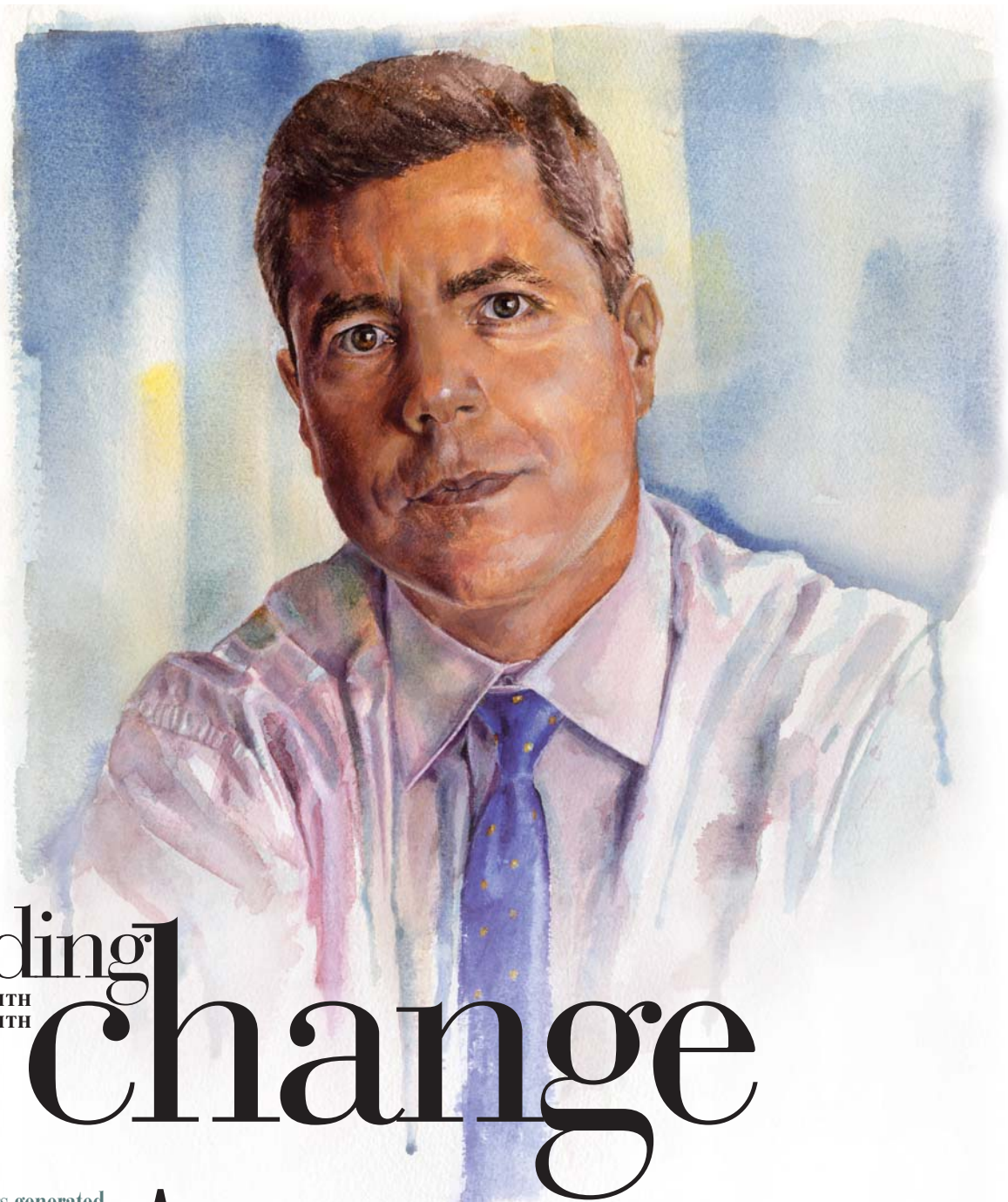


by Bruce MacEwen



# leading TALKING WITH THE CHAIRMAN OF REED SMITH change

**In 1999, Reed Smith's 610 lawyers generated \$168-million in revenue, from 14 offices in the Northeast and Mid-Atlantic states.**

**At the start of 2007, its 1,500 lawyers were on track to do \$900-million in revenue, from 21 offices across the US from California to Chicago to New York, and in the UK, the European Continent, and the Mideast.**

A few months back I had a chance to spend a couple of hours with Greg Jordan, the Firm-wide Managing Partner and Chairman, who was elected to that role in 2000, at the start of that period of astonishing growth. Here's what we discussed.

I started by asking if he had a vision for Reed Smith when he was elected that forecast where the firm is today, or if it has evolved. He recalled that it was a con-

tested election for managing partner, and that his views were summarized in the "Transition Document," which had six or seven key objectives.

