At the end of a lengthy call mulling the prospects of Latham & Watkins amid a once-in-a-generation change of leadership, one Allen & Overy partner summarises: ‘They’re still doing better than we are though! Can you hand Bill [Voge] my CV when you see him!’

Indeed. To many neutral observers, Latham has been the most upwardly mobile firm in the upper echelons of the global legal market in the last 20 years, having transformed itself into an international force after deciding to go international in 2000. This rise was overseen by long-term head Bob Dell, one of the most forward thinking and admired leaders in the US legal market. Having led the firm for 20 years, Dell in January handed over as chair and managing partner to fellow Latham veteran Bill Voge (pictured).

The cornerstone of Latham’s rising status has been its dramatic progress in the two key global hubs of London and New York, with the Los Angeles-bred institution being probably the most successful entrant into those notoriously hard-to-crack markets.

As in New York, now Latham’s largest single office with 102 partners, the firm spearheaded its campaign in London with a team trading heavily...
off its traditional strengths in leveraged buyouts (LBOs) and related finance, as well as projects. Having made substantial inroads in London, Latham is now planning a similar assault in the Asia-Pacific region.

Dell reflects: ‘We went from among the bottom of the pack of truly global firms to one of the top players and I don’t believe anyone in London or Europe would think otherwise. We are one of the best global law firms. What Bill’s got left is to distinguish us among the very best. That’s the next step.’

With revenue having risen from $263m in 1994 when Dell was elected managing partner and chairman, to $2.28bn in 2013, can anyone halt Latham’s rising prominence on the global stage? It seems unlikely given how instrumental Voge has been in the firm’s international expansion.

‘Some view me as a bit of a global hawk,’ says Voge. ‘Some people look at what we’ve done in London and think “what a great success: they’re done”. I tell them that we’re not. We’re about 70% of the way there to being the top global law firm.’

TWO GUYS WITH NO BUSINESS IN LAW
Latham’s roots were hardly those of a would-be world-beater: from its early days, the firm was unusual. Launched amid the Great Depression by Dana Latham and Paul Watkins, the three-attorney tax and labour boutique was a long way from California’s legal establishment, even if Latham himself would eventually go on to take a senior role in the Internal Revenue Service.

Despite growing relatively conservatively in its first two decades, even as it evolved sporadically towards full service, the firm soon displayed an iconoclastic and inventive streak, in particular in its eschewing of the rigid hierarchy of the traditional post-war US law firm. In its place was a flatter, more inclusive and meritocratic approach soon to be supported by a more progressive attitude to governance.

By the late 1960s and early 1970s, the firm had put in place an unusual range of internal committees and, even more striking, deployed its associates as part of its decision-making. Its celebrated associate committee, founded in 1971, provided junior lawyer input in the hiring and promotion process to a level that remains very rare even today.

Dell reflects: ‘Latham started 80 years [ago] with two guys who had no business starting a law firm. They were in a heavily lawyered market where law firms during the ’30s were having struggles. The funny thing is they started putting in systems and philosophies 80 years ago and the first managing partner, Clint Stevenson, made it a part of his mandate to maintain a lot of what the two old goats had put in place and that has defined the DNA of Latham. A lot of things have been tweaked over the years but a lot of those philosophies are still left today: the transparency, the sense of merit-based analysis, lack of hierarchy between partners and associates, lack of hierarchy between attorneys and staff. You can find those things in the early vision of Paul and Dana.’

The reference to Stevenson is significant. Though Dell built a commanding reputation as a law firm leader in a US profession that remains ambivalent over leadership, his two predecessors, Stevenson and Jack Walker, were also ahead of their time, with the former becoming one of the first full-time managing partners in 1967 when he took on the role for what would be a 21-year term. Stevenson created 15-year plans for the firm with audacious growth targets, long-term thinking unheard of in the profession. Such progressive leadership aided Latham’s ability to
However, with the firm receiving LBO mandates in California and key clients like Kohlberg Kravis Roberts and Drexel Burnham Lambert reshaping America’s deal markets, it took just three more years for a New York launch to arrive. Specialising in the junk bond work that white-shoe law firms largely avoided, the leveraged boom of the 1980s proved ideal conditions for Latham to enter the clubby Manhattan market utterly dominated at the time by local players.

