

THE GLOBAL LONDON DEBATE



**Fatema Orjela, Sidley Austin
and Lorenzo Corte, Skadden**

Photographer ALISTAIR VERYARD

In association with Major, Lindsey & Africa

Marching on

LB teamed up with Major, Lindsey & Africa to assemble leading figures from US firms and explore their progress in the City

NATHALIE TIDMAN AND MARCO CILLARIO

Marco Cillario, Legal Business: *Are US firms in London about to reach a maturity that means we will see less growth and movement of partners?*

James Roome, Akin Gump Strauss Hauer & Feld: If you look at the underlying business that came here from the States – for instance, growth of the high-yield bond market, which went from nil to \$50bn in the late nineties – a lot of American firms had very strong business from the US, which gave lots of knock-on opportunities. Do I think the growth of the American finance and corporate base into Europe and the UK will continue? Yes. Most of the bigger US firms will benefit from that.

Gus Black, Dechert: It feels like some of the UK firms have more of an agenda of ‘How do we preserve what we have?’ rather than ‘How do we grow?’ There is an apocryphal tale from when I was a junior associate where a Magic Circle firm commissioned a new office and said to the architect: ‘Count heads and build the office that size.’ Now, when we are commissioning office space it is: ‘Work out how many floors we are going to be coming up in two, three and four years’ time.’

Guy Potel, White & Case: A number of firms have very clear strategies of growth and those strategies can play out over decades. The tailwind we have had since the global financial crisis – the growth, the bull run, the strength of the dollar – has played to the expansion plans of the firms around here, which are mostly global firms.

Those favourable dynamics are still there. [But] everybody is aware of what could be, six months down the line, a recession. It could be in 12 months; it could be in 18. There is a sense of prudence creeping in.

Gus Black: We had a partner dinner last week and the topic of conversation was ‘Is growth good?’ and we concluded it was, after a lot of wine and discussion. It is not necessarily the right answer for every objective.

Mike Francies, Weil, Gotshal & Manges: We have had that debate recently. I think growth is good, but not everyone agrees.

Philip Sanderson, Ropes & Gray: It’s not growth for growth’s sake is it? You would like to think you are growing strategically in a way that will, in ten or 20 years’ time, make you one of the winners.



Mike Francies: Or maybe even three or five years’ time.

Tihir Sarkar, Cleary Gottlieb Steen & Hamilton: The question is, have we reached saturation? Some firms are doubling down and investing very heavily, but we are yet to see whether that is a success.

Samantha Mobley, Baker McKenzie: You need to put the legal industry into context. The big threat going forward is the professional services firms, the accountancy firms and consulting firms coming into our market.

Nathalie Tidman, Legal Business: *Is that a real concern for you?*

Samantha Mobley: It is something we have to take into account and firms would be foolish not to.

Tihir Sarkar: Law firms tend to distribute their excess cash to partners and associates at year-end, but what about the reinvestment of cash for future threats? The amount of money accountancy firms are spending on artificial intelligence is astounding. We recently came across a very large global project where the due diligence was outsourced to one of the Big Four, which was quite frankly astonishing. We are talking about Magic Circle and UK firms versus US firms, but I wonder whether the real threat is something else.

Samantha Mobley: Any firm that does not have an innovation agenda is in a very bad place right now and an interesting question would be whether US law firms are more adept at innovation than the Magic Circle.

Justin Stock, Cooley: The bigger UK firms are spending a lot on AI and anecdotally seem to be

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Samantha Mobley,
Baker McKenzie



spending more than US firms. Whether they get it right is a different question. That said, it is an area we are looking at.

Philip Sanderson: The Magic Circle were doing a lot of work, frankly, they should not have been doing and therefore they have to create technology. American firms with clear strategies, the ones succeeding in London, are not doing those things.

I do not agree with the innovation point and technology for what my firm is trying to do – to be one of the leaders in private capital. The high-end, sophisticated investor work is going to increase significantly, so we haven’t seen anything yet from the US firms and their domination.

Justin Stock: We have all seen the demand for partner time, and even for senior associates, is higher and clients are more comfortable to pay for that, but where they are struggling is to pay for the junior associates and the leverage model. US firms in London are better placed for that high-end, complex work.

Fatema Orjela, Sidley Austin: Part of that is linked to the practice areas. If you look at the firms in London, a lot of our firms are focused on leaner, more leveraged, higher-performing practice areas.

Mike Francies: We are kidding ourselves if we think we are not going to be affected by

technology. You do not have to be a leader in innovation. You just need to be up to date and know what affects your firm. I agree though, the big UK firms do that because they have to.

James Roome: You may have a lot of firms that have reached saturation. I am sure the English firms want to grow, but they may have just got to the point where it becomes very difficult to grow from where they are.

