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COVER STORY

TIME OF TRANSITION

James Segerdahl, left, and Michael Caccese know it won't be easy replacing an empire builder like Peter Kalis, but the incoming leaders at K&L Gates are embracing the challenge.

EXCLUSIVE Q&A BY PATTY TASCARELLA, PAGE 10

JOE WOJCIK

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COVER STORY

PASSING TORCH AT K&L GATES

JOE WOJCIK

Effective March 1, the top leadership at the law firm K&L Gates will be transferred to the team of James Segerdahl, left, who will become global managing partner, and Michael Caccese, who takes the reins of chairman. The duo replaces Peter Kalis, who after 20 years is stepping down from both roles.

Caccese, Segerdahl will look to add to legacy built by Kalis

BY PATTY TASCARELLA
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It's the end of an era at K&L Gates LLP as Peter Kalis, who has led the law firm for 20 years, steps down as chairman and global managing partner on Feb. 28.

It's also a new beginning. The following day, Michael Caccese will take over the former role while James Segerdahl assumes the latter. Both were elected to four-year terms.

Kalis, 66, joined K&L Gates in 1980 and when he became chairman in 1997, it employed 400 lawyers in six offices in the eastern U.S. Today, it has 2,000 in 46 offices on five continents and was the first Pittsburgh-based law firm to top $1 billion in revenue. The firm is second-largest in the local metro as ranked by the number of lawyers it employs here, but is the biggest when considering international reach.

The decision to split Kalis' roles creates a new management structure and was something of a surprise in Pittsburgh's legal community. So was the fact that Segerdahl, 54, who built his career in Pittsburgh, was chosen to handle the day-to-day leadership. Reed Smith LLP and Buchanan Ingersoll & Rooney PC, Pittsburgh's No. 1 and No. 3 firms, respectively, both tapped leaders based outside western Pennsylvania and it was widely speculated K&L Gates, with its wider and further-flung footprint, would do the same.

Caccese, 61, based in the firm's Boston office, joined K&L Gates in 2001 after working in-house at companies and organizations, but has strong Pittsburgh ties.

The Business Times recently sat down with the incoming leaders at K&L Gates' downtown headquarters to discuss the pending change, what lies ahead for the firm and the challenges it and the legal profession face.

Pittsburgh Business Times: How do you succeed an empire builder like Peter Kalis, someone who has run the firm for 20 years, 28 percent of its actual existence?

James Segerdahl: They're big shoes to fill. No question it will be challenging. We don't expect it to be easy. Peter was a strong leader. He was in place as chairman and global managing partner of the firm for 20 years, so it is a time of transition. But we embrace the challenge.

Michael Caccese: My view is that Pete is a one of a kind. You can't set your future on trying to mimic what he's done. What you do is take the best of what he's created and what he grew, you take those pieces and add to them and to the culture of the firm and bring it to the next level, which depends on market trends and our clients' needs. I believe us to be very lucky that we have such a strong firm, strong culture and such a fantastic platform we can grow on. Very few new leaders have that opportunity.

PBT: Could you see yourself doing a 20-year term of firm leadership?

Caccese: I cannot do 20 years.

Segerdahl: That would be hard to imagine.

Caccese: I'd be quite senior then.

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PBT: To communicate the change at the top, you've got your internal audience in your fellow lawyers and employees, your external audience in your clients and you've got the legal community watching because this is a different way to transition a firm. How do you prioritize?
Segerdahl: That's all true and our focus at this point, realizing we don't assume our new positions until March 1, has been, frankly, on our internal audience. We have been very focused on communicating with our partners around the world. Mike and I started visiting offices, I guess, in late September. Between then and now, we have visited over 30 offices throughout the U.S. and Europe. We've not yet made it to Australia, but we're scheduled to go there in March. We've had videoconferencing with our offices in Asia, but plan on visiting those in person this spring. So that's been a pretty full plate travel-wise.
Caccese: What Jim and I've done, when we were elected to the roles, was make a commitment to get to know our partners and let our partners know us. We knew a lot of them, a lot of them knew us through video. But we wanted to see them all in person and made it clear we would spend our time during the transition and immediately after to make sure to give everyone the opportunity to meet us in a group or one on one and we're following through on that. We've found the visits, at least I have, to be very exciting and enlightening and they'll really help us very much as we take over the reins.

