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How an unlikely leader rose to the top
at Kirkland & Ellis.

ALL BUSINESS

By Susan Beck

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FOUR YEARS AGO, Kirkland & Ellis celebrated its 100th anniversary by issuing a glossy coffee-table book chronicling the firm's history. The book ended with a stiffly posed picture of 18 current and former members of Kirkland's "firm committee," as the executive committee was then called. The 17 men and one woman projected various forms of lawyerly reserve—except for one. Jeffrey Hammes—who stands out with his beaming smile, thick head of brushed-back hair, and overall expression of exuberance—looks as if he might have wandered in from a convention of television news anchors.

The next year Hammes was elected Kirkland's chairman.

It's not surprising that the 54-year-old looks different from your typical big-firm lawyer. Hammes, who started his career as an accountant, hardly views himself as a lawyer. He's a businessman at heart, as he'll tell you. In fact, one of the most surprising things about him is that he's stayed so long at the Chicago-based Kirkland. Many who know him expected him to have bolted for the business world.

In a sense he has, having stepped away from his booming private equity practice, and clients like Bain Capital, to become Kirkland & Ellis's first full-time leader, taking over from Washington, D.C., litigator Thomas Yannucci. This March he began his second three-year term as chairman of the firm's global management executive committee.

With revenue jumping nearly 11 percent, to more than \$1.9 billion last year, and profits per partner rising 7 percent, to \$3.25 million, Kirkland has the second-highest PPP of a U.S. firm based outside of New York. But that isn't good enough for the intensely competitive Hammes. He wants to go head-to-head with New York firms, and that means battling with them on their M&A turf. Last year the firm made its intentions clear when it snagged M&A specialists Sarkis Jebejian from Cravath, Swaine & Moore and Taurie Zeitzer from Latham & Watkins's Manhattan office. In March the firm turned heads again when Blackstone Group LP tapped Kirkland partner David Fox—a lateral



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hire from Skadden, Arps, Slate, Meagher & Flom—to advise on its \$25 billion bid for Dell Inc. The assignment was a coup for Kirkland, which had long wanted to crack Blackstone’s inner circle for major deals.

Along with building an M&A team, Hammes is focused on raising the firm’s profile in Asia, and, most likely, recruiting more lateral stars. He’s also working to alter the culture at Kirkland, where partners are known for competing among themselves as much as they strive to best other firms. While some current partners insist that the firm’s famously sharp-elbowed culture has changed for the better, old habits can die hard. Partners today like to describe the firm as “entrepreneurial,” but one person’s entrepreneurial spirit can be another’s “eat-what-you-kill” mentality.

Although Kirkland’s culture has served it well over the decades, the firm now believes that it can do even better if its partners spend less time competing against each other and more time collaborating. To the surprise of many, it’s Hammes—who rose through the ranks with blood on his elbows—who is leading the push for this cultural overhaul. “Jeff has made this incredible transformation,” says Mark Tresnowski, a former Kirkland partner who is now managing director and general counsel at client Madison Dearborn Partners. “He was aggressive enough to climb the ladder, but when he got to the top, he became extremely institutional. He has zero tolerance for turf battles.”

But, in the end, it was Hammes’s business savvy that propelled him to the top. “Jeff has an uncanny ability to see

PARTNERS MATTHEW STEINMETZ, LEFT, AND DAVID FOX PRAISE HAMMES’S LEADERSHIP SKILLS. “HE’S NOT A SMALL THINKER,” SAYS FOX.

around corners,” says private equity partner Matthew Steinmetz, who has taken over the Bain relationship. “That’s why

he has the respect he does as a leader.”

Unlike the larger-than-life lawyers from Kirkland’s older generation, Hammes shows no inclination to kick back and expound on the saga of Kirkland & Ellis. He approaches interviews like a PowerPoint presentation: He has information to convey, not a story to tell. In contrast to Yannucci, who at least acted as if he enjoyed speaking with the press, Hammes endures interviews with all the ease of a man about to have his front teeth extracted with rusty pliers.

On a snowy day in March, Hammes meets a reporter in a conference room in Kirkland’s modern headquarters on Chicago’s North LaSalle Street, where the firm occupies 26 floors overlooking the Chicago River. Asked if he could be hard-charging as a young lawyer, Hammes replies: “Yes,” stares back, and waits for the next question.

This difference between the two leaders may be due in part to the nature of their practices. As a First Amendment litigation lawyer, Yannucci is accustomed to dealing with reporters and is a skilled public speaker. Hammes’s private equity clients are intensely private and suspicious of public scrutiny. Although people who know Hammes say he’s very funny, that part of his personality isn’t on display.

Hammes describes the firm’s growth strategy with a busi-

nessman's buzzwords. "We tend to grow by product extension, rather than by getting into entirely new businesses," he says. Hammes frequently mentions that he likes "A-players"—lawyers who bring the full package of skills to clients, including something called "stickiness," by which he means the ability to get rehired often.

