BigLaw's Big Guns Of Revenue Keep Growing

By **Anna Sanders** ·

Law360 (December 15, 2021, 11:02 AM EST) -- The widening revenue gap between a handful of legal titans that pull in billions each year and other law firms will only continue to grow, experts say, resulting in a market consolidation that will likely give them a competitive advantage even over their BigLaw peers.

The 10 law firms with the highest gross revenue accounted for nearly 29% of the nearly $100 billion in revenue posted by the 130 firms that supplied or confirmed revenue data for Law360 Pulse's **Prestige Leaders** report. The report used figures for 2020 or a firm's most recently completed fiscal year.

The **Law360 Pulse Prestige Leaders** is the second part of a larger project looking at how firms in the U.S. measure up. Check out the first part, Social Impact Leaders, **here**. Come back in January for our ultimate ranking of law firms, the Law360 Pulse Leaderboard.

Kirkland is poised to hit $5 billion in gross revenue this year after reaching $4.83 billion in 2020, while Latham & Watkins LLP attained more than $4.33 billion last year. Together, the two firms represent 9.2% of the total revenue reported by the 130 firms.

The Top-Grossing Firms of 2020

Kirkland is poised to hit the $5 billion mark in 2021, setting new thresholds among firms pulling in $1 billion and up.

RANK	FIRM	REVENUE
1	Kirkland	$4,830,000,000
2	Latham	$4,333,763,000
3	DLA Piper	$3,133,329,000
4	Baker McKenzie	$2,899,334,472
5	Sidley Austin	$2,462,935,000
6	Morgan Lewis	$2,446,000,000
7	Hogan Lovells	$2,308,401,000
8	Ropes & Gray	$2,192,310,000
9	Gibson Dunn	$2,160,542,264
10	Davis Polk	$1,770,000,000
11	Greenberg Traurig	$1,730,230,000
12	Cooley	$1,552,149,000
13	Paul Weiss	$1,543,7
14	King & Spalding	$1,529,4
15	Mayer Brown	$1,517,1
16	Goodwin	$1,486,2
17	McDermott	$1,381,3
18	Covington	$1,321,2
19	Reed Smith	$1,310,5
20	Paul Hastings	$1,310,1
21	Eversheds Sutherland	$1,270,0
22	WilmerHale	$1,243,3
23	Milbank	$1,235,4
24	Debevoise	$1,224,9
25	Cleary	$1,223,119,000
26	Akin Gump	$1,208,738,110
27	Morrison & Foerster	$1,165,000,000
28	Orrick	$1,152,350,000
29	Wilson Sonsini	$1,130,000,000
30	Squire Patton Boggs	$1,100,000,000
31	Dechert	$1,071,163,401
32	Holland & Knight	$1,044,337,000
33	K&L Gates	$1,019,673,735
34	Wachtell	$1,010,664,000
35	Perkins Coie	$1,001,498,000

The big guns of revenue continue to dominate by offering clients a wide variety of legal services across dozens of practices and localities around the world and maintaining a cohesive culture despite their size, according to experts.

"Firms are realizing that to be in consideration for all big matters they need to be a certain size and geographic threshold," said William Henderson, a professor at Indiana University Bloomington's Maurer School of Law who studies the legal industry. "So we're going to continue to see the consolidation for a while."

Experts said law firms like Kirkland can leverage their size to get more business — and drive their revenue even higher — because corporate clients can turn to them for multiple matters.

"You can't blame any client for wanting one of those top 10 on a big matter because it's a safety net," said Michele DeStefano, a legal consultant and professor at the University of Miami School of Law.

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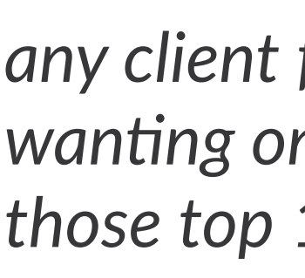

MICHELE DESTEFANO
Professor, University of Miami School of Law

These firms can use their high revenue to grow their profits even more because there's also value in being seen as elite by prospective corporate clients who are competing for legal services with other companies and entities in their field or on the other side of litigation, according to experts.