Latham’s lack of hierarchy helped it lure talented young associates keen to be on the frontline of deals. New York managing partner James Brandt, who quit as an associate at Cravath, Swaine & Moore to help launch Latham’s New York arm in 1985 (despite the protests of his then-pregnant wife), says: ‘It’s not just being big but being profitable and successful. Through it all, we’ve done it without sacrificing our culture and done it without sharp elbows, which as you can imagine, being a real upstart here, was an extraordinary team effort.’

By the time Dell became managing partner in 1994, aged 42, the New York arm was growing at a rate of 20 lawyers a year and had begun to forge relationships with major investment banks. It was that expanding East Coast client list that led consultancy McKinsey to recommend international expansion, instead of launching more national offices.

The first attempt to go international became one of the most famous legal mergers that never happened – Latham’s proposed tie-up with Ashurst Morris Crisp. The deal was seen as hugely significant for the legal industry but a transformative move that proved too radical for the storied City institution. The talks fell apart in June 2000.

However, Latham was determined to press on with its aim to take its practice globally after having engaged its partnership in a lengthy and occasionally fraught debate to galvanise the firm. In the conservative US legal market, the decision of a firm operating near the top of the industry to go rapidly and substantially global was virtually without precedent.

This had involved a lengthy debate among the partnership, after it became clear the firm’s executive committee was split on the merits of going international. McKinsey’s support for a global push in a subsequent report and a long period of preparing the partnership culminated in a high-stakes vote in 2000. A huge degree of consensus had been achieved. The move echoed earlier debates to combine a consensual system that maintained a partnership ethos with more sophisticated governance required for an expanding, major law firm. As important was Latham’s culture, which in general managed the tricky balancing act of being team-oriented and supportive while being strongly performance-driven. Many law firms had been tough, many had been collegiate, but few reached an accommodation between the opposing approaches as effectively as Latham.

This combination was also reflected in Latham’s intense model of external recruitment, which requires potential partners to visit multiple offices and gives wide discretion to associates and partners to meet and veto a proposed hire.

When Dell arrived at Latham in 1982, following the firm’s takeover of his employer Hedlund, Hunter & Lynch in Chicago – its first major move outside California – he was a young litigation associate at a firm still living in the shadow of West Coast royalty like Gibson, Dunn & Crutcher and O’Melveny & Myers.

However, Dell reflects: ‘When we went global we knew: we’re not going to do this by majority vote because if we have a single member of our partnership who doesn’t truly believe in this, we’re not going to go forward. We spent many, many, many hours talking to individual partners about why we wanted to do this, why it all made sense. We were saying this is the biggest thing we’ve ever done, we’ve got to do this together.’

The move was to be a defining achievement of Dell’s 20-year leadership, probably the defining one, in that he had attempted and largely succeeded in securing a major shift while preserving the consensus decision-making at the heart of the firm.

The result included a sustained period of expansion in London while the firm absorbed a large team in Paris from Stibbe and pulled off a German launch after hiring a large team from Gaedertz. The firm’s European network was built out rapidly as markets recovered after the Iraq war during the early 2000s, including sizeable launches in Spain and Italy.
The greatest strength of the approach was that partners were genuinely bound and invested into the international push, helping to change the firm’s horizons. Voge observes: ‘Nothing gives me greater pleasure than going to offices like Orange County and talking to partners with very local practices – they’re a real estate lawyer, they’re a labour lawyer, and they quickly start talking about Asia: “How’s that new group in Hong Kong?” What do you think of the guy we just picked up in London?”

Dell would face his next major challenge a decade later when Latham, whose finance-heavy practice had been strongly positioned during the credit boom, faced the banking crisis of 2008.

