

THE END OF THE AFFAIR?

Posted on 25/04/2011



Category: [Archive](#)



The announcement in February that Madrid-based Eversheds Lupicinio was to leave the Eversheds International network and strike out on its own, followed by the decision of competition boutique Martínez Lage to regain its independence, has once again brought into question the relative merits of exclusive ties between national firms and global networks.

Formal tie-ups may present local firms with a broader international client base and institutional know how and working processes, but this comes at a cost, say some. It means local partners losing their autonomy, any veto on strategic direction, and more often than not having to give up their local brand identity. Issues all the more acute as firms find that in challenging times it pays to have as many friends as possible.

The exact drivers behind the decision of Lupicinio Eversheds and Martínez Lage to choose independence may be quite different but the outcomes reflect what Tony Williams, Principal of London-based consultancy Jomati, and the former Global Managing Partner of both Andersen Legal and Clifford Chance, highlights as a latent discomfort among many firms to adapt from a starring role to a supporting one.

"Local firms may question whether, in less buoyant times, the returns generated by networks are consistently sufficient, but in any event it is not always easy for Managing Partners – who likely have built up their own firms over decades – to accept all that comes from the central management of an international firm." London can seem a long way away from the local reality, says one Madrid Managing Partner of a UK firm.

"We have financial and billing targets imposed on us and therefore we do have a sense of vulnerability. What saves us perhaps is the access we give the network to our expanding Spanish clients."

Varios despachos de la Península Ibérica han decidido recientemente separarse de las redes Anglosajonas. Es evidente que los clientes internacionales ofrecen grandes oportunidades de negocio pero, ¿son las redes de despachos la mejor opción para responder a sus necesidades?

Five year itch

The reasoning behind Eversheds Lupicino's announcement is the result of simple strategic differences, says its Managing Partner and founder, Lupicinio Rodríguez. Having been married since 2006 – the firm was previously a member of the Denton Hall International group – the two firms now no longer want the same things. The divorce will be official from the end of July.

"There is no doubt that Eversheds is a great firm but we are moving in different directions in terms of strategy and values. The decision was not an easy one but we had to question the value that the network was bringing in terms of new opportunities and those it stood in the way of."

In a depressed legal market, lawyers highlight particularly the volume of corporate work that networks are able to generate for domestic firms. As the leading domestic Spanish players see declining transactional mandates they have increasingly moved into the mid-market, bringing added pressure to smaller and mid-size firms. Some Madrid and Lisbon offices suggest that they receive only 25-30 percent work from networks, not so much when firms consider how much referral work they turn away.

“ We think we understand now what international firms want in a relationship and we do not rule out a future collaboration. For now however we want to remain single. Marriage is only one way of working.”
Lupicinio Rodríguez



Multiple partners

Significant for Lupicinio as he looks ahead is the ability to further expand the firm's national profile. Spain's banking, finance and private equity sectors may cluster in Madrid, but many of the country's major companies and decision-makers are located a long way from the capital.

The firm already has offices in Madrid, Valladolid and Barcelona, but he does not now rule out the possibility of new offices.

"We have a number of very productive relationships across Spain with Bilbao particularly growing in significance. There is a benefit to having direct connections to the major local bodies and business communities, although viewed from outside Spain this may not always seem obvious."

For Eversheds, the loss of its Spanish practice does not however diminish the attraction of Iberia to the firm. Indeed, it may present an opportunity to do things differently, suggest some partners in private. The firm is encouraging its alliance members to drop their local brands and to come under its own umbrella. A new formal Spanish alliance may occur sooner than some expect, Eversheds is already known to be in discussions with firms in Madrid and Barcelona.

"Spain is a major European economy and cannot be ignored by the UK-based firms," says Williams. "In addition, it presents an alternative route to Latin America which is a market the global firms are increasingly interested in."

Spain has no shortage of ambitious lawyers that may be of interest to Eversheds. The downturn has prompted the emergence of smaller and boutique firms, many of them offshoots from leading domestic and major international firms. Among them, Madrid-based Gold, Nicea Abogados and Hernández-Echevarría, as well as expanding firms such as Viallegis Dutilh, Barcelona-based Fornesa Prada Fernández and Rousaud Costas Duran, and dominant Valencia-based firm Broseta. Not all may be interested in a merger but they all have international ambitions.

One firm that is not looking for a new international partner is that of Santiago Martínez Lage. The firm pre-empted the dissolution of its US partner Howrey even while a potential rescue merger was on the table from Chicago-based Winston & Strawn.

