

THE PASSIONATE REVOLUTIONARIES

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Despite its conservative veneer, the continued ability of *Morais Leitão Galvão Teles Soares da Silva & Associados* to remain at the very top of the Portuguese legal market is a result of its commitment to constant reinvention.

A pesar de su imagen conservadora, la habilidad del despacho luso *Morais Leitão Galvão Teles Soares da Silva & Associados* de permanecer en lo

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António Pinto Leite,
codirector del Consejo
Directivo y Nuno
Galvão Teles, Director
de Corporate
en esta entrevista.

The marble façade that welcomes visitors
to the offices of Morais Leitão Galvão
Teles Soares da Silva & Associados
(MLGTS), and which bears the firm's
weighty name, is certainly impressive. But it is
more than mere decoration, it is intended to
emphasise the firm as an institution.

'The origins of this law firm go back to the
1960s, and the strong impression given by the
stone is on purpose – it says we have been here
for decades,' says Nuno Galvão Teles, the firm's
Head of Energy and Corporate practice groups.

The calibre of the firm is also evidenced by its
consistent appearance among the very top tier of
Portuguese dispute, commercial and corporate
transactions. The past two years alone have seen
MLGTS take a lead role in Sonaecom's €11.9bn
bid for Portugal Telecom (PT), and Millennium
BCP's €4.3bn bid for Banco BPI – the largest
public takeover attempts in Portuguese corporate
history.

More recently it has been retained by Energias
de Portugal (EDP) to manage the estimated €8bn-
€11bn IPO of its renewables subsidiary, EDP
Renováveis, and by Millennium BCP to handle its
proposed €1.3bn rights issue – Portugal's largest
capital markets transactions of this year and the
largest ever IPO.

Alongside these clients, MLGTS is also
perceived by many to be the de facto outside
counsel for Rede Eléctrica Nacional (REN), Águas
de Portugal and Banco Espírito Santo, and is
regular counsel for international players such as
Santander Group, Goldman Sachs, Deutsche Bank
and the European Investment Fund.

Modern

But despite the shine of the marble, the weight of the MLGTS brand, and the name recognition of its most prominent partners, the firm is in many respects a very modern institution. The present incarnation is the result of a firm coming to terms with generational change and two major mergers in as many years.

'At the heart of this firm is a discernible culture instilled in it by the founding fathers, who above all demonstrated and demanded a passion for the law, a business approach, and a willingness to absorb new ideas,' says António Pinto Leite, Head of Litigation and Co-Head of the Board of Directors.

February 2004 saw the union of Morais Leitão J Galvão Teles & Associados and prominent corporate firm Miguel Galvão Teles João Soares da Silva & Associados, combining full-service capability with premium transactional work to create the then 85-lawyer MLGTS. The same drivers also prompted the January 2006 integration of Porto's 30-lawyer Osório de Castro Verde Pinho Vieira Peres Lobo Xavier & Associados.

'Any lawyer that joins this firm knows that they have become a part of something much bigger than they alone can bring,' says Pinto Leite. Passion is a word that features heavily in his talk.

Both he and Galvão Teles are fresh from a Management Board meeting, and the announcement of the previous year's results. 'Despite not seeing deals on the same scale as 2006, last year was nonetheless the best ever for this firm,' he says.

Comfortable

Both emphasise however that the firm's strategic choices are not entered into lightly. MLGTS has purposely sought to lead the market – to be the first Lisbon firm to enter Madeira, and subsequently Porto – and to offer the first nation-wide practice.

'The story of MLGTS is really a story about the art of merger,' says Pinto Leite. MLGTS has almost trebled in size since 2004, and now numbers close to 150 lawyers.

'The impact of the past few years has clearly been significant. We have experienced transitional issues



and mergers, but the definition of strategy is not luck,' says Galvão Teles. 'Any merger has to produce more than the sum of its parts – one and one must always equal at least three.'

Galvão Teles admits however that the firm's decision to enter Porto, Portugal's second city, was not without its critics. 'People undoubtedly questioned our need to have 30 lawyers there, but we have been proved right. We foresaw that Porto could no longer be regarded as a regional market, and that a firm with a national approach, and fee levels, would be accepted.'

The merger with Osório de Castro has proved positive on many levels. Also courted by PLMJ, it was already the preferred counsel of the Sonae Group – and its integration proved vital in MLGTS winning the lead role in its protracted PT merger bid.

The decision to enter into the merger a full two years after the initial Lisbon tie-up, was also deliberate explains Pinto Leite. 'We needed time to adjust, and to get our structures right. Indeed one of the most important outcomes of the past year has been to consolidate the material changes that we have experienced since opening in Porto.'

Changing times

For a firm with such a strong emphasis on internal cohesion, Pinto Leite admits that the departure from Morais Leitão J Galvão Teles & Associados in 2001 of five partners, led by Jorge Bleck, to launch the Lisbon practice of Linklaters was a blow but related to specific issues.

'The loss was significant to us, particularly on a personal level, but related to the transitional process we were undertaking at the time – as we moved away from the founding partners to a second generation of managers – but I think that we have now dealt with that.'

Some suggest also that in seeking to please its biggest clients, MLGTS takes on too much work that it should not do.

'Alongside the major transactions, the firm also takes on much of the housekeeping work of its major clients,' says a senior partner at a rival Lisbon firm.

'It is work that is clearly unprofitable, and which makes little use of the very evident skills that many



in the firm have.'

For Pinto Leite, all of the work that the firm does is a constant demonstration of the importance placed on getting to know clients, their businesses, and their business needs.