"Eliteness is something these firms are trying to optimize because you'd tell potential clients that for the most sensitive matters you should hire us because we're where your peers go," Henderson added.

Kirkland and Latham also stand apart because of the practice areas and legal work they prioritize.

Kirkland has several marquee practices, including intellectual property, litigation and bankruptcy, experts said. And the Chicago-based firm also made a big investment in private equity in 1984 when that industry was still young.

"They're very good at spotting and taking the opportunities," said Michael Rynowecer, president of BTI Consulting Group Inc., a legal research firm. "Latham made a decision many, many years ago to focus on global companies, and that whole global infrastructure is a key strategic market for them. That's a very big market, and it happened to be one that grew dramatically over the last two decades."

Looking at how the big accounting firms consolidated and focused their work, BigLaw saw that "to really be sophisticated, you have to not only have a practice area orientation, but also an industry orientation, and really the two together create a matrix," according to Gerry Riskin, a lawyer and founder of Edge International, which consults with law firms and legal departments.

"Both these firms understand that so well," Riskin said.

The concentration of law firm revenue at the top mimics the consolidation and decreased competition trending across the entire U.S. economy, according to experts. Before the pandemic, a record 115 mergers involving at least one U.S.-based firm were completed in 2019. The industry saw only 67 such deals in 2020, but law firm mergers are rebounding and have exceeded 70 this year, according to Law360 Pulse's new **law firm merger tracker** released in October.

While mergers can boost revenue in the short term, experts said firms like Kirkland and Latham are only able to sustain their growth over the long term by preserving a workplace culture across all offices with a focus on client service, profitability and aggressive recruiting.

"There are many firms that have the same name on this planet, but they're so diverse in the way they're managed across the offices, they're decentralized to the point where you could argue they're not really one firm," Riskin said.

Firms like Kirkland and Latham "relentlessly focus on client service, revenue and profitability," according to Randy Kiser, a legal profession scholar and principal analyst at DecisionSet.

"They have a phenomenally strong culture, and whether somebody agrees with the values or doesn't agree with them, it's irrelevant," Kiser said of law firms like Kirkland and Latham and their attorneys.

The highest-revenue shops like Kirkland and Latham also have an "unflappable" commitment to growth and success as well as an "overall level of aggressiveness that is not common in most firms," Rynowecer said.

Kirkland and Latham did not immediately respond to requests for comment.

As the market consolidates, the more capital these firms have and the bigger they are, the more risks they can take, experts said. Even amid a hot lateral market like the one this year, high-revenue law firms can use their massive size to hedge against any departures. And they can more easily poach rainmakers and recruit the best talent when they have the deepest pockets.

"It starts to be a real competitive advantage, not just the spoils you enjoy from making more money, but it gives you more capital and it gives you more flexibility," Rynowecer said. "It gives you the ability to make different decisions."

Some firms could use their increasing revenue to focus on sustainability or social issues, as well as to increase diversity.

But experts stressed that the accumulation of revenue in a small number of massive firms could also hurt diversity and inclusion efforts.

"In some ways it scares me that the big keep getting bigger, because traditionally, it's hard to break into those firms if you're not from a certain law school with a certain background and a certain income and certain abilities," DeStefano said.

This concentration of wealth also "makes it harder for the smaller firms to stay afloat, and sometimes the smaller firms are known for being better at diversity and inclusion, flexible work schedules and programs for mental health," she said.

There are also downsides if small firms choose to merge to compete or survive, experts said.

"There could potentially be less cognitive diversity among attorneys, fewer female attorney leaders, decreased attorney well-being, lowered emphasis on innovation and more incidences of 'competitor neglect' caused by overconfidence," Kiser said.