PBT: Does anything from the visits jump out, or do you have a best takeaway?
Segerdahl: It's been interesting. Each office has its own personality, yet there really is a common culture. People really embrace being part of an international law firm that can do the most sophisticated cross-border work, but that also has deep roots in its local community and those roots are very important to each of our offices. We not only perform services for clients on an international basis, but we do quite a bit of domestic work that is local to our various jurisdictions. So it's a combination that our partners embrace and they are, I think, very committed to integration and collaboration, intergenerational excellence and diversity, concepts that have been embedded by Pete and others throughout the years.

PBT: When you talk about community, Jim, you're going to be the face of K&L Gates in Pittsburgh, and it's the city's eighth-largest private company. Are there appointments or board posts you'll be moving into?
Segerdahl: I will be joining the board of the Allegheny Conference on Community Development. I had a great meeting with [CEO] Dennis Yablonsky recently to orient me and I'm honored to be part of a program that's had a long history of serving the Pittsburgh community and hope to contribute any way I can. I have also been asked to join the United Way board and look forward to that as well.

> *"I always say … that Mike will do the hard things and I'll do the easy things. But, in some ways, there's an element of this developing as we go along because it is a new breakdown. Mike's role will parallel the traditional role of a chairman of a board of directors while mine will parallel the role of a CEO."*
>
> **JAMES SEGERDAHL,**
> Incoming global managing partner, K&L Gates

PBT: What have you learned at the different offices – is there a person or an idea that's resonated?
Caccese: There are a couple of things. One is, there's a common theme. They want us to keep the culture of the law firm, support it, preach about it. Second is taking the platform that Pete grew and develop and enhance it. That's what distinguishes us from a lot of other law firms. It helps us in gathering new clients and in serving existing clients and it's really effectively distinguished us and our business. Every office we go to, they're saying the same thing. When you look at the different personalities, it really depends on the size of the office, the region they're in and the type of practices they have. For example, visiting our London office, there's a lot of discussion and emphasis on further enhancing our practice in capital markets. We go to Seattle and they're very much interested in diversity issues, how will we continue that emphasis. You go to California, and the offices say, "This is a really competitive market here, we can distinguish ourselves but there are some holes we need to address." It's not so much they surprise you but it's excellent to hear from the partners on the front lines looking to the new leadership to help them continue to enhance the firm.

PBT: Has anything surprised you?
Segerdahl: It's such a challenging legal environment. We have been surprised to a certain extent by the enthusiasm of our partners for the future. They really are engaged and they realize we're operating in one of the most competitive industries out there. But they seem willing to come to grips and meet the challenges together. They really have a collaborative spirit. I don't want to say it surprises me but it certainly encourages me.
Caccese: There's the energy we found throughout the firm. You keep reading how difficult the legal markets are, how competitive they are and how there are less and less people going into the law. But, especially when you talk to our young associates, they really are excited about the future.

PBT: What have you learned about working jointly from being on these roadshows?
Segerdahl: (Laughs) I've got to say we really enjoy it, We've had a lot of fun. It's not an atypical day for us to get up very, very early in the morning, to be on a plane in some other time zone, to have a series of eight or 10 meetings with partners, associates and staff people in some office somewhere, then dinner with some of the partners and sometimes clients. And then Mike and I typically will end the day sitting at a hotel bar over a drink and reflecting on what happened that day and getting ready for the next.
Caccese: From my end, I think I can answer most of Jim's questions now. We get along great. Our personalities match very well. I'm more of an impetuous person, Jim's a very thoughtful person. When you put that together it really works out well.

PBT: Had you worked closely in the past, on cases or through firm leadership committees?
Segerdahl: We come from different practice areas. Mike is an investment management lawyer, has an amazing practice in that area. I come from a litigation background – insurance coverage, other complex litigation matters – and, of course, the general counsel role. We were on the management committee for 10 years together, but we weren't working on a day-to-day basis.

PBT: What all changes March 1? How does this new firm leadership work in practical terms?
Segerdahl: We're in almost daily communication. We're either in the same city for meetings or we're on the phone planning, essentially, what will happen on March 1. That is very much a work in progress and I should say it's not a two-man show. We have a large management committee populated by very talented people and we intend to draw on them heavily going forward. We will, in fact, be meeting as a group in early February and we will be charting a lot of our future course at that meeting. So, a lot more to come on that front. But, again, we have a great group of really talented people who will be part of the management of the firm going forward.

