



THE PAY-OFF

Tony Angel transformed Linklaters from a pillar of the legal establishment to a sleek, global business. But it wasn't easy. Here he tells **RAVINDER CASLEY GERA** about the challenges – and the pain – they faced along the way.

Few managing partners have overseen such transformation as Tony Angel. In his nine years at the helm of Linklaters, the firm has expanded from a London giant with a handful of satellite offices, to a global firm spanning 30 locations. The majority of the firm's partners are now based outside the UK. But Linklaters hasn't simply expanded, it's

evolved. Angel has streamlined its management structures and raised its performance targets, and focused the firm tightly on a core of multinational corporate and banking clients, aggressively reducing and reshaping other departments to service their needs. The result has been a steady climb in profits that has left other international British firms trailing. "Angel

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inherited a good firm, but he’s provided a serious kick-up in both performance and market profile,” acknowledges Tony Williams, a management consultant specialising in the legal market. “He’s caused the firm to grow up.”

But as any lawyer with a teenage child can testify, growing up is never easy. Angel’s years at Linklaters’ helm have also been marked by a slew of painful restructurings and waves of partner departures. The stressful adolescence may now be over, but like any adult, the firm has lost a little of its sparkle in adulthood. Angel’s critics, including many former partners, allege that his profits-focused approach has destroyed the firm’s partnership culture: “He’s transformed Linklaters from a partnership into a corporate,” says Slaughter & May’s Nigel Boardman. How did this tax lawyer transform one of the world’s largest law firms? And what sacrifices were made along the way?

An unlikely revolutionary

Angel seems an unlikely revolutionary. Of modest stature and mild appearance, he’s more comfortable describing the firm’s views and achievements than his own. When asked about personal matters, or faced with a camera, he’s noticeably uneasy.

Given the opportunity to outline this vision – the new model for Linklaters – Angel becomes more relaxed. It’s a carefully crafted, and oft-repeated message: one of integrated management, seamless working, and relentless focus on core clients.

“We could see several years ago that a new class of global corporations and financial institutions was emerging,” Angel recalls. “We took the decision to align the firm closely around those clients – BP, Vodafone, Citibank. We wanted to be able to meet their needs, to handle their most complex matters, all over the world. And we could see that to do that, we would need a step

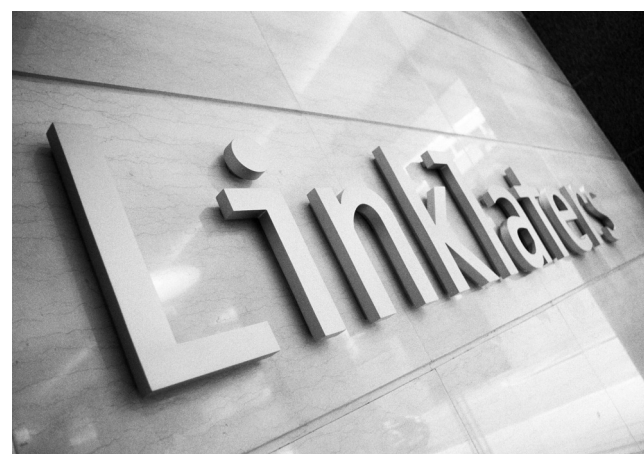
change – we would need to become a truly global law firm.

“Now, our billing with our leading clients is in the tens of millions. We’ve embedded ourselves with them; we’ve got multiple relationships with them around the world. And we can bring in the whole firm to tackle their most complex and challenging problems. Say you’ve got a bid situation: you could consider a real estate securitisation to maximise the value of the assets. Maybe you’re considering an IPO exit, so you need capital markets ability. However you choose to tackle it, we’ve got tremendous skills in the key issues that may arise and we can help.”