Mike Francies: You used to do a deal with one of the big UK firms and you would have 20 people in the room. Clients just will not accept that now.

Philip Sanderson: There is something basic about what our sorts of firms are giving to the market that is different to a lot of our more London-centric competitors.

Mike Francies: We have looked at that and come to the view it is more the sort of people that are

recruited by US firms. They tend to be people who are more entrepreneurial and willing to take a chance, and that has a double effect. It means those people go to US firms and are out trying to develop more business, but also they are not at the firms they left hustling for business.

Marco Cillario: Is there anything elite UK firms can do to stop the movement of talent to US firms?

Philip Sanderson: No, of course not! What they can do is manage themselves very well to make sure they are bringing up more talent. The top UK firms are still in a very good position to attract talent because a lot of the top lawyers from universities still want to go to those firms.

Fatema Orjela: They are protected on the milkround because they hire a lot of trainees, so the amount of money they have to invest in graduate recruitment is often a lot higher ▶

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‘We are kidding ourselves that UK firms cannot retain talent. US firms made an impact, but there is plenty of brand loyalty.’ Tahir Sarkar, Cleary Gottlieb



► compared to what some of our firms have to do. A generation ago there were a lot of myths about US firms that kept hold of a lot of talent at UK firms.

Claire McDaid, Willkie Farr & Gallagher: The Magic Circle firms are so big it is like turning around an ocean liner. The US firms have the benefit of a blank piece of paper. There is just so much institutional memory in a lot of the older English firms that it is difficult to change the way of delivering that service.

Arun Birla, Paul Hastings: Tinkering with remuneration or retirement ages is not going to make a huge difference. The elephant in the room is having one of these elite UK firms crack the US market. I cannot see it happening, but that is what you have to get.

Tahir Sarkar: We are kidding ourselves that the UK firms cannot retain talent. There have been plenty of examples over the last 20 years where partners have not moved and stayed – big names and they are still there. Of course, the US

firms have made an impact, but there is plenty of brand loyalty.

Marco Cillario: *US firms are increasingly recruiting trainees as well, so there starts to be a competition for junior talent. Then the question is, what do US firms have to offer that UK firms cannot for junior talent, beyond more money?*

Fatema Orjela: It is an easier sell than it used to be and I find that some of the most driven graduates are attracted by the idea of international work, global firms, but having a smaller office and having autonomy.

Mike Francies: The question should be why would you not go to a US firm? You get so many advantages. The only advantage you get at the big UK firms is potentially more practice areas you can choose from and potentially more overseas trainee secondments. In terms of work experience, our trainees get a much better experience. They get much more closely involved in deals; they work much more closely with partners.

Seamus Hoar, Major, Lindsey & Africa: Most partners don't move. What we are seeing is that because there is more critical mass now and because there is a platform, because there is a bigger transaction base with a support around it, it is more enticing and generally more sensible for a partner to consider moving to a US firm.

Mike Francies: Do you think there will be a generational change? Will the younger partners be as loyal to their firms?

Seamus Hoar: It is a different society; it is a different mindset. If you are an entrepreneurial type, US law firms are self selecting. Mike made the point that you are going to attract people who are driven and they are going to create client relationships. Consequently, a US platform recognises that in almost all cases and that is very satisfying because you can become extremely wealthy through your efforts.

However, coming out of the Magic Circle, it is unlikely that you are going to be able to pick up a big chunk of business and bring it across.

Tahir Sarkar: A true sign of the maturity of the US firms will be that instead of relying on these recruits from the Magic Circle, should we not be making our own people up?

Philip Sanderson: The huge flood of talent is associates. That is where the challenge is coming

‘It is a different mindset. If you are entrepreneurial, US law firms are self selecting.’ Seamus Hoar, Major, Lindsey & Africa

from and that is where the generational attitude will change as well.

Nathalie Tidman: *Is top level plc work still the reserve of London firms?*

Arun Birla: It is shifting. Personally, I do not think that you are going to find a wholesale plc move to the US firms in the next five years.

Guy Potel: It is going to be a lot slower than the private equity shift, so you have to keep chiselling away. It is going to take a generation to move sizeable chunks of the main board across from their institutional comfort zone.

Mike Francies: I suspect US firms will never dominate. We are not going to want to do every single thing for a plc. However, we will want to do the high-end work, particularly the deal work. It would be foolish for any Magic Circle firm to think that will not change and, frankly, it is foolish for any Magic Circle firm to want to continue to do everything because it is going to affect their business model and profitability.

Claire McDaid: Some of the US firms here, including my own, are very focused on alternative capital providers – private equity, hedge funds and credit funds. It is a very narrow lens, but in the FTSE 100, the clue is in the name: there are 100. The number of compelling hedge funds, private equity funds, credit funds and sovereign wealth funds worldwide that we can potentially access with the skillset that we have is incredible, and the deal flow is huge. They are happy to have our services; we have to meet a high standard of quality, but we do not have to have full-service teams to do it.

