

FOR THE GREATER GOOD



While Mexican firms are often associated with a failure to institutionalise, recently it has been the US firms' Mexican offices facing problems. Jones Day partners Luis Riesgo and Fernando de Ovando tell **Rosie Cresswell** why they think their approach is different

Three weeks after Lehman Brothers' collapse, when the western world looked on in horror as the financial sector came tumbling down, a group of Jones Day partners including managing partner **Stephen Brogan** and Latin American practice head Luis Riesgo gathered for a meeting at their office in Washington, DC, where it was decided that the firm should open up in Mexico City. "Banks were crashing, firms were thinking about how many lawyers to fire to keep partners' profits up and there we were on the top floor of our DC office taking the decision to open in Mexico," remembers Riesgo.

Fast forward six years and Jones Day is armed with just over 40 lawyers in Mexico who are positioned to make the most of the boom that many believe the country is on the brink of experiencing. The firm opened in January 2009 when it absorbed De Ovando y Martínez del Campo, an eight-partner firm known for its strength in banking and M&A work and led by Fernando de Ovando, who has strong ties to big Mexican names such as Ixe financial group and Banorte. Since then the office has grown from 20 lawyers to 41 lawyers, including a partnership of 14.

Jones Day turned its attention to Latin America in earnest in 2007 when it came to realise that the rule of law was improving in many countries in the region, at which point more clients were likely to feel comfortable investing there. Jones Day's managing partner Brogan believes that in today's world there is a direct correlation between the rule of law and investment. "It's not about money now," explains Riesgo. "You can find US\$2 billion, US\$10 billion to invest – the problem is enforcing contracts. In countries such as Mexico, Brazil, Peru, Colombia and Chile the rule of law has improved and continues to improve, making it more secure for investors. There are other countries in Latin America where there is no rule of law and those are the ones that are lagging behind."

A team visited Latin American countries over a period of two years, talking with

lawyers, clients and prospective clients before deciding that the firm had to be present in two countries – Mexico and Brazil. Contrary to what most firms were doing, Riesgo says they thought it best to do it in that order. "While we have a great capital markets team, we immediately realised that we wanted to expand our practice in the region well beyond capital markets. When other firms were going to São Paulo in 2007 and 2008, Jones Day decided it was more important to serve industrial clients in Mexico. It was natural for us to capture the work. We saw Mexico was sowing the seeds of rule of law."

Last year, Jones Day made its commitment to the country even clearer with a string of lateral hires. In January, the firm kicked off with the hire of former Grupo México GC **Alberto de la Parra** to its banking and infrastructure practice. A month later his arrival was complemented by environmental lawyer Mauricio Llamas (an environmental boutique founder). Hot on their heels was **Héctor Tinoco**, the former GC of Banco de México. Banking and finance was a particular area of focus: the firm brought in **Alejandro Chico** from transactional boutique Bufete Robles Miaja SC. More recently, it boosted its disputes department with the hiring of **Antonio González**, from the firm he founded. Further hires are afoot. De Ovando wants to add a white-collar crime practice to the firm's repertoire and is in talks with a group of lawyers about joining. This ties in to the wider firm's focus on the rule of law and the fact that Mexico still has very real problems with corruption – as Wal-Mart and Citigroup know only too well. The firm is also interested in IP – specifically patent litigation and invention.

No consensus

So many lateral hires in such quick succession isn't common among Latin American firms and de Ovando welcomes the fact that Jones Day's business model allows for such a strategy. He argues that it shows that Jones Day is in it for the long



Luis Riesgo

haul and is prepared to allow the office to grow. He contrasts this to the short-termism the Mexican market is known for.

The investment in Mexico was made possible by the way in which Jones Day is run. Famously, all management decision-making falls to its managing partner, a position held by Brogan since 2003. Fortunately, Brogan happens to be a fan of Latin America. “Our managing partner is very supportive of Latin America, he loves it and has travelled in the region,” says Riesgo. While he will have listened closely to his advisers, ultimately Brogan took responsibility for deciding to open the Mexico office and gave the green light for the investment which took off at such a pace in 2013.

