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DLA Piper: Men of the world

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DLA Piper's global reach continues to grow apace, but only time will tell whether the firm has the capability to make good on its expansion strategy. By David Middleton

The 'brains trust' at DLA Piper has a grand vision, and so far it certainly has not been shy about putting its plans for world domination into place.

But with an exponential growth rate over the past 18 months, there are more than a few questions on everyone's lips. Can the firm stave off the growing pains? Can it sustain its current rate of growth? And beyond the fancy rebrand and feelgood platitudes, can the firm's US arm truly gel with its European and Asian counterparts?

There is little doubt that the firm's power base remains in the US. Two of the firm's three chief executive officers are based there - Frank Burch in Baltimore and Lee Miller in Chicago. The US operation also has two managing directors in Jeffrey Liss in Washington DC and Terry O'Malley in San Diego. The firm's chairman, Senator George Mitchell, is also US-based, operating out of New York.

By contrast, London-based co-chief executive officer Nigel Knowles is responsible for all the non-US operations, covering the UK, Europe, the Middle East, Africa and Asia. He is assisted by newly promoted Europe managing director Andrew Darwin, who starts his new role on 1 January 2007, and Asia managing director Nick Seddon. Not bad for holding the reins of a workforce boasting 1,980 fee-earners, which reaped £366.4m in 2005. A big jump from the 2003-04 figures of 1,212 fee-earners and a £275.4m turnover. The firm's US operations grossed \$839.5m (£442.7m) for the 2005 calendar year.

And if there was any lingering doubt about which side of the Atlantic ruled the DLA Piper roost, consider the European management restructure, which is designed to bring the firm into line with the US management system and lumps the UK and Continental Europe all into one neat bundle under Darwin's leadership. Additionally, all of DLA Piper's non-US operations are set to adopt the US accountancy and billing systems.

Knowles admits the deferral to the US powerbase, saying of the accounting switch: "The rest of the world is essentially getting the system the US currently uses now. We're very serious on improving our global accounting with new practice management systems. We need a single system to record time and issue bills. It will be active in 2007.

"We've moved significantly towards integration. We share the global cost base, we share global investment and we have a reward system for global behaviour - it's just our balance sheets that aren't integrated."

Burch tells *The Lawyer*: "By some time in 2008 we expect to essentially be completely integrated on a financial operating basis. We operate as one firm with one brand, one strategy, one management and one board right now. There's already a significant amount of economic interdependence."

Economic interdependence is what broke the back of another international firm - Coudert Brothers. The world's first global firm has suffered an inglorious fall from grace, filing for Chapter 11 bankruptcy protection in the US on 22

September. There are many hallmarks of Coudert within DLA Piper and the many former partners and offices, not to mention pending lawsuits, are constant reminders of the fate that awaits if Knowles, Burch and Miller have got their strategy wrong.

It is obviously a fate they have considered long and hard. Asked separately what the difference is between their firm and Coudert, the three give all but identical responses. Phrases such as 'clear vision', 'strong management' and 'global clients' are quick off the lips.

Burch says: "Coudert was too small to execute a global business law firm structure. Scale is tremendously important, provided it's coherent. Your economics have to be strong and we're religious zealots about collaboration."

Miller says: "We make decisions every day to run this firm like a business and we keep one eye on what the world around us is doing."

Knowles comments: "We have momentum. Every year we do several things and get the payback the following year. We've made the investment and we're seeing the returns. There is a number of firms around at the moment that don't have that momentum."

Former Coudert partners are rather more hesitant, and while some have undoubtedly welcomed being at their new home at DLA Piper, not everyone is convinced that having a shop-front in every city is the right approach.

"The problem with Coudert was that it was too big to control," says one former partner. "Offices were spread across too wide an area, with too many people doing their own thing. A law firm is a partnership, not a dictatorship; but to keep a firm of that scale under control you need to run it with an iron fist."

DLA Piper's super-tight equity structure will help keep it away from the wolves. Less than a third of the 459 Europe and Asia partnership hold equity. But will the brightest lawyers with partnership aspirations play along to the DLA Piper tune?

Knowles' point about momentum is an interesting one. If you keep moving forward, you are not likely to go backwards.

In the US the firm will continue to grow its new Atlanta office and is planning further significant growth in New York. Outside the US Knowles claims to have "four or five situations in discussion" at any one time. Standing still is not something DLA Piper does.

But where does the consolidation come from? And how can it get some cultural unity into a fractured firm made up of many varied pieces? These are questions none of them can readily answer yet.

"I believe we've got the right balance, but we've got to keep working hard to realise our vision," says Knowles. "It's so far so good, but we've got to keep working and never get complacent. I don't think it will go wrong, but we've got to keep on top of it."

DLA Piper has evolved into an interesting animal over the past 18 months. To the casual observer it may appear the sort of firm you would find under every rock in even the remotest outposts. And while there is no Siberian wasteland outpost - yet - DLA Piper remains several separate entities operating under the one brand. The firm has just finalised full financial integration with Norway, but it has been a slow process.

Outposts in Australia, Denmark, Egypt, Poland, South Africa, Sweden, Tanzania and Zambia are members of the DLA Piper Group - meaning they get to share the brand, but not the finances. And the integrated part of the firm has yet to face the thorny issue of whether partners in New York will be happy to share their profit with partners in Sheffield, for example.

Indeed, the issue of client sharing is a crucial one. Steve De Keyser, for so long Knowles's right-hand man in the rapid expansion, has been handed the crucial

job of strategic projects director. With this external-facing role, De Keyser will have responsibility for managing relationships with DLA Piper's core group of clients. Again though, clients reveal the difference in thinking between the US and non-US arms.

Burch says: "When we went into this we were open about what our expectations were. We saw the majority of our opportunities in expanding our work for US-based multinationals outside the US. We want to get people doing high-value work for leading global companies in multinational markets."

However, Knowles disagrees. "We don't want just the high-end, high-value stuff," he says. "We want to act for all our clients in everything they do, every day, wherever they are."

Those multinational clients that the firm counts as its closest include banks Barclays and Royal Bank of Scotland, pharmaceutical giants Pfizer and Wyeth, insurers AIG and Zurich and food and tobacco conglomerate Altria Group. It may be nitpicking, but when you are running a firm of some 3,200 lawyers in 61 offices across 23 countries, a butterfly flapping its wings in Sheffield could well cause a tidal wave in California.

The task facing DLA Piper is enormous and the firm does not have a lot of lessons from other law firms to draw upon. This is why, according to Burch and Miller, they are taking a leaf out of the business model of the big four accountancy firms.

"You'll find a lot of similarities in our structure when you look at a global accountancy firm," says Burch. "Where lawyers go wrong is that they focus on who owns what too much. The structure of our firm isn't an end, it's a means to an end."

Certainly DLA Piper has come a long way in its ambition to be a global law firm. But, as so often has been the case over the past 18 months, it is only fitting that Knowles has the final word: "There's still a long way to go - we've just reached the end of the beginning."

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