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# Big Law Mergers Fuel Skepticism

*Amid a Wave of Megamergers, Some Say Expertise—Not Size—Matters More*

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When it comes to law firms, bigger may not always be better.

A wave of legal tie-ups has created a fleet of supersize law firms with offices around the world, and more are in the works this fall.

Dentons's Joe Andrew, left, pictured with Elliott Portnoy, says, 'The goal is to be able to serve clients.' *Matt Roth for The Wall Street Journal*

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**Law Firm Mergers Can Boost Revenue–But Do Clients Care?**

Partners at cross-border entity Dentons and U.S. firm McKenna Long & Aldridge LLP, for example, are poised to vote on a union that would produce one of the top three global law firms by head count. Recent merger talks between two big U.S. firms—Orrick, Herrington & Sutcliffe LLP and Pillsbury Winthrop Shaw Pittman LLP—could lead to the creation of another big player.

But law firms with the urge to merge might check with their clients first.

Some top legal officers at Fortune 100 companies say the consolidation craze leaves them cold. Others remain agnostic, but point out that size or geographic reach is no guarantee of quality. And they caution that megamergers can bring unwelcome distractions that sometimes reduce efficiency, and increase legal bills.

"I'm pretty skeptical about the value these big mergers give to clients," said Robert Weber, general counsel for International Business Machines Corp.

For law firms, mergers are one way to increase revenue and, potentially, pick up more clients at a time when demand for legal services remains flat. "In a market where growth is so hard to come by organically, it makes sense to consolidate," said Gretta Rusanow, senior client advisor to Citi Private Bank's law firm group.

Teaming up with a rival can also yield some savings on the expense side—for example, by consolidating duplicate offices in a single city, or using the new firm's added heft to renegotiate contracts with third-party vendors. Some firms also use mergers as an opportunity to trim staff or shed unproductive partners.

Large companies tend to use a mix of firms for their legal work, ranging from small boutiques to name-brand Wall Street firms. Many, of course, do hire big multinational firms—but not just because they have offices in a certain place or armies of lawyers at their disposal.

General counsel do consider jurisdiction when selecting which firm to hire, according to a recent poll of 71 companies by Huron Legal, a division of Huron Consulting Group Inc., though subject matter expertise carries the most weight. Size mattered least, earning a rating of 1.48 on a scale of 1 to 3 (three being the most important).

"By and large, the lens I use is reputation... and the talent of the specific lawyer," said Thomas Moriarty, general counsel at CVS Caremark Corp.

To be sure, ubiquity can be a plus. A company battling lawsuits in multiple jurisdictions, for example, could get more efficient service by hiring a big firm with offices in those markets.

"What's in it for clients," said Peter Kalis, chairman of law firm K&L Gates LLP, is "seamless service." As proof, Mr. Kalis points to the growing volume of business his firm gets that originated in one office but was performed in another—nearly 30% of its work last year. That kind of coordination wouldn't have been possible, he said, without the mergers that in recent years have expanded K&L Gates from a Pittsburgh-based firm into a global entity with more than 2,000 lawyers on five continents.

But the notion may hold less appeal for the largest, most sophisticated buyers of corporate legal services. Many have their own legal teams on the ground in other countries, and have the ability to coordinate dozens of outside law firms.

"When I talk to my colleagues, we are all still fairly much aligned on the idea that we hire lawyers, not law firms," said John Schultz, general counsel of Hewlett-Packard Co.

Those views could come as a surprise to firms betting that as companies do more business abroad, having lawyers around the world will help them gain market share.

Some firms believe that combining with other firms can help them bulk up in particular specialties in demand like technology or energy. For example, the proposed Orrick-Pillsbury merger would boost both firms' infrastructure practices, and supplement Orrick's renewable energy group with Pillsbury's teams that focus on nuclear power and oil and gas, according to legal consultant Paula Alvary, who is working on the deal and is authorized to discuss it.

Spokespeople for both Orrick and Pillsbury declined to comment.

Dentons—itself the product of a three-way combination completed earlier this year—has also said it plans to expand its practices in industries such as energy, pharmaceuticals and banking. "We are not focused on size—the goal is to be able to serve clients," Joe Andrew, the firm's global chair, told

The Wall Street Journal in April. The firm declined to comment for this article.

Not everyone buys that argument. "If I want a good transactional lawyer for tech, I can call people at Cravath [Swaine & Moore LLP] who have been doing it for 20 years for me," said IBM's Mr. Weber. "I don't know why it's better to use a bigger firm."

Some legal consultants note that big companies are paring the number of outside law firms they hire. That can make firms with attorneys on multiple continents more attractive.

Global behemoths occupy most of the top-20 slots in one widely cited brand survey by Acritas, a global legal market research specialist, that asked general counsel which law firms they feel most favorable toward, and which they considered the most for multi-jurisdictional work. Most on that list grew through mergers, or by forming what is known as a Swiss verein, an association of firms that share one brand but maintain separate profit pools.

But there are downsides to deals. Partners in the midst of a law firm tie-up may be distracted by the hassles and power struggles that tend to accompany efforts to integrate lawyers and offices in far-flung locales. Mega-firms with thousands of lawyers may also be more likely to encounter conflicts that test firms' loyalty to individual clients.

While technology does permit some economies of scale, bigger firms also have more offices to maintain and more people to coordinate. Compensation costs also tend go to up, said Chris Petrini-Poli, chief executive of HBR Consulting LLC, which has worked on several postmerger integrations. "Firm A is getting paid more, and they're not going to come down, so Firm B has to come up."

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