Kirkland's success over the last 30 years has been a function of its disciplined strategy. It has focused on a small number of highly profitable practice groups where it can excel: litigation, private equity, bankruptcy, and intellectual property. This balance has allowed the firm to thrive in all economic climates. Even in 2008 and 2009, when most big firms' revenue and profits plunged, Kirkland's revenue increased and profits per partner stayed steady. As the firm has outpaced the market in growth—since 2000 Kirkland has moved from sixteenth to fifth place on our gross revenue charts—it has kept equity partner compensation highly competitive. Since 2000 it has ranked among the top 10 firms for profits per partner in The Am Law 100, and it sits in seventh place in our current chart.

In recent years Kirkland has added public company M&A work to its core practice mix through a string of high-profile lateral hires. "Our focus right now is New York and public M&A," says Hammes. "We're not done. We're pausing to integrate the people we have brought on board."

The real game-changing lateral move was Kirkland's 2009 acquisition of Skadden's Fox, who came with younger partner Daniel Wolf. The 55-year-old Fox is a charismatic and mercurial lawyer who knows all the right people

in New York's tight-knit M&A scene. Through existing relationships with Bristol-Myers Squibb Co., Fox convinced the company to try Kirkland for a deal. The company has since moved a significant portion of its M&A work to Kirkland. Last year Fox represented Bristol-Myers in its \$6.35 billion acquisition of Amylin Pharmaceuticals LLC.

Blackstone's bid for Dell came to Fox through his connection to John Finley, the chief legal officer of Blackstone who is a former partner at Simpson Thacher & Bartlett. (Simpson, Blackstone's usual outside counsel, had a conflict because it's representing rival bidder Silver Lake Partners.)

Since Fox's arrival, Kirkland has shot up the M&A charts. Last year it was the top-ranked legal adviser according to U.S. deal volume, with 265 deals, up from fourth place in 2009. In the more prestigious U.S. deal value rankings, the firm achieved an even more impressive jump, soaring from 52nd place in 2009 to sixth place in 2012, with \$127 billion in deals. (Rankings are based on mergermarket data.)

Fox credits Hammes with being supportive without being intrusive. "He hasn't tried to second-guess or micromanage," Fox says. "He understands this business in ways I've never seen anyone understand it. He's not a small thinker. He focuses on what he really believes are drivers of the business."

At law firms, the main driver of the business is talent. And when it comes to hiring that talent laterally, Kirkland has an edge. The firm has a wider partner compensation range than many firms, including most New York firms: While many New York firms have a 3:1 or 4:1 compensation spread, Kirk-

land's ratio is 8:1. This means that Kirkland's top partners make a lot more than the highest-paid partners at many rival firms. And Kirkland can offer targeted lateral partners a generous bump above what they're currently making. "It's a nice tool to have in the tool kit," says Hammes about Kirkland's compensation structure.

This tool has helped Kirkland reel in a string of enviable lateral hires over the last several years. In 2009, for instance, it landed Mark Filip, a former deputy U.S. attorney general and federal district court judge who had been a Skadden partner before his government service. At Kirkland, Filip has played a major role in the firm's massive assignment representing BP in litigation over the Deepwater Horizon disaster.

Kirkland also brought in eight lateral partners for its Hong Kong office in 2011, luring M&A and capital markets lawyers from Skadden, Latham, and Allen & Overy. The Hong Kong capital markets have been cool lately, but the seven-year-old office has recently handled some large private

RECENT M&A WORK

[deals announced or completed in 2012 and 2013]

BUYER/ACQUIRED COMPANY	DEAL VALUE (\$B)	KIRKLAND CLIENT
Berkshire Hathaway, 3G/H.J. Heinz Company	\$27.4	Brazilian Buyout Fund 3G
Blackstone/Dell Inc. (bid pending)	\$25	Blackstone
Exelon Corp./Constellation Energy	\$10.4	Constellation Energy
Bristol-Myers Squibb/Amylin Pharma	\$6.35	Bristol-Myers
Teva Pharmaceutical/Cephalon	\$6.2	Teva

SOURCE: MERGERMARKET

HIGH-PROFILE LATERAL HIRES

PARTNER	PREVIOUS FIRM	YEAR
Taurie Zeitzer	Latham & Watkins, M&A	2012
Sarkis Jebejian	Cravath, Swaine, & Moore, M&A	2012
Leora Ben-Ami	Kaye Scholer, IP	2012
Hong Kong Group	Eight laterals including Nicholas Norris and Dominic Tsun from Skadden and David Zhang from Latham	2011
Mark Filip	Department of Justice, Litigation	2009
David Fox	Skadden, Arps, Slate, Meagher & Flom, M&A	2009
Daniel Wolf	Skadden, Arps, Slate, Meagher & Flom, M&A	2009

equity deals. "Hiring the team in Hong Kong is the biggest lateral move we've done at one time," says Hammes. "I don't see us doing what we did in Hong Kong anywhere else."