Two of its most lucrative clients, Bear Stearns and Lehman Brothers, were gone overnight. The firm had a respectable restructuring team but it was never among America’s top disputes shops, so even by the standards of the industry-wide battering facing major law firms during that period, Latham was brutally exposed.

‘It was a very hard time,’ recalls Dell. ‘We had to make hard decisions but we did it in a consensus-driven way. I talked to clients, some of our biggest private equity clients and they were saying: “We’re not going to do a deal for three or four years.” That proved to be wrong, they ended up doing deals in two years, but I reported [those client views] to our partners and said we have to accept that this is the demand going forward and we need to have a leaner shop.’

Latham responded. In February 2009 it announced cuts of over 190 associates and 250 support staff – becoming the only top-tier US law firm to formally unveil wide-scale job cuts as profits per equity partner (PEP) plunged 21% during the 2008 financial year from $2.27m to $1.8m and revenues slid 4% to $1.9bn.

There was some precedent. The early 1990s recession had been punishing for Latham, which also had to face the implosion of Drexel Burnham Lambert, one of its largest clients. The firm had announced 41 associate redundancies – unheard of at the time for a major law firm and still well remembered in the US legal industry for more than a decade afterwards.

Cuts of this order could have been a devastating blow to Latham’s much envied reputation as one of the most associate-friendly and prestigious homes for young lawyers. Instead Latham’s transparency and policy of paying generous severance packages went a long way towards mitigating long-term damage and the firm quickly regrouped, including widening its client base.

A less high profile but highly significant move by Dell in 2009 came with the launch of a dedicated financial institutions industries group, a response to the vulnerability at Latham that had been exposed.

New York-based Witold Balaban, who was parachuted in from Davis Polk & Wardwell to co-chair the group, says the rationale was clear: ‘When the financial crisis came Latham was caught flat-footed as it did not participate in any of the big rescue missions or the big-ticket M&A activity. It didn’t have the depth of expertise. Latham was not the firm that regulators or the big banks thought of when coming to the rescue of Lehman, Merrill and all the other financial institutions. It was Cleary, Davis Polk and Sullivan & Cromwell. That crisis made it obvious to the firm’s leadership that the build out of the financial institutions group was not a nice-to-have but a must-have.’

The financial industries group has helped capture high-value Wall Street trading that has cemented relationships with the office’s biggest Wall Street clients: Goldman Sachs, Barclays, Credit Suisse, Jefferies and JP Morgan. While Latham has long captured big-ticket bank loan work, it is now representing banks on corporate work and winning work from companies created to run the market infrastructure moved outside the banks after the crisis with the creation of a fintech team. Brandt says the firm is ‘now very complete in New York’.

In London, meanwhile, struggling banks were pulling back their commitments, pushing borrowers to target US-based investors and the capital markets to make up the gap. That trend, particularly striking in the last three years, proved ideal for Latham’s much vaunted high-yield practice.

Since 2008, Latham’s European practice has matured, buoyed by a sustained run of proactive external recruitment. In 2010, the firm underlined its ambitions in Europe after shipping in a dozen finance partners from White & Case across London and the Middle East, underlining a further push in the energy sector.

By the end of the 2013 financial year, Latham had repaired the damage inflicted by the banking crisis, with its revenues up 19% on 2009 to $2.28bn and PEP at $2.48m.

The explosive growth seen over the first ten years of Dell’s term had given way to steadier recovery but Latham had continued to improve and polish its global network to become the most direct and potent global challenger to the Magic Circle.

Dell departed the firm having increased its headcount year-on-year since 2010, with the number of lawyers at the firm rising from 2,136 on 31 December 2010 to 2,243 on 30 November 2014 and the number of partners increasing from 615 to 646 in the same period.

In typical Latham fashion, when Dell announced in November 2013 that he would step down as managing partner, he also announced the creation of an independent succession committee to replace him. It would be no normal election.