Philip Sanderson: A lot of growth should come out of what your existing client base looks like. If your client base is saying ‘you, US firm or international firm, must have a market-leading plc practice in London’, then that will happen, but I suspect that is not what many of our clients are saying. They are not saying that to us.

Guy Potel: There is complacency in the Magic Circle firms and City firms and that trips them up. There is going to be a push moment for every plc board where they will say: ‘Actually, they did not do a great job last time.’

Gus Black: The US share of the private equity deal space is bigger than anywhere else in the world and probably Europe put together.



Guy Potel: If you are doing a transaction, the likelihood is, you are getting finance from, you are selling to or you are buying from something US-based. There is a high likelihood of that and to have a firm that has a full footprint in the US is a real asset.

Nathalie Tidman: *US firms tend to have a better track record in diversity. What should people be doing to have more balance?*

Fatema Orjela: US firms in London are fantastically placed to attract top talent, especially in females because part of the aspects we are talking about – the autonomy, the meritocracy, the entrepreneurial spirit, the personal relationships and the way people communicate and build a business – are well suited to the US model compared to a more conventional, bureaucratic office that will not evolve as quickly.

Lorenzo Corte, Skadden, Arps, Slate, Meagher & Flom: When I look at our firm and the firms that I interact with most often, it seems the issue is not in the associate ranks. The problem is retaining that talent

into partnership ranks. We should do better, much better.

Fatema Orjela: In one of my networks, we did a survey to ask why. One that came up as statistically significant is promotion and transparency of track, which is why US firms are so well placed to hit this point. As long as you have some insight into what you are tracking, you are less likely to lose people in that two-to-four-PQE sweet spot.

Samantha Mobley: Targets are a good idea. We have a target for partners, but we also have a target for leadership.

Claire McDaid: You absolutely have to have an engaged and educated senior equity partner involved in partner promotions who understands the data, understands the unconscious bias. Often the way diversity issues are discussed, everything comes down to flexible working. That is not the problem and we will end up fixing flexible working and realise we have still got exactly the same problem. The candidate has done nothing to justify that perception; people just have that perception. ▶



► You will never get the politics and the personal out of partnership promotions, but you can make sure that people are made aware of the potential for bias. That is the issue. We have to stop talking about flexible working.

Samantha Mobley: But if you set targets, you will find all of these issues will be worked through because we are trying to reach a target. In our last partner promotion, 40% were women, and that is because we are continuing to try and reach a target.

Arun Birla: Clients are asking for this now. I was in relationship meetings with a hedge fund client and a bank in the last couple of weeks, and half the meeting was about diversity and wellbeing.

Justin Stock: We've had feedback along the lines of: 'That is very nice; you came to the pitch and there were diverse people there at different levels. Now we want to see, every month, the hours that have been worked at the different diversity levels, not just on a gender basis.' That is forcing change!

Philip Sanderson: The thing that always frustrates me about these conversations is the sense some people are being defensive. The

fundamental point, surely, is that women so often make better partners. I work with so many women who are in so many ways better than the men that I work with. That is just the reality.

Claire McDaid: There is an interesting Magic Circle UK firm/US firm comparison. If they are going to keep UK plc, which is probably the biggest force for enforcing diversity, it is ridiculous diversity is not better in the Magic Circle. They have institutional clients that they will keep, who have women GCs. For years now, they should have been making up corporate deal teams, from trainee level up, and assigning 50% women and diverse candidates. I do not understand why they have not been better at this.

Samantha Mobley: How many firms here are looking at what Linklaters have just announced, to publish an ethnicity pay gap, and thinking about whether they might do the same thing?

Justin Stock: Every quarter, we publish, to all the partners, the diversity pay gaps across not just gender but also ethnicity and social mobility. There is a lot of transparency and that helps. I know that there is always a nervousness because statistics can always

be manipulated. It is a good step that we are showing that information.

Mike Francies: Does every partner get that?

Justin Stock: Yes.

Fatema Orjela: I would see that as the first step. The first step is you get your information, so you know what the lay of the land is. Then you try to work out what the issue is that you are facing.

