

Bob Dell, who is retiring as chair of Latham & Watkins, led the law firm's aggressive expansion, writes Caroline Binham

The mild-mannered lawyer who grew a global colossus

When Bob Dell first became chairman of Latham & Watkins, the US-headquartered law firm, the internet was yet to permeate public consciousness; whizz-kid entrepreneur Nick D'Aloisio was about to be born; and one real-life courtroom drama obsessed the world's media: OJ Simpson's acquittal of double-murder charges.

It was 1995. Latham was also a different business from the global behemoth it is today. The then-583 lawyer firm was rooted in Los Angeles with a smattering of outposts across the US and in London, Hong Kong and Moscow, newly emerged from Soviet rule.

There were also few international law firms in the way the legal market now understands them. Today, Latham, with \$2.3bn in revenue, is the world's third largest, with 31 offices in 14 countries.

Much of that transformation is down to the strategy of Mr Dell, 62, who will step down as Latham's chairman at the end of 2014 after 20 years in the top job – and a special achievement gong at yesterday's FT North America Innovative Lawyers awards.

"The most difficult decision was whether to become a global law firm," he says. "In retrospect, it was very easy and the right decision but at the time [the thinking was] if it fails, it could be rather disastrous because of the significant investment involved."

Unlike many of the firm's rivals, Latham attained its aim without a merger, or a large-scale bolt-on, a key decision, in Mr Dell's opinion, that helped the firm preserve its culture.

It is Latham's history in London that is emblematic of its genesis from West Coast operation to international colossus. The £128.5m that Latham's London office alone generated in the last financial year makes it larger than some of the UK's heavyweight firms such as Travers Smith or Mishcon de Reya.

While Latham's London presence pre-dates Mr Dell's chairmanship, even a decade ago its 25 lawyers were mainly known for advice on high-yield investments. A hiring strategy leveraging this reputation in a niche area has seen the office's headcount – and revenue – balloon, and it now has 250 fee-earners, including 60 partners.

It has hired nine partners this year alone from such firms as Clifford Chance and Herbert Smith Freehills, effectively launching its private-equity practice and litigation team.

The appointment of a London-based partner, Bill Voge, to succeed Mr Dell as chairman underlines the continuing importance of the UK capital to Latham. Such a move was unusual for a US law firm, although Mr Voge is American.

"Part of the strategy is we try to leverage off our best practices with the goal being to then bring in other practices at that level. The idea is we're going to attract the best talent if we can show them that they will benefit from our existing platform," Mr Dell explains.



Master of the art of running a partnership:
Bob Dell
David Parry

It is a strategy that already worked in another highly competitive legal market that Latham targeted: New York.

Latham built its Manhattan office around three key clients: Drexel Burnham Lambert, the investment bank; Hughes Aircraft, the defence contractor; and KKR, the private equity firm.

In the years immediately preceding Mr Dell's chairmanship, Drexel imploded after Michael Milken, its "junk-bond king", was jailed for insider trading; Hughes was acquired by General Motors; and KKR's deal flow dried up during the recession of the 1990s.

"Suddenly we had a huge portion of our revenue decline quite dramatically," Mr Dell recalls. "It was a trying time."

A managing partner of a well known New York-headquartered law firm sees the secret of Latham's success as the twin-prongs of focusing on key clients and choice hires.

Latham partners take home on average \$2.49m a year, while first-year associates earn \$175,800. Compare that to the most elite UK firms, where average profit-per-equity partner stands at £1.28m (\$2m), and newly qualified solicitors can hope to earn £67,000.

Like most US firms, though, there is a quid pro quo. Latham's target of 1,900 billable hours a year for its associates has quasi-mythical status. "We have very high performance standards," Mr Dell shrugs. That includes sacking – or at the least moving down the equity rungs of partnership – those who do not meet those standards.

During the financial crisis, which hit nearly all big firms hard, Latham made

redundant 190 associates and 250 staff. "Getting Lathamed" gained traction for a while as argot for getting laid off.

Mr Dell maintains that at a partner level, Latham is stable, with around 2-4 per cent leaving each year "for retirement or other reasons".

Compensation, he acknowledges, is key to Latham's culture. Law firm culture is a slippery concept, with many firms claiming a unique ethos. Unsurprisingly, Mr Dell uses words such as "teamwork" to try to define Latham's.

Speak to Mr Dell's partners and rivals, and it emerges that Latham has a partnership remuneration structure that rewards collaboration akin to firms that operate a lockstep model – where partners move up the point-system of equity, which determines take-home pay, according to seniority – while also

Applause for the creation of an international behemoth

It is hard to overstate the impact that Bob Dell has had on Latham & Watkins, where he has been chairman for the past 20 years.

Mr Dell, 62, will step down from that role in later this month, and from the firm where he has been for 32 years of his career, initially as a litigator before he moved into management.

In the past two decades he has orchestrated a strategy that has seen Latham grow from a firm of 583 lawyers whose centre of gravity was very much Los Angeles, to the \$2.3bn international behemoth it is today, with more than 2,100 lawyers across 31 offices worldwide.

That international growth – aggressive in its lateral hiring of partners – has been achieved, unusually, without merging with another firm.

When pressed on what he feels is his greatest achievement, Mr Dell replies: "Building our global presence but, even more importantly, doing so while preserving our highly valued culture, which is not easy."

Such a legacy is enough to confer upon Mr Dell the North American Innovative Lawyers' first-ever special achievement award.

Latham has taken on the competition in two of the most cut-throat legal markets in the world – New York, and more recently, London – and is doing so successfully. It has built on its key practice areas and a few choice clients to become a rounded force.

"When Bob took over 20 years ago, Latham was an LA firm that had tried to do a few other things outside LA, although not terribly well," the managing partner of a firm headquartered in New York confides.

"Twenty years ago, our competition would have been the other Wall Street firms. Now, Latham is very much on the list."

Caroline Binham, correspondent

Latham's target of 1,900 billable hours a year for its associates has quasi-mythical status

CV

Born October 4, 1952 in Chicago
Education University of Illinois College of Law; University of Michigan
Career 1979-82: associate at Hedlund, Hunter & Lynch, before joining Latham & Watkins when it acquired Hedlund, Hunter & Lynch. Then: Latham & Watkins partner; chair of the associates committee; office managing partner, San Francisco; global chair and managing partner
Family Married to Ruth. Three children; two grandchildren
Interests Playing jazz and classical piano; hiking; watching college basketball; classical and jazz concerts

recognising individual merit, as an "eat-what-you-kill" firm model does.

Eighty-five per cent of partners' pay is made on a lockstep basis; 15 per cent reserved for performance-related pay. "But if you perform well but not in a teamwork fashion, you're not going to tap into the 15 per cent pool," Mr Dell explains. "So we use the compensation system to reinforce the culture."

"Transparency" is another favourite word. Associates, for instance, help to choose new partners. This is not all bluster. "Latham is run by committee," one partner says. "But in a good way."

It might be expected that to head up such a firm, Mr Dell must be insufferably thrusting. The most surprising thing about him – despite his towering height – is his softly spoken nature and flawless manners, however.

"My ambitious, aggressive side is a little more hidden, but it's there," he smiles. "I think it helps; it gives some partners comfort that I am measured and that I am not going to recommend a path without thoughtful analysis."

He answers questions during a snatched hour in London before catching the Eurostar to Latham's Paris office. While he has not decided on his future plans, Mr Dell, a jazz-pianist manqué, knows what he does not want to do.

"I'm so sick of travel," he says. "Just give me three months of not going to airports and let me decompress and then I can think about what I want to do. When you've done something for 20 years it's hard to imagine not doing it."

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