**Latham-stock**

While Dell had built heavily on Latham’s traditions in his long leadership, there was no doubt that replacing a figure with such a strong internal following was a big deal, especially for…

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Witold Balaban, Latham & Watkins

A firm whose veneration of culture can border on self-parody.

Voge reflects on his predecessor’s standing: ‘Bob’s humble-but-straightforward approach to every issue that has approached the partnership is what every partner admires. A guy they all trust – there’s no bias or politics.’ Corny sentiments perhaps, but ones backed up in every issue that has approached the partnership. ‘Bob’s humble-but-straightforward approach to every issue that has approached the partnership is what every partner admires. A guy they all trust – there’s no bias or politics.’

The firm’s response to replacing Dell was suitably singular and thorough. Placed in charge of the succession committee by Dell, the firm’s former head of litigation, New York-based Miles Ruthberg, received 36 partner nominations to replace Dell, starting a seven-month process that ran in earnest until July 2014. It was a lot of effort to make given that a lot of authority resides in Latham’s nine-member executive committee.

The firm deliberately moved to bring younger partners to the 15-member executive committee.

More to Be Taken – Building Out Latham’s Global Network

After years of expansion, has Latham achieved the size and quality needed to meet Bob Dell’s goal of becoming the best global law firm?

In London and New York the firm seems tantalisingly close but with the caveat that those offices grow to ensure they feed the global network. The firm aims to do this by taking on the Wall Street leaders and Magic Circle firms in winning a greater share of FTSE 100 and NYSE clients, which would also reduce its reliance on banks.

Latham’s New York office is now the 12th largest of any law firm and its London office ranks similarly following a 17% expansion in the size of its partnership to 69 last year, while its London revenues in 2013 topped £200m, exceeding all of its peers. On top of winning market share among corporates, one of Voge’s priorities will also be to continue filling out what is an under-represented litigation practice.

New York managing partner James Brandt says: ‘We have room to grow in New York as there’s more market share to be taken. You’ve got a firm like Skadden with around 700 lawyers here in New York and we have 360 lawyers. We can continue growing in a broad way while retaining profitability.’

Latham is expected to mount a renewed push in Asia, where the firm remains lightweight with just 31 partners across five offices. The firm has struggled for profitability in its three Chinese offices, with Singapore the only Asian office the partnership is happy with in terms of profitability, with its work for Temasek a huge boon. The Asia practice has struggled unusually to retain senior lawyers – as illustrated by the departure in January of corporate partners Michael Liu and Jane Ng, who led a seven-lawyer team in Hong Kong to Cadwalader, Wickersham & Taft (Liu had headed a much publicised team move from Allen & Overy to Latham back in 2008).

Asia chief Bryant Edwards is pinning the firm’s success in Asia on expected growth of high yield and private equity. ‘Asia is 12-15 years behind London and Europe in the development of private equity and related finance. We think the same thing that happened in London, where high yield grew to become a big part of leveraged finance, will also happen in Asia.’

Edwards admits ‘there are a number of firms that have done well in China and are ahead of us’. He adds: ‘Most of the Magic Circle firms are way ahead of us in terms of size and market penetration in Hong Kong and Singapore but we’re ready to focus on that.’

The firm’s private equity push in London, a play that saw the firm in 2013 hire Clifford Chance’s head of private equity David Walker, allowed the firm to dominate that market across Europe last year. Latham was involved in ten of the 11 major European private equity deals carried out by the world’s top ten major houses last year, including advising Koch Industries and Goldman Sachs Capital Partners on their $3bn purchase of Luxembourg-based chemicals company Flint Group in April 2014.

While the size of Latham’s continental offices remain modest compared to those of the Magic Circle, with partner headcount rising by just one to 96 between 2010 and 2014, there has been a clear improvement in quality in recent years.

