

Global Megafirms Cut Down To Size In Law360 400

By Jake Simpson

Law360, New York (March 28, 2014, 6:42 PM ET) -- Law360's inaugural ranking of the largest 400 U.S. law firms reveals that several of the largest global firms, including Baker & McKenzie LLP, are placed on equal footing in the U.S. legal market with nationally or even regionally concentrated firms in terms of attorney head count.

Baker & McKenzie is, along with DLA Piper, one of the two largest law firms in the world, employing roughly 4,000 attorneys across the globe. But the Chicago-based firm ranks just 51st in the Law360 400 ranking of U.S. firms by domestic head count with 660 U.S.-based attorneys.

The megafirm's relatively small U.S. presence reflects its strategy of having boots on the ground in markets around the world. Baker & McKenzie has attorneys in 75 offices spanning 47 countries, including nearly every major global economic hub.

Baker & McKenzie is a pioneer of global law firm growth, having founded its first international office in Caracas, Venezuela, in 1955. Philip Suse, the firm's North America managing partner, told Law360 that the firm has considered itself global since its inception.

"Our founders set out to create a global firm with no dominant nationality, and for six decades clients have relied on our lawyers in the U.S. and around the world to navigate complexity across issues, practices and borders," Suse said. "We continue to grow in the U.S. and globally."

Another firm that has focused more of its resources on global growth is White & Case LLP. The New York-based legal powerhouse has nearly 1,900 attorneys in 26 countries and is one of the 10 largest law firms in the world. But with 626 U.S. attorneys, it ranks only 62nd on the Law360 400.

White & Case's geographic dispersion reflects a desire to have a presence in the most important economic and industry-specific locations. The firm has U.S. offices in New York, Washington D.C., Los Angeles, Miami and Silicon Valley, giving it a robust if not attorney-heavy national presence.

Michael Rynowecer, president of the BTI Consulting Group Inc., said White & Case is a classic example of a big firm with a few well-staffed and active U.S. offices in major markets.

"They're clearly billing themselves as an international firm and are trying to attract a national platform [within the U.S.]," Rynowecer said of the firm. "They're allocating resources to strategic nerve centers nationwide."

A White & Case spokesman said in a brief statement that the firm's strength lies in its lawyers combining an international perspective with local market insight, to provide cross-border legal services for clients.

As a result of their global strategies, both megafirms rank alongside nationally concentrated firms in the Law360 400. Baker Donelson Bearman Caldwell & Berkowitz PC —ranked one spot ahead of Baker & McKenzie at No. 50 — has all of its 665 attorneys based in 19 U.S. offices across what chairman and CEO Ben Adams called "the southeastern quadrant of the U.S."

The Memphis, Tenn.-based firm does own office space in London but employs no full-time attorneys there. Baker Donelson's manpower is solely in the southeastern U.S., where it is one of the largest firms — and potentially the largest — by head count. And unlike other firms with a large presence in the region, Baker Donelson has offices in local markets like Macon, Ga., Mandeville, La., and Huntsville, Tenn., among others.

"If you want to be a player in a particular geographic market, you need to have a meaningful presence in that market so you can establish the breadth and depth of expertise, the relationships and the manpower you need to be a player," Adams said.

Baker Donelson has grown over the years by creating several well-staffed offices rather than concentrating the bulk of its attorneys in a single headquarters. The firm has several offices with between 75 and 100 attorneys, giving it deep benches at individual locations as well as in the region as a whole.

Adams cited an understanding of the "friendlier, softer culture" of the southeast and the comparatively cheaper overhead as advantages to Baker Donelson's regional focus. The firm has an office in Washington, D.C., but is absent from New York, Chicago or the West Coast.

"Rents in Memphis are a lot cheaper than rents in New York," Adams said. "Because of the lower-cost environment, we can do things a lot more cost-effectively than in other markets. And our rate structure is less expensive than 'money center' firms."

The firm is considering further expansion in Texas and Florida, where it has established offices in recent years, most recently in Fort Lauderdale, Fla., in July. But Baker & Donelson has no plans at this point to expand in locations outside the southeast quadrant of the U.S., Adams said.

"We do business all over the country, and all over the world," he said. "But our thrust is serving clients based in the southeast region [of the U.S.] and clients doing business in the southeast."

Husch Blackwell LLP, which ranks two spots behind White & Case at No. 64 on the Law360 400, also has all its attorneys stationed in the U.S. The St. Louis-based firm employs 619 attorneys in 15 locations domestically and owns office space in London where its lawyers can work.

Husch Blackwell Chairman Maurice Watson told Law360 that the firm's strategy is based not on geography but on industry expertise — including energy, real estate and health care — and the needs of clients in those industries.

"We've recognized that currently, our clients and the issues and matters we handle for them tend to concentrate in the locations where we are — the central part of the U.S.," Watson said.

The firm's existing client makeup makes expansion to foreign locations financially unfeasible, Watson noted. Husch Blackwell has targeted areas for growth within the U.S., particularly in Texas, where the firm merged with Brown McCarroll LLP in July.

The merger added Austin, Dallas and Houston, Texas, to Husch Blackwell's roster of U.S. offices. The firm is specifically targeting Austin as an avenue for expansion in the technology sector, Watson said.

"This is the model that we believe will differentiate us and provide us with success, notwithstanding the challenges the U.S. legal market faces," he said of the firm's industry-driven business strategy.

Both Husch Blackwell and Baker Donelson rely in part on a broad global network of law firms to help with cross-border and international matters. The firms are both members of TerraLex, a voluntary association of independent law firms based around the world.

TerraLex members share information, resources or client networks with one another, giving U.S.-based powerhouses a way to build relationships abroad and handle global matters for their domestic clients. Both Adams and Watson said leveraging TerraLex contacts, relationships and other resources is an important part of their international and cross-border work.

"We've been very active in TerraLex, and it's a primary referral source for doing business in other countries particularly," Adams said. "It's very handy for doing business overseas in markets where you don't have a lot of experience."

Nationally focused firms can find advantages to grab a greater share of the gargantuan market for U.S. legal services, according to industry experts. The market for U.S. outside counsel was a whopping \$60.2 billion in 2013, according to BTI.

Kent Zimmermann, principal of industry consultant Zeughauser Group LLC, noted that there is more demand for litigation services in the U.S. than for all legal services in the rest of the world combined.

"Firms have hard choices to make in determining how they want to define the markets in which they're competing, how they want to position themselves in those markets, and where they want to build attorney breadth and depth," he said.

However firms choose to allocate resources, they need to clearly define their mission statement and areas of strength in terms of industry sectors, practice areas and geographies, particular with the recent sluggish growth in the market for U.S. legal services.

Demand for U.S. outside counsel services grew just 1.1 percent in 2013, according to a recent BTI presentation, making differentiation in the market a critical factor for retaining existing clients and drumming up new business.

"You want to define yourself," Zimmerman said of law firms. "Better you making those choices than the market making them for you."

Methodology: Law360 surveyed U.S. law firms on domestic attorney and partner head count information as of Dec. 31, 2013. Firms based outside the U.S. were not surveyed, and only attorneys based in the 50 states and the District of Columbia were included in the responses. Firms that have

shareholders, members or principals in lieu of partners have those numbers listed in the 'partner' field.

For firms that either declined to provide head count information or did not respond by the survey deadline, Law360 tabulated estimated U.S. head count data between March 14 and March 18 using either the firms' websites or Martindale.

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