

# EXTRA

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LAW FIRM MANAGEMENT

## Tripwire

Clifford Chance, the largest law firm in the world, had major ambitions for the Golden State, only to stumble badly at the first jump.

**By: Sanford A. Lechtick**

Clifford Chance is the world's largest law firm. It has 29 offices in 19 countries. It has 3,700 attorneys. It has million-dollar partner profits. It has some of the bluest of the world's blue chip clients. It has a major U.S. strategy. And it has major California ambitions.

It is a major California Failure.

Working with key West Coast Clifford partners in the early ramp up period and actively recruiting "tent-pole" partners, we eventually came to two inescapable conclusions: Clifford Chance's recruitment initiatives were dead on arrival and the operation was doomed to failure in California.

To put it more bluntly, Clifford Chance flunked two critical courses: Growth Strategy 101 and Recruitment Basics 102. The question remains, how could so many smart lawyers miscalculate so badly?

California, the fifth largest economy in the world is a tempting target for many law firms – especially those desirous of establishing a national footprint. Indeed, how can a national law firm leverage its practice, profits and geographic penetration without first-rate presence in two major states – California and New York?

California is a must for many top firms for a number of reasons: the business litigation explosion in California; a significant increase in big ticket “bet the farm” patent cases; the increasingly sophisticated and expanding deal flow in Silicon Valley and So. California; the dramatic expansion of high technology, biotechnology, life science, nanotechnology; the influx of corporate and intellectual property activities in San Diego and No. California; the expansion of securities, mergers and acquisitions throughout the State as well as bustling real estate activity have all made California a must for many top firms.

So, what lessons can be learned from another mega-firm, albeit an English one, that miscalculated, miss-stepped and stumbled in the sunshine state?

Working with Clifford, as well as other non-California based firms that have done well here, I concluded that it is entirely too convenient and simplistic to blame this California misadventure on the “Brobeck factor” or Tower Snow, pending law suits, or write it off as a group who over-promised and under-performed.

Back in September 2002, we met with Tower Snow and other key Clifford Chance partners in San Francisco. Certainly, as students of the market we were interested in their take on the rise and fall of Brobeck and we were keenly interested in Clifford Chance’s California growth plans – why this global powerhouse had come to California; what was its game plan; what was the compelling story that would aid our recruitment of highly compensated senior partners – especially those with stellar reputations, multi-million dollar books of business and – already at great firms.

We were intrigued by Tower’s presentation and the other Clifford partners we met.

The firm’s resources and clientele were huge. This “magic circle” London based firm was the first to stick its toe in California soil. And Snow, the former senior Shearman & Sterling securities litigation partner, had moved a very profitable group of securities litigators and solid client base from Brobeck, Phleger & Harrison, where he had been chairman.

Within eight or nine months of that Clifford meeting, our enthusiasm had dimmed considerably. After a particularly sobering experience (which I will discuss shortly) we concluded that somewhere in the East Coast vs. West Coast dynamic, there was a serious disconnect and impenetrable bottleneck.

One group we represented was headed by one of the top litigators in California, an ivy league law degree (Managing Editor Law Review), \$8M-\$10M book of business, first class (non-securities) practice, international reputation, proven leadership ability. In addition, the litigator really liked the firm and saw a strong fit in both practice and philosophy. Clifford Chance put him through the interview gauntlet with partners in the Bay Area. He went back and forth twice to New York, back and forth twice to London, meeting key partner after partner.

Yes partners are busy, but the process dragged on and dragged on. I have seen grass grow faster than Clifford Chance's hiring process. Due diligence is important, but these guys were inventing the fertilizer. Critical momentum was lost, his interest diminished and ultimately we placed him and his group at a dynamic, extremely profitable national firm where he has assumed a key national leadership position.

After that episode we thought, "if that's how Clifford Chance operates with such an outstanding candidate, one who would have added firepower, great name recognition and lots of high rate business, how are they going to succeed with other laterals?" In short, the strings, we concluded were being pulled thousands miles away – a dynamic in itself that wet-blankets lateral prospects.

Clifford Chance made a hell of a statement by attracting a high profile, profitable Brobeck group of lawyers. But Clifford Chance's inability to exploit that momentum, leverage those relationships and exploit its international client base in California told the world that their standards were either unrealistic; their commitment to California questionable; or their "platform" for growth non-existent. Why would other prospective laterals, including a top partner from a top firm, highly compensated, move to a questionable enterprise with questionable commitment to California and baggage to boot? Clifford Chance failed in making a compelling case that prospective laterals would find attractive.

And in the last several years a number of notable firms have flamed out in other parts of California: Shearman & Sterling; Cadwalder; Debevoise & Plimpton; Pepper Hamilton; Donovan Leisure; Rogers & Wells; Mudge Rose and Arter & Hadden are a few.

Law firm growth is always tough – especially in highly competitive markets where there are huge aircraft carriers that guard against enemy encroachment. Law firm leaders must put their oars in the water at the same time. Clifford's East Coast vs. West Coast forward momentum lurched here, lurched there but never went anywhere. Eventually the strong tide pushed them into swampland where they sunk.

On the other hand we have had significant success the last two or three years (even at the height of the recession) landing partners and groups for several national firms that are all doing well – growing and profits up. The list includes: Winston & Strawn; Fulbright & Jaworski; Orrick, Herrington & Sutcliffe; Kirkpatrick & Lockhart; Greenberg Traurig and Baker & Hostetler – all except for Orrick, non-California firms.

Other non-California based firms such as Kirkland & Ellis; Skadden, Arps; Milbank Tweed; Piper Rudnick (just merged with DLA and Gray Cary); Mayer, Brown & Rowe; Sonnenschein, Nath & Rosenfeld; Holland & Knight and others continue to do well in California.

So what do these firms do differently than Clifford Chance? The leaders truly have a vision and strategic game plan to implement that vision. They look at the big picture, focus on great lawyers – as well as those with significant books. Numbers are important

but not the only barometer. They are responsive to us and our candidates. In short, they give us the tools to assist them.

Sometimes I think Easterners speak a different language from West Coasters. At Clifford, the gauntlet was so overwhelming that precious momentum was lost. If a law firm can't strike when the iron is hot and generate momentum – the best partners – especially those who command multi-million books either lose interest, stay put or move elsewhere.

So many firms fail to grasp the point that inertia is a powerful force and that the courtship process is critical, especially in capturing partners who are not dying to leave their firms. If I have learned anything over the years, I have learned that timing is everything. A firm must keep the momentum moving forward.

Lessons:

1. You can't grow a new office simply by buying books of business. Unless you present a compelling reason to be at your firm and an even more compelling pitch for prospective laterals, your efforts will fall short and you will lose out to your competitors.
2. Pay particular attention to your platform, and view it from the eyes of prospective laterals. For instance, what clients or potential clients do you have in California that can be leveraged for business? Why does California make strategic sense? How do you hope to exploit your firm's reputation and client relationships? Very few lawyers move just for money.
3. The No. 1 question partners ask me is, "Sandy, I know what I can do for your client, the question is, what can they do for me?" If a partner has an established multi-million dollar portable practice, he or she demands powerful reasons why they should move, especially to that specific firm. Two plus two must equal five or six.

Finally, pay attention to economics. Not just compensation but hourly billing rates, billable hour requirements and practice group strategic objectives should be flushed out sooner, not later. Too much time is wasted on non-starters. While the numbers game is critical, it is the people involved – all rowing in unison who ultimately make the difference.

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