

The Hustlers

Law firm mergers and the rise of vereins create new players in the Global 100. More change is on the way.

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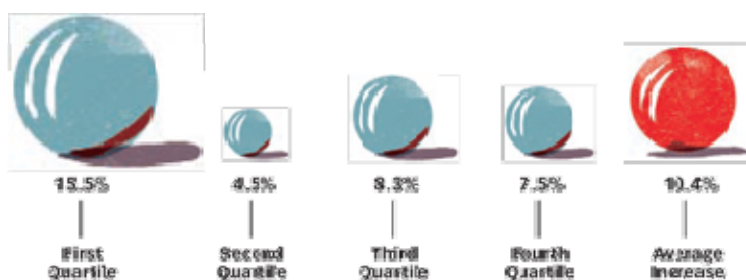


The legal sector used to be such a nice, calm place to do business. Partners and clients would occasionally come and go. The odd practice would falter, while a few firms would make slightly more money than everyone else. But the market historically lived up to its reputation as a bastion of sleepy conservatism and resilience. Then came the financial crisis. Spanner, meet works. The legal elite has been forced to adapt to the most turbulent market conditions for a generation. As firms tussle for position in this new world order, the pronounced uptick in law firm merger activity has transformed our Global 100 rankings.

New giants are emerging to dominate the charts, thanks in part to the increasing use of looser organizational structures that have facilitated these combinations. Vereins and verein-like firms now constitute five of the top 25 positions on the revenue chart. Five years ago there was just one: [Baker & McKenzie](#), with the U.S. and international arms of [DLA Piper](#) still appearing as separate firms. (A verein is a holding structure, utilized by DLA, Baker & McKenzie, and the majority of recent global tie-ups, that lets participating entities maintain their existing forms without integrating financially.) Three new verein-type firms join the rankings this year: Squire Sanders, [SNR Denton](#), and Europe's CMS Legal. As the market continues to evolve, there are likely to be more. And with demand for legal services remaining broadly flat across much of the United States and Europe, the biggest international practices have continued to push the geographic envelope by investing in faster-growth markets such as Asia and Africa.

FAST GROWTH AT THE TOP

Over the past two years, the Global 100's first quartile saw the biggest average revenue increases.



The net result of all this change is that the Global 100 has become more top-heavy. Put simply, the upper echelons of the international legal market, as measured by revenue, are becoming increasingly dominated by a smaller number of larger firms. And the gap is widening. The last year in which we excluded vereins from our survey was 2010. (Baker & McKenzie, a verein since 2004, was the

exception.) Over the two-year period that's followed, the total revenue accrued by the top 25 firms has increased 15.5 percent, to \$38.1 billion. That's almost twice the \$19.4 billion generated by the second quartile of firms, which contains two vereins, Squire Sanders and SNR Denton, and which has seen aggregate revenue increase by just 4.5 percent during the same time frame.

The most dramatic moves on our revenue chart reflect the spate of recent mega-combinations. The last fiscal year saw Squire Sanders complete its deal with U.K. firm Hammonds and rise 23 places on the chart, to number 41, as its revenue increased by more than 40 percent, to \$741.5 million. Norton Rose continued its international trailblazing with not one but three combinations: in South Africa, with Deneys Reitz, and in Canada, with both Ogilvy Renault and MacLeod Dixon [["Taking On the World,"](#) March 2011]. In 2010 Norton Rose placed 67th; in 2011, 34th. Following the completion of its Canadian and South African acquisitions, it sits this year in 14th place with revenue of \$1.32 billion—a whopping 175 percent increase in two years. In another notable piece of consolidation, U.K. insurance giant Clyde & Co breaks into the top 100 this year on the back of its November 2011 combination with historic London rival Barlow Lyde & Gilbert—the largest-ever merger between two U.K. law firms [["When Opportunity Knocks,"](#) October 2011]. Revenues of \$460.5 million sees the 800-lawyer firm, which continues to practice as Clyde & Co, enter the list at number 79.

