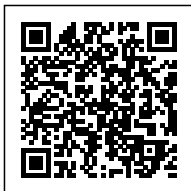


TRIUMPHING THROUGH ADVERSITY: GÓMEZ-ACEBO & POMBO

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Gómez-Acebo & Pombo is a law firm in transition. Recent years have seen Spain's fourth largest firm undergo radical change as it seeks to re-stake its claim to be among the country's pre-eminent law firms. Managing Partner, Manuel Martín, suggests that while the firm may once have lost its focus, the success now being achieved stems from the consensus of opinion and unity that now characterises the partnership.

"The most important thing for any law firm to have is a strategy, but it also has to be the correct one for the market. But that is only half the challenge, of course it then has to be implemented."

Having recently been elected for a fourth term as Managing Partner, the Gómez-Acebo & Pombo partners clearly trust him to deliver a clear and coherent path through the prevailing economic difficulties and ever competitive Iberian legal market. The firm is now part-way through a fiveyear plan that emerged out of a review process that began in 2007 – the outcome is altering the shape and focus of the firm.

"We had reached the point where we were convinced that we had to change. We asked ourselves why we were no longer the leading firm in Spain, as we had been up until the 1990s, and therefore what should be done to raise our position once again?"

Gómez-Acebo & Pombo es un despacho en transición. En los últimos años, el cuarto despacho más grande de España ha experimentado un cambio radical, reivindicando su posición entre los despachos preeminentes del país. Manuel Martín, socio director, apunta que aunque el despacho haya perdido el rumbo durante un tiempo, el éxito que se está consiguiendo actualmente proviene del consenso y la unidad que parece reina hoy entre los socios.

Two decades ago, Gómez-Acebo & Pombo was perhaps the best-known Spanish firm outside of Spain, advising many businesses on their domestic entry and consistent port of call for foreign law firms. Competitors suggest that the firm had subsequently developed the higher costs of a bigger firm but without the profitability, and reflecting the title of a business strategy book often quoted by Martín, someone had moved the firm's cheese.

Martín brought in consultants Accenture and law firm specialists Hildebrandt to help provide a discussion framework, outside input is still unusual in Spanish legal management, but what was most significant, he says, was the collective agreement within the firm of what it was already doing right and wrong.

"It is important for any law firm to remain self critical but what was also significant for us was to have a third party opinion, to help open up ideas and develop new processes. We called it a strategic review, because you always have to sell the idea of change, but really it is a 'business plan' – what do we need to attract the best talent and the most high profile and complex work to the firm?"

Strategic vision

All reviews begin and end with a "strategic vision", outlining what you want to achieve and where you ultimately want to be, believes Martín. This applies geographically as well as strategically.

In the last two years the firm has opened in London, Lisbon and revitalised its Bilbao presence, as well as expanded significantly in Barcelona and closed its Seville and Las Palmas offices, but Martín emphasises that there is no obsession with size. The firm now counts 56 partners and 330 other lawyers.

"We believe that the Spanish market does not justify a firm to be huge, for us around 400 lawyers is the optimum size. This, we believe, still enables us to generate sufficiently strong revenues and to maintain a comfortable profit margin."

Martín has talked previously about the relatively strong cash position of the firm, which has enabled it to avoid some of the pressures now facing other firms, and which has meant it has not had to look to external sources to fund continuing growth.

Others in the market suggest that change may also be easier if Martín can guide the firm through the process without diluting profit levels, believed to be around 40%. In any event, recent years have seen consistent revenue growth – up 11.9% to €61.1m in 2008, and last year, in the face of the global downturn, up 10.3% to €67.6m

Practice focus

Another significant element of the firm's rebirth has been to refocus the practice emphasis along seven core lines, says Martín.

"A large firm like Gómez-Acebo & Pombo cannot survive in the market if it is not highly specialised. The fundamental driver behind our strategy has therefore been based on an assessment of why clients use external legal services in the first place."

The firm therefore wants to demonstrate that it has both the dimension to handle major transactions and litigation, plus the requisite specialisation in areas such as telecoms, competition and intellectual property.

"We have to be the right size to be able to cope with major matters, we have to have the best people to offer the most cutting edge opinions, and who have the requisite level of skills and specialisation – none of this requires any form of magic, the challenge is not in defining your strategy it is in implementing it," he repeats.

Clearly the firm's litigation, restructuring and insolvency practices have been fundamental to the firm's revitalisation, with lead involvement in many of Spain's most high-profile insolvencies, including those of Martinsa-Fadesa – the largest bankruptcy ever in Spain – Habitat, Colonial and Metrovacesa. The firm has also now established a dedicated company restructuring practice group, led by partner José María Álvarez Arjona.