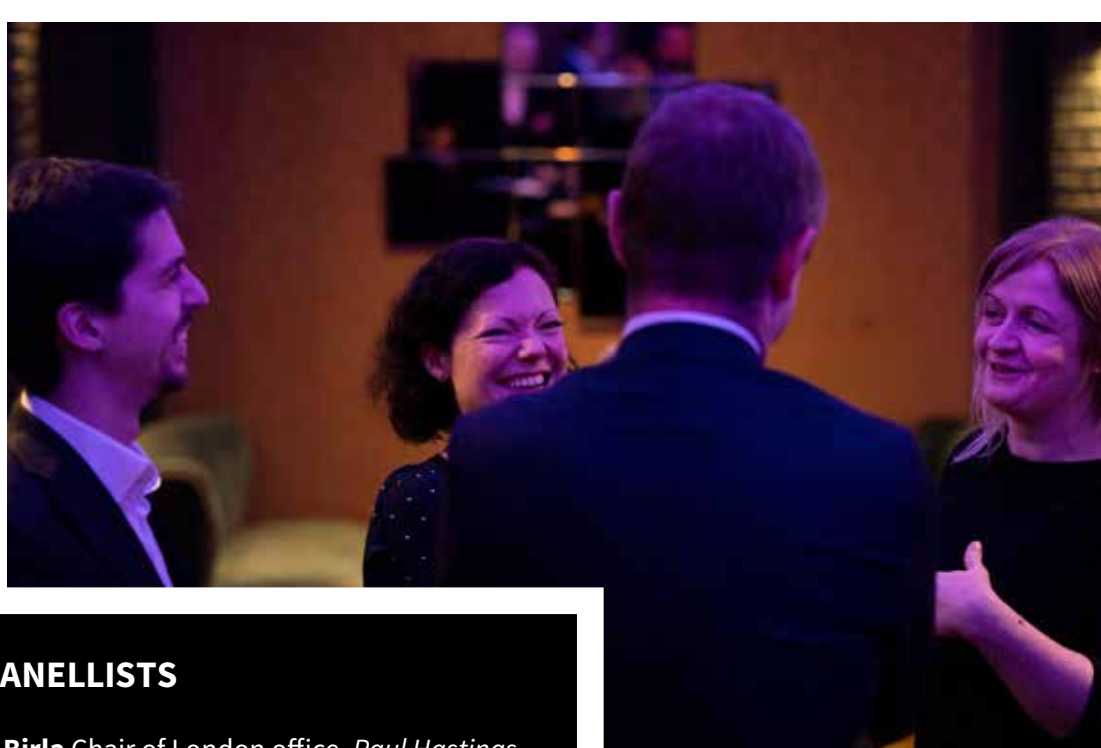
Gus Black: Is everyone else here a signatory to the Mansfield Rule, which is the rule requiring a diverse slate to be considered for any senior appointment, including partnerships, but any senior leadership position within the firm? One theory, which I have sympathy for, is that the only way you change a firm and a culture is from the top, making sure when the young associates are coming up, they are seeing diversity at that level.

Nathalie Tidman: *Since mental health is high on the agenda these days, a light has been shone on the effects the stresses of working life have on people. Are your firms handling these issues well or is there more to be done?*

Arun Birla: You are always striving to do better, but there were unfortunate incidents last year, which took a heavy toll on the industry. You have the sterling work that the American Bar Association is doing. I do not think our regulator or the authorities in the UK are doing enough. Progress is nowhere near where we need to get to.

Samantha Mobley: I do not know if everybody has seen the Mindful Business Charter Barclays created, which we and a number of other law firms signed up to? It's a one-page charter that encourages firms to think about mental health among lawyers and change avoidable working practices that might cause wellbeing issues. Barclays asked all its relationship firms, panel firms, to sign up to the charter. It is particularly pertinent for our law firm because our chair stepped away from his role in October last year because of these sorts of issues.

Mike Francies: I would be amazed if it was not at or near the top of any law firm or any business's agenda. You have a duty to do something about it. We have a discussion group and I participate in it. It is frightening, some of the things that come up and that you have to think about changing. LB.nathalie.tidman@legalease.co.uk
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THE PANELLISTS

- **Arun Birla** Chair of London office, *Paul Hastings*
- **Gus Black** Global co-chair of financial services, *Dechert*
- **Lorenzo Corte** Co-head of London M&A, *Skadden, Arps, Slate, Meagher & Flom*
- **Mike Francies** London managing partner, *Weil, Gotshal & Manges*
- **Claire McDaid** Corporate partner, *Willkie Farr & Gallagher*
- **Samantha Mobley** London management committee member, *Baker McKenzie*
- **Fatema Orjela** Private equity partner, *Sidley Austin*
- **Guy Potel** Corporate partner, *White & Case*
- **James Roome** Restructuring partner, *Akin Gump Strauss Hauer & Feld*
- **Philip Sanderson** Co-head of global private equity, *Ropes & Gray*
- **Tihir Sarkar** M&A partner, *Cleary Gottlieb Steen & Hamilton*
- **Justin Stock** London managing partner, *Cooley*
- **Nathalie Tidman** City editor, *Legal Business*
- **Marco Cillario** Senior reporter, *Legal Business*
- **Seamus Hoar** Partner, *Major, Lindsey & Africa*

