



Profile

King & Spalding

In September 2009 the law firm King & Spalding opened its ninth new office in under three years. **Richard Brent** talks to global chairman **Robert Hays** and London managing partner **John Keffer** about the firm's recent global expansion – and apparent growth in confidence.

The recent story of international law firm King & Spalding (K&S) seems to read like something of a personality transformation. Where its approach to investment would once have been described as solidly “conservative”, says current London managing partner John Keffer, the partners of the firm are now actively encouraged to make a bold business case for any global expansion that is seen to be clearly in the interests of their clients.

It is also probably fair to say that this is a firm that has done its share of soul searching over the past five years. At the same time as spreading its wings, a 2007 strategic review culminated in the realisation that its overall approach to business generation needed a rather radical overhaul. As a result the firm now focuses on a far narrower range of core sectors than was once the case.

“What we did was to ask ourselves what our real strengths were, and then identified the areas where we might not be so strong,” says chairman Robert Hays in the US, with characteristic frankness. “Rather than continuing to pound resources into a particular area, we decided we would take the ones where we do have traction and really double down on those.”

“We needed to find new models that were synergistic with what the firm did well and which would increase revenue opportunities,” Keffer adds.

All good practice

No doubt this sounds a particularly sensible move in light of the current stressed economy that has taken such a toll on the towering capabilities of many global law firms. Reprioritising resources so as to maximise benefit to the bottom line is a strategic move that has been made by many over the past two years.

However, Hays admits that K&S was far from foreseeing the financial

crisis in this piece of fortuitous forward planning. “It’s better to be lucky than good,” he laughs. “It would be nice to be able to say we were so prescient we were able to forecast the areas we needed to be in, but I really can’t.”

The areas the management identified do seem to have worked in its favour with the economic cycle though. Life sciences, healthcare and energy have all been in demand, Hays explains, as has the firm’s regulatory and international litigation and arbitration expertise. Even real estate, while “understandably challenged” by the downturn, has held up surprisingly well in certain jurisdictions such as Germany, he says.

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“Most have continued to percolate along, and in some cases we have actually seen an increase in demand,” he explains.

“We even saw an increase in productivity on an individual basis and a growth in revenue, which I did not expect. I thought it would be a win just to be near flat, but we grew revenue to a record and were able to increase profitability.”

Nevertheless, it is not the firm’s style to get “carried away” by good figures, Hays claims. “Last year was a good year and we recognise we were fortunate, but we didn’t get caught up in all the hyperbole and euphoria of the prior period and we weren’t as heavily invested in structured finance as others.” The real reason for its celebrating is the hard work and resilience of a partnership and team that Hays fondly refers to as “a rather gritty bunch”.

New horizons

In spite of its former cautious approach, Keffer feels this is this same ‘can do’ spirit that has enabled the firm to introduce and establish such a large number of international offices in a relatively short space of time. When K&S opened its London office in 2003, it was only the firm’s fifth, he explains. “It was a very big move,” he says. In fact, the original team to move felt they might even be the final ‘US’ law firm to make that move to the UK, although it eventually transpired that it was the 106th of some 150 firms today. Six lawyers moved across, “naïve and with great ambition”, Keffer says, to begin the process of recruiting the best talent it could find in a market they well knew was one of the most competitive anywhere in the world.

Just seven years later, and the firm now has 14 offices, almost half of which are found outside the US. The arbitration-focused Paris office, opening in September 2009, was the ninth new launch since January 2007, following on from Frankfurt in Germany and a Middle East presence encompassing Dubai, Abu Dhabi and an affiliated office in Saudi Arabia’s Riyadh. There are no specific plans yet for adding further offices in 2010, but Keffer says the prior growth spurt is symptomatic of a leadership and management style that encourages all partners to be entrepreneurial, autonomous and hard working. More offices in this mode are certainly likely.

“It’s very easy to do what is the least risky – to focus on your daily practice, answer the phone and produce your documents,” he says. “Then the likelihood of something going wrong isn’t very high. It’s more risky to look at new offices and areas, and to help build the practice and leave a lasting legacy.

“Robert has empowered the practice group heads to think about where else their practices could generate profitable revenues.



“We recognise the need to continue driving efficiencies ourselves so that we can pass them on to clients and we've got better at pricing what alternative fees should actually be.”

“We don't discourage our partners from looking for new opportunities, and frankly, from taking risk.”

Hard work

In one sense the firm's rapid expansion has still been conservative, however. That growth hasn't required vast additional investment, Keffer says. Rather, it has been made possible by the willingness of all existing partners and employees to work even harder than they did before.