A major development in hastening Howrey's collapse in Europe was however the decision of 19 IP partners to establish a new firm, Hoyng Monegier, with offices in Amsterdam, Brussels, Paris and Madrid – led by the former Martínez Lage lawyers Laura Alonso and Luis Fernández-Novoa.

The break-up of Howrey may not have been desired but it has presented its Spanish arm – long considered among Spain's leading competition and antitrust practices – to reassert itself. The firm has re-emerged as Martínez Lage Allendesalazar Brokelman. The name change better reflecting the roles played by partners Rafael Allendesalazar and Helmut Brokelman in maintaining its pre-eminence over the past three decades, say some.

A local model

Such disharmony does not however mean that the Anglo-Saxon network model is broken. Albeit UK and US-based firms may be taking a more measured approach to new European growth.

The past 18 months has seen the arrival in Madrid of two new London-based firms, Watson Farley & Williams (WFW) and Olswang. Both preferred to establish their own small offices through selective lateral hires than seek local tie-ups.

Joaquín Sales who leads WFW in Madrid, having moved across from Lovells in 2009, says that what was important for the firm was to build a local practice that replicates the core energy, renewables and projects focus. The firm also opened with the recruitment of partner María Pilar García from Lovells and has since added three more partners: capital markets focused María Segimón from DLA Piper, environmental and regulatory specialist Ignacio Borrego from Clifford Chance, and most recently, tax specialist Luis Soto from Landwell.

"The option of bolting-on an existing team was rejected in preference to building an office that from the outset reflected the firm's strategic goals. We have completed the first stage of our growth plan and are on target to reach our size goal by the end of the year."

Olswang may be a more recent arrival, but it too has preferred to "cherry-pick", recruiting Javier Vasserot, Head of Corporate at Bird & Bird in Madrid to lead its launch. The office now counts 18

lawyers, including four partners.

International firms therefore remain keen on Iberia. Mayer Brown maintains its tie up with Madrid's Ramon & Cajal, while London's Nabarro continues to assess options to plug the gap left by the collapse of local ally Rodés & Sala in 2008. Kennedys has also now integrated long-time Portuguese associate two-partner firm Almeida & Athayde.

DLA Piper has likewise entered Portugal finding a ready friend in ABBC, following the demise of its loose tie-up with Miranda Correia Amendoeira over differences of direction notably in Africa. DLA's new (non-exclusive) alliance is therefore as much about gaining access to the Portuguese speaking world as Portugal itself. Access to Angola has also been a key factor in SNR Denton seeking to reinforce its association with Lisbon's F Castelo Branco & Associados.

Nonetheless other firms have capitalised on their new found independence.

Rebelo de Sousa Advogados (SRS Advogados) is the former Lisbon office of Simmons & Simmons, with which it maintains relations, but which went its own way in 2009 reportedly over a reluctance to implement firmwide cuts - local Managing Partner Pedro Rebelo de Sousa at the time sat on Simmons' global management board. Since the split, SRS Advogados has launched new alliances in Angola, Cape Verde and Mozambique.

Later in the year Francisco Sá Carneiro, Co-Managing Partner of Uría Menéndez in Lisbon likewise left, with two other partners, to help form a new independent firm, Campos Ferreira Sá Carneiro & Associados.

A new outlook

Rodríguez does however see the continuing attraction that a network can bring to international expansion. Indeed the relative strategic direction of his firm's ambitions seems to have been a growing area of discord with Eversheds. The two firms undoubtedly have shared interests, China and Latin America, but he is now looking elsewhere."

We see opportunities in Central Asia and are looking to explore options to expand in the region, among them in Iraq and Kurdistan. But Cuba too has also always been very important for us, and there are parts of Africa where we see the potential to do new and different things."

Once formal ties with Eversheds come to an end, the next 18-24 months will see his firm consolidate its national presence and refine its international goals, he says. Nonetheless he accepts that to capitalise on all the opportunities on offer may require a level of investment beyond the reach of his partnership. "We think we understand now what international firms want in a relationship and we do not rule out a future collaboration. For now however we want to remain single. Marriage is only one way of working."

Some international romances do however last. Uría Menéndez, Slaughter and May, Bredin Prat and Hengeler Mueller remain as committed to each other as ever, although for other firms the lustre inevitably fades.

"When we were in initial negotiations, the UK partners used to take time to get to know us and chat," says one local Madrid Managing Partner. "Now they simply email the file and say 'don't take too long and can we have it back before lunch'." There's nothing like old-fashioned romance.

[Subscribe now to receive your copy of Iberian Lawyer](#)