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Q&A: Orrick Chair Takes Stock After Strategic Shifts

By Julie Triedman

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Since corporate partner Mitchell Zuklie succeeded longtime Orrick, Herrington & Sutcliffe chair Ralph Baxter on March 31, 2013, the 916-lawyer San Francisco-based firm has posted three years of revenue growth. Zuklie, 47, has had a busy start to 2016, hiring 42 lawyers to staff Orrick's brand-new Houston office in February, as well as others across the firm.

During an hour-long visit last week, we asked Zuklie, dressed in his typical no-frills shirtsleeves, to describe some of the changes under his watch. There have been many, including a new strategic focus; tweaks to the compensation system; and a big increase in the number of women in management, to name a few.

Am Law Daily: *Has the firm shifted direction a bit since you took the reins?*

Zuklie: One of the things we came up with was a strategic direction of trying to serve clients in three industries: tech, energy and infrastructure, and finance. We've always done those things well. Three years ago, that was about 60 percent of what we do; last year it was about 70 percent. Our goal is to continue to work with clients on their most high-value engagements. So we're making investments to do that better, and we're also doing less of the things not supportive of that vision. Last spring we closed two offices in Germany, which were profitable but had a local real estate practice that didn't connect with what we were doing elsewhere.

We also want to be a firm balanced between transactional and litigation work. So we've actually grown the amount of litigation that we're doing over each of the last three years. I know that's atypical, given that for the last 12 quarters, litigation has been going down across the industry. We've added white-collar folks like Melinda Haag, former U.S. attorney for the Northern District of California, and on the mass tort side, we brought in Kathleen O'Connor from [Weil, Gotshal & Manges] and promoted several partners there.

Mitchell Zuklie

Photo by S. Todd Rogers

ALD: *You opened in Houston with 19 lateral partners in late January. Why did it take so long to enter the Texas market, given your energy focus?*

Zuklie: It's intuitively obvious that if you're a firm that's going to focus on energy and finance, you better be in Houston. But three years ago we weren't as clear strategically that we were focusing on those industries. Once we did, it became a pretty obvious choice. Then we had to decide how to approach the market. We observed how other firms did it; Latham was a model, in part. They went in and got talent focused on one high-end part of the marketplace, master limited partnerships, and brought in an all-star team from several firms. We emulated that all-star team idea, but we didn't have the laserlike focus on one area. Instead, we chose to go after several areas where we are strongest. Finance had to be a part of what we did there. So did a leading renewables team. We wanted litigators with experience in IP and commercial litigation. It was important for us to reflect cross-border M&A strength, and we're using Houston as our hub to go after the Latin American market. We also added practitioners skilled in oil and gas, which is something that we had a toe in the water in but had not fully jumped into. We also supported that Houston addition; we hired the head of oil and gas from Andrews Kurth, in London, to support what we're doing with our team there.

ALD: *Do you have a target size for Houston? And how do you integrate all those people, who don't even know each other, let alone the firm?*

Zuklie: I don't have a precise number in mind. Our first job today is to integrate those 42 lawyers into each other and into the rest of the firm as a cohesive office. We will definitely make additional hires.

We were very concerned from the beginning about how to integrate those lawyers. While we didn't introduce people to each other, we'd ask questions about people they respected in their area and other areas, people they wouldn't want to work with, and mapped out what we thought would be a highly complementary team. I went down 16 times, meeting 65 or 70 lateral candidates.

The group came together for the first time in December, and it was a little bit like a masquerade party where everyone takes off their disguise and sees each other for the first time. In fact, many of those people had overlapped and had worked together at prior firms.

I had spent substantial time building consensus around the idea that we needed to open in Houston, and the size and characteristics of the group we wanted there. Then, beginning on Jan. 3, each partner candidate came in and met the rest of our partners via videoconference. We call this process the fishbowl, where any partner who wants to meet a candidate has the chance to do so. The partnership has a right to veto any candidate.

