

THREE IN FOUR PARTNERS IN SPAIN EXPECT PROFITS TO GROW IN 2016

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Expansion will be the buzzword in the Spanish legal market next year, with the majority of firms anticipating an increase in profits, revenues and headcount

A more positive economic outlook is fuelling considerable optimism among law firms, with around three-quarters of partners in Spain expecting their firm's profits to increase by at least five per cent in the coming year, a new study shows.

Research conducted by Iberian Lawyer revealed that, in addition to brighter economic prospects, partners highlighted greater volumes of work, plus an increase in clients, as reasons to expect increased profitability in 2016.

The overwhelming majority of partners (96 per cent) said they expected their firm to grow in the coming year. When asked what they thought would drive the growth, 71 per cent cited a "more positive economic outlook", 67 per cent spoke of a "greater volume of work", while 51 per cent

believe "more clients" will lead to their firm expanding. Other factors enabling law firm growth, according to the survey, include the hiring of more lawyers (37 per cent), the introduction of new service lines (33 per cent), and fee increases (23 per cent).

Partners are almost unanimous in their view that their firms' revenue will grow – a massive 91 per cent of respondents said they expected their firm's revenue to increase in the next 12 months. Almost half (44 per cent) of those anticipating growth in revenue in 2016 expect an increase of nine per cent or more.

Growing profits is more challenging than increasing revenue, yet partners are also bullish on this issue too. A total of 77 per cent of participants in the study said they thought their firm's profits would rise in the next 12 months. Of those expecting growth in profits, more than one-fifth (22 per cent) anticipate the increase will be more than ten per cent, while a total of 75 per cent said they expected their firm's profits to grow by at least five per cent.

Hiring spree

There is also an indication that the majority of law firms will be embarking on a recruitment drive in 2016 – more than half (51 per cent) of the partners who responded to the survey said their firm would be increasing its headcount in the coming year. By how much will firms increase headcount? Of those who claimed their firms will grow in terms of staff numbers, 42 per cent said that they would expand by at least seven per cent.

Lateral hires and mergers could be a distinct feature of the Spanish legal market in the next 12 months, the survey suggests. Most (66 per cent) of the respondents who said their firm would increase its headcount said it would do so by increasing its intake of trainees. However, in what could be seen as a boost for the legal recruitment market, 56 per cent of participants in the study said their firm would grow by making lateral hires. We should also expect a degree of consolidation among Spanish law firms in 2016 given that around one in ten respondents (nine per cent) said that their firm would be expanding via a merger.

Deals to drive growth

Which practice areas will be the major growth generators? More than two-thirds (67 per cent) of respondents said they expected their corporate and M&A practice to grow in the next 12 months. There are also high hopes for real estate and dispute resolution practices, with half (44 per cent) of the survey participants identifying these as growth areas. Other practice areas widely expected to experience increases in revenue include banking and finance (identified by 33 per cent of respondents), intellectual property (25 per cent), and tax (24 per cent).

Perhaps unsurprisingly, most partners (62 per cent) identify Spain as the region that will contribute the most growth to their firm in 2016. However, 11 per cent say the rest of Europe (excluding Spain and Portugal) will be the main driver of growth, with a further ten per cent stating that the US will be the main generator of growth at their firm.

In what appears to be a warning to law firms in Spain that their international networks will be extremely important in the coming year, the majority (53 per cent) of respondents said that most of their growth would be generated by inbound work from clients outside Spain. How do law firms propose to capitalise on foreign growth opportunities? Half (49 per cent) of survey respondents said they would do so "via existing 'best friends' relationships with foreign firms", while 35 per cent said they would use existing foreign offices in their attempt to generate revenue in other jurisdictions. However, 15 per cent said their firms planned to open new foreign offices, while 14 per cent said their firm was looking to join an international alliance or network. IL