'Everyone must of course know the law, but they must also know the client. This firm is all about having a passion for what we do. That the partners here bill in excess of 2,000 hours each year demonstrates the importance we place on leading by example.'

Galvão Teles agrees: 'We cannot just be lawyers in the old and traditional sense of the word, if what we do is really that simple then anyone could do it. Clients must understand that we are really important to the outcome of their matters, and that in any transaction we are always adding value to the client.'

Recruitment

The number one priority for the firm going forward, says Pinto Leite, is the continuing unity of the firm. The Lisbon market has recently seen significant high profile departures, including of five partners and

their teams from PLMJ to form new firm AAA, and more recently from Sérvulo & Associados, with the firm's highly-rated administration partner Bernardo Diniz de Ayala moving across to Uría Menéndez.

Key to the stability of MLGTS, and the legacy firm before it, says Galvão Teles, is the operation of a tight lockstep remuneration system – another first in the Portuguese market – which was adapted to a mitigated lockstep at the start of the decade.

'Unlike other firms there is no internal competition between partners or practice groups. We compete only with the outside,' he says. 'We have a very meritocratic remuneration system, which enables us to be comfortable with each other's performance, but which also instils sufficient pressure for us to continue to try to be number one in the market.'

Fundamental to the firm going forward is the investment also being made in developing its young lawyers, he adds.

Pinto Leite admits however that, from the outside, the firm's recent merger strategy may not sit obviously with its insistence on internal organic growth. 'Mergers we felt have

been necessary to build the bones of the firm, but on which we must ourselves hang the flesh,' he explains.

The firm prefers to recruit relatively few trainees compared to some others in Lisbon but to be honest with their prospects, says Galvão Teles. 'We can only ensure that we retain our culture by developing our own people. The last round of partner promotions comprised lawyers who had spent their entire careers at this firm.'

He admits to having been pleasantly surprised also by how deep the firm's brand reaches among university law students.

'It is increasingly difficult to find the best and the brightest people, and the choice is now much more on the side of the student than the firm – we are not picking them, they are choosing where they want to go. But we have been doing pretty well, and in the last few years we feel we have been able to attract the best people in the market.'



International

An obvious other key issue, says Pinto Leite, is how to react to the internationalisation of the global economy. MLGTS has to be in the minds of prospective investors into Portugal, and must also be able to demonstrate to its own clients that it can add value as they expand internationally.

'We know that we have to be innovative, but there are several pieces to our international strategy – first, we have to ensure that among the international companies and law firms that have high value work here that they know we exist, and what we can offer them.' The firm is therefore placing emphasis on its membership of the global 160-firm Lex Mundi network, he says. 'Through it we feel that we are already all over the world, and very comfortable with the feedback we receive from other member firms.'

Of importance also is the need to ensure that the firm's younger lawyers maintain the necessary international mindset. 'They have to think internationally and to put pressure on management to help them do so – and we will encourage them to put more pressure on us than they expect,' he says.

The markets in which MLGTS is currently seeing increased client activity include East Europe, Angola

and notably Brazil, says Pinto Leite. 'It is a market in which there is growing economic, social and political predictability, which is very relevant to international investors – including Portuguese investors – but there are also now Brazilian companies looking to expand internationally and that is something that we clearly have to prepare for.'

Both Pinto Leite and Galvão Teles speak highly of MLGTS' Brazilian referral firm, Mattos Filho Veiga Filho Marrey Jr e Quiroga, with which it signed a strategic partnership agreement in 2007 for corporate law, M&A and capital markets issues.

Galvão Teles has previously highlighted the potential of Angola for both firms, and where it might make sense to combine efforts. 'Angola is a very new market and as a result not so predictable, so our approach there is currently based on principles rather than our own investment money,' adds Pinto Leite.

The US is also of growing importance and where MLGTS last year helped EDP in its €2bn acquisition of Houston-based Horizon Wind Energy from Goldman Sachs, aided by referral firm Skadden Arps Slate Meagher & Flom.

It is however a market in which MLGTS is content to observe from the outside. 'It makes no sense for us to even consider to open in the US, but it is important that we are able to give our clients access to the best firms there,' says Pinto Leite.

Passionate

More immediately, Pinto Leite sees competing with the Spanish law firms present in Portugal as the current major challenge for his firm – MLGTS notably maintained a referral relationship with Uría Menéndez (also a Lex Mundi member) until it chose to open in Lisbon.

'We are very attentive to the new profile of the competition. We feel that the Spanish and Portuguese economies tend towards increasing integration and we respect very much the three major Spanish firms here. But I think that we can deal with that – I prefer to be where I am than where the other firms are!'

Galvão Teles moves on to a client meeting – 'If I miss it I will be crucified,' he says – while Pinto Leite announces that he has another management meeting to attend, the firm's quiet revolution of the



Portuguese legal market must continue.

'I am very passionate about being a lawyer, like the rest of the lawyers here I want to be with clients. I enjoy it. But I am also very passionate about management issues – we have to assume leadership, to deflect the human and operational pressures from the other partners,' he says.

And with that he leaves to debate the future direction of the firm with the firm's Board. 'It is important that we find the correct structure to deal with the issues and objectives that will face us – in the current climate an hourly lawyer utilisation rate of 90% would be ideal, at MLGTS our figure last year was 121%.'

Despite appearances, and other than the passion that clearly drives its lawyers, it seems that there is actually very little about Moraes Leitão Galvão Teles Soares da Silva & Associados that is truly set in stone.