

Barcelona annual report 2017: A new beginning?

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The innovative nature of the Barcelona economy is both a benefit and a burden for lawyers in the Catalan capital – meanwhile, if Catalonia was to achieve independence, the effect on its law firms could be “extraordinary”, say some observers



Barcelona's reputation for innovation in some ways benefits, but in other ways disadvantages, the city's law firms. The capital of Catalonia is a fertile ground for business start-ups, particularly in the technology sector, and many of them look to law firms to help them get their businesses off the ground. The experience of advising a start-

up can teach law firms valuable lessons about new ways of doing business and innovative methods of communicating with clients, for example. However, innovation can happen so quickly that law firms are often left trailing in its wake. As a result, firms often lack the money to invest in the infrastructure necessary to effectively support their clients, while also finding it

difficult to find the type of people they need to best serve them.



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Héctor Bros
Cuatrecasas

Meanwhile, political machinations in Catalonia mean that steps taken by both law firms and clients are not as sure-footed as they would like. Some lawyers highlight “serious political disruption” as the biggest challenge law firms face. The more pessimistic of those say the issue of Catalan independence could potentially disintegrate into civil and social unrest. They also claim that, if Catalonia was to become independent, the effect on the region's law firms would be

extraordinary, given that Spanish laws would be replaced by Catalan laws and the area would ultimately withdraw from the European Union.

Exports rising

However, despite the climate of uncertainty, Barcelona emerged well from the crisis, according to Cuatrecasas partner Héctor Bros. “Exports are up and represent around 25 per cent of the city's economy, and the city is increasingly becoming an international hub,” he says. “There has also been a big boost in newer sectors such as biosciences, technology entrepreneurship, and fintech – in addition, there has been a car industry revival.”

Law firms are coming up with innovative new business models to deal with the changing demands of clients, says Alex Llevat, partner at Roca Junyent. “Law firms have to adapt to new collaborative ways of doing business with clients, by using and applying technology,” he says. “The challenge is to adapt to this new reality, though younger lawyers believe in this new world.” Firms are now thinking about how to provide new services, says Santiago Doce, partner at Deloitte Legal. “Law firms need to be more proactive and move to other types of business, there should be more say for junior lawyers and more flexibility and we need to invest in services.”

There are new investors coming into Barcelona and internet businesses, in particular, are attracted to the city, says [Enrique Viola, lawyer at Pintó Ruiz del Valle](#). “However, it can be difficult to go as fast as them and they are growing quickly – some of these companies come with money and some with only an idea, but they can use law firms to get investment and this can be a good way [for a law firm] to enter into a relationship with a company,” he adds.

What are currently the biggest opportunities for law firms in the Barcelona market?

"Catalan companies have reinforced their efforts to expand globally and, in order to continue being relevant for them, law firms will have to be able to follow them around the world as their trusted advisers while their transactions become increasingly transnational. Apart from that, the evolving Catalan business ecosystem offers further opportunities for law firms in Barcelona as, along with traditionally strong industries like pharma, food and beverage, automotive and chemical products, other sectors like e-commerce and biotech are emerging and having an increasingly prominent role." **Antonio Herrera, partner, Uría Menéndez**

"Businesses in the hospital sector are expanding and this has created lots of corporate and M&A work for lawyers." **Montserrat Llopert, Barcelona managing partner, Baker McKenzie**

"The substantial increase in transactions as a consequence of the reactivation of the local economy – that is, local companies acquiring entities in other countries, and foreign groups, especially private equity, acquiring companies in Spain. Also, the impact of the legislative changes for implementing the base erosion and profit shifting (BEPS) package – specifically, in relation to limitation on interest deductions, country-by-country reporting, transfer pricing rules and hybrid instruments treatment, for example." **José Luis Prada, Barcelona managing partner, EY Abogados**

"The transactions market is quite active, although the completion rate for potential deals is not always as high as desired. Areas of particular interest have recently been: premium real estate, private equity investments, the energy sector, IT and start-ups. Another area of current growth for law firms is legal compliance programmes." **Alex Carbonell, partner, Gómez-Acebo & Pombo**