While experts said growth doesn't stop specialty shops and boutiques from attracting clients and top talent, there may be less lateral mobility among associates and partners if some firms cannot offer competitive income. There's also a risk of greater overhead costs if a firm is trying to grow its revenue, among other issues.

"What we see is less price competition, higher fees, definitely a greater potential for conflicts of interest because you have more clients being serviced by the same firms," Kiser said. "You have a tremendous emphasis on extrinsic motivation as opposed to intrinsic motivation." This extrinsic focus on external rewards like income and prestige could foster lack of innovation, lower well-being and less creativity, he added.

The increased potential for conflicts also forces firms to spend a lot of time developing policies to avoid them.

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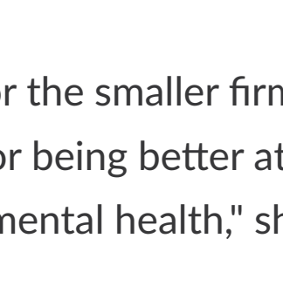

RANDY KISER
Principal analyst, DecisionSet

"And, at some point if you become so large and you're perceived to somehow influence the industry in a negative way ... you could attract regulatory scrutiny," Rynowecer added.

Firms that grow rapidly may not necessarily stay profitable or boost revenue if they acquire various assets that have different levels of profitability.

"Just ask our old friends at Dewey & LeBoeuf," said David Wilkins, faculty director of the Center on the Legal Profession and the Center for Lawyers and the Professional Services Industry at Harvard Law School.

Dewey & LeBoeuf LLP, formed through a 2007 deal that was then the largest merger of New York law firms, filed for bankruptcy in 2012 when the firm couldn't pay for generous compensation packages used to lure star attorneys.

After the firm's collapse, several lower-level employees pled guilty to fraud. A criminal trial of the firm's leaders ended with a jury deadlock in 2015. A pared-down second trial a couple of years later ended with the **former chief financial officer convicted** of securities fraud and conspiracy charges and the former executive director acquitted. **The former chairman made a deal** with prosecutors to avoid the second trial.

"There are a lot of firms who embarked on an incredible acquisition spree to grow themselves and have grown themselves into unprofitability or failure because of it," Wilkins said.

A united and distinctive culture is also harder to maintain as firms expand.

Managing partners had better be careful "that they're maintaining excellent leadership and that they're managing people in a way that they appreciate. If they don't, they're just creating a platform where lawyers can bounce from one place to another," Riskin said.

The coronavirus pandemic has only emphasized the importance of firm culture with most partners, associates and others working from home, experts said. And COVID-19 also reinforced some benefits of consolidation because corporate clients were looking for wide-ranging legal guidance from a single law firm with numerous practices.

"Everything from contact-tracing, vaccines, bankruptcy, restructuring — there was an explosion in legal work and a lot of it was novel, so people were looking for lawyers who they thought could answer novel questions at the highest level," Wilkins said.

While some law firms furloughed workers or cut staff, BigLaw had a relatively prosperous 2020.

"But the people at the top had better years, so it actually accentuated the difference," Wilkins said. "Because the top firms also had their best years, and they had their best years at the top of the market which made them move even further away from even very good firms."

And Kirkland and Latham were in a particularly good position to grow during the pandemic.

"While some industries were in the tank, private equity was booming, booming for Kirkland," Rynowecer said. "Latham is very big in technology and life sciences, two areas that were also booming."

Kirkland didn't return emails seeking comment. A spokesperson for Latham declined to comment.

The business of law is far less consolidated than other industries because of conflicts and regulatory rules. But experts said they don't see consolidation slowing down anytime soon.

"We're not at the beginning of this, and we're certainly nowhere close to the end of it," Kiser said.

--Editing by Pamela Wilkinson, Kerry Benn, John Campbell and Gerald Schifman. Graphics by Chris Yates.

Correction: An earlier version of this story omitted revenue information provided by one firm. The error has been corrected.

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