Pursuing these highly complex deals has an immediate benefit on profitability. “It’s a question of playing to our competitive advantage – an ability to bring to bear a range of resources across offices and across practices in an integrated way,” he outlines. “Over 60% of our transactions are international now, and there’s a straight, linear relationship behind the number of offices a transaction involves and the billing rate. Why? Because the competition is less. Things that are multi-jurisdictional are more complex, so there are fewer people who can do them.” An international presence that isn’t integrated around the leading deals, Angel maintains, is a wasted opportunity. “If you’re all over the world, but with siloed IP work for IP clients, real estate work for real estate clients, German work for German clients. Where’s the synergy in that? But if you can get the whole firm working together for the biggest global clients, those synergies are unbelievably powerful.”

Growing pains

With his quiet manner and fondness for management jargon, Angel’s style is a far cry from the larger-than-life style of his predecessor, the famously abrasive Terence Kyle. But then, many observers attribute Angel’s 1998 appoint-



ment as managing partner to this very straightforward, self-effacing manner. Angel had put together Linklaters’ ambitious expansion strategy, but in his first few years of office, he let Kyle lead the negotiations with the firm’s European merger partners – and later dispatched him to seek out a merger partner in New York. Meanwhile, Angel got on with the less glamorous work of building the firm organically in other areas, establishing new offices in France, Spain, the Czech Republic and several other new jurisdictions. And, of course, Angel looked after London, a task he dubs “guarding the keep”. Under his steady hand, the firm’s profits grew steadily, and in 2001 the firm’s top-of-equity profits broke the £1m barrier.

By 2002, however, the strains of expansion were beginning to show. Its ranks swelled by its new European members, the firm’s profits per equity partner slumped by nearly a fifth, to £650,000. While rivals Allen & Overy and Slaughter & May retained a top-of-equity profit of over £1m, despite a downturn in M&A work, Linklaters’ star partners saw their take slide to £850,000. “It was the ‘Perfect Storm’, in a sense,” Angel recalls. “We had this huge expansion, and



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Marshall Levine, former Linklaters Partner

the whole theory behind it was about globalisation, of aligning ourselves behind these global clients. And then what happens between 2001 and 2004? The market crashes, and the sorts of deals you’re building the firm to do aren’t there.”

It’s said that the Chinese character for “crisis” contains the symbols for both “danger” and “opportunity.” With his staid suit and rimless spectacles, Angel seems an unlikely follower of eastern philosophy. But faced with the danger of stagnation, Angel seized the opportunity to transform Linklaters from an overgrown London

firm to a tightly focused and integrated global company.

But the transition wasn’t easy. “We had a real estate department, and it had a slate of real estate clients,” recalls Angel, “and we had an IP department and it had its IP clients. That’s not where we are now.” The firm’s non-core departments – including real estate, IP and litigation – were told to prioritise work for the firm’s leading global clients. In practice, former partners told us, that amounted to prioritising the work of the corporate and finance departments. “It was clear that banking

and global corporate were the bees’ knees for Linklaters,” says Marshall Levine, then a partner in the construction department. “Real estate’s main clients were to be the principal departments.”

Unsurprisingly, this change of emphasis met with widespread opposition in the departments affected. “You become a property lawyer because you want to buy, sell, lease, finance, actual buildings, not to do large due diligences on other people’s transactions,” notes one former real estate associate. Unhappy partners voted with their feet. Around 24 left the firm ahead of

