

# THINKING DIFFERENTLY - CLIFFORD CHANCE

*Posted on 04/07/2011*



Category: [Uncategorized](#)



**Clifford Chance is celebrating 30 years in Spain having been one of the first international law firm arrivals in the country. It is now firmly established among the top tier in both Madrid and Barcelona but the performance of the Spanish practice is increasingly measured by how well it connects internationally.**

Clifford Chance fue uno de los primeros despachos internacionales en llegar a España, hace ya 30 años. Hoy es uno de los despachos líderes tanto en Madrid como en Barcelona, pero el éxito de la firma en España cada vez más se mide por el éxito de su extensa red internacional.

"There is no doubt that the past few years have been very difficult, from a business and management perspective. Internally we do not differentiate between 'domestic' or 'international' work but clearly our focus has had to evolve," says Managing Partner Ignacio Ojanguren.

That is not to say that the strategy in Spain has changed, he insists. The firm is regarded as having built one of the deepest domestic practices of all the Anglo-Saxon arrivals but a greater number of the offices' own clients are now looking beyond Iberia. "We have always wanted to be the 'go to' firm for international clients looking to do business in Spain, but now we see greater demand from Spanish clients to expand internationally."

## **Domestic troubles**

Indicative of the strength of Clifford Chance domestically is the recent award of one of the most prized mandates in the market, the IPO of the Spanish State Lottery (Loterías y Apuestas del Estado).

The firm is advising the Government on the international aspects of the sale alongside Uria Menéndez, which was chosen because it has the requisite experience.

The IPO, expected to go ahead after the summer, is nonetheless a sign of the Government's desperation for new capital injections. It will however likely be Spain's largest ever privatisation raising an estimated €6.5bn-€7.5bn for the 30 percent share the Government is willing to sell.

Despite the economic challenges Spain continues to face, Clifford Chance's Madrid and Barcelona offices remain among the most profitable in the firm, says Ojanguren. "For the past 20 years the Spanish practice has been one of the best performing in the network and so there is a significant degree of trust in what we do. There is one P&L account for all of Spain and an acceptance that work volumes are cyclical."

Ojanguren is well placed to assess relative financial performance having spent the last three years as Finance Partner on Clifford Chance's Global Management Board. "We are a global business with over US\$1bn in overheads and at the start of the year all we know is what our outgoings will be and the margins we are expected to make beyond this. We rely very little on past revenues."

Corporate and private equity activity may be down globally but litigation now accounts for between 25-30 percent of Spanish revenues. Indeed litigation can be a better fee earner than the few corporate mandates that remain, he says, while the firm's restructuring and refinancing lawyers are also experiencing a boom. The firm in Madrid has advised leading domestic real estate developer Colonial on its €4.96bn restructuring, Mexican cement giant Cemex on its \$15bn refinancing, and most recently Spanish property company Metrovacesa on a €3.2bn UK Scheme of Arrangement, in conjunction with lawyers in London.

### **Financial management**

This international connection is an important differentiator for the firm in Spain, says Ojanguren. Who, in addition to his Managing Partner role, also now sits on the European Management Board. He is adamant however that law firms – regardless of size – must be run as businesses and performance measurements have to be made.

"We break work down by region, practice area and business sector, and this way we are able to track financial and business trends. You have to look forwards and backwards if you are to be strategic and to measure individual lawyers' and partners' contribution."

The firm has remained relatively stable during the downturn, although it has seen the loss of a number of senior associates as promotion prospects have dwindled, and the departure of former Senior Partner, Jaime de San Román, to Uria Menéndez.

But each member of the firm has to play to their individual strengths, Ojanguren insists. "Much of the responsibility of the partners now is to get the pricing right. Clients may say that for the most important matters cost is less of an issue but in our experience it always is."

As regards the position of the Spanish economy the outlook is significantly better than it was last summer, believes Ojanguren. Spain has suffered significant downturns before but around the time of the Greek bailout, last May, there was a definite sense that Spain might too suffer contagion.

