

## How Cleary's Dramatic Lateral London Plays Fit into its Global Strategy

**Cleary Gottlieb added four partners within eight weeks in London after a dearth of lateral additions. How—and why—did it manage it?**

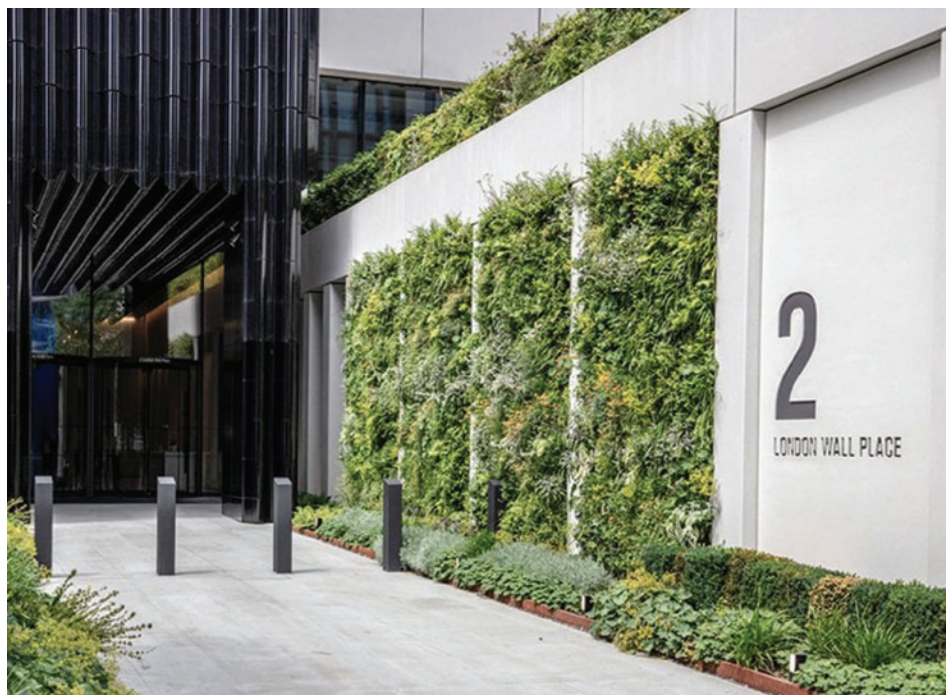
**By Rose Walker**

Lateral partner moves can be noteworthy for several reasons. Maybe they're in exciting practice areas; maybe the individuals are big industry names; or maybe the firms they are leaving or joining are of respective particular interest.

Cleary Gottlieb Steen & Hamilton's four major London partner additions within just eight weeks between November 2022 and January this year were examples of a variety of those things. Some even ticked all the boxes.

But the arrivals of Nick Rumsby, Ian Shawyer, Solomon Noh and Alastair Goldrein were eye-catching in particular because their additions seemingly marked a sea change in Cleary's London strategy, after a significant run of no major lateral additions to the office, which launched in 1971.

A fair perception? Not entirely, according to firmwide managing partner Michael A. Gerstenzang and London partner and executive committee member Tahir Sarkar, who said the hires are the fruits of a long-standing strategy and indicative of



Courtesy photo.

**Cleary Gottlieb London office, London Wall.**

the type of business they are trying to build, rather than representing some dramatic new pivot.

The firm has spent around two years focused on finding the right talent in London, according to the pair, with the aim of boosting its more embedded teams across wider Europe and continuing to focus on growth in its domestic U.S. market too. So how have they done it, and what's next?

### **Bolstering European Strength**

Brexit might have put paid to the U.K.'s membership in the European Union, but ensuring tight relations between London and continental Europe is still essential for many firms. That was one driving factor behind Rumsby's addition, according to London partner-in-charge Tahir Sarkar.

Sarkar said: "We were very conscious that our European platform,

particularly in continental Europe, is first-class. We've got the best public M&A practice in Brussels, Italy and Paris—which is a powerhouse within the firm—and we were conscious that on the public side we needed to complement that corporate standing with somebody here.”

Cleary's Paris offering holds an impressive standing in international legal directories, including glowing testimonials in Chambers & Partners. Last year, the firm fielded a cross-border European team advising on a €600 million share purchase that, if successful, will be one of Europe's biggest ever media mergers. Cleary fielded a multi-office team led by partners Séverine Schrameck and Frédéric de Bure in Paris, Antoine Winckler in Brussels, and Julian Alexander Sanner in Cologne on the deal. Its Paris office also advised the French State on its €9.6 billion tender offer to delist major energy provider Électricité de France in 2022.