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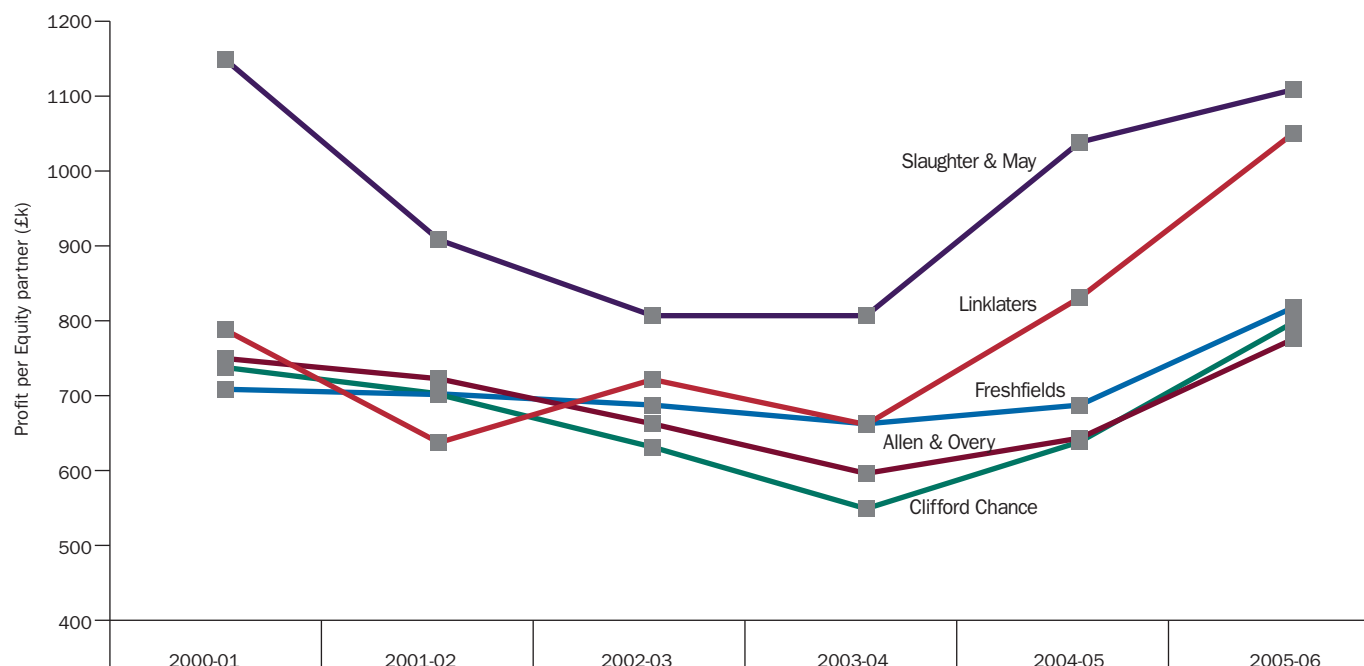
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“The idea that you could do the most complex deals in the pharmaceutical sector, for example, and not have a fantastic patent department, is ridiculous.”

Angel's delight

Linklaters has become the only British international firm to challenge Slaughter & May's profits dominance



retirement age between April 2002 and December 2003, although it's impossible to tell how many did so in protest at Angel's plans.

Angel is unapologetic about the need for a change of direction. "It's a question of focus," he explains. "The firm by then was very clear about the kind of work we wanted to do, and who we wanted to do it for. In the course of that, a lot of partners concluded that Linklaters wasn't a firm they wanted be in: terrific people, but their practices just didn't fit. We felt strongly that the chal-

lenge of aligning the firm around these core clients was going to be difficult enough, and we had to have the firm fully aligned behind what we were trying to do."

But, Angel maintains, valued partners whose practices 'didn't fit' were given a chance to adapt. "You've got to say, look, this is what we're trying to achieve as an organisation," Angel explains. "If what you're doing is contributing to that, fantastic. If what you're doing isn't contributing, we need to give you the opportunity to get on board

the bus. Some people won't want the opportunity, that's fine. Let's be open and honest with each other and part as friends."

In fact, this strategic realignment is only half the story. Angel's response to the tensions of 2002 had another aspect: a far-reaching cull of less profitable partners. The firm's annual staff review became a clearing-out exercise, with over 30 lawyers leaving the London office by the end of the year - including around ten partners. Once again, the non-core departments bore the

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brunt. In September 2002, it was reported that the firm had downgraded real estate and litigation for investment in favour of corporate and finance. In December, the construction department was merged into real estate, and in March 2003, the combined department saw the firm’s first de-equitisations. Other commercial functions were also targeted for reduction, including IP and even Angel’s former territory, Tax. The speed and depth of the restructuring left partners reeling. “There definitely was spare capacity,” admits Marshall Levine. “If you look at it as a cold business decision, it was irrefutable. But still, it isn’t nice watching your colleagues being massacred.”

