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LAW FIRM LEADER OF THE YEAR

Creating a 'Lateral Float' to Success

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For the past decade, Guy N. Halgren has perfected a process he calls "the tour." It may not be as glitzy as a tour manager taking his show on the road, but the goal is the same — to find adoring fans at every stop.

When Halgren, the chairman of Sheppard Mullin Richter & Hampton LLP, goes on tour, it's to visit a sampling of the firm's 10 U.S. offices, and the rock star in tow is a potential new hire. The visits are the final step in a laborious hiring process for which Halgren devotes at least half of his working hours.

The efforts are evident. Since Halgren took over as chairman in 2001, he's sent 179 partner recruits on tour, and extended offers to all but two. Of those, only a handful have declined.

The Los Angeles-based firm has expanded quickly but organically, in a way that's rare for law firms its size. Under Halgren's leadership, the firm has nearly doubled, from 289 attorneys in 2001 to 540 attorneys today, without any major merger or acquisition.

Halgren took the firm national, adding offices in New York and Washington, D.C., and then international with an office in Shanghai. He said he has his sights set on Europe next, with plans to open in one or both jurisdictions in the next year.

Unlike many firms that suffered massive loss of headcount during the economic downturn, Sheppard Mullin has consistently added to its lawyer base. Over the past three years, the firm hired 64 lateral partners, including 19 in 2010. It also avoided a major round of layoffs, cutting less than 15 associates over the past four years for lack of work.

Initially known for its banking expertise, Sheppard Mullin has grown into a full-service firm with practices ranging from antitrust to entertainment. It knows it's not on the same footing as, say, Cravath, Swaine & Moore LLP, but firm leadership say they don't aim for it to be.

"I think it's really important to know yourself," Halgren said. "To leverage off your



Guy N. Halgren

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existing strengths, not try to be something you're not. We have no ambition to be like Cravath."

He said the firm's sweet spot is "the upper-middle tier of work," but that its attorneys will also handle a client's largest litigation or deal.

Halgren works tirelessly to maintain the firm's momentum, logging about 3,500 hours of work a year from his base in San Diego and regular visits to other offices.

He spends the majority of his time scouting new hires and keeping up day-to-day operations, and the rest working on his most important client relationships. A labor and employment attorney by trade, Halgren said he had one of the top five books of business when he was chosen in a contested election for the chairmanship.

In describing himself as a leader, Halgren throws out a series of adjectives — consensus-driven, collaborative, direct, organized, hard working — that echo those his partners use.

Domenic C. Drago, a partner in San Diego who joined the firm in 1986 within two weeks of Halgren, said the chairman has the same

540: attorneys at the firm

439: attorneys in California

\$1.2 million: profits per partner 2010

\$367.8 million: total revenue 2010

80 percent: partner retention rate under Halgren

7: offices opened during Halgren's tenure

87 percent: increase in headcount under Halgren

80: lateral partners added since 2007

high energy, people skills and down-to-earth attitude he's always had.

"When he first decided to run [for chairman], he talked about when he was a kid, waking up at 4 a.m. to do his paper route," Drago said. "That's still Guy."

Added Kelly Hensley, a Los Angeles-based partner and co-chair of the labor and

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employment group, "He's very good at holding us all accountable. He's very even-tempered, he's very responsive. He's available really 24/7 if you need guidance."

Halgren has led the charge and steady expansion without alienating the rest of the firm in the process, his partners say, leading with a self-assured calm that helps foster collegiality.

"The partners here are treated like real owners of the business, which is how it should be," Drago said.

Halgren relies on a nine-member executive committee to help make key decisions. Unlike some firms with smaller executive committees that get feedback from larger policy committees, Halgren said he doesn't believe in having a policy group that merely makes recommendations.

He turns to practice group leadership to help shape the direction of the firm, while giving them relative autonomy to run the groups as they see fit.

"He's very helpful at getting practice group leaders to forecast and identify trends," Hensley said. "He wants us to not only be involved with day-to-day management, but to think larger."

Carlo F. Van den Bosch, co-chair of Sheppard Mullin's intellectual property group, agreed. "He asks a lot of questions, actually," he said. "He's a litigator, so he knows how to."