In Brussels, major recent pieces of work have included advising pharmaceutical company Abbvie on its \$1 billion acquisition of Belgium-based neuroscience research specialist Syndesi in 2022.

As a result, Sarkar says the firm was looking for someone with Rumsby's profile—which he describes as “absolute gold standard public M&A credentials”—for “some time”.

But the firm got its guy late last year, adding Rumsby after an illustrious career at Linklaters that spanned

the best part of 25 years, dealing with major clients such as brewer SAB Miller on its \$275 billion merger in 2016, advising on a \$4.9 billion deal between Japanese semiconductor manufacturer Renesas Electronics and Anglo-German rival Dialog Semiconductor in 2021, and the £4 billion sale of U.K. defense and aerospace group Cobham in 2019.

Rumsby was swiftly followed in January by Dechert duo financial restructuring partner duo Solomon Noh and Alastair Goldrein, and Travers Smith private equity and financial sponsors head Ian Shawyer.

Shawyer and Noh are also big names in the market: Shawyer is ranked Band 1 in Chambers for private equity mid-market buyouts work and in recent years has handled these engagements for major companies Carlyle Group, oil price reporting agency Argus Media and Bridgepoint. Noh has frequently appeared in the directory's rankings, currently placing in Band 6, with several major mandates under his belt as a partner, including the major Co-op group restructuring in 2013.

So how exactly is Cleary pulling in this talent?

### Money Isn't Everything

That's according to Gerstenzang, at any rate, who casts a somewhat skeptical eye over the excitement over industry pay in recent years.

“The market for laterals in U.S. and London has been very frothy over the last few years and there's been a lot of attention paid to very big pay



Courtesy photo.

**Tahir Sarkar, Cleary Gottlieb.**

packages. It's almost got to the level of following sports stars and who will go to which team, how much they'll be paid," he said.

Gerstenzang might be recalling the excitement around the exit of New York Cleary rainmaker Ethan Klingsberg in 2019. Freshfields Bruckhaus Deringer reportedly guaranteed him \$10 million a year to join, with that deal running for five years. According to reporting at the time, Klingsberg may have tripled his annual take home with the move, having earned around \$3 million per year at Cleary. This interview did not discuss Klingsberg.

This side of the Atlantic has also seen firms digging deep in wallets: in 2017, Freshfields was itself hit with the exit of private equity star David Higgins to Kirkland & Ellis, for a guarantee of \$10 million per year. In 2020, U.S. firm Cahill Gordon & Reindel won out in a bidding war for Allen & Overy partner Jonathan Brownson, with the firm agreeing to an annual package of \$6.9 million guaranteed for three years. Shearman & Sterling had also vied for the London finance

heavyweight, offering around \$5 million, people said at the time.

At Cleary, profit per equity partner was around \$4.7 million in 2021, according to AmLaw data. The firm's top of lockstep stands at \$6 million, according to several people with knowledge of its compensation system, and will typically pay out around \$4-5 million to talent of Rumsby and Shawyer's calibre in London, another source familiar with the firm's pay scale added. The firm declined to comment on specific pay points, but can clearly pay what is necessary to ensure it's not laughed out the door by prospective joiners.

Crucially, though, there's one element of the pay war it doesn't enter into—guarantees. The firm simply doesn't offer them, which is unusual in a market where they are prolific.

Instead, the firm is hoping that its culture will do most of the talking when it comes to signing people up.

As Gerstenzang puts it: "I'm not saying that money is unimportant. We need to be able to compensate our people at a competitive level. But we're not attracting people by offering them top dollar—we're attracting people by offering them a top platform, the excellence of our lawyers and our culture."

### Cultural Growth

All law firms love to talk about culture. As a result, it's become harder than ever to sift through nice sounding statements in order to find which firms are actually leading the way on cultural issues. Law.com International's

new U.K. A-List ranking compared firms' revenue per lawyer, pro bono work, partnership gender balance and lawyer racial diversity, and is designed to offer a marker to graduates, clients and rivals so they can see which firms in the U.K. have managed to balance financial success with ethical and social concerns. Cleary placed a fairly respectable 16th, while landing in 19th on the U.S. equivalent ranking from The American Lawyer.

The firm does, seemingly, walk a good walk on prioritising the strength of its culture and puts work into bolstering that, according to Gerstenzang and Sarkar.