In Riesgo’s view, one guy calling the shots means things happen. He points out that it’s unlikely that there would have been a consensus among partners to open in Mexico while Lehman Brothers was failing, but here they are today primed to make the most of the potentially hottest ticket in Latin America. Riesgo argues that the timing of the Mexico decision illustrates how the firm was taking a long-term view towards growth, rather than concentrating on partner profits for that day. “Steve always says he has commitment to the institution, not just partners,” he says. “He says this at every meeting. It’s amazing. He has commitment to the firm, its staff and their families – not what is best for one month or a year, but in 10 years.”

Some law firm partners might balk at this approach – especially in Latin America, where decision-making is often consensus-driven, but agree or disagree with the model, having a leader who



Fernando de Ovando

combines such unwavering commitment to the institution with the power to drive strategy forward without the votes of other partners does facilitate fast progress. Partners in a consensus-driven model are often heard complaining that the choice of lighting in a boardroom can require the approval of 15 or more busy people – an obvious waste of time. But perhaps more importantly, too many people providing their two cents on management matters can contaminate the decision-making process as it allows personal interests to creep in – which can lead to bad decisions and breed tension among partners (often with damaging results).

But convincing a group of lawyers in Mexico City to play by the rules laid down by one man in Washington, DC, is easier said than done, not least because evidence of true institutionalisation is few and far between among Mexican firms and across Latin America there are still some firms that are in the hands of a small group of founding or senior partners who might not always put the long-term future of the firm first. De Ovando admits that he has not been able to convince everyone he interviewed that it was the right model. He asked candidates what they were looking for in their profession. “Do you care about other partners’ compensation and where the firm chooses to open new offices, or would you rather be part of a global law firm focusing your attention on serving clients as one firm worldwide? Managerial decisions are made by the managing partner, let’s do our work and perform.” He thinks those who have joined Jones Day found that approach attractive precisely because of what they have seen in Mexican firms, whose partnerships chop and change

so frequently. “Traditionally firms divide, disintegrate – because they fight over decision-making and that erodes value. It’s amazing, the internal fights of Mexican firms. Here, we have lawyers coming to the firm who understand our business model and our culture; they leverage the resources of a global legal institution in a way that best serves clients, and let the firm manage, so as to continue to provide those resources.”

On the one side, it could be argued that long-distance management from a city vastly different to Mexico City of a group of partners with different backgrounds who have worked together for a comparatively short time is not what is needed to ensure that they stay together. On the other hand, perhaps this monocratic leadership is just what a firm in Mexico needs. The team can concentrate on practising local law while the Jones Day machine makes management decisions around them. Look at the new office that was taken care of for them – Jones Day lawyers’ business cards now carry a statement address on Paseo de la Reforma and the premises are kitted out with cutting-edge fittings and adorned with works of art as is customary for leading corporate firms, all thanks to instructions from the US. It’s a notable change from their former office in Santa Fe (although the change of commute may not have suited everyone).

Different to the rest?

Leadership is not carried out entirely from afar. On the ground, de Ovando has a large role to play in making this work. He is certainly committed to the task and has done a good job of attracting talent. He also sits on the firm-wide advisory committee and so is privy to how things work. “We have a great leader in Mexico. He is totally respected by his team and market,” says Riesgo.

However, as recent evidence in other US firms in Mexico shows, de Ovando has a big job on his hands making sure everyone sits tight, so having the support of the powers on high is a likely boon. Right now, there is more movement between the international firms in Mexico City than the local ones. In 2012 Thompson & Knight lost its entire Mexico City team to DLA Piper; when Holland & Knight

arrived in town it helped itself to most of Chadbourne & Parke's local lawyers before giving DLA a taste of its own medicine, nabbing its key capital markets partner. Partners from another US firm recently had to fly into Mexico City at the final hour to persuade their local partners not to leave for a rival.

"In Mexico, you have to choose your partners and I believe that some international firms have had trouble choosing partners carefully and the result is you see firms whose projects have gone sour," says de Ovando. "They have partners jumping from one place to another at the first new proposal they get." He thinks it's all about commitment and how partners are remunerated.