The rapid, merger-linked growth of the vereins is so significant that it has artificially boosted the average revenue growth for the entire Global 100. While total revenue across the top 100 grew 6.8 percent, to an all-time high of \$81.9 billion last year, without new entrants Squire Sanders, SNR Denton, and CMS, the average increase in revenue for the remaining 97 firms would have been just 5.3 percent. Remove Norton Rose from the equation and revenue growth drops further still, to 4.6 percent.

Clyde & Co is joined in the rankings by another new British entrant, technology-focused Bird & Bird, which in recent years has established itself as one of the United Kingdom's most consistent performers. It scrapes in at 99th place, with revenues of \$377 million. The new names gain admittance at the expense of [Venable](#), number 98 last year, which had only featured in the rankings since 2010; and Dewey & LeBoeuf, which collapsed earlier this summer.

The CMS Legal group of 10 European law firms also joins the survey as the result of a subtle amendment to our methodology. CMS, which brings together practices such as the United Kingdom's CMS Cameron McKenna and Germany's CMS Hasche Sigle, is structured as a European Economic Interest Grouping, or EEIG. There are slight differences between EEIGs and vereins—EEIGs do not separate the respective members' liabilities, for example—but operationally they are very similar. Both ensure that participating entities remain distinct from a legal and fiscal perspective, and both prohibit the sharing of profits but not of costs. **Ronnie Fox, founder and principal of specialist U.K. partnership law firm Fox, says there is "no logical reason" why EEIGs shouldn't enjoy the same status as vereins in our rankings. So, following consultation with Fox and several other law firm management and partnership experts, CMS gains entry this year.**

"We have a unified strategy, shared matter management, conflict checking systems and legal documents, and a central budget by which we share costs," says CMS group chairman Cornelius Brandi. "We are not a group of separate businesses, we are truly one firm."

The methodology change has had a profound impact on CMS's showing within the Global 100. Its British component, CMS Cameron McKenna, actually broke into the top 100 individually last year, placing 98th, with revenues of \$347.5 million. In this year's survey, the combined CMS sits just behind [Sullivan & Cromwell](#) in 22nd place, with revenues of \$1.1 billion. Brandi adds that the group is now looking at expanding its reach beyond Europe into both Asia and the United States—either by opening new offices or bringing new member firms on board—so its position is likely to improve in the coming years.

But vereins and recently merged firms aren't the only practices to have enjoyed an upwardly mobile 2011. A conventionally structured practice, business litigation powerhouse [Quinn Emanuel Urquhart & Sullivan](#) continues the successful streak that raised it 21 places in the rankings between 2010 and 2011. Gross revenue leaped 31 percent, to \$723.5 million in 2011, enough for the firm to climb another 16 places to 42nd in this year's Global 100, while average profits per equity partner (PPP) grew 15 percent, to \$4.16 million. Managing partner John Quinn says that a "significant amount" of the litigation firm's increased revenues came from contingent fee and other alternative fee arrangements, both on the plaintiffs and defense sides.

PLUS-SIZED

This year's Global 100 includes seven vereins and one EEO.

FIRM	STRUCTURE	GROSS REVENUE, <i>most recent FY</i>	NUMBER OF LAWYERS
Baker & McKenzie	Verein	\$2.313 billion	4,094
DLA Piper	Verein	\$2.247 billion	3,746
Hogan Lovells	Verein	\$1.665 billion	2,233
Norton Rose	Verein	\$1.321 billion	2,216
CMS Legal	EEO	\$1.110 billion	2,246
King & Wood Mallesons*	Verein	\$791.8 million	1,689
Squire Sanders	Verein	\$741.5 million	1,231
SNR Denton	Verein	\$719.5 million	1,138

* King & Wood and Mallesons Stephen Jaques joined in March 2012 to form King & Wood Mallesons. These figures represent combined 2011 data from each firm.