PBT: Will there be changes to that management group, such as a replacement for your role as general counsel, some shifts?
Segerdahl: There will inevitably be changes. There will be people who've been involved in the past who will stay

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▶ VITAL STATS

MICHAEL CACCESE

- **AGE:** 61
- **PRESENT TITLE:** Co-practice area leader — financial services, vice chairman for practice management
- **NEW TITLE:** Chairman of the management committee
- **BASED:** Boston
- **BACKGROUND:** Caccese earned his J.D. from Temple University Beasley School of Law in 1980. He worked in the legal department at Federated Investors Inc. in Pittsburgh for three years. Subsequently, he was senior vice president and associate general counsel for Frank Russell Co., then served as senior vice president and general counsel to the CFA Institute. He joined K&L Gates in 2001. His primary practice is investment management, hedge funds and alternative investments.

JAMES SEGERDAHL

- **AGE:** 54
- **PRESENT TITLE:** General counsel, secretary to the management committee, vice chairman
- **NEW TITLE:** Global managing partner
- **BASED:** Pittsburgh
- **BACKGROUND:** Segerdahl, whose J.D. is from the University of Pittsburgh School of Law, was a summer associate at K&L Gates and came aboard in 1987, building his career at the firm. His primary practice is insurance coverage, which he co-founded with Chairman and Worldwide Managing Partner Peter Kalis and three others. He has been K&L Gates' general counsel and secretary to the management committee for the past decade and, additionally, vice chairman since 2013.

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"... We can't sleep. We can't miss a beat. If you do, there will be someone else filling it."

MICHAEL CACCESE, Incoming chairman, K&L Gates

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involved and there will be new blood as well.

PBT: Will Kalis have a role?
Segerdahl: Pete is an equity partner of the firm and we would hope and expect that he will be a trusted adviser to us going forward. Remember that Pete took over for [Chairman Emeritus] Chuck Queenan, another really gigantic figure in Pittsburgh history, so while these transitions don't happen very often here, they're not without precedent. It's sort of like the Pittsburgh Steelers – Chuck Noll to Bill Cowher to Mike Tomlin – not a lot of turnover over the years and it's worked out pretty well with them. Not that I compare myself or Mike to those giants.

PBT: So you've really got a lot of legacy at the firm.
Caccese: We're very lucky to have that. Once our election was announced, Chuck Queenan gave us both a call and, immediately after congratulating us, offered us his services. Having the ability to know we can pick up the phone and talk to him and Pete is really comforting.

PBT: How will your responsibilities break down?
Segerdahl: I always say in response to that question that Mike will do the hard things and I'll do the easy things. But, in some ways, there's an element of this developing as we go along because it is a new breakdown. Mike's role will parallel the traditional role of a chairman of a board of directors while mine will parallel the role of a CEO, if you want to compare it to the corporate context.
Caccese: One of the good things about the structure is I'll be able to continue to practice and be active in the client community. In a law firm, it's important for the partners to know that I'm facing the same challenges they do. I still have to develop business, I still have to collect, still have to bill, still have to do time sheets. The day-to-day practice of law will continue and that's an important factor.
Segerdahl: I'll be available to meet with clients and help with them, but I will be full-time in my management role.

PBT: Mike, you have an office in Pittsburgh when you come here in addition to your Boston office. Jim, how many offices do you have in the K&L Gates universe?
Segerdahl: This is my base, but I don't have a designated office at any other location. Typically, they're able to house me in a visiting attorney's office. That's the way I do it.
Caccese: For Jim and me, our main office is in a plane these days.

PBT: What has this past several months period meant to you in terms of travel? How many flights have you logged?
Segerdahl: I've lost count. It was a lot. We have visited Dallas, Miami, Washington, Chicago, Seattle, San Francisco, Palo Alto [Calif.], Orange County [Calif.], Los Angeles – I know I'm missing some.
Caccese: We did Portland [Ore.].
Segerdahl: We did the Carolinas – Research Triangle, Raleigh, Charlotte, N.C.; Charleston, S.C. We visited in one trip London, Paris and Milan. We had our Brussels lawyers join us in Paris. We've done New York, Boston, Pittsburgh. We went to Austin [Texas], Fort Worth [Texas] and Dallas. Then we went to Frankfurt and Berlin, Germany, and Warsaw [Poland]. Actually, when we were in Warsaw, we had the pleasure of joining our colleagues there for their Christmas party, which was very entertaining.
Caccese: In Berlin, our Munich partners came down.

PBT: So you geographically block these visits, it's not a straight 46-city tour.
Segerdahl: We try to be efficient. We've only been able to do video with our offices in Asia, but we'll visit them in the spring.
Caccese: When we do the Asia offices, we'll probably end up doing our Middle East offices, too.

