

Innovative Managing Partner: Orrick's Ralph Baxter

By Abigail Rubenstein

Law360, New York (June 11, 2010) -- When it comes to rethinking law firm management — whether it be through new staffing models, experimenting with alternative fees or changing how firms define success — Orrick Herrington & Sutcliffe LLP has led the way, earning its chairman and CEO Ralph Baxter a spot on Law360's list of Most Innovative Managing Partners.

Since taking up the reins at Orrick 20 years ago, Baxter has not only transformed his firm from a 200-lawyer regional San Francisco outfit to a global operation with over 1,100 attorneys, but he has converted the role of the managing partner from a grudgingly accepted figurehead position to a driver of institutional innovation.



"Ralph is clearly one of the opinion leaders in the law firm management field. He has taken the role of law firm leader and professionalized it," WilmerHale's co-managing partner William J. Perlstein said.

Baxter told Law360: "I think that they elected me because the partners knew we needed to change. We needed even [in 1990] to adapt to changes that were happening in the world. I was 43, they elected me and we've been changing ever since."

One bold gambit of Baxter's that has paid off for the firm is the decision he made in 2002 to launch Orrick's Global Operations Center in Wheeling, W.Va.

The firm's legal services outpost, which stands as the first of its kind, operates around the clock seven days a week and is the hub for the firm's help desk, document and transcription production, billings and collections, payroll and other business functions.

Centralizing the firm's back office operations saves Orrick more than \$6 million per year.

Baxter said the idea for the center came about because the firm was looking for ways to do things more efficiently at a time when businesses in other industries were making headlines by collaborating with local governments to keep or move their facilities to certain locations.

The firm started searching for a small American town where it could create jobs and reap the advantages of running a business outside a major city. The firm found Wheeling, where the staff has since expanded from 70 to 200.

As the center proved cost-effective and efficient, the firm expanded its functions to include firm marketing and e-discovery.

“Not all ideas are great, but the big ideas that we have rolled out have been very successful. And that's been an element of our story,” Baxter said. “Had some of our innovations early on been less successful, it would have been harder for us to do other things, but we've proved our ability to change without losing sight of what really matters or diminishing client services.”

Building on the success of other innovations, Baxter helped Orrick to become a trailblazing firm in the alternative billing arena, hammering out a pioneering fee arrangement with Levi Strauss & Co. in May 2009.

The firm had been committed to experimenting with alternative billing for some time in an effort to find a model that aligned the incentives for the firm and the client better than the billable-hour model did, Baxter said.

When Levi's came around looking to revamp the way it dealt out its legal work, Orrick created an agreement whereby the firm handled an array of global legal issues for the company for a predetermined fee.

The arrangement broke new ground for the way in which large global companies contract out legal services, and the firm continued to seek out new opportunities to implement alternative fee structures.

At first, clients were resistant to turning away from a billing model they already understood, but by the end of 2009 more of Orrick's new engagements were on an alternative fee basis than were not, according to Baxter.

“Ralph looks for the kind of changes that will improve the profession and the firm — not just to change for change's sake but to match the particular time that the firm is in and the clients needs,” said Bradford Hildebrandt, the chairman and founder of legal consulting firm Hildebrandt Baker Robbins.

And sometimes those changes mean modifying not just what Orrick offers its clients but also what the firm offers its lawyers.

As the recession decimated the legal industry and highlighted the problems inherent in the traditional structure of American law firms, Orrick abolished lockstep pay for its associates and unveiled a three-tiered associate salary structure.

The new system was designed to acknowledge that associates advance at different speeds and harbor varying career objectives. It filters associates who wish to make partner within a traditional time frame from those who would prefer to reach that level at their own pace or who have no interest in becoming partner, and those who want to focus on document review and other supplementary tasks.

The program, which will have been in effect for one year in July, has been a unqualified success in Baxter's view.

"It has already enabled us to deliver service in a way that is materially better to the clients and to provide better careers to our incumbent associates and to people who have joined us in the last year," Baxter said.

And Baxter has continued to innovate even after implementing this major overhaul of the firm's basic structure.

Most recently, on May 12, Orrick shocked the legal community by announcing that the firm would no longer report its profits per equity partner figures to the public or crunch the numbers internally to gauge the firm's performance.

Instead, the firm is striving to craft a metric more akin to what a publicly traded company measures in earnings per share.

"It's hard for the world to accept the idea that law firms are trying to drive costs down when they are engaged in a derby to see who can report the highest earnings per person," Baxter said.

Though Orrick is still ironing out the details of how to create a stable number to measure its overall profitability year after year, Baxter said the firm plans to measure its total revenue, as well as the depth and breadth of its client relationships, the integration of its global platform, and how well the firm employs its various practice groups.

Whether or not they follow suit, other law firms are likely to take note of whatever metric the firm ultimately lands on.

Baxter explained that he has helped steer his firm through all these sweeping changes by fostering an atmosphere of open communication within the firm and making sure to get input from all the affected parties when creating new models.

"He is a very strong leader but very consensus driven inside the firm. And that's a combination of skills that you don't always see," Hildebrandt said.

Baxter also happily shares his insights with other managing partners. He founded the Law Firm Leaders Forum, an annual conference focused on critical issues facing the legal profession which has grown into one of the most significant gatherings of law firm leaders across the nation.

In a conservative industry where law firms often nervously look to what their peers are doing before committing to any changes, Orrick has bucked the trend and forged its own path under Baxter's leadership.

"Sometimes people ask me who we're trying to be," Baxter said. "We're not trying to be anybody. We're trying to be us."

"I think one of the accomplishments we have made over these 20 years is to cause everyone to be comfortable with change and to embrace the idea that we must constantly consider ways we could do things differently and better," Baxter said.