Like a true litigator, Halgren also knows how to turn the tables. "The thing is, when I go to ask him a question, he'll answer with another question," Van den Bosch said. "Which tells me, he not only wants to give you the right answer but understand where you're coming from."

Sheppard Mullin is still run by consensus, and the partnership votes by secret ballot on every office opening, lease transaction and lateral hire.

Before any votes on new partners are cast, Halgren must give candidates a reason to put themselves on the ballot. Over the years, he's honed the routine of selling the firm, a process that comes down to a basic tenant — transparency.

Soon after an attorney expresses interest in Sheppard Mullin, Halgren lays everything out on the table: client lists, accounts receivable, profitability, rate structure, associate compensation, annual budget, overhead figures, historical hours and more.

It's a revelation that takes most attorneys by surprise. "I now know more about your firm than I know about my firm." — I get that all the time," Halgren said.

He personally meets with every candidate



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Guy N. Halgren

early on in the process because he said he knows his own credibility is on the line when he presents a prospect to the partnership.

"A lateral success is my success," Halgren said. "If it doesn't work out, it's my failure."

That personalized attention mattered for recent hire Stephen S. Korniczky, who said he was sold after his first three-hour dinner with Halgren at the Hotel Del Coronado in San Diego.

"Certainly, one of the things I couldn't help but notice was this lateral float toward Sheppard," Korniczky said. "I was curious what was happening."

So when a recruiter called to say Sheppard Mullin was interested, he readily agreed to go to dinner.

Halgren's pitch — which included pinpointing specific ways Korniczky could expand his practice at Sheppard Mullin — piqued the intellectual property litigator's interest. So he went on "the tour," visiting eight offices in three days, and in September left Paul, Hastings, Janofsky & Walker LLP for Sheppard Mullin's Del Mar office.

Korniczky said he was a bit cynical about the cross-selling opportunities Halgren touted and thought that once he joined, he'd be left to his own devices. "I was happy to see how they followed through, integrated me and helped me match up my practice with opportunities that existed."

Korniczky's experience is a common one among lateral hires, and Sheppard Mullin has increasingly poached partners from elite firms such as Paul Hastings, K&L Gates, Morrison & Foerster, Howrey and DLA Piper.

Sabina Lippman, a recruiter with Watanabe Nason in San Diego, said she's seen the firm come into its own in the past five years in terms of competing with large national firms for talent.

Lippman credits Sheppard Mullin's appeal in part to Halgren's sharp recruiting acumen, and to his use of practice group management to help sell the firm rather than one centralized recruiting coordinator.

"I've seen him go out on a limb with a lateral that can make a difference strategically, but he doesn't make stupid deals," Lippman said.

In her experience, partners can make more money at Sheppard Mullin, even with lower-billing practice areas, than they could at a larger firm charging the same rates. She said partners also aren't overpaid, and that there aren't ranks of under-performing service partners like in some firms.

By design, the firm's expectations of attorneys, and the rates it charges clients, are more reasonable than some of its peers. And unlike those peers, it has a reputation for being a pleasant place to work rather than a sweatshop.

Billing rates range from \$505 to \$830 for partners, and from \$275 to \$500 for associates. Profits per partner for the past two years were \$1.2 million, making its partners the 51st highest paid among the nation's 200 most profitable firms in 2009, according to American Lawyer.

Across the ranks, Sheppard Mullin attorneys bill an average of 1,800 hours per year, unlike at many AmLaw firms where partners and associates frequently exceed 2,400 hours a year.

The firm's growth trajectory shows no signs of slowing. Halgren said the budget is slated for 20 more lateral partners this year, and that he's committed to boosting the Palo Alto office to at least 50 attorneys in the next five years. The office, which opened in 2008 and recently moved into a larger space, currently houses 13 attorneys.

Lippman said adding patent litigation and corporate capabilities in Silicon Valley are two of the biggest gaps the firm needs to fill. Building out the New York and Washington, D.C. offices and adding more expertise in capital markets and clean technology are other potential growth areas, she said.

Halgren was re-elected to a fourth three-year term last April and said he won't leave office if he feels like he has unfinished business. If that means staying on for another term when he comes up for re-election, he said he's willing to do that.

Even as he continues to expand the firm, there's one thing Halgren won't try to do — make Sheppard Mullin into something it's not, just for the sake of someone else's idea of prestige.

As he put it: "We're very happy where we are."