Angel denies reducing the non-core departments to mere lapdogs of the corporate department. “Some departments were more aligned than others, and so had more of a shift to make,” he admits. “But the idea that you could do the most complex deals in the pharmaceutical sector, for example, and not have a fantastic patent department, is ridiculous.” By 2004, the balance had shifted. The firm made up partners in real estate and litigation, while corporate underwent its own painful restructuring.

But to many of the partners who lived and worked through it, Angel’s revolution was less about strategic positioning and more about a ruthless focus on profit at all costs. “The numbers dictated everything with Tony,” one former partner observes. “The numbers were dictating what he had to do, and he felt he had to do it quickly.”

Is Angel profits-obsessed? It’s a charge he rejects with surprising vehemence. “I don’t accept that at all. The profits we’ve had have been the result of doing the right things, of playing to our competitive advantage by doing the most complex and challenging work. That’s the work that people here want to do. Where profitability improves, that’s a consequence.”

In practice, there’s no question Angel’s revolution contained a hard core of performance focus. But it was a task he preferred to leave to department heads. “Tony didn’t go around telling people they were going to be axed,” admits a former partner. “He wanted to provide the tools for the individual business areas to manage themselves. He would highlight an area, say property, and say, ‘look at the curves, compared with the firm average – something needs to be done, doesn’t it? You tell me how you’re going to deal with it.’”

Above all, Angel believes the needs of partners and practices come second to the interests of the firm as a whole. “In a lockstep, everything is very closely interlinked. You can’t disentangle a single element of what you’re trying to do. When somebody goes to talk to a client, you’ve got to forget that you’re a real estate partner in London or a tax partner in Germany, and you’ve got to be a Linklaters’ partner – you’ve got to sell the firm.”

The turning point

“A partnership is a unique animal,” Angel acknowledges. “There’s a natural pace of change beyond which you can’t go or you break the culture. You’ve got to keep the bulk of partners alongside or you’re really in trouble.” It’s a lesson Angel has learned the hard way.

The decisive moment in Linklaters’ reform came in the spring of 2004. At the firm’s partner retreat, disquiet amongst the partnership threatened to derail Angel’s strategy. Angel planned to use the meeting to launch the next phase, an ambitious set of performance and profit targets he dubbed the “market leadership strategy.” “This was our chance – our opportunity to show that we could leverage what we’d done,” he recalls. But many partners, previously solid behind the strategy, had begun to doubt. “We held the meeting really to discuss the strategy –



Linklaters’ Silk Street offices

could we get people behind it? And there was a lot of debate.”

The continuing market downturn was taking its toll, and the firm’s financials made depressing reading. After a recovery in profits in 2003, the firm’s PEP slumped again to £674,000, wiping out the firm’s historic lead over rival Freshfields Bruckhaus Deringer. “It had been a difficult and exhausting process, carrying out the mergers and integrating, making huge investments in infrastructure, huge changes to our internal organisation. And the market was still very depressed. And people did wonder, when’s all this investment going to turn out to be the right thing?”

Up until this point, Angel had been able to push his restructuring through without serious challenge. “From the very beginning,” he insists, “the firm as a whole was clear about what it wanted to do,” – and partners who were unable to reconcile themselves to it had no choice but to depart. Now, though, Angel’s whole programme was threatened by dissent. Not a man who relishes confrontation, Angel had a choice: to face down



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CONTACT INFORMATION

Melanie Belman-Gross (USA) +1 203 668 7202
Melanie.Belman-Gross@TMF-Group.com

Jarrod Simpson (UK) +44 (0) 1582 439 280
Jarrod.Simpson@TMF-Group.com

www.tmf-group.com

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his opponents and push forward, or to slow down reform and engage with the partnership to win them round.

Angel chose persuasion. “We worked really quite hard through the next six months to get people on side,” he recalls. The firm even drafted in two professors from Harvard Business School to run week-long workshops for partners to discuss the strategy. “The process of getting buy-in is very complicated,” Angel explains. “You need to give people an environment where they feel they can discuss matters with time and space. It helps people get a much clearer understanding than if you just send them a 20-page note.”