Martín is however not keen to overplay the significance of the economic issues currently facing Spain. "This is not the first crisis that we have faced and despite what happens on a day-to-day basis, I think we are now seeing light at the end of the tunnel." The "trust" issue around the finances of Greece are not replicated in Spain, he believes, the Government has always been very upfront about the level of its debt, with the major issue however being what to do about it.

New practices

Martín acknowledges that despite the firm's recent emphasis on growing its international profile, and practice, it is Spain that continues to account for the vast majority of revenues. But even in a difficult domestic market Gómez-Acebo & Pombo has nonetheless continued to grow.

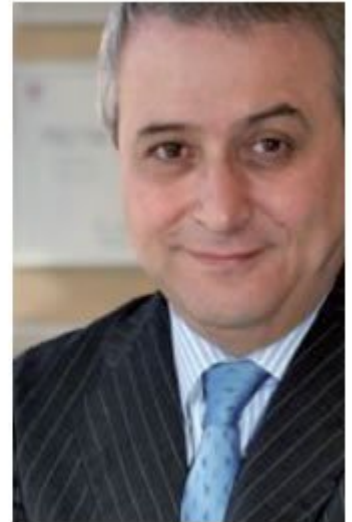
Of the firm's six domestic offices, most significant has been its expansion in Barcelona. Over the past

18 months the firm has grown to around 50 lawyers, including seventeen partners – following promotions at the start of the year. It has integrated niche labour boutique Bufete Nieto Abogados, the highly rated tax practice of Padrol Munté, and in July last year absorbed the Barcelona branch of Rodés & Sala – a mid-size national firm that had been weakened by a series of partner departures.

But significant also has been the expansion into Portugal, the firm's third international office after Brussels and London. It may have taken longer than expected – Martín went public with his desire to expand there two years ago – but the firm finally opened for business in Lisbon in January, after recruiting a team of 19 lawyers from Barrocas Sarmento Neves, including partners Jorge Santiago Neves and Albano Sarmento.

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Manuel Martín, Gómez-Acebo & Pombo



The decision to open was the product of an increasing desire to offer an Iberian practice spread, in line with that of its peers Uriá Menéndez, Garrigues and Cuatrecasas – now merged with local partner Goncalves Pereira Castelo Branco – but given added emphasis after the demise of its referral relationship in 2007 with leading local firm Vieira de Almeida (who reportedly turned down their merger proposal).

“Business may talk of an 'Iberian' sphere of operation, but for law firms the two markets are very different. There is also no doubt that Portugal is a very difficult market to enter, it is small and there already exist a number of very good local law firms.” But critics suggest that it may now be too late to capitalise on the major flow of Spanish investment that characterised much of the past decade. “What is important is to be the right size and shape for the market, our belief is that there is sufficient demand, but that a structure that may have worked only a few years ago may not now be appropriate,” responds Martín.

Internal change

Despite the evident external differences to Gómez- Acebo & Pombo – new offices, new partners and a new promotional image – perhaps the most significant outcomes of the firm's review process have been felt internally. Despite the challenging business environment, the firm has not made redundancies but has redefined its salary model and established a variable compensation scheme.

Martín has also recruited senior support staff to lead and develop the firm's business development and human resources needs, invested significantly in IT, know-how, CRM and financial management systems, and is focusing heavily in skills training and professional development for both partners and assistants.

A significant element of the review process was to streamline decision-making, with the creation of a Business Committee, comprising the heads of each practice area and Chaired by Martín, that now takes the major executive decisions, but which are then taken to the partnership for ratification.

But perhaps most significant of all has been the change in the expectation now being placed on the firm's lawyers. It has increased the performance element of both associate and partner remuneration, which is now tied to career progression. “All lockstep systems need to be managed. This entails evaluating partners every year. Progression cannot be automatic – this message may not

be easy to communicate but everyone has to be in the right place, and correctly incentivised," says Martín.

The ultimate challenge for Iberia's law firms is to remain adaptable in the current economic environment, to align the partnership's goals and to stay focused on clients' needs, believes Martín. The coming year will therefore continue to see further developments at Gómez-Acebo & Pombo.

"What is most difficult is to change people's habits. At the start of each year we set targets we wish to achieve and then see how well we are progressing. Our five-year plan may ultimately be a six-year reality but we are moving in the right direction and most importantly, there is unanimity among the partners that we are heading in the right direction."

He may be unusual among Managing Partners to focus on growth in the middle of a downturn, but Martín remains insistent that you cannot be sidetracked by day-to-day difficulties. "Strategically we have to focus on where we want to be when we emerge from the tunnel we now find ourselves in."