

Four Lessons from Latham Chair's Remarkable 20-Year Run

By Aric Press
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After 20 years as chair of Latham & Watkins, Robert Dell steps down next week. He leaves behind a remarkable record. On his watch, the firm grew from 580 to 2,100 lawyers, from 11 to 31 offices, from gross revenue of \$263 million to \$2.3 billion, which moved it from ninth to third place on The Am Law 100.

He leaves behind wealthier partners: Latham is now one of the 21 superrich big firms, which log profits per partner of more than \$2 million and revenue per lawyer of at least \$1 million. He leaves with the admiration of his competitors: In 2006, when we asked the heads of The Am Law 200 which firm they admired the most, Latham and Dell won in a runaway. And perhaps most important, he leaves behind a record of transformational public service: In two decades, Latham moved from ranking 72nd to ranking 22nd in The American Lawyer's annual tally of pro bono work, moving from performing 15,327 hours in 2004 to 138,553 in 2013.

These results are exceptional and some, perhaps, the work only a firm with the muscle and ambition of Latham could achieve. But the rest of Big Law—and for that matter, the leaders and lawyers at firms of all sizes and shapes—could benefit from examining the processes followed by Dell and Latham. The following four demonstrate that law firms can attempt to control their futures by planning carefully, executing their strategies and paying close attention to their clients, their talent and their obligations to the public and profession.

Lesson One: Question, Decide, Then Execute

Looking back, Dell says that the best decision he made while chair was opting to expand significantly the firm's global presence and practices. He didn't take office thinking about a foreign initiative. But once Latham had established a serious beachhead in New York, global seemed the next step. For one thing, there was room in the market. In that era, not every firm fancied itself a global player. And for another, the clients were already moving in that direction. But how would Latham compete in jurisdictions where it simply wasn't known?



Photo by David Yellen

Robert M. Dell

To find out, Dell hired McKinsey & Co. and charged the consultants with answering the question: If Latham chose to go global, "could we succeed?" After talking to scores of partners and clients, they came back with the answer that many of his partners suspect Dell was hoping for: Yes. The two prime reasons were one, the firm had a "unified culture" that could weather the uncertainties of expansion and two, clients—especially at the "higher end of our mix"—were globalized already or heading in that direction. Some said they were willing to talk with Latham if they opened in locales where they were using other firms. "You have a path, an open door," Dell recalls the McKinsey group reporting. "You are positioned to succeed."

William Voge, who will succeed Dell, said in a 2003 interview that McKinsey reported that roughly 30 percent

of the firm's largest clients would use Latham in Europe if the firm expanded. "I would have said we think 15 percent, maybe 20 percent, of our clients want a firm like Latham in multiple jurisdictions," he recalled.

Armed with the McKinsey report, Dell says, he wanted a consensus from his partners before proceeding and not merely a majority vote. So he spent nearly a year on the road talking with Latham's partners about the time—five or six years—and costs—at least \$100 million—they faced.

At the end, Dell says they agreed and, as several of his partners echoed independently, began building offices without much lingering doubt or backbiting from his colleagues. There were false starts, including a much publicized near-merger with Ashurst in London. By the time Dell was finished, the firm had grown from three to 18 non-U.S. offices and reported that roughly one-third of their biggest matters did not have a direct nexus to the United States. "Before we did this, we weren't getting calls on the very top stuff outside the West Coast and occasionally New York," Dell says. "Now we are. We're just competing at a different level."

Lesson Two: Protect Your Firm's Culture

As Dell recounted Latham's growing pains in an interview, he returned several times to stories of talented lawyers he tried to recruit around the world. They had business, contacts and ambition. And often, they wanted to join Latham. But Dell says that they kept stumbling over Latham's particular way of doing things. They might want to control local partner promotions or resist a collaborative approach or push too far for a pay package for one of their colleagues. Dell says he chose to walk away rather than buy a partner who wouldn't fit. "This is who we are," he says. "Sometimes they thought we weren't serious. I'd give an example and they'd say, 'Just between us, we'd do it our way, yes?' And I'd have to say, no."

The point here isn't pride or peculiarity. It's that the firm has tried, for good or bad, to have a view of how it conducts its business and tries to adhere to it. That has served the firm well when it's faced difficult patches, particularly during the early 1990s, when several important clients died, and more recently during the Great Recession, when both Bear Stearns and Lehman Brothers went under. Dell says that there's an idea afoot that "culture" is a code word for soft or emotional skills. Hardly, he says. "We think we have a high-performance culture," he says. "We work at that. That's not soft."

Lesson Three: Turn Losses Into Opportunities

This lesson predates Dell's tenure as chair of the firm. Through the 1980s, Latham rode the private equity and

high-yield debt or junk bond booms. That ride came to an abrupt end when its major client, financial house Drexel Burnham, collapsed after its leading dealmaker, Michael Milken, was indicted on (and later pleaded guilty to) federal securities violations. This was a harsh blow to Latham, but its partners stayed close to the diaspora of Drexel bankers and traders that spread across the financial world. Eventually the firm won new work from these old contacts and expanded its network of clients.

Latham was forced to dust off that playbook after Bear Stearns and Lehman Brothers fell six years ago. "Both times, in the early 90s and again in 2008, our firm was hit more drastically than most," Dell says. "The second time, two of our biggest clients died. Deals just stopped. It took two to four years in some cases, but eventually the work came back, and we got bigger. We had a chance to prove ourselves with more banks again."

Much of that effort was led by Latham's New York office, now the biggest in the firm's network. Their two key capital markets partners, Kirk Davenport and Marc Jaffe, worked at maintaining their relationships. By their account, they hosted reunion events, served as a job bank, offered office space and conference rooms—all efforts aimed at helping old displaced banking colleagues and finding new opportunities. They say that those are paying off now that the high-yield debt and IPO markets have returned.

Lesson Four: Pro Bono Matters

Jack Walker was Dell's predecessor as Latham's chair. As he looks over Dell's career, he says, "Bob just took off with our pro bono efforts and made it one of the top programs in the country." Walker says he knows and appreciates how far the firm has moved because as a young associate, he headed the firm's pro bono program.

The new pro bono push began in 1996. According to an American Lawyer story in December 2001, some partners were noting that the firm's pro bono efforts were mediocre. They argued that the firm needed to get better or get out. Says Dell: "We were improving our profitability and our market position, but we were still pretty lackluster in this one area. We had never really pushed pro bono from the top down."

Within a year the firm had agreed to sign the Pro Bono Challenge of the Pro Bono Institute and put itself on a three-year schedule to reach an average of 60 pro bono hours per attorney by 2000. By 2013, the firm averaged 93.5 pro bono hours per lawyer; 64 percent of the lawyers performed at least 20 hours.

Says Walker of those numbers: "This is just unbelievable." The same could be said of Dell's tenure.