Cleary undertook a firmwide exercise in 2020, creating focus groups across every office that included lawyers and staff of all seniorities and from a variety of practice groups. Those groups held discussions prompted by the question: "Who are we on our best day?" From the discussions that provoked, Gerstenzang said the firm derived some "basic articulation" of the firm's values, which included treating everyone with respect, being transparent, striving for excellence and a focus on collaboration and teamwork.

Those values are now embedded in all reviews. Gerstenzang says the firm also actively solicits ideas from its laterals when they join, in regards to what the firm could do or should not do, in their opinion. At the firm's most recent partner conference, held in Rome in July 2022, long-standing London partner Jonathan Kelly



Courtesy photo.

### Nick Rumsby, Cleary Gottlieb.

hosted a panel discussion with some recent lateral partner joiners about their reasons for joining the firm. According to Gerstenzang, all of them mentioned its culture.

That focus on people is made easier due to the firm's tight partnership mode, he claimed. The firm currently has 181 partners across 15 offices globally—and none of them are non-equity. That's deliberate.

When we meet in London at the end of January, Gerstenzang was preparing to welcome the firm's newly promoted partner and counsel ranks. He shared one anecdote that he will be presenting to the group: that throughout Cleary's entire 77 year history, it has had 444 partners in total, a figure that is less than the current partnerships at both Kirkland and Latham & Watkins respectively. Indeed, the partnership is small enough that in 2020, a letter sent to client Alphabet managed to fit all the partners in its New York office on the letterhead.

He believes figures like that help sell the firm as a collegiate group, where there are no different classes

of partners. When it comes to keeping those partners and other people at the firm happy, a re-ignited focus on feedback the firm provides has helped in that regard, Gerstenzang added.

“We actively solicit ideas from our laterals because we’re always looking to improve. That’s a constant focus for us. It’s a benefit of having a slight chip on your shoulder – we realise we’re out there competing with some behemoths,” he said.

Wider industry discussions around feedback in recent years have often focused on what junior lawyers are prioritising, but Gerstenzang said that its partners’ 360 annual degree feedback programme has in particular been embraced by its more senior members.

“When partners work with you they often have very positive things to say to you but they just don’t have time to do that when they run into you in the corridor. However, when they sit down and take that time to feedback they spell it out,” he shared.

This focus on career development has, Sarkar added, long been embedded in the firm’s London office. Sarkar himself has been at the firm since 2003, since joining from Slaughter and May, and was promoted to partner in 2006.

The firm has run a trainee programme in London since 1999. Since 2018, the average retention rate stands at 72% and in 2020, the firm celebrated its first trainee-to-partner

with the promotion of corporate partner Mike James. Sarkar said that until the hires of Shawyer and Rumsby, the London office’s corporate and private equity ranks were “completely homegrown”.

Sarkar added: “Our associates tend to have a long life at Cleary, we’ve always had that opportunity. The combination of attracting the right talent and showing there’s a career path is super important.”

### Looking Elsewhere

Ultimately, the reinvigorated London lateral hiring efforts are a symptom of the firm’s wider strategy. Gerstenzang says he is less focused on headline grabbing profit hikes across a one, two or three year period, but instead wants to create “a durable business that performs well over long term.” A big part of that, he said, is diversification: by geography, by practice area, by client sector.

The firm joined several peers launching on the U.S. West Coast in recent years, opening offices in Palo Alto and San Francisco in November 2021, while Gerstenzang says the firm continues to keep abreast of wider international opportunities. It feeds into his long-term focus, away from profit hikes in any given year.

“The nature of that means when some things are going up, some things are going down – if I step back and think about it, if everything at Cleary was going up at the same time, at the same rate, that would make me nervous. It would make me



Courtesy photo.

**Michael Gerstenzang,  
Cleary Gottlieb.**

realise we’re not as diversified as I would want. We accept we’re not going to maximise profitability in any particular year relative to some of our competitors, who are making much more concentrated bets,” he added.

The legal industry is constantly evolving: the coming months may bring another major law firm merger, the London lateral partner market is showing no signs of slowing down and, while the U.K. has stayed clear of a recession so far, the economic mood is hardly breezy.

Amongst all this, Gerstenzang is focused on the incremental gains and how the firm intends on employing those to build something great.

“There’s a lot that we can do around the margins - if I can get 10% better at my job, if partners get 10% better at their jobs, then those improvements can move the firm to a different level,” he shared.

“We’re not exactly where we want to be but we’re on the road to where we want to be, and we’re working every day to achieve that.”