Latham has made some choice hires over the past two years, which on top of private equity have also been aimed at disputes with the hire of Simon Bushell from Herbert Smith Freehills in London to co-chair litigation, and Fernando Mantilla-Serrano from Shearman & Sterling’s stellar arbitration group in Paris to co-head international arbitration. Xavier Farde, head of the firm’s Paris office and a member of the succession committee, says of the Paris office: ‘Our recognition in the market is incomparable from five years ago. We’re working with all the banks and a lot of private equity sponsors. Our biggest weakness had been our lack of international arbitration practice in Paris and growing that is now our priority alongside corporate M&A.’

While Paris now has a strong reputation internally, the next goal is Germany, where Latham has had mixed success outside of private equity work.

Even Latham & Watkins has some worlds left to conquer.
‘Ultimately, the partnership was more comfortable going with the more senior candidate and letting some of the younger people gain more experience.’

Miles Ruthberg, Latham & Watkins

One of those initially shortlisted names was New York-based David Gordon, who is a vice chair of the firm and according to Vogel was an obvious candidate. However, Gordon took his name out of contention in December 2013, leading to calls from ‘around a dozen partners’ to press Vogel to get into the leadership race.

Vogel adds: ‘[Gordon] made a personal decision, one that quite frankly surprised me as David was an excellent candidate to become chairman and managing partner. I didn’t see a need to do anything until he decided he was not going to run. I wouldn’t have run against him, we’ve known each other for 25 years.’

Others followed Gordon out of the race. Candidates were interviewed and asked to put their views forward on a number of topics, while videos were created that could be viewed internally – a process that whittled down the list to 12 candidates that included global finance chair Richard Levy and Chicago vice chair Brad Kotler.

Rather than ask for the next managing partner, the partnership was asked to select five partners – in no order – to advance to the next round of the election. ‘The idea was to not make a judgement before the partners were ready,’ says Ruthberg. ‘The process was shaped to push forward the candidates with the broadest support so there was the potential for a dark horse to win.’

Those with the most votes made a seven-person shortlist and partners then chose their top three candidates – in order – for the final round. Ruthberg adds: ‘If someone had a tonne of second-placed votes then that was really important to us that the person stayed in the race as the idea was that you take through the candidates with the broadest support. We didn’t want to prematurely force it or call a vote that would not have captured strong consensus for a candidate with broad support.’

The final round was certainly gruelling. Vogel faced off against Washington DC-based corporate partner Paul Sheridan, a member of the firm’s executive committee and former vice chair of US finance Jeffrey Greenberg (both 43). The trio each conducted over 100 face-to-face meetings with partners, with the information compiled by Ruthberg to hand to the next leader. Clients were also canvassed.

The process turned into something of a world tour during the early summer of 2014 with Vogel visiting 16 offices to talk to the firm about his ideas – slightly fewer than his rivals, both of whom had less international visibility. The election had become a huge internal debate about the culture, strategy and future of Latham – with Vogel estimating that he held discussions with over 400 partners, including office presentations.

As well as being quizzed by partners on demand, the three were increasingly in dialogue with each other, bouncing ideas off each other directly and being questioned by other partners about what they thought of the agenda of their rivals.

Even months after the process, partners have remained tight-lipped about the differing platforms of the three candidates, though it is apparent that Vogel was most clearly standing on a global ticket. However, the two younger candidates were offering more of a break with the past and putting forward more radical ideas, according to Vogel.

Age and style played a part in a weighted process that offered senior partners a greater say in the outcome, with the vote counted by equity units, perhaps a surprising policy given Latham’s studied egalitarianism and efforts to engage younger partners.

One partner comments: ‘Jeff has a gregarious personality, Paul is more the steady, quieter personality and probably most like Bob in that respect and Bill is an interesting contrast to Bob in that regard as he’s a more plain spoken individual but their substantive views are very similar.’

Vogel failed to attain the 50% share of the vote required in the three-way race but eventually triumphed over second-placed Greenberg. His promise to only take the managing partner role for one five-year term proved influential, with Ruthberg commenting that ‘ultimately, the partnership was more comfortable going with the more senior candidate and letting some of the younger people gain more experience before they get into that position’.