Primary among them was explaining to the firm why it needed to expand out of the Rust Belt, and how it could do that hand in hand with leveraging its relationships with its best clients. Looking at it again today, he says that the firm has pretty much achieved all of them. To wit?:

- Establishing critical mass in California
- And in London
- Making serious strides in New York
- Expanding beyond the Pittsburgh center of gravity
- Adopting an international, not regional, outlook
- Improving teamwork and industry focus and getting more “share of wallet” from key clients

I remark that I'd been reading another AmLaw 30's 'strategy statement' the day before, and that it sounded remarkably similar: Go for more high-value, “premium” work, expand your geographic footprint, move from commoditizing to high-end practices, invade the key financial centers with meaningful personnel commitments. So what made Reed Smith different?

“You're right; you're right! Strategy is not the hard part. *The art is all in the execution.* The easy part is figuring out what to do; the hardest part is communication and outreach.”

- “Do what you say you're going to do”
- “Without forcing it”
- “Lawyers like evidence”
- “So provide it to them; follow *closely* how what you promised is working out.”

Had I to have ended the conversation right there, I feel confident I could report to you this is Greg's philosophy.

What do you mean by “evidence?”

“Let me give you an example: When we merged with Crosby-Heafey in California [January 2003, picking up a 230-lawyer firm known for its strength in litigation], I told people we would generate additional business that neither of our two firms alone would have gotten. So we've tracked it. And last year it was—care to guess? — \$60-million. That's \$60-million, which was first

\$10-million, then \$20-million, etc., year by year. 10% of last year's revenue.”

“Lawyers listen to evidence.”

Greg mentions they've done the same on the diversity front, winning the Minority Corporate Counsel Association's Sager Award and becoming one of Sara Lee's top two law firms.

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“You achieve this by communicating all the time: Tell people what we're going to do, tell them what we're doing, tell them what we did.”

But let's step back, I say; not every firm, presumably, could do what Reed Smith has done?

“It starts with who you are. Look at the history of Reed Smith; in the late 19th Century, and continuing perhaps until World War II, we were, as my London partners kid me, the 'Magic Circle' firm in Pittsburgh — and it wasn't a bad place to be that, then. Reed Smith represented Andrew Carnegie in the deal with J.P. Morgan that created US Steel. Talk about high-end corporate work (at the time) . . . So the first thing is to know who you are.”

“Another thing we had going for us, even

when I became managing partner in 2000, was our partnership ethos, our sense of teamwork and integrity. But at the same time we did *not* have any presence in many important markets: We had no national reputation, let alone an international one, and we had a fundamental problem:

- We were too big to get small
- And too diverse in practice to be a boutique.”

“So we had a choice: We could become a strong, and hopefully durable, regional firm, or we could expand into the major national and international markets. We decided on Plan B.”

And what did that mean for you?

“It meant we had to get into London, California, and New York, and I believed the way to do that was to make the most of our star partners, our best client relationships, to aggressively recruit talent, and above all, to do it fast.”

Let's change gears for a minute, I suggest: Let's focus on operations. It's hard to say that any AmLaw 30 firm is “cheap,” given that you face market rates on associate salaries, the non-negotiable requirement to be in Class A+ real estate in major urban centers, etc., but it strikes me that Reed Smith is reasonably economical.

“Here's our basic philosophy,” says Greg, becoming animated (even for him): “We try to figure out what the most powerful market forces are, and *own them*, not resist them.”

Meaning? “First, take globalization. Our key clients, banks, pharmaceuticals, financial services, media, are all going global: So our response has to be to be where they are, not to stay in our comfort zone in Pittsburgh. Second example: Convergence [of clients' preferred firms into shorter and shorter lists]: As our clients get bigger and

want deeper relations with fewer law firms, we need to win. And we are: We have fewer and fewer, say, \$750,000 / year clients, and more situations where that client goes either to \$5-million / year or zero."

Can you quantify that? "Sure: One particularly large financial services institution recently cut its roster from 300 firms to 10. We were in the 300 and I'm happy to report we're in the 10. Here's another number for you: Our revenue from our top 250 clients went up 400% in the past 5 years."

"Third, client pressures on fees. GC's are on the warpath on costs. Now, it would be nice and cozy to say, 'I just wish it would all go away.' But it's not going away. Instead, we embrace it and ask for more work from precisely those clients. Sure, some work that goes to the New York 'bulge bracket' law firms ought to go to those firms, and I'm the first to tell clients that. But there's also a bunch of work that we can do as well as or better than those firms.

"There's also a bunch of work that ought to go to small, regional or local firms, or boutiques. I can't worry about that; the work goes where it ought to go. Our response has to be to move up-market."

"Here's the key challenge: To take this thing that we cannot change and figure out how to drive it to our advantage."

Is it more competitive now than when he took the job, or when he was a young partner?