Meanwhile, a former partner, W. Reece Bader, came out of retirement to help us with integration. And 26 senior partners committed to spend a week this year in Houston, to make sure there are strong connections with the senior people.

ALD: *Already you've hired way more laterals this year than all of last year. Are you going to take a financial hit in 2016 because of this?*

Zuklie: I expect we will. There's a ramp-up time. Our partners are anticipating that this could be a year when we level off. I think that we're not done making investments this year either. We plan to make one in Paris as well.

ALD: *What else are you doing differently than your predecessor?*

Zuklie: One is that we're a more consensus-based organization than before. There's just more dialogue. We don't vote on everything, but we spend a lot of time talking, asking for views, developing consensus on our strategy.

Also, there's a stronger emphasis on being the best place to work. It's informed by the fact that there's a decline of people entering law school. Some of the very best students don't want to go to practice law—they're turned off by Big Law—so we view it as a strategic imperative to identify, attract, retain and hopefully inspire great people.

Along with that, we're concerned about facts that show that half of law firms' incoming class are women but only 20 percent are partners, and very few in senior management. That's a huge waste of talent. We've making a lot of progress in a short time in this area. Of our class of 19 partners last year, 10 were women. When we started three years ago, just two of 18 in our board and management positions were women; this year, a third are. Five of 11 members of the board are diverse. A third are women. Two of five business units are led by women. Also as part of those efforts, we instituted one of the most generous parental leave policies in the industry last May.

Also, we want to be a culture that's nonbureaucratic, and there's not a need to spend face time in the office just to be here. We try to be pretty informal in the way we deal with each other.

Last is a global pro bono shift. Last year, 90 percent of our U.S. lawyers did 20 hours of pro bono work, and 45 percent of our international lawyers. This has been an important change in our culture, the idea that it's an expectation and that we all owe something, not just here but in foreign jurisdictions.

ALD: *You've been a proponent of greater transparency in the firm. Would you consider releasing audited financial statements to the market, as K&L Gates has been doing since 2013?*

Zuklie: I hadn't thought of it. But maybe we would. But far more important is being transparent with our partners.

Transparency is an important part of my management style. I do a quarterly report called "the Good, the Bad and the Ugly," where I just try to call it straight. Also, one of the first things that we did was that we opened our internal reports system, which has all the firm's financial data, to everyone in the firm. Every partner can check on any other partner's matter value, billable hours, realization, whatever. That was a big change for us.

ALD: *I heard there have been major changes in the compensation system as well.*

Zuklie: Yes, we changed our system a year ago after a yearlong process looking at how we could better foster collaboration. The most important is that our billing or origination credit can now be split among multiple partners. A related point is that we ask all of our partners to complete a business plan, the first question of which is "Who has helped you with your practice?" The compensation process here is comprehensive, not a metrics-only based system. These days, one of the things we measure is the issue of who's been helpful to others. We gave out our leadership award last year to a third-year partner who'd been mentioned 37 times as being incredibly helpful to them in their work.

We have invested considerable time in one-on-one interactions. Our managing partner, Mike Torpey, meets with 150 partners, one on one, to go over their business plans, and to explain profitability metrics with them, and to have a dialogue with them about what they could do to make their practices more profitable, and in turn, what they needed from the firm to make their practices more profitable. It's an enormous investment in time.

We also have instituted a pricing and practice support effort led by David Fries, a former partner who left to play an executive role at a REIT and we lured him back. Now his role has been streamlined to focus on pricing and practice support.

ALD: *What's next for the firm?*

Zuklie: We're at the earliest stages of being conscious of the need to mine Big Data, and expect to make more investment in that in the future. We don't have a plan I'm ready to announce, but we will soon. Ralph did a fabulous job of innovating; the Global Operation Center was a really important innovation. We want to be a firm that innovates with respect to the way we track and utilize data and the quantitative rigor we bring to the practice law.