

What Does Kirkland's Lateral War Chest Buy? A Lot

Kirkland & Ellis' latest hire once again shows off the firm's deep purse and lateral allure, broadens its practice strength, and chips away at a gender imbalance in its partnership.

The American Lawyer

By Miriam Rozen | April 20, 2018

You can admire the strategy, or disdain or fear it. But no one can deny that Kirkland & Ellis has used its overflowing coffers to aggressively recruit lateral partners—including from rival firms that once seemed untouchable.

The 2,200-lawyer Chicago-founded firm, whose \$3.165 billion in revenues last year allowed it to supplant Latham & Watkins at the top of the Am Law 100, this month nabbed M&A litigator Sandra Goldstein, a former practice leader at Cravath, Swaine & Moore, along with an associate.

The hire underlined Kirkland's long-standing willingness to pay for top talent, as well as its recent penchant for poaching from Cravath. Only four months ago, Kirkland hired away Eric Schiele, a corporate partner, from the 500-lawyer Wall Street firm. Goldstein could help bring more dealmaking diversity to Kirkland, which has banked on its position as a private equity powerhouse, and her hire also addresses a relative paucity of women in Kirkland's partner ranks.

With its successive additions, Kirkland is using its robust revenue stream from private equity dealmaking to attempt to diversify into other practices, including M&A for publicly traded companies, according to a headhunter, a consultant and a chairman of another law firm.

"I think Kirkland has engaged in a diversification program, as any well-run business would," said Winston & Strawn chairman Thomas Fitzgerald.

"They are a very significant player in the PE world, but diversification opens up new markets and new opportunities for them," Fitzgerald added.

Kent Zimmermann, a principal of the Zeughauser Group who has represented law firms on merger deals and strategic planning for nearly 10 years, agreed that Kirkland's apparent efforts to diversify are paying off.

"I would say that one of Kirkland's biggest accomplishments is that they have gotten traction building a public company M&A practice that is competitive with New York firms on some deals. I would credit them with being first on that. Not a lot of firms have done that with lateral hiring. It's hard to do," Zimmermann said.

To attract top lateral talent, Kirkland relies on its robust financials, paired with the flexibility of its compensation system, to make lucrative offers. With a wider gap than most firms between its highest and the lowest compensated partners, it can beat most other firms' compensation offers by several multiples, Zimmermann said.

"Kirkland is in the position to be a market maker on compensation," Zimmermann said.

'Laser-Focused'

Privately, some partners at other firms criticized Kirkland's eagerness to vacuum away talent from its rivals. But recruiters and consultants said it's hard to argue with the results.

Kay Hoppe, president of legal recruiting firm Credentia, is among those who've played a role in bringing new partners to Kirkland. She argues the firm is only steps away from overtaking top New York firms in the M&A league tables and in its allure to top law school graduates.

"They are laser-focused to be the best in any field they take on, and they can get any lawyer who is top in their field," Hoppe said of Kirkland's management. "Kirkland is unequivocal. They have the clearest vision of what they are doing. They were not the No. 1 firm in the world 15 years ago. They had the ambition and the vision to go for it, and that puts every top lawyer in play for them. I don't care what law firm they are at."

Kirkland's riches aren't the only reason for its success in luring laterals, she said. "It's more than that they just have the money. They are willing to spend it that way. They've got a machine that is so well-organized," she said.

Kirkland declined to comment on its lateral strategy, and Cravath's public response to Goldstein's departure has been subdued.

"We wish her the best in her future endeavors," a firm spokesperson said.

Making Inroads

Two other Cravath partners preceded Goldstein and Schiele in their moves to Kirkland. In late 2016, then-Cravath M&A partner Jonathan Davis went to Kirkland, and before that, former Cravath M&A partner Sarkis Jebejian made the same switch.

When it comes to league table rankings of the firms' M&A prowess, Bloomberg LP's global M&A league tables for the first quarter of 2018 showed Cravath ahead by volume globally and in the United States, but Kirkland bested Cravath globally and in the United States in Mergermarket's 2017 rankings by deal value.

According to a search of Bloomberg M&A deals valued at \$1 billion or more since Jan. 1, 2016, Cravath has done fewer deals, but its transactions totaled nearly twice the value of Kirkland's.

In that time period, Cravath notched 50 deals, valued at \$935.1 billion, while Kirkland had 110 deals valued at \$443.1 billion.

But if Kirkland were to make further inroads and represent more publicly traded companies on the largest deals, given its tremendous foothold in the private equity transactions practice, the firm could one day consistently outpace Cravath and other New York firms that have traditionally topped those M&A league tables, such as Skadden, Arps, Slate, Meagher & Flom; Sullivan & Cromwell; Wachtell, Lipton, Rosen & Katz; and Simpson Thacher & Bartlett.

Kirkland's hiring of Goldstein could also help make the firm, as one outside lawyer put it, "less male, pale and stale."

According to the most recent Am Law 200 A-List calculations, which rank firms by the number of female equity partners, Kirkland landed in the bottom half of the list, at 119th place with 15 percent female equity partners. In The National Law Journal 500 Women's Scorecard, the firm also ranked far from the top, in the 162nd spot, with 21.9 percent women reported in its total partner ranks—the poorest showing for a top 10 Am Law 100 firm.

Kirkland declined to give an exact gender breakdown of its equity partners for this story.