"The Catalan economy is going strong now for a fourth consecutive year. We see interest building up in varied sectors – the city of Barcelona is attracting an increasing number of expatriates, despite the rise in residential prices, and this influx is likely to keep on increasing in future years. Technology, particularly in relation to IT and biotech, is also a strong area. Finally, transactional work is likely to increase as a consequence of low interest rates and the favourable economic environment." **Gabriel Nadal, Barcelona managing partner, Ecija**

"An increase in foreign and domestic investment in mid-market businesses in the technology, industrial and hospitality sectors have opened new paths for M&A activity. Since 2014, there have been a lot of international and institutional investors coming to Spain and that has really brought confidence back into the market. Moreover, the real estate sector has grown considerably in the last six months, to the extent some are talking about a new bubble. Prices have increased by around 18 per cent in the last year, but Barcelona is still a bargain compared with other large European cities such as Paris or London." **David Avilés, founding partner, DS Ovslaw**

Can't get the staff?

Small entrepreneurial businesses in Barcelona are often looking for lawyers that can solve problems, says Toni de Weest Prat, managing partner of Andersen Tax & Legal in Barcelona. He adds that the city is unique and that foreign investors are investing because they cannot find similar businesses in other parts of Spain. "However, it can be difficult to find good people to serve such clients."

Ramon Faus, partner at Andersen Tax & Legal, says that, in the next ten to 15 years, "everything will be technological". He adds: "How will the legal industry change because of the technological revolution? Silicon Valley and China is deciding the future. How do we follow up what they are doing? We will soon be living in a world of cities, not states or regions." Faus says that five of the six leading technological cities in the world are in the US, Europe and Asia and consequently, "we aim to serve those cities". He adds that lawyers have to be curious about new technological industries: "We have to be humble, we have to talk their language – legal services are not better, nor different, nor special, it is just another economic industry, like any other one, and will also be affected by technology. Everything will be faster, consumers and clients will go directly to artificial intelligence for most of their legal services, the question is how will machines replace lawyers?" Faus argues that, in future, there will only be very large global law firms or very small, but high-quality, boutique firms.

Purely local is unsustainable

Around one-third to one-half of the income of the revenue of law firms in Barcelona comes from local businesses, but the market is "the world" and it is not sustainable to think purely locally, argues José María de Paz, partner at Pérez-Llorca. Meanwhile, Santiago Torrent, partner at Lener, says that banks are still in the process of clearing up their balance sheets and that this is generating a lot of work for law firms. He adds that the real estate market has

"reignited", though warns that there is a need to "keep focused as there is still a lot of work to do related to the crisis".

Bros says the Spanish market is quite stable and, in recent years, there has been a new wave of foreign law firms coming into the market. "There should be a role for every type of firm, but it's essential to know the client because you will be working with your client everywhere in the world," he adds. Doce says firms need to be able to invest in people and training, as well as in technology: "Law firms have to do things differently, we have to guarantee the same level of service everywhere." He adds that some clients are driving fees down. "Some big clients are trying to get good services at a low price."

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Santiago Doce
Deloitte Legal





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José María de Paz Pérez-Llorca

‘Scary’ internet platforms

The way big corporations hire lawyers is changing, says De Weest Prat. “Some US corporations have internet platforms where law firms make an offer for work; that will come to Spain – this is an opportunity to change the way business is done,” he adds. However, there will always be a place for personal relationships between lawyers and their clients, argues De Paz. “There is still room for

lawyers to get to the position of trusted adviser,” he adds. “However, you have to move to highly-complex matters to preserve profitability as commoditised work will lose profitability – knowing your client is key.”

Clients using internet platforms to tender for work is “scary”, according to one partner. He adds that innovation in the legal profession quickly becomes standardised and that breaking out of that cycle “requires firms to make a lot of investment in terms of time, as well as money”. However, the partner also says that, when dealing with a law firm, clients want to deal with a “human being they can really trust”.

Not all legal work will be standardised, lawyers say. “You sometimes need 120 lawyers to merge two financial entities and small firms can’t compete,” one partner says. “Additionally, highly-skilled lawyers are needed when conflicts arise – trust is important, in conflicts you have to manage human expectations in the negotiation process.”

The personal touch

Though firms need to invest in technology, clients want a personal and direct contact, says Viola. “We have alliances in other countries – the alliance works, the client doesn’t know the lawyer in the other jurisdiction, we don’t put them in direct contact with the other lawyers, clients prefer to go together with their trusted lawyer,” he adds. One partner remarks that while clients expect him to coordinate lawyers in other jurisdictions, this poses risks. “If I choose the other lawyer, this could be a problem as I’m forced to be responsible for the choice of law firm.”