Vogel adds candidly: ‘All three candidates had very different presentations as to what they would do as chair. Jeff and Paul had more precise and thought-through presentations, mine was more: continue the status quo.’

In July it was confirmed that Vogel had secured the vote. The most globalised top-tier law firm bred in the US had voted for the globalisation candidate. There would be more of the same. A lot more.

FROM HOGS TO HAWK

Even within Latham – never an establishment law firm – Vogel was one of the less traditional
figures throughout his career. Frequently ranked as one of the firm's top billers since establishing his project finance practice in the US over 25 years ago, Voge has been one of Dell's go-to partners to lead the firm's overseas expansion since the 1990s.

He was behind the firm's successful move into the Middle East in 2008, has led recruitment in continental Europe and is widely viewed as the most internationally focused of the three final candidates for managing partner.

Voge's election to managing partner caps a considerable journey, having grown up on a small farm in Iowa where his family raised 'cattle and hogs' (his 92-year-old father lives there still). His parents and siblings hadn't been to college, and Voge was hardly surrounded by lawyerly types in his youth. 'No-one around had a notion I would go to college or law school,' recalls Voge. 'It's a modest background and every day I realise how lucky I am.'

As such Voge got his first taste of the wider world when he enlisted in the US army. He was sent to Germany in 1976 to intercept Cold War communication in the Soviet bloc (also giving him his first occasion to travel in an aeroplane). However, after quickly concluding that he didn't see myself making a career of it, Voge returned to college armed with plans to go to law school.

Oldest of all other applicants, Voge's rise was aided by his time in Latham's San Diego office, a breeding ground for some of the firm's most senior partners today, just after it opened. Ahead of him were Joseph Bevash, a project finance partner who went to Asia in 1996 and helped to establish the firm's Singapore office, its most profitable operation in the region, and Asia chief Bryant Edwards, who was a second-year associate when Voge turned up for his first day in late 1983. The pair were influential in their backing of Voge to become managing partner and will be crucial to Voge's bid to crack Asia.

'For a small office, there were a group who made a dent and helped to shape the future of the firm,' says Edwards. 'Latham had started a small office in San Diego, which is a market dominated by a few very incumbent law firms, so even then we had a challenge to get Latham on the map and Bill was always a leader even at associate level to mobilise lawyers and take on projects that no one thought we could ever win.'

Voge, having still been an associate when he transferred to New York in 1985 to launch that office alongside 11 other attorneys and to London in 1990 to open the City office with just two other lawyers, was the clear choice to lead the firm's international expansion in 1999. Back in New York and having been a partner for eight years, Voge made Edwards one of his first phone calls in 1999 when he became chair of the firm's European strategy committee, persuading him to launch a high-yield practice in the City. Edwards was again called upon by Voge when his Middle East strategy committee pressed the firm to launch in Dubai, Abu Dhabi and Qatar in 2008. Edwards was named Middle East managing partner but the firm's decision to enter the region came just months before the financial crisis. As the last firm into the Middle East before the crash, there were fears that work would be hard to come by. However, Voge's reputation in the region, having handled finance packages in Qatar, helped to secure a huge mandate advising the Dubai government on a $60bn debt restructuring.

Voge was also involved in Latham's launch in Germany, where the firm in 2013 extended into Düsseldorf with a string of hires from Shearman & Sterling. As head of the European strategy committee between 1999 and 2001, Voge 'Some view me as a global hawk. We’re about 70% of the way there to being the top global law firm.'

Bill Voge,
Latham & Watkins
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Bryant Edwards, Latham & Watkins

was looking to launch in Frankfurt, until Christoph von Teichman and Holger Iversen of German independent Gaedertz proposed, mid-interview, that Latham launch in Hamburg through the takeover of their office. Voge, pocketing his mobile phone, called for a five-minute recess and returned with a handshake. ‘He realised the chance, he was flexible in his thinking and he changed the whole strategy to grab an opportunity,’ says Iversen.