"The result was a pause of activity particularly among international investors who took a 'wait and see' approach to how things would play out. But we now see positive signs and throughout the downturn – for better or worse – we have tried to maintain a consistent strategy in terms of both our practice and client focus."

Even taking into account recent events in Portugal, Spain remains a market in which law firms can maintain a good margin of profitability, he says, although managers have to accept that different practice areas will see differing levels of demand.

## A game changer

A significant contributing factor to the success of Clifford Chance in Spain is the access clients have to its wider international network. Nonetheless such a structure brings both positives and negatives to its lawyers in Spain, believes Ojanguren.

“Much of the responsibility of the partners now is to get the pricing right. Clients may say that for the most important matters cost is less of an issue but in our experience it always is.”

Ignacio Ojanguren



“We have never been able to live on inbound referrals alone so we have had to build our own domestic practice. But we can capitalise on where we are uniquely placed for the new wave of Spanish expansion and investor interest – currently this means exploiting our connections in Asia, China and the Middle East, as new sources of funding and opportunities open up.”

Despite the domestic challenges law firms in Spain may face he does not see international growth as a universal panacea. Expansion must be driven to provide existing clients with a level of service they might not otherwise be able to obtain locally or as a defensive move, to discourage them from using other law firms in new markets – and which relationships they may leverage back into a firm's domestic market.

“The target is to make a business a client of the whole network. But as we have discovered in Spain we can't just present a series of dots on the map. We have to be among the leading domestic firms.”

Last November saw Clifford Chance open in Turkey but one advantage it clearly has over many of its Spanish rivals is that the investment in international expansion has largely already been made, and the lessons learnt along the way.

“New offices do not necessarily generate new profits and there is no doubt that a merger can be very challenging and it can take time to see positive results for both sides, as we have experienced in the US.”

## Future growth

As for the coming few years, Ojanguren does however see the need for some new investment. There is inbound and outbound demand in the Middle East and Asia but also significant is the potential of Latin America and especially Brazil, where the firm has maintained a São Paulo presence since 1999.

“We also see signs of economic recovery in markets such as France and Germany, which are more advanced in the economic recovery cycle than Spain, but even at home we see expanding opportunities, in tax, litigation and restructuring with the wave of second and third-round refinancings.”

In the corporate and private equity sphere the aim is to defend the firm's market share, he says, and as evidenced by winning the State Lottery mandate, to capitalise on the growing capital markets activity from both a regulatory and international perspective.

Such prospects were recognised in the firm's most recent round of partner promotions. Of the 23 promotions made globally, half were in Asia, but two were in Madrid – labour and pensions specialist Pablo Serrano and capital markets-focused Eduardo García.

“We are much more confident than we were only nine months ago. But at the end of the day, the legal market is connected to the success of our clients. We see companies doing increasingly well with rising revenues and rising profits, and it is this that has the most direct link to growth in our own sector.”

As regards Ojanguren's own position, he has recently been elected for a second four-year term as Managing Partner in Spain but does see the need for a new generation to take over. “The past few

years have been very demanding. But we believe we are seeing the rebirth of the economy and arguably, as some other firms in Spain have already found, this can present a need for new thinking."

What is fundamental is to ensure that the firm retains its focus on nurturing the commercial awareness of its younger partners, he says. "We have to help our lawyers to develop their soft skills and their business acumen and this includes understanding how Clifford Chance's own finances work."

International success is also directly connected to local capability, he believes. The immediate goal in Spain is therefore to gain a bigger share of its target market – international companies and the major banks – which live and breathe by lending and raising money and financing transactions.

"There are clearly fewer deals in the market and the legal sector is larger and much more competitive than before. The last two years have been tough and tested the loyalty of our clients and our own people. But we remain committed to the market," he says. "We just have to demonstrate that we think a bit differently from our competitors and can do things for them in different ways."