PBT: What's next for K&L Gates? If we look at the past 20 years as empire building, going from less than 10 offices in the eastern U.S. to a 46-office international law firm, will you look to keep growing in other markets? Are there places where you still want to be?
Caccese: When we did our office visits, partners would ask us about different locations. In the U.S., Atlanta comes up. Obviously, Canada, which is a very difficult market for a U.S. firm to get into. Then you look through Europe, there are the Scandinavian countries and Spain. And South America, too. But right now, the focus is to expand on what Pete's created and look at where we can put our resources and focus on our practices, our offices and our partners. We've had such tremendous growth. There are some holes, gaps, areas for enhancement and we'll jump on them when the opportunities come up.

PBT: For the most part, K&L Gates' pattern for expansion is either building an office around a group of lawyers or a merger with another firm. Which works best?
Segerdahl: It depends. We've done it in a variety of different ways and it depends on how the opportunity presents itself. There are advantages and disadvantages to any of those approaches starting an office ... but it really starts with client needs, furthering our basic goal of positioning ourselves to service clients. That really is the touchstone of our expansion. We're not in a mode right now where we feel some desperate need to be in a jurisdiction we're not in. We'll be opportunistic as situations arise, but we really are focused largely on sculpting what's been built and making it work great for our clients, partners and all of our stakeholders.

PBT: Something K&L Gates did in Pittsburgh last fall was the $10 million endowment at Carnegie Mellon University. Could there be more such partnerships coming?
Segerdahl: Well, CMU is just an outstanding client, institution and member of the community and we're very proud to be associated with it and excited to have the opportunity to do what we did. It will be focused on a very important area for which CMU is well-known, artificial intelligence, and perhaps its intersection with the law and legal community. It's a really good fit.
Caccese: We always encourage our partners, our lawyers, to engage in philanthropic opportunities and events. One thing we do globally is we have one day of volunteering where each of our offices will pick something and we'll have our partners, associates and staff spend the whole day working on it. And it's run by our associates. We worked with Cradles to Crayons in Boston.
Segerdahl: It's really a global day of service, same day in all the offices. People fan out and contribute in whatever way is appropriate for the chosen event that year. Depending on the size of the office, there can be more than one. In Pittsburgh, we worked with Greater Pittsburgh Community Food Bank, Rainbow Kitchen, World Vision, The Woodlands, Women's Center and Shelter of Pittsburgh, Oakland Food Pantry and Tree Pittsburgh.

PBT: What do you see as the biggest challenge going forward for K&L Gates?
Segerdahl: Well, the level of client demand in any given year is influenced by some factors that are within our control, but many factors that are outside of our control and that makes it very challenging to plan from a business perspective, frankly. So there are events that influence client demand, for example, the Brexit vote in the United Kingdom; our own election in the U.S.; broader economic trends; trends within the clients, including in some cases taking more work in-house; and looking for alternative ways to accomplish traditional legal services. These things are largely outside of our control, so we have to get right those things that are within our control. That is, maintain our commitment to excellent client service, making sure we deliver value to our clients and making sure that our firm's culture is such that those basic values are always top of mind for our lawyers and that they embrace concepts like integration, collaboration, intergenerational excellence. By that, we mean passing on to the next generation, our associates, the opportunities we've had, to mentor them and help train them to become terrific lawyers.
Caccese: The major challenges I see facing the profession are the competition for talent and the competition for clients. And then there are the rapid changes our clients are going through in their own businesses. Staying abreast of them to make sure we understand them and can be at the forefront in addressing them is challenging. The legal profession is going through dramatic realignment right now, ever since the [Global Financial Crisis]. We believe we're very well positioned to become one of the survivors of that challenge with our platform, the design of how we work closely with our clients and the entrepreneurial spirit we have with our partners. But we can't sleep. We can't miss a beat. If you do, there will be someone else filling it. This theme came out very much, no matter where we were in our visits – New York, California, London. It's a global change within the profession.
Segerdahl: There's no chance to relax. It's a constant battle to strive to succeed and deliver top-flight services.

PBT: There are law schools that have cut down on admissions because they believe there were too many graduates for the job market, but you talk about competition for talent. Are we at the point where we need more graduates with a J.D.? Or are laterals the issue?
Segerdahl: For us, it's both. We have benefited from the lateral markets and we've certainly not lessened our reliance on law schools to provide top associate talent.
Caccese: It's interesting. In our recruitment, we're very much focused on the local or regional colleges like [University of Pittsburgh], Duquesne [University], Boston College, Boston University and Suffolk [University] and we have not found a lack of excellent talent. In Boston, you do have Harvard [University] but we spend time recruiting in the local community. That's where we find a lot of committed associates who can have a bright future.

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