Edwards comments: ‘Bill and his willingness to move to London early on in his career showed that swashbuckling attitude he and a number of lawyers had that made Latham willing to go tackle the toughest markets in the world. He learned how difficult it was to try to establish a firm in a competitive market so he learned his lesson early on in how challenging it was but also what the potential upside was.’

Aside from demonstrable success in helping to launch new offices and as a fee-earner, much of Voge’s appeal internally comes down to being the quintessential straight shooter. As with Dell, Voge is regarded as down-to-earth and unaffected – at least by the standards of globe-trotting bluechip lawyers – though he is more outgoing than Dell.

New York-based Jim Gorton, vice chair of the firm’s corporate group, adds: ‘What’s concerned many competitors about Latham is that Latham has been very bold over the last 20 years. Bold, but unlike some firms has stuck to its core culture. Bill will be equally bold, he’s always been a seasoned risk-taker like Bob and everyone will continue to see that. Bill is an incredibly savvy business guy but you’re not going to see him try to hunker down. He will take risks to grow the business.’

The London-based Voge will also continue Dell’s practice of being based outside Latham’s original Los Angeles’ heartland (Dell refused to leave San Francisco) – meaning the firm is unique as a leading global law firm without a clear head office.

THE NUMBER ONE PRIORITY

If another dominant theme emerged in Voge’s appointment, beyond sustaining Dell’s global vision, it was culture. But then even by the standards of major law firms, culture has always been a favourite topic at Latham. So thick did the firm lay on its mania for governance that one US directory once dubbed the firm as a ‘cult, but a happy cult’.

Still, if Latham’s preoccupation with its own culture can become cloying, by consensus the firm does a far better job than most at making it mean something. Cross-selling, team-working and a supportive culture have long been regarded as particular strengths, as have high associate morale (beyond griping about the demanding hours the firm expects).

Both Dell and Voge wax lyrical about the concern for preserving the firm’s ethos during its seven-month election process. Xavier Farde, head of the firm’s Paris office and a member of the succession committee, comments: ‘Bill will be a guardian of the culture that’s been there forever and that Bob kept as his number one priority.’

Nailing down exactly what culture and governance means at Latham is tricky, as the firm combines a tightly structured approach to governance while in cases completely eschewing management practices used in other industries and increasingly common in law such as profit-centre analysis.

Voge comments: ‘We’ve avoided that like the plague and that is one of the reasons why some firms have had a challenge providing global legal services. Those measures and tools make a lot of sense for a global business selling widgets. I am not sure they make a lot of sense if you are trying to convince clients that you are trying to get them consistent service. That’s been the failure of some of our competitors.’

Latham’s compensation model, which is 85% lockstep and 15% bonus, has been the backbone of this approach; rewarding not only the lawyer that refers the work but also the lawyer that takes it on to ensure no opportunities fall through the net. That bonus pot came to $150m last year, more than enough to incentivise partners moving through the 300-900 point equity ladder, typically at a rate of 30 points a year. Around 20% of partners have reached the top of what is a relatively compressed lockstep, which has helped the firm to avoid the pay-motivated politics that exists at many US peers.

The associate committee, which mixes associates and partners, remain kingmakers at Latham with the ability to vet new partners and veto promotions. Lateral recruits are also required to take eight partner interviews before being handed a job.

ENGINE LONDON: BUILDING OUT LATHAM’S CITY PRACTICE

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<th>Year</th>
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LONDON HUB

- Doubled trainee intake from ten in 2008 to 20 in 2014
- Promoted 16 London associates to partner since 2009
- Ten lateral hires in 2014

Legal Business
February 2015
While Ruthberg jokingly called its lengthy election process a ‘lovefest’, this culture is fiercely guarded.

‘One of the things that struck me about Bob, and Bill will continue this, is that the firm is not very tolerant of partners who don’t behave well,’ says Ruthberg. ‘The team play is more important than the business production of a single partner so the firm encourages partners to leave if they’re not team players.’