The business of hiring high-priced lateral stars can be precarious, and not all of the firm's moves have worked out. Just this March, San Francisco M&A partner Michael Ringler lasted just a couple weeks at Kirkland before he bolted back to Wilson Sonsini Goodrich & Rosati. The firm simply explains that Ringler "decided to continue his 17-year career at Wilson Sonsini" and wished him well. Ringler did not respond to a request for comment.

As for Kirkland's culture, Hammes acknowledges that the firm needed to work on fostering more collaboration. "We're not perfect," he says. "We are good at recognizing where we need to improve." Now, Hammes says, "we draw on different talents to put the best team on the field. It's what clients want." To that end, partners who can prove that they've included other partners in their client matters are now rewarded at compensation time.

HAMMES GREW UP in a middle class home in Milwaukee. His father worked in the building industry and his mother was a homemaker. The first in his family to go to college, he attended the University of Wisconsin-Madison, where he majored in accounting. After college he worked as a certified public accountant at Arthur Andersen, then decided to go to law school. Hammes enrolled at DePaul University College of Law in Chicago; after his first year he transferred to the better-regarded Northwestern University School of Law.

Unlike many at Kirkland, Hammes wasn't on law review and didn't graduate from law school with academic honors. Leonard Loventhal, who was in Hammes's class of 1985 at Northwestern, became friendly with him because they shared a desire to go into business. "He's exceptionally, exceptionally bright, like eight standard deviations from the norm," says Loventhal. He recalls Hammes as one of the few classmates willing to take time off from studies to watch movies with him: "He did very well in law school without working very hard." Adds Loventhal: "I never thought he would be in the law as long as he has been. He's so different from most lawyers. What surprised me is that he did not make the jump to Bain or KKR or build his own private equity firm."

Although Kirkland in 1985 was predominately a litigation firm, Hammes took a job there to work with its small but growing private equity group, led by the legendary Jack Levin. Hammes quickly stood out for his work ethic and tenacity. "He was a go-getter," recalls the 78-year-old Levin. "Did he want to advance even more quickly than he did? Sure he did. I liked that in him."

"I didn't think I would be a lawyer in the long term," says Hammes. "I thought I would be here a few years scoping it out and then go into business. Kirkland was [then] a young, energetic place with a lot of people who were very entrepreneurial. I have a very entrepreneurial streak in me." But because of his early success at Kirkland, Hammes decided not to join the business world. "I was able to lead client relationships for important private equity clients early in my career," he says. "It just got better every year."

"Jeff was always remarkably driven," says Alex Dimitrief, who started as a summer associate with Hammes, became a Kirkland partner, and is now senior vice president and general counsel of GE Energy. "Jeff was brilliant at making the most of out of being underestimated," says Dimitrief, who compares him in that sense to President Ronald Reagan. "He doesn't wear his smarts on his sleeve, and he comes across as a funny guy that you'd like to have a beer with. You don't realize this is somebody who is incredibly smart and tenacious, and he just picked your pocket. Clients absolutely loved him."

After making nonequity partner (or "nonshare partner," as they're called at Kirkland) in 1991, and becoming a share partner four years later, Hammes oversaw a thriving private equity practice for clients like Bain and Madison Dearborn Partners. At a point when his career was humming, he decided to take a big risk. In 2002 he went to the executive committee and told them he wanted to open an office in San Francisco, which was still reeling from the collapse of the Internet bubble and where many an out-of-town firm has foundered. Hammes—who wasn't on the executive committee then—didn't plan to compete with Bay Area firms for work from venture capital firms and start-ups. But he had discovered there was a pent-up demand for sophisticated private equity lawyers. "What was lacking out there was an ability to do more complex deals, the LBOs," says Hammes. "It's like doing heart surgery. You have to do it day in, day out to be good."

The office opened in 2003 with some of Hammes's "A-players," including partners David Breach and Stephen Oetgen. But in an unusual twist, Hammes's plan didn't involve moving to the Bay Area himself, in part because he didn't want to uproot his family. (Hammes has four sons, including triplet boys.) Instead, he would oversee the office from Chicago, and spend roughly one week a month in the Bay Area, staying at the Four Seasons and other luxury hotels.

Oetgen remembers that Hammes not only visited clients on his trips, but liked to lighten things up in the office, taking associates out for drinks and throwing parties. "I used to joke that when I worked for Jeff in Chicago, he was a hard-ass. He could get really steamed up about stuff," says Oetgen, who recently left Kirkland to become executive vice president and general counsel at Golden Gate Capital. But when Hammes came to San Francisco, Oetgen recalls, he wanted people to have a good time: "In a weird way it was like Santa Claus coming to town."