In fact, the courses essentially amounted to a challenge from Angel to his opponents: put up or shut up. “We looked at personal leadership, and at practice leadership, and at strategic leadership,” Angel recalls. “And we had case studies describing the firm as it was then. And I said, ‘Look. This is where we are. This is what people are saying. Where would you take it from here?’” Without a coherent alternative strategy, the opposition fell away. “I think that was a very powerful way of giving people the opportunity to voice their concerns, but also to see things in the context of the whole firm. Soon, we had a critical mass of partners who were talking to other partners, saying, ‘yeah, I was bothered about this, but actually I’m now much clearer about why it’s a good thing.’

“The people who were particularly worried were those thinking, ‘Where’s my place in this organisation? I don’t have BP as a client, I don’t currently have Citibank as a client, is there space for me?’ By November people were much more understanding that this was a direction. It wasn’t that we were suddenly saying: ‘Tomorrow, nobody acts for other clients.’ It’s a process of increasing focus.”

The market revival in the summer of 2004 was a factor, of course. But Angel denies simply having been ‘saved by the bull’. “Of course, the upturn helped. But actually, not only was the whole market doing better, but compared to everyone else we were doing relatively better.” The market had rebounded just in time to show the advantages of Angel’s model. By the following April, Linklaters’ PEP had leapt a massive 25%.

“If I look back over the last nine years, I do wish things had gone faster,” he admits. “You’re constantly trying to push ahead as fast as you can, and yet keep people with you. There are some things where we could have made the changes even more dramatically, and even faster. And if we had, I think we’d be even further ahead today.”

The pay-off

What’s clear is that, however painful, Angel’s restructuring has paid off. Since 2004, Linklaters has leapfrogged its magic circle competition in profitability. In 2006, it became the first international British firm to post an average PEP of more than £1m. Linklaters looks set to become the first of the international British firms to match the profitability of stay-at-home rival Slaughter & May. But critics allege that the firm has paid a price for its success. “It’s still a great place to work,” notes one former partner. “But it became a much more tightly managed place. You were having to count figures all the time, and argue with clients to justify fees.” Former partners allege this new rigour could undermine the firm’s team culture. “The partnership has been destabilised,” alleges one former corporate partner. “If people feel they’ve got big brother looking over their shoulder, counting their hours and so on, of course they’re going to look at moving somewhere that’s freer and more interesting. I’m an example of that, and I know many others are too.”

But Angel argues the firm is tighter now than ever before. “It’s said that we’ve damaged collegiality. I’d say collegiality is sky high, that it’s more powerful now than a few years ago, because there’s a sense of common purpose.

“The old collegiality came from sitting down the corridor from someone for twenty years, but you might not actually be working together. The collegiality we have today is much more powerful, and it’s global. We feel real affinity with our partners, whether in China, Japan, South America, wherever. You’re all trying to serve the same clients in the same kind of work.

“This is a fiercely ambitious firm. The one thing that would damage collegiality would be a lack of success – not financial success, but success in the market; doing the best deals.”

As Angel prepares to step down, there are elements of Linklaters’ strategy that still need work. Four years after the firm abandoned the search for a US merger partner, its New York office has only recently begun to grow significantly. “Our ambition is to be a leading New York law firm, and we’re not that yet, so of course I’m not satisfied,” Angel admits. “But we’ve made huge progress.”

But although his time at the helm may be drawing to a close, Angel’s influence in the market may just be beginning. Many observers see Freshfield’s recent brutal restructuring of its finance department as an example of the ‘Angel effect’. “Linklaters was the first to address the strategic issues facing the magic circle,” notes strategic adviser Alan Hodgart. “The others have had periodic purges of partners, but not as part of that strategic process. That’s changing now, and I think we’ll see them all go through the process in the coming years.”

“Linklaters got its pain in early,” notes one former finance partner, “and in concentrated form. And its stronger now for it.” ■