However, the data gathered during the election process showed a divide between the young and old partners, with the former showing a disconnection from the decision-making process.

Voge argues that the firm’s weighted voting system, which gives more senior partners a bigger say and has been part of the partnership agreement for more than 50 years, is not to blame. He comments: ‘The younger partners, those admitted since 2006, feel less connected to the partnership than the older partners. I’ve now met with over 80 younger partners since July and one of the problems is that they were admitted in one of the most turbulent times in the global economy, becoming partners in a global law firm that had real jitters, anxiety and uncertainty about our client base and where we were going as an enterprise. They haven’t had the same sense of security that people had before and they are also part of a larger organisation, where having a voice is more difficult. I’m going to make it a point, as global managing partner, to have small group meetings with younger partners to ensure they have the right of audience.’

Another issue to emerge from the election has been the firm’s slow progress in tackling gender diversity, despite a rise in the percentage of female partners from 16% on 31 December 2010 to 18% on 30 November 2014. Some suggest that the firm’s peer review system can be a hindrance to faster gains and Voge has already promised to prioritise diversity.

Speed of movement comes up repeatedly. Even for a firm with higher internal morale than many peers, it concedes that its self-conscious collegiality can make decision-making slow and unresponsive.

Dell himself concedes that the biggest regret of his two decades in leadership was not marshalling the firm considerably earlier to launch in Silicon Valley, which it did in 1997, and internationally. Voge, meanwhile, notes that he had thought that the firm would have to further abandon its partnership-driven model halfway through Dell’s term. The tension between Latham’s scale and 33-office sprawl and its attempt to remain a true partnership looks set only to grow in the years ahead.

At times, the near-worship of culture suggests Latham may be ill-equipped to adapt if it ever met a challenge which required a fundamental change in its decision-making.

For all the firm’s success globally, even Latham has found Asia difficult to progress in with a number of partners internally conceding that the firm has an ill-defined strategy for its practice in the region. Voge has said that Asia will gain renewed focus during his term, focusing around Latham’s core finance strengths. The firm is also likely to move to further expand its white-collar crime practice globally.

Voge says the firm ‘needs to get a little less US-centric’ and that means further growth in the City. Following its aggressive hiring spree in London the office is increasingly its European hub, while the firm has grown only slowly on the continent since 2009. News that the firm is opening an administration office in Manchester to provide 24/7 business support backs up that plan and many partners hope this will create a trickledown effect on the continent.

A key question for the firm is whether it can become truly on par with Magic Circle rivals in the City. By many yardsticks the firm has already made huge strides towards that goal, including in 2013 hiring Clifford Chance’s head of private equity David Walker and highly rated corporate partner Kem Ihenacho in 2014. However, that ambition will need greater coverage in mainstream M&A and disputes work. Latham cannot count on a leveraged finance boom to indefinitely lift its European practice.

Asked when he realistically hopes to match London’s top firms, Voge responds: ‘If you’d asked me that question five years ago I would have said 15 or 20 years. Today I think it could happen in five or ten years. There is a major shift going on in this marketplace right now. All you have to do is look at the top US law firms and the growth they have in their practice groups and you’ll see this shift is happening right now.’

Nevertheless, the firm’s positioning remains hard to fault – combining many of the operational strengths, team focus and global reach of London’s top law firms with the drive and US footprint of major American peers. Likewise, the firm’s ascent in the global legal market has been achieved without assuming the risky growth strategies adopted at some major firms.

One way or another, Latham is intent on pressing its advantage globally. As Voge concludes: ‘As long as you have challenge before your partners and you’ve got goals you want to achieve, you can avoid that plateau. The moment you start enjoying your successes, it’s likely you’ve had your better days.’

**LATHAM: BIGGEST CLIENTS**

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<td>GE Capital</td>
<td>Deutsche Bank</td>
<td>Deutsche Bank</td>
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**Xavier Farde, Latham & Watkins**