"I gave a presentation that I called, 'The Good Old Days Weren't So Good.' In the mid-1980's 24% of Reed Smith's business came from just two clients: One was a bank that was under siege, and the other was an asbestos manufacturing company that was going to go bankrupt, like it or not. Plus, we had 90% of our lawyers in one city — Pittsburgh — with a slow econ-

omy. So maybe the good old days weren't really so great."

"But you still have to be true to your heritage. One thing we have going for us is that we believe in long-term relationships and always have. When something goes wrong on a case, or a transaction — and they will — if you can draw on a decades-long reservoir of trust and good will, you've

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got a lot of momentum to get you past the pothole. That's why I tell everybody who'll listen that it's strong relationships with clients that drive value for them, and for us."

There's a school of thought that changes in law firm rankings occur glacially; if you look at movement in the AmLaw 100, it doesn't appear as dynamic as, say, in the S&P 500 or the Fortune 500. Can Reed Smith really become a top 10 or 15 firm?

"Great question! Look at banking. Did the New York City money center banks look at

NCNB in Charlotte 15 or 20 years ago and see a fierce competitor? Today Bank of America is vying with Citi for most valuable bank in the country, by market cap. Look, we're a business like any other industry; there is no entitlement to incumbency."

Aren't law firms inherently fragile? At least compared to corporations?

"Sure they are; that's why you need a focus on relationships: Build relationships among partners, senior management, associates, staff, and clients. Then when the inevitable rough patch occurs, you have good will you can draw on to get over things. I try to spend a tremendous amount of time with clients and partners."

"For example, Sunday night I leave for London; I'll have two full days there, with our key people and some clients we're trying to build matters up with. Then I take the train to Paris for a day and half: Same drill. Then I fly to Dubai where I'll see, among others, some of our clients. Here's another example: I got up here [to New York] last night on the train from DC. Yesterday morning in DC I spent with key partners, meeting one-on-one. Then I had a client lunch, again just one-on-one. In the afternoon I spent an hour fielding roundtable Q&A's with all the DC associates — completely unscripted. I then gave our DC office pro bono award out, and had dinner with 15 Reed Smith lawyers, partners and associates both."

"My assistant for special projects, Patty Conner, who has an MBA by the way, tries to keep me in what I call — and what I tell our people I want them to do as well — 'high impact' mode. What is the highest-impact activity I can be pursuing right now? It might be seeing a client. Or romancing a lateral, it might be talking to the media — you! — it might be making sure the integration of our latest merged-firm is going



smoothly, it might be meeting some of my counterparts at other firms. But it has to deliver the most impact then and there.”

On your watch, Reed Smith has done a substantial amount of merging with and acquiring other firms, and you’ve also hired a bunch of laterals. How are the dynamics of each different?

“M&A is what you need to do if you’re entering new markets: You need to get credibility fast, and establish a base to work from. Laterals work better where you’re building on established strength; it’s very, very difficult, and in fact we’ve never done it, to try to build an entirely new practice or open a brand-new office through lateral recruitment alone.”

“But once you’ve picked your merger target and everything has worked out, after you announce the deal, that’s when the hard work begins, the work of integration. This is how we do it:

☉ First, relocate some key Reed Smith partners into the new market, partly as cultural ambassadors, partly to seed the Reed Smith culture in the new location., and partly to show how important the integration is to all of us. That’s why Michael Pollack [Director of Strategic Planning and a member of the executive committee] moved to London after the Richards Butler deal.

☉ Next, you need to hit the ground running operationally: Get the businesses running together as fast as humanly possible. You need to make sure that you can take advantage of opportunities that come from things that would not have been available before. Without operational integration, you can’t track, or report on these opportunities.

☉ Third, once you start finding those hitherto-unavailable opportunities, you pound the message home that the com-

bined firm is winning business that neither one alone would have been able to capitalize upon.

☉ Lastly, by executing on all these things, people begin to “think differently.” They feel less and less a legacy of Firm A or Firm B, and more a part of the exciting new Reed Smith. And over time you get new people joining who never were part of either legacy firm, and who have signed on to the dynamism of the new place.”

“If you can execute well on all this, the two firms will meld, to the point where it’s difficult to find the seam.”

#### Management Team

Very few firms have the pre-meditated depth of management around the managing partner that you do. How did that evolve and what are you trying to accomplish with it?

“One of the things I’m good at is knowing my limitations, so I focus on adding complementary skills. The dumbest thing I could do would be to build a team with another five or six Greg Jordan’s. The idea is to broaden, not to heighten, the management team.

From the outset of Greg’s tenure, the key people have been himself — and he views his leadership style as instinctive, not from training (he’s a trial lawyer, not a corporate lawyer).