Unlike Kirkland's Los Angeles outpost, which had long struggled, the San Francisco office was successful from the start. Golden Gate Capital, a Bain spin-off, generated more than half the office's work for several years. The firm also developed a busy patent litigation practice, led by Stephen Johnson, which attracted work from Apple Inc., Cisco Systems Inc., and Intel Corporation. Today the firm's two Bay Area offices (which now include Palo Alto) have 110 lawyers. Hammes, who joined the executive committee in 2004, calls this project "one of the more gratifying things I've done at Kirkland."

Kirkland's strong-willed partners have in the past struggled with ceding power. Even today, the firm doesn't have practice group leaders or office heads. Such bureaucracy, the firm explains, would hinder its entrepreneurial spirit; naming leaders could also ruffle feathers.

When Hammes joined Kirkland in 1985, the firm was



ruled by a battling federation of Chicago chieftains, including Levin, Howard Crane, William Jentes, and Donald Kempf. “We did juggle for position—that was called robust debate,” says Levin. Kempf, now retired, puts it this way: “Kirkland was notoriously ungoverned.”

In 1987 *The American Lawyer*’s Gay Jervey explored this power dynamic, as well as the firm’s rough culture, in “Winners Without a Leader.” An anonymous partner then proudly described Kirkland as “ruthlessly capitalistic.” Partner Emily Nicklin, the only woman to serve on the firm committee until three years ago, dubbed her fellow partners “wolves in wolves’ clothing,” which to this day still causes some partners to shudder.

As Kirkland entered the 21st century, the firm still didn’t have an official leader, although Levin functioned as the de facto managing partner. (The private equity lawyer was renowned for leaving long phone messages while huffing and puffing on a treadmill.) Firm committee meetings were chaired by rotating partners, which hampered quick and decisive decision making. Kirkland hired a consulting firm and agonized over whether to create the position of chairman. When

IN 2009 KIRKLAND NABBED MARK FILIP, A FORMER FEDERAL JUDGE AND SKADDEN PARTNER, WHO IS PLAYING A KEY ROLE IN THE FIRM’S WORK FOR BP OVER THE DEEPWATER DISASTER.

the decision was finally made in 2001, an unlikely candidate rose to the top.

Washington, D.C., litigator Yannucci wasn’t the most powerful partner at Kirkland, but he was trusted by the various factions. “He’s Brussels, but even better!” exclaims former partner Paul Cappuccio, referring to the European Union seat of power. “He got it because he was the most respected person who was not a chieftain in Chicago.” Cappuccio, now the executive vice president and general counsel of Time Warner Inc., adds: “Yannucci turned out to be the perfect chairman for that time. He treated it not as a power position, but as being an honest broker and listener.” Says litigation partner Jay Lefkowitz: “Tom was a real statesman. He was a deft manager of people.”

During Yannucci’s nine-year tenure, he continued practicing while the firm doubled in size and opened offices in Munich and Hong Kong and laid the groundwork for Shanghai. Kirkland ramped up its pro bono program and continued its tradition of rigorous associate training. Now 63, Yannucci oversees the firm’s pro bono program, teaches at Georgetown University Law Center, and represents clients like Siemens AG and Facebook Inc.

On the basis of his success in San Francisco, and on the strength of Kirkland’s private equity practice overall, Hammes emerged as the most likely choice to succeed Yannucci. Still, when the executive committee tapped him, not everyone was thrilled. “Some of the litigators were scared to death of Jeff,” says former partner Dimitrief. “There’s always been a litigation versus corporate division, and some litigators worried that he might favor the corporate practice. I hear that even some of the biggest skeptics have since come around.”

Litigator Lefkowitz, who sits on the executive committee, praises Hammes’s leadership qualities: “Jeff has boundless energy and combines a terrific strategic mind with the tactical skills of a dealmaker.” Litigator Filip, who is also on the executive committee, describes Hammes as “an incredibly honest guy” who is “very, very clear.” Filip expresses nothing but optimism about the firm’s future: “Kirkland is a place where the best days are still to come. There is no Downton Abbey feel at Kirkland.”

Hammes has a limited timeline to achieve his goals of building the M&A and Asia practices, and, as he puts it, “to be viewed by clients as the most trusted, value-added, service-driven firm in the world.” At Kirkland, where the emphasis is on youth, executive committee members must step down the year they turn 60.

“A few things make Jeff the right guy in the right place for Kirkland,” says GE’s Dimitrief. Not only is Hammes smart and strategic, he says, but he’s not afraid to take risks and lead.

“Since he took over you can see his prints on everything,” remarks Madison Dearborn’s Tresnowski. “Be decisive. Go aggressively after what you want.”

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