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Locke Lord v. Dewey & LeBoeuf: A Tale of Two Mergers

By Tom Huddleston Jr.
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What a difference five years make.

The merger between Texas firm Locke Liddell & Sapp and Chicago's Lord, Bissell & Brook became official on October 2, 2007. But the tie-up that produced the firm now known as Locke Lord was lost in the glare of the merger one day before of venerable New York firms Dewey Ballantine and LeBoeuf, Lamb, Greene & MacRae.

The stream of lawyers heading out of Dewey & LeBoeuf has spurred many to look back at that firm's merger and wonder what went wrong. But for anyone looking at the Locke Lord combination, the opposite question occurs: What went right?

Locke Lord's comparative success seems to be due in part to conservative hiring practices, and the successful integration of its predecessor firms—two areas in which Dewey notably came up short.

After weathering layoffs and a dip in revenue during the recession, Locke Lord came through with a big 2011—a year that saw the firm shorten its name from Locke Lord Bissell & Liddell. Last year its profits per partner rose 9.1 percent to $1.035 million and its gross revenue jumped 4.9 percent to $416 million. That put the firm ahead of its pre-recession gross revenues, according to this year's Am Law 100 reporting. Those numbers also helped Locke Lord clock in at number 69 on this year's Am Law 100.

The firm now has 13 offices, establishing its newest outposts in San Francisco in 2010 and in London earlier this year. The U.K. outpost is the firm's second overseas location (it opened a Hong Kong office a year ago).

Jerry Clements was Locke Liddell's managing partner at the time of the merger and has chaired Locke Lord since then. She says that she was consumed by the process of joining the two firms, from a letter of intent in May 2007 to a partner vote that summer. As a result, the official launch of Dewey & LeBoeuf—coming one day before her own firm's announcement—caught her a bit by surprise.

And Clements readily agrees that the Dewey announcement overshadowed her firm's news. "I mean, you're talking about the merger of two firms that were already incredibly well-known international firms with long histories and Wall Street pedigrees," she says. The Dewey merger, which produced a firm with 1,300 attorneys and nearly $1 billion in estimated gross revenue, was covered by *The New York Times*, Bloomberg, and *The Washington Post*. (By contrast, Locke Lord had 700 lawyers total and gross revenue of around $400 million.)

But the same New York-centric focus that garnered so much attention for Dewey may also have contributed to the eventual discord that recently surfaced at the firm. As The Am Law Daily has written, Dewey's decline is beginning to resemble a case of "Dewey versus LeBoeuf," with lawyers from the legacy firms taking sides against each other and admitting that the two sides never fully integrated.

Ward Bower, a legal management consultant with Altman Weil, says the fact that both firms were based in the same city likely hindered integration. "As a result, they had to actually meet the other guys, and be around them, and go to the same office everyday," Bower says. "Sometimes those kinds of integrations are harder on day-to-day operations than putting together, you know, Texas and Chicago."

According to Clements, Locke Lord's ability to integrate its two predecessors and to cross-sell their practices has been a major factor behind the firm's overall prosperity. Clements knew how to get merger partners to work together, having been involved in previous combinations of Locke Liddell's predecessor firms (most significantly between Dallas-based Locke Purnell Rain Harrell and Houston's Liddell Sapp Zivley Hill & LaBoon in 1999). "Not only did we have the prior experience, but we had the prior success of seeing how integration, team-building, cross-selling, [and] cultural fits can work," Clements says.

Clements adds that practice group leaders from both firms spent time meeting with attorneys in their practice areas during the summer of 2007 in order to ensure the two firms' cultures

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would mesh. Before the merger was even finalized, the two firms were referring business back and forth between partners and practices. “We were getting our clients on board and taking one another’s partners around to meet our clients before we did the combination, because we knew that that was critical,” Clements says. “And doing that in advance of the effective date let us hit the ground running.”

Ensuring that both sides came together—and stayed together—was of the utmost importance. "I would say it never was, never has been, or—at least as long as I'm in this job—never will be 'Locke versus Lord.' That's just not the way we do things around here," Clements says.

Of course, as a product of a Texas firm with strong commercial litigation and energy practices and a Chicago firm specializing in insurance and reinsurance work, Locke Lord had less areas of overlap to worry about than Dewey. In fact, Clements says, there was some initial head-scratching in the legal industry over what exactly would be the benefit of a merger to each side. While the Dewey & LeBoeuf merger was portrayed in the media as the combination of "two powerhouses into one really huge powerhouse," she says that Locke Lord's synergies were not immediately grasped by those outside the firm.

Not only did the merger catapult Locke Lord into the Am Law 100, but it gave the firm's lawyers access to a wider variety of practice areas and offices for the purpose of cross-selling to clients, as well as creating a more full-service firm. Washington, D.C., was the only city in which both firms already had a presence. *The Houston Business Journal*, reporting on the merger in 2007, noted that predecessor firm Locke Liddell increased its D.C. headcount in anticipation of the merger in order to have more manpower close to regulatory issues important to the energy sector. For Locke Liddell, the combination provided the opportunity to expand beyond the borders of Texas, where three of its five offices were located. The Houston Business Journal added at the time that Locke Liddell's national exposure would especially benefit a growing corporate practice.

Chicago-based Lord Bissell brought with it offices in such cities as Atlanta, New York, Los Angeles, and Sacramento. In particular, the California and New York locations paved the way for Locke Lord's expanded intellectual property practice, with the new San Francisco office adding to the firm's Bay Area presence.

Since the merger, Locke Lord has looked to stock all of its domestic offices by building on core strengths—-such as energy, insurance and reinsurance, litigation, corporate, white collar defense, real estate, and finance—-while making sure that no one practice area is overstocked. Clements says that the strategy helped the firm to stay afloat during the recession, because "we didn't have too many eggs in one basket." As The Texas Lawyer has reported, the firm also relied on cost-cutting measures—including some layoffs—to maintain profitability during lean times, but still managed to maintain relatively steady revenues.

Some of the main strengths of each predecessor firm provided a boost to Locke Lord during leaner times. Both the energy transaction and corporate transactional insurance teams continued to land deal work during the recession—-especially from mid-market clients pulling off a number of smaller transactions, according to Clements. "We were fortunate because we had a diversified practice [and] a diversified group of industries that we represented," she says.

Another hallmark of Locke Lord's past five years has been its conservative approach to lateral growth. Dewey's decline is due, in part, to the firm's over-commitment to hiring star laterals and giving them big paychecks. Locke Lord's Web site notes that its partnership is a meritocracy with no lockstep compensation structure. Clements adds that partners are given no guarantees with regard to pay, and incoming laterals are made to understand that "compensation adjustments based upon performance will be appropriate and should be expected."

"We've been pretty conservative with our growth," she says. "And, so while I'm not a patient person, I think our strategy has been 'Let's be patient. Let's be careful. Let's find the right people.'"

Five years after its creation, Locke Lord is enjoying steady gross revenues and rising profits per partner. Meanwhile, for all of Dewey & LeBoeuf's name recognition and reputation, that firm now faces extinction.

"[Dewey] kept a very, very high profile," says Altman Weil consultant Bower. "Whereas Locke Lord has just quietly stuck to its knitting and improved its economic performance and just got things done."

For Locke Lord, missing the spotlight seems to have worked out.