“Also key is the highly energetic director of strategic planning, Michael Pollack, who was on the bus from the start. And then Eugene Tillman, Director of Legal Personnel. Eugene brings discipline, consistency, a detail orientation, and the ability to say no. I’m not really much good at any of those things, so he’s been a life-saver. Gary Sokulski is the COO, and has done the job of melding together all of the operations, with an eye for detail and execution.”

“Rounding out the team is Roger Parker, from Richards Butler, our European & Middle East managing partner; Dave DeNinno, head of the business and regulatory department; and Colleen Davies, head of litigation.”

“But there are other people we can move around to do key things when we need them. For instance, Tom McGough is moving to Chicago to help with the post-merger integration there. He was the prior firm-wide head of litigation, before Davies. [Tom’s pedigree suggests he is up to the job: Princeton undergrad magna cum laude, U.Va. JD, clerk to Rehnquist.]”

What do the members of the management team have in common?

“Well, first, they’re a team of highly successful practitioners. Today that’s a prerequisite to doing the job; maybe it won’t be in the future, but today it’s required.”

“Second, as I mentioned, they have complementary and not redundant skill-sets.”

“Third, the longer we work together as a team, the better we get. There’s a level of consistency and of ‘shorthand’ that develops. It just gets better and better.”

“Finally, we’re avoiding staleness; we keep trying to add new viewpoints, including adding Parker (from Richards Butler in London) and Davies (from Crosby Heafey in California). For example, Dave Egan, our Chief Marketing Officer, never worked in a law firm, much less was a lawyer. So what I discover is that he’s the most likely to ask why do we do things this way? And he’s often right that there’s no good reason.”

“The bottom line on this wealth of talent in the management team is that if I get hit by a bus this afternoon, there’s no risk to the firm; things will go on. We could continue

to be innovative and we could continue to pursue our vision."

How has the role of a managing partner changed? Does your job today resemble what you thought it might be or what went before?

"The mind set before at many law firms was something like this: Put somebody in the chair for three to six years and just hope he or she doesn't screw things up. Now it's far more complex, and managing partners tend to have a longer tenure. That raises the question of how long is too long?"

"The answer is *not* term limits, and it's *not* when it's someone else's 'time.' The answer lies in how you react to these two questions: (1) Do you still have it? and (2) Are others still willing to listen and follow? As soon as you can't answer those the right way, time's up."

What do you do more of and what do you do less of than, say, five years ago?

Greg ponders. "Fundamentally, I think what I do today and what I did when I started as managing partner are identical; but I now do it in a more purified form. To me, it's all about *communication*: To partners, clients, laterals, the media."

"And I try to avoid getting bogged down in HR, in IT, in systems integration post-merger, in real estate negotiations. I have the luxury of being able to truly delegate, and knowing that we have experts on the team who can drive each function."

"One thing that comes with size is the need to be serious about 'high impact.' I travel 190 days a year, and that's part of it. Everywhere I go, I try to set an example; it's definitely not what you say, it's what you do."

You seem to be comfortable with change; hardly any lawyers are.

"I'm very comfortable with change! The absence of it is very dangerous. Look, Reed Smith could have become complacent as King of the Pittsburgh Hill a long time ago, and where would it be today if we'd succumbed to that? My predecessor, Dan Booker, set us on a path to embrace change and we have continued it. One of the best things that's happened has been change: It forces you to innovate, which is the true driver of capitalism." [Greg had just read a book review of a new Joseph Schumpeter biography.]

"Sometimes people will come up to me and ask, plaintively if 'we can't not change just for one quarter?' And the answer is No, change has to be constant. I keep working down the list of what has to get done, and by the time you get to the bottom, there are all these new things that have popped up, so you never get to the end of it."

"But the fundamental challenge is the same. There are two things — aside from the hard work of executing on your strategy — that distinguish the successful firm:

- talent development; and
- honing client relationships"

"Nothing else fundamentally matters. And the thing I love most about change? There's an avalanche of opportunity out there for us: An avalanche."

Are you happy?

"Oh! Look: Most people are happy when:

- they're doing what they like to do,
- when they're good at it, and
- when it's something that needs to be done."

"Put those three together and you've really got it."

Are you proud of what you've achieved?

"Yes, because we've done it as a team. I'm proud of the team. It goes throughout the firm, from the executive committee to the junior staff. You want to know the best thing I get to do every year? After the year-end results are in, I get to send out a firm-wide email to every single person on staff at Reed Smith, telling them that the firm had a good year and we're appreciative and want to demonstrate that by rewarding them for their role in it. This year, on top of all the other profit-sharing and bonus programs, it was a \$700 bonus for every single staff member — this can cost a lot of money — but it's the single best thing I get to do." [This is on top of profit-sharing, which goes to all.]

"I've got to tell you, profits per partner figures are one thing, but this is more rewarding."

"And so it goes on. We're going to keep scrapping our way to the top, scrapping our way to the top. And we're going to do it as a team, scrapping. Complacency is death."



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