While some firms are members of networks, one partner argues that global firms operating under a uniform brand can sometimes be in a better position to attract clients. “There is a lot of idle talk about networks and clients know that, a single name firm has an advantage with big corporations and banks that use panels, for example – when a client does not have a personal connection they may go to a brand.”

In general, business in Barcelona is improving, lawyers say. “Business is getting better, there are a lot of new entrepreneurs and new ideas – foreign investors think it is a good place,” says one partner. Another remarks that Spain is now a “stable

“We have to be humble, we have to talk their [tech industries’] language – legal services are not special, it is just another economic industry.”
Ramon Faus
 Andersen Tax & Legal



country compared to some of its neighbours in Europe”.

What are the biggest challenges currently faced by law firms in Barcelona?

“Among the internal challenges, hiring and retaining the best talent remains key and, in that respect, Barcelona offers some competitive advantages to brilliant recently-graduated students from the top Spanish law schools, but it is also a less immediate choice sometimes than Madrid. Externally, law firms will have to adapt to new clients and demands. In that regard, for example, the approach that new startups take towards their legal environment is new and will require adjustments to both the manner in which law firms think about legal issues and how they deliver their services. We also see an increasing amount of litigation involving our clients, particularly due to class actions. This is already a clear challenge in the financial sector but it is our expectation that it may expand to other sectors in the coming months and years. Advising on these matters requires the ability to provide quick strategic advice. Clients may however be tempted to see this as routine litigation work, although these cases may end up having strategic implications for them. This mismatch results in a clear challenge when explaining the value proposition to the client with regard to this type of work.” **Antonio Herrera, partner, Uría Menéndez**

“Due to new regulations in the world of compliance, and the need to adapt our day-to-day business to increase connectivity, law firms need to get prepared for a much deeper relationship with clients.” **Adolfo Soria, partner, BDO Abogados y Asesores Tributarios**

“Firstly, delivering value for money – firms must make internal improvements to keep up with technology and to be able to listen to the client. Secondly, collaboration between law firms on both international and national matters to deliver a seamless service. Thirdly, training lawyers to have a strategic mindset. Fourthly, considering diversity both in terms of internal policy and with respect to clients. Fifthly, talent retention – new generations of lawyers are knocking on the door and their expectations regarding their careers are different from what we have known until now. And finally, cybersecurity, especially after recent scandals

involving leaked attorney-client information from law firms.” **Ignasi Costas, partner, RCD – Rousaud Costas Duran**

“Increased competition in the market and the need for alternative fee arrangements; further requirements for specialisation in different sectors; providing further value to clients (for example, legal project management); adapting to the need for new technology.” **Alex Carbonell, partner, Gómez-Acebo & Pombo**

“The Barcelona innovation hub constitutes both a valuable source of opportunities and a great challenge at the same time. The law firms of Barcelona have to adapt their business models to the emerging needs of our clients, and be more flexible, agile and able to provide added value to the ordinary advice, while also taking advantage of technology in order to provide quality services at a competitive price.” **José María Rojí, Barcelona managing partner, CMS Albiñana & Suárez de Lezo**

“Serious political disruption. The decision by the Catalan Regional Parliament to approve a ‘transition law’ between Spanish legality and a new Catalan legality after a unilateral independence referendum creates substantial political and legal uncertainty. While it is hoped that political unrest will not eventually degenerate into civil and social unrest, the worst possible scenario cannot be discarded. The eventuality of Catalan independence, however remote, would create extraordinary challenges for any law firms in the Barcelona market, both because of the accelerated substitution of Spanish laws for Catalan laws and the problems derived from the abandonment of the European Union that Catalan independence would immediately provoke.” **Pedro Soriano, senior associate, Ramón y Cajal Abogados**

“Uncertainty about the political and economic situation – our objective is to give the best legal security to foreign investments.” **Javier Casals Matute, managing partner, Casals**

“To take full advantage of IT and artificial intelligence tools in order to produce the same amount and quality of work but in a better way for all parties involved: staff, partners and clients.” **Mercedes Clavell, of counsel, Arco Abogados y Asesores Tributarios**