A great deal of support was required from the team in the firm's home city of Atlanta, he explains, while certain people have been made responsible for managing multiple office launches. The IT manager in London also worked on the Paris and Frankfurt openings, for example, and the overall office manager's influence reaches as far as Dubai. A single lawyer was moved from London to Paris to get that outpost moving, and Keffer led the launch. “We all learned a lot, but we did it without

additional resources” he says. “We just asked our people to do more, which they have done and done very well. They just did what was necessary.”

Now the London office has 22 lawyers (down from a peak of 27). The combined Middle East presence, meanwhile, is one of the largest of any US-based law firm and it is the clear focus of the growing energy practice. The head of energy, Philip Weems, is himself resident in Dubai. “We send partners out there who understand the region and are leaders of the firm. We aren't just moving people who don't have anything better to do,” Keffer says.

However, he adds that the firm manages itself more by practice profitability than geographic location in any case. Practice group heads are held accountable for their management, and all practice groups then have further partners or representatives such as Keffer ceded to other offices. “I am the eyes and ears of the practice group heads in London,” he explains. “My job is to ensure the partners here understand the strategy and deliver it.”

Admittedly most of these practice heads still call the US their home, but while the head of energy has moved to Dubai, most of his lawyers are working for him out of Houston.

“We don't start from the premise that we will always be full service in a new area. It's practice group driven,” Keffer adds.

Changing your ways

The practice-focused nature of the firm is also reflected in remuneration arrangements, Keffer continues, where the profitability of London, or any other office, as a location is ultimately “of little relevance” to anybody's reward structure. “We don't even provide the profitability by office to the policy committee that decides people's remuneration,” he explains.

Likewise, he adds, K&S is a firm that notices and rewards teamwork, including across jurisdictions, as much as personal performance.

“Culture is a critical component. If you work in a silo you aren't going to be successful,” he says.

On the other hand, Hays explains, one policy the whole firm has recently adopted is to link a lawyer's remuneration much more closely to his or her personal productivity and performance. Partly inspired by the need to find new ways to incentivise employees, the firm is now moving a greater proportion of its compensation into bonus or variable, rather than ‘baseline’, pay.

“This means breaking away from lockstep compensation based on longevity in the associate ranks and elsewhere, and becoming more focused on individual performance. In many industries that has been in place for decades of course, but in the legal industry it has been a long time coming,” he says.

The firm has already seen an improvement in personal productivity as a result of the switch, he adds, which has in turn fed into some growth in revenue and profitability and helped weather the worst of the downturn

Pricing promise

Similarly motivated by achieving new efficiencies meanwhile, a second strategic plank for Hays has been to improve K&S's competitiveness in terms of the pricing of its legal services.

For example, the firm is willing to change how it manages its costs and resourcing of legal matters internally to meet contingency or 'fixed fee' arrangements if requested by a given client. "We are now prepared to take on more of the risk in the pricing of matters," Hays explains.

"We recognise the need to continue driving efficiencies ourselves so that we can pass them on to clients, and we've got better at pricing what alternative fees should actually be."

Testing time

As a general rule, however, K&S has largely stuck to the new strategy it had adopted before going into the recession, Keffer insists.

Some actions have been necessary owing to the economic conditions. "It has made all law firms think about the

numbers of lawyers they have and the high leverage model is being rethought by many firms," Keffer says.

He and Hays are also frank that K&S has had to make a round of lawyer redundancies for the first time because of the downturn.

"In any business you need to reduce costs and improve productivity. That has been my two-pronged approach," Hays says.

"The new climate has challenged us to be more creative, as many of our clients have had to be. Part of that was headcount reduction."

He also mentions much greater scrutiny of cost effectiveness — of everything from leasing arrangements to technology choices.

"Obviously the global economic crisis impacted all firms, ours included. With the legal industry as a whole being

flat to down, the challenge for the firm was to take market share," he concludes. "If you were going to make any moves you had to grow top-line revenue by taking work from elsewhere."

Increasing productivity and profitability alike over the past year, K&S already appears to have made some progress here, but Hays is far from complacent about the future. Strategies have many aspects of course, but he ultimately hopes to have sown the seeds of future success with the firm's focus on a considerably narrower range of work.

"We were very specific about what those practices and sectors would be even before the crisis, hoping we would be more successful than the market as a whole if we focused in that way," he says.

It is a hypothesis that will now be tested. ■

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