

Global reach may be the large firm's trump card

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Among the biggest of the big in Chicago—those firms with more than 100 lawyers—Latham & Watkins, Kirkland & Ellis, McDermott, Will & Emery, and Jones Day had the largest percentage growth, far outpacing the average growth of about half a lawyer per firm among Illinois firms in 2005, according to Chicago Lawyer's 2006 Survey of the Largest Law Firms.

Kirkland & Ellis had the largest growth in sheer number: 56 new members, which gave Kirkland a total of 547 lawyers, and made it the largest firm in Illinois.

"There has been a significant demand for all the practice areas that has not abated," said Douglas McLemore, firm administrator at Kirkland. "Our lawyers are as busy today as they were last year."

"We have really tried to stay with what we do best," said McLemore. "That's what we sell to the marketplace — the very best deals, the very best matters."

"I think that in the last five years we've had a good balance among our four practice areas—corporate, litigation, intellectual property, and restructuring," he said. "When one's down another's up. Restructuring and intellectual property might be cyclical, but litigation hums along."

Slow, steady growth

The growth in Chicago firms over the last year was slightly above the rate of growth in 2004. The firms in this year's survey of those with 20 or more lawyers averaged an increase of .57 lawyers per firm; those firms with 100 or more lawyers increased by an average of 1.9 lawyers. In 2004, the average overall growth was .8 lawyers, with the firms of 100 or more lawyers adding .6 lawyers per firm. None of this surprises Ward Bower, a law firm consultant with Altman Weil, Inc., based in New town Square, Pa.

"My sense is that Chicago is a more stable legal market than the coasts," Bower said. "You don't see the dramatic growth that you see on the coasts, and you also don't see the dramatic slides."

"The recession seems to have hit the coasts more than center of country," he said. "Chicago has stability in the marketplace, steady growth, not the three steps forward, two steps back of the coasts."

Bower also points to the need for law firms to find new markets. "You're going to see continuing geographic expansion, because firms need to find access to new markets," he said. "You see the Chicago firms have all grown on either coast; they're all national firms, so that's going to continue."

Growth will continue

While there were no big mergers this past year in Chicago, the lack of mergers doesn't mean that the largest firms are going to put a halt to their growth.

"The industry is moving toward the mega-firm," said Ron Safer, managing partner of 300-lawyer Schiff Hardin. "I don't see the economy of scale of a 1,000-lawyer firm. I'm not sure if I were general counsel that I would take comfort in knowing that there are 900 lawyers in 25 cities who will never contribute to this case."

"You need to have depth and breadth of expertise to try a case," he said, "but if you can't do it in a firm of 300 people, you have the wrong 300 people."

And Nathan Eimer, whose firm, Eimer Stahl LLP, has 27 lawyers, thinks being small is a big advantage.

"It allows us to experiment with different technology, to expand and contract as we need to," he said. "We have a cadre of contract lawyers that we can grow or shrink as we need to."

Eimer Stahl's philosophy is that cost-conscious clients don't want to pay for a career-track lawyer to do mundane work, nor do they want to support the infrastructure of a huge firm.

But the huge firms beg to differ. They see their size as offering clients true efficiency as well as, even more importantly, putting them in position to take advantage of the soon-to-happen explosion of the international legal marketplace.

"A firm of our size can give the client both low cost and efficiency," said Louis Cohen, managing partner of the Chicago office of DLA Piper Rudnick Gray Cary.

"For transactions across the nation, say a real estate transaction involving 28 states," Cohen said, "what we used to see is that we'd have to retain local counsel, take time to negotiate fees, and so on.

"Today," he said, "it's a phone call to somebody in another office of the firm."

Take that situation and throw in dozens of different countries, not states, and the mega-firms say that it takes size and experience to handle that level of complexity in an efficient manner.

"Every multinational has transactions that involve assets in 30 to 40 jurisdictions around world that need to be transferred simultaneously on closing day," said Philip Suse, managing partner of Baker & McKenzie, the world's largest firm, with more than 3,400 lawyers around the world.

"We have a group that specializes in making that happen, so we don't have to reinvent the wheel every time," Suse said. "We're all part of same law firm. We have both local on-ground expertise—and those folks are used to dealing with those jurisdictions—and people here quarterback it to make sure it happens."

"As far as the future," Cohen said, "the biggest item is international play—that for us is going to be the biggest change. The way we're able to service cross-border demands will dictate how explosive that growth will be. The only question is how successful we're going to be."

But the real quest for new markets for the mega-firms is China. When the partners in international law firms are asked about globalization, even for examples of the global reach of their firms, they inevitably come to China.

"Globalization is where we are really able to take advantage," Cohen said. "When I'm here in Chicago representing a Fortune 500 company, there is a tremendous comfort level in being able to deal with our local attorney in Beijing."

"China is a very hot place," Suse said. "We have lot of lawyers there, and we have a China practice group in Chicago to service various Chinese lawyers."

The result is that a Baker & McKenzie client anywhere can get a real-time discussion with someone on the ground in China.

"I got a call yesterday from a client who needed assistance in China on a litigation matter," said Suse. "He needed guidance in 24 hours. Well, we were able to put him in touch with one of our litigators in China the same day, and by the time the client came to work next morning, the document was reviewed and filed."

"We didn't have to root around to try to find some Chinese law firm to help us," he said. "Our global practice is integrated, so we were able to respond literally in a matter of minutes."

Multidisciplinary practice

As China opens up for American firms, Altman Weil's Bower looks across the Atlantic and sees what could be the beginning of a turbulent force. Its name is multidisciplinary practice and the inroads it is starting to make overseas could ultimately reach here.

"MDP was rejected by the ABA, and lawyers have been taking great pride in surviving the onslaught from the Big Five accounting firms," Bower said. "But now the Big Four accounting firms still employ lawyers to do what law firms used to do."

"It's a subtle incursion into the marketplace," he said, "but it's nothing compared to what's happening in Australia, South America, and the U.K."

According to Bower, MDP has already been adopted in Australia, with accounting firms providing some legal services there, and in South America.

In Britain, the government-sponsored Clementi Commission, headed by Sir David Clementi, the chairman of Prudential, one of Britain's largest insurance companies, filed a report in December 2004 on "the regulatory framework for legal services in England and Wales" that has shaken the legal system there.

"The commission recommended that non-lawyers be allowed to own and manage law firms and advocated taking the regulation of law—both the qualification and discipline of lawyers—into a public commission that would include non-lawyers," Bower said. "This is part of a push by the Labor government toward liberalization of legal profession."

One of the goals of the commission was to make law more competitive and affordable.

"In the UK, the firms that compete with Wall Street have billing rates higher than Wall Street," Bower said. "They are unaffordable to all but the top corporations. The sense of the commission is that allowing law firms to be owned wholly or in part by non-lawyers will create more price competition."

One early result of the commission's recommendations is the appearance of "Tesco law." Britain's largest supermarket chain, Tesco, now has "legal stores" in its grocery stores and on its website. These legal stores started as do-it-yourself law, but now, Bower said, every Tesco store will have a law office available for its customers.

"That's exactly what will happen in the UK," he said, "and because of the EU, it's likely to spread to other countries. As that begins to happen, there will be more pressure on legal profession elsewhere in the world, to open up, especially on the ownership issues."

"The law firms here will be resistant because the ROI will come out of profits shared by partners," Bower said, "because they won't want to see their profits taken by their investors, but liberal ownership is beginning to get traction."