Remuneration is another area in which Jones Day has a novel approach that is understandably hard for partners at other firms to digest. The managing partner is also solely responsible for setting the compensation of all of Jones Day's 900-plus partners, and each partner is sworn to secrecy about what they earn. There is an annual evaluation process where partners and associates' contribution to the firm is assessed based on four criteria: "Superior professional accomplishment, manifest commitment to the firm, leadership and respect for the firm, its culture, its people, its ways." There is no mention of business generation or billable hours (Jones Day is very sniffy about ranking firms according to profits per partner or revenues per lawyer) and the firm argues that this approach removes tension and allows lawyers to concentrate on client service and work together more closely – it's also a far cry from the eat-what-you-kill model of many Mexican firms. Confidential compensation is key, thinks Riesgo. "Where professional compensation is more than fine, it is better when it's confidential. When you are in an institution which is going to be there for years and has talented lawyers doing good work, compensation is going to be solid."

At Jones Day, there are no local or international partners – everyone is part of the US partnership. "When you ask people to think about expanding relationships with clients to other offices and helping clients in other countries, it's easier to do that when there is one profit centre and everyone knows the firm will benefit as

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a whole. The first email you answer in the morning is the one you receive from another Jones Day partner asking for help in a matter or for a client," says Riesgo.

Riesgo and de Ovando don't stray far from the Jones Day script when singing the praises of its decision-making and compensation models. So far the approach seems to be standing up in Mexico. It's certainly notable that the eight partners who joined in 2009 are still there, but Jones Day's major hiring spree was only last year, so it's too early to deem that a success or not, and ensuring the cohesiveness of a group of lawyers with different backgrounds is a far greater challenge; the team is still settling into its new offices and the new members are getting to know each other and the law firm's culture.

Jones Day's dislike of using financial data as a measurement of success makes it difficult for anyone else to, given the shortage of information. Nevertheless, the firm is excited about its recent work for Fistera Energy, a subsidiary of Blackstone Group, which has just invested in a major wind farm with Cemex. New partner **Alberto de la Parra** led the work. De Ovando, meanwhile, has been working on deals with US firm Paul Hastings (a big name in Mexico), most recently to help Crédito Real make a combined tender offer with a double international bond issuance – the country's first high-yield offering of 2014. The firm is also visible in M&A work. The hires certainly have all the relevant experience for the direction Mexico's economy is heading in; there are the former GCs of Grupo México, a big player in infrastructure, and of Banco de México. Chico, meanwhile, was a known name for FIBRA-related work at his former firm.

The next steps

Jones Day began as a Cleveland firm and became a dominant player in the mid-west

by representing industrial companies, which allowed it to become the biggest firm in the US before shooting into the top five worldwide through global expansion – a similar path to that of its major clients, says Riesgo. "Clients are investing heavily in Asia and Latin America and being in those places is important to our additional growth," said Riesgo. "We are better positioned than firms that can't offer an integrated approach. When global companies look at Mexico, we have a good chance of representing them. Once we attract those clients, we attract top local clients too. It's not just about São Paulo or Mexico, but rather about expanding in a way that enables better service for our clients."

A decision hasn't been taken with respect to the next step. Rio de Janeiro is an option, given the energy opportunities. São Paulo partner **Marcello Hallake** "almost lives in Rio," says Riesgo. Colombia and Peru are on the cards, with Colombia the most likely and Peru "probably a little too early". Riesgo manages referrals for local firms in the region and, excluding Mexico and Brazil, 50 per cent are for Colombia. He also notes that the rule of law has improved a lot there in the past few years. "We know the country, we have the clients, and we have the experience and relevant practices. It is just a matter of deciding how to serve clients better in the region, from our existing offices in Miami, São Paulo, Mexico or New York or with a local base."

Whatever the destination, it's likely that Jones Day will implement a similarly ambitious plan in the not too distant future since something seems to happen every two years. In 2009, it opened in Mexico; in 2011 Riesgo and the Latin American practice group relocated from Madrid to São Paulo, in 2013, the firm opened in Miami and invested in its New York team, so perhaps 2015 is the year to watch out for.