought for work, increased competition fundamentally changed the way that clients purchased legal services.



"When I started there was no competition amongst firms. Clients had a feeling of loyalty towards its lawyer," says Carlos Peña Boada. "I think this has totally changed, especially in the financial services sector, and banks in particular. Clients choose one firm for one transaction and another firm for another transaction."

## Merger offers

A more serious issue for Albiñana & Suárez de Lezo, however, was that with each new arrival, a source of international referral work was lost. But the firm's reputation was well established and its expertise in finance was attractive to more than one firm eager to establish a presence in Spain. The merger offers started to come in.

When Linklaters' courting of Uría Menéndez failed to end in merger, the UK giant approached Albiñana & Suárez de Lezo. The firm later had a "best friends" relationship with Lovells. Despite the various options, the firm decided time and again to remain on its own.

"We did not want to be a 'rule Britannia' firm, with London saying how you have to be. That scared people," says Carlos Peña Boada. "Some people were for a merger, some were against the idea, but most decided that we were not, at that time, ready to merge."

For Luís Miguel de Dios Martínez it was more a question of having the confidence to think clearly about the benefits and disadvantages of full merger: "At a certain point in time it was fashionable to either merge with or join an Anglo-Saxon firm opening in Spain. But this lasted for maybe one-and-a-half years," he explains. "Then people recognised that the situation was not so urgent. You have to analyse things properly. That's basically what we did and the majority of us decided to stay independent."



It was a brave decision. Competition was getting tougher, and the firm began to bid against the same firms that used to be close friends. On top of this, many of the big investment banks had begun to run their European operations from London, rather than from New York. This gave a strategic and geographical advantage to London law firms, which were able to develop strong relationships with the London financial community and offer the banks an easy route into their own networks of worldwide offices.

## Increasing competition

As well as competing against its old allies, Albiñana & Suárez de Lezo faces an increasing number of home-grown rivals, as a handful of excellent mid-tier firms are making their presence felt. Among these, they say, are Pérez-Llorca, Araoz & Rueda and Barcelona's Roca Junyent.

While in the past, the firm's traditional strength in international work helped set it apart from other mid-sized firms, the lack of a network of physical offices outside of Spain was a weakness that it felt it had to address. Joining the CMS alliance, which describes itself as an alliance of major independent European law firms allowed them to do this. "We felt that CMS allowed us to remain independent but with the benefits of being part of an international network", says Carlos Peña Boada.

The CMS alliance, founded in 1999, now has nine member firms and over 200 lawyers operating in 57 offices across 24 countries.

## Network news

Such associations have been tried before. The results of which have been mixed. The 1990s in particular saw the forging of several such networks, yet many of them – like Denton International, formed by Denton Wilde Sapte, and LG International, formed by Lawrence Graham – have since been disbanded.

"The challenge for the London-led European networks," says a partner at a top London firm, "was that the best local firms were either persuaded by the major international firms, or had enough

confidence to remain independent. In some jurisdictions the informal networks struggled to find suitable partners."

The ability to provide consistent levels of quality and working practices throughout independent offices has been a constant challenge for the networks.

Many say, however, that Albiñana & Suárez de Lezo are an exception to the rule. A view supported by the international legal directories who judge them to be the best international network firm in Spain, by far.

The quality of the firm is reflected in their clients and workload. The firm are currently advising Iberdrola on the proposed acquisition of assets – valued at between €7bn and €9bn – resulting from the attempted merger between Gas Natural and Endesa. Last year, they advised a group of investors, including management and financial institutions like Banesto, on the acquisition of media group Recoletos from Pearson.

Luís Miguel de Dios Martínez says the alliance has served them well. "The story so far is very positive," says. "The more work you send to the CMS member firms, the more work you get back, so things can only continue to grow."



Unlike the failed networks, like Denton International, it is clear that the CMS alliance is not a trial period, or waiting room, for full merger.

The benefits of being an alliance member go beyond the development of new business. In an atmosphere of increased competition for young lawyers, it has been important to offer their lawyers the opportunity to travel and gain truly international experience.

On the down-side, work from other UK law firms has dropped off since the firm joined the CMS alliance, but this may only be a reflection of a trend that was already well-underway.

More positively, being a member of a wide-ranging European alliance is nonthreatening to many American firms. The result is that US firms that it has worked with in the past have not been scared off. Rather, they continue to refer work to the firm.

## **Getting the message across**

So with the flow of new work steady and growing under the CMS aegis, Albiñana & Suárez de Lezo is looking to improve another part of its practice. Namely, its profile and image.

Despite the strong reputation it has built up among colleagues and peers, competitors say the firm has generally maintained a very low profile. In light of the CMS tie-up, it realises it must do more. "People don't really know what CMS is and they don't really know what Albiñana & Suárez de Lezo is doing with them – how we've changed," says Carlos Peña Boada.

Carlos Peña Boada feels the firm has a good story to tell. With the network behind it, he says, they are ideally placed to help clients with cross border transactions.

Opportunities arise not just to help international investors that are looking to Spain; but also to work with Spanish clients who want to expand into areas such as Eastern Europe, where they have extensive coverage.

It also hopes to take advantage of the sector know-how through the cross-firm industry focus groups and shared client relationship management systems that the CMS alliance provides.

One year on, it is clear that the door to a merger with a larger firm seems, for the time being at least, closed. Whether Albiñana & Suárez de Lezo is better off as a network, however, is difficult to say.

Perhaps the fact their former best friends have all now opened in Madrid means they had little to lose.

While some say they missed the opportunity to join the Magic Circle, and are now rather belatedly signing up to an international group, the firm seems very comfortable with the decision it took and are confident about the future.

They appear to have found the middle ground they were looking for.