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Innovative Managing Partner: K&L Gates' Peter Kalis

By **Nick Malinowski**

Law360, New York (June 24, 2010) -- Riding the cutting edge in technology, diversity and alternative fee structures, K&L Gates LLP has grown from a regional outfit to one of the world's largest firms, thanks to the steady leadership and competitive streak of chairman and global managing partner Peter Kalis, earning him a spot on Law360's list of Most Innovative Managing Partners.

As the client base for corporate firms has globalized, moving away from traditional local markets toward an international focus, law firms have done the same, but few have grown with the success of K&L Gates, thanks in large part to Kalis' vision, his clients say.

"The legal marketplace is one of the most competitive markets in the world," Kalis said in a recent interview. "There are not just dozens of worthy competitors, there are hundreds of worthy competitors ... and if you are not innovative and energized, they will eat your lunch."

Kalis, who took over management of the firm in 1997 after a run as a litigator, said he intends to do most of the eating himself.

He has led K&L Gates toward rapid growth after watching even modest-sized companies enter the global marketplace while pushing back against corresponding competition from international companies on their home turf.

In the late 1990s K&L Gates had about 400 attorneys in six offices, but after expanding from its New York and Pittsburgh, Pa., bases to centers in Los Angeles, San Francisco and Dallas, the firm opened its international portfolio with strategic mergers in England, followed by tie-ups with firms elsewhere in Europe and in Asia.

During the past two years alone, the firm has completed mergers with Bell Boyd & Lloyd LLC, Kennedy Covington Lobdell & Hickman LLP and Hughes & Luce LLP, introducing seven new U.S. offices and eight overseas — in Paris, Shanghai, Frankfurt, Singapore, Dubai, Moscow, Tokyo and Warsaw.

The firm now boasts nearly 2,000 lawyers working in 36 offices on three continents.

The expansions, which helped the firm crack the \$1 billion revenue mark in 2009, have been accomplished without incurring any debt, a conservative financing legacy established by one of Kalis' mentors, former K&L Gates chairman Charles J. Queenan Jr., Kalis said.

Bigger is not necessarily better, however, Kalis cautioned. "Bigger in a thoughtfully constructed format is infinitely better," he added.

When considering merger candidates — K&L Gates has undergone eight mergers under his watch — it's important to consider success in a number of areas: personalities and legal culture, as well as strategic goals such as geography or practice-area specialties, he said.

"We've never viewed growth on the one hand, and integration on the other hand, as mutually exclusive, or goals to be pursued sequentially," he said. "On the business side we have a single and unified profit pool, a single governance mechanism — none of this business of two CEOs; and on the practice side, from the beginning, we've been committed to unlocking the synergies of a multi-office international law firm."

This philosophy enables the firm to create partnerships in fact, not only in name, where every group has a shared destiny, Kalis said.

This strategy truly sets Kalis and K&L Gates apart from their competitors in an era when nearly all firms remain loyal to their hometown roots, according to Adam Smith Esq. Editor-in-Chief Bruce MacEwan.

It's a big deal because while a lot of firms will say they are global that isn't actually the case, but K&L Gates has the unusual distinction of really having no headquarters, MacEwan said.

The firm's global reach is essential to some of its long-standing clients, such as DuPont Co., which has employed K&L Gates since 1993, according to DuPont general counsel Thomas Sager.

"It takes a guy who understands that and positions the firm in a way that they're offering something unique and distinctive," Sager said.

In 2009, 448 of K&L Gate's 500 largest clients used lawyers in two or more of its offices, and 11 of the firm's 20 largest clients used lawyers in 10 or more offices, according to the firm.

Adaptability is one thing that DuPont focused on while building its legal team, Sager said, acknowledging that the company has some very specific needs that can be difficult for law firms to meet.

Firms must put the needs of DuPont first, which often means collaborating with competitors or negotiating radical billing structures, yet K&L Gates remains one of the company's "anchor" firms, in part due to Kalis' leadership, he said.

The firm's dedication to staying at the cutting edge of technological innovation and diversity is critical for companies like DuPont, which are always searching to find resourceful and creative firms, and often face marketing challenges as thorny as their legal ones, Sager said.

"If [our representation] doesn't mirror the people we work with, we aren't putting our best foot forward," he said.

Recognizing these needs, Kalis appointed the profession's first chief diversity officer in 2003 and brought in Steven Agnoli as chief information officer, a position with broad responsibilities.

Agnoli "is not supposed to walk around the offices with a screwdriver," Kalis said, but is instead relied upon to be visionary with respect to establishing the firm in next-generation technologies.

The firm has been recognized for Agnoli's efforts, becoming the first law firm to win CIO Magazine's "CIO 100 Award" for achievements in the field of technology for three consecutive years.

K&L Gates goes toe-to-toe for this award with major global corporations and has also been recognized by the magazine for its business innovation achievements.

Developing a uniform technology platform was the only way to keep offices around the world from being balkanized, but it was also a way to differentiate the firm from competitors through unique client services, Kalis said.

This includes protecting firm and client information in an increasingly hostile environment where technological invasions are becoming more common.

Under Kalis' direction K&L Gates has developed extranets, where attorneys and clients can mutually access information about cases, and the firm is currently developing databases that would also be available to clients on a secure basis.

Information is a big part of the business, Kalis said. The complex litigation that firms such as K&L Gates often practice demands efficient technology solutions in sectors like billing matters or simply to keep track of long-running cases with a lot of moving parts, he said.

"Technology is a big differentiator," he said. "Much of the efficiency that law firms can achieve on behalf of clients involves what can be loosely referred to as knowledge management — organizing the firms' experience so it can be efficiently accessed for our clients."

While a lot of that experience and knowledge resides in the brains of the attorneys, technology can make it accessible from anywhere in the world — a necessity for K&L Gates' globe-trotting attorneys and a key client service feature.

These types of services have landed K&L Gates among the top 30 firms on the BTI Consulting Group's 2010 Survey of Law Firm Client Service Performance.

Inculcating an ethic of change within an organization can be risky at times, Kalis admits, adding that a constant focus on innovation has led to more wins than losses.

Even through the errors, however, Kalis said that he is proud of his management team for never "falling asleep at the wheel" and always trying to get things right.

K&L Gates was not alone in failing to predict the recent economic recession — the firm laid off attorneys in 2009 — but by "setting the table" for change throughout the past decade, it may have been more prepared for the major changes required by firms as their clients navigated the liquidity crisis, Kalis said.

"We were forced to do more with less and we did, and so did other firms," he said. "The challenge now is to take that lesson and transform it into a cultural imperative inside our organizations; don't just feel good that we absorbed that hit and became a more efficient organization."

Kalis said he is motivated most by the 4,000 stakeholders in the firm and that his focus on innovation and adaptation are directed toward the goal of keeping K&L Gates on top.

"I am competitive for my firm, like I was for my clients," he said. "Winning is a big deal for me. In a competitive marketplace it's the most important attitude that a law firm leader can have, when it is directed to the betterment of all the stakeholders in the firm."

Kalis' penchant for innovation goes against the grain of a legal industry defined by history and tradition, MacEwan said.

"The whole precedent thing gets drilled into our heads in law school ... innovation in the legal industry is inadequate," he said.

The current economic environment is prompting long-term changes, and the Darwinian logic of the market will lead to a greater emphasis on innovation, MacEwan said.

It remains to be seen if Kalis' strategy has positioned the firm to thrive after the economic recession lifts, he said, adding that so far things look good for the firm.