

FT Innovative Lawyers North America

Professional services

Digital reinvention is the next big test for law firm success

Data, tech and people are core strategies. Plus: our annual ranking adds extra indicators for assessing law firms

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Profound changes are under way in the leading North American law firms. Pushed to act by the pandemic, they are embracing cloud computing and developing coherent data strategies. “We made more progress over the two years of the pandemic than in the previous 10,” says Mary Wilson, managing partner at Dentons (US).

In addition, the trend for law firms to be run like other businesses has accelerated. “The law firm chief operating officer used to be a practising lawyer,” says Wilson. “But, as we think about business and profitability and the magnitude of non-legal work, you see an uptick of talented business professionals being hired.”

These changes have taken place during two years of unprecedented financial growth. That the two largest firms by revenue globally are US firms is to be expected. More striking is that they hail from outside New York, which historically generated North America’s leading law firms.

Kirkland & Ellis, which originated in Chicago, and tops the FT’s expanded annual ranking of law firms this year (index below), reached revenues of \$6bn in 2022, while Latham & Watkins, second-largest, and initially set up on the West Coast, turned over \$5.5bn.

Their overall financial success is reflected in the index, but both firms also have top scores for digital maturity and innovation.

Kirkland & Ellis sets the bar for financial success. But it has also had a data strategy for nearly 10 years and continues to embrace new ways of practising law. For example, Kirkland’s investment funds practice recently launched Funded, a proprietary tool to streamline and automate the funds subscription process.

It is adding revenues to the firm’s already \$1bn practice in this area.

With 62 per cent growth over a three-year period, Latham is the second-fastest growing firm by revenue in the index. The firm has long been on the front foot in using tech, and was one of the first supporters of Reynen Court, a platform on which law firms could share the cost and experience of new technologies. It was also way ahead of the rest in its appointment of a business professional chief operating officer in 1987. LeeAnn Black was one of the first law firm business professionals in a leadership role to be recognised by the FT Innovative Lawyers report in North America, in 2017.

Although both law firms are partnerships, they have historically taken a more business-like approach to how they manage themselves.

While the other top firms’ revenue growth does not match that of Kirkland and Latham, they are all still highly profitable legal businesses – with profits per equity partner ranging from \$2mn to \$5mn.

Most leaders of the top 40 law firms in the index say they are wary of inflation, recession, trade tensions with China, and war in Ukraine. But they remain optimistic about the near future because they have practices that can adapt to economic highs and lows. Kim Koopersmith, chair of Akin Gump, says: “We have countercyclical practices and run our firm with a long-term view.” Last year, the firm recruited more people from similar positions in other firms than ever before – notably in areas with “high growth potential, such as energy transition and private credit”, she adds.

Many firms, initially forced into hybrid

working by the pandemic, have become truly digital. Troutman Pepper Hamilton Sanders developed MobileOne, an app that allows staff access to its information resources, including billing data, and also enables teams to work more collaboratively when in the office.

Being more digital is now a minimum requirement for top law firms rather than just innovation. Even three years ago, a clever use of tech may have counted as innovative in the Innovative Lawyers reports. Now, law firms and their clients are using data, tech and design thinking to reinvent legal practice.

Orrick, a San Francisco-originated law firm and winner of the new Innovative Lawyers “reinventing legal practice” award, is indicative of this new approach. After spending 2,400 hours on rethinking the way it handles M&A transactions, it has introduced MAPE 2.0, a suite of technologies, re-engineered processes and new roles, to ensure clients receive the outcomes they want.

How will law firms’ general move to digital and developing new roles affect their clients? Smart legal service buyers should expect to achieve transparency on legal matters through visual dashboards, accurate bills, bespoke intelligence and lower costs.

Rich Sauer, chief legal officer at Workday, the workforce management and software group, describes Orrick’s new approach to high-level M&A transactions as a law firm getting closer to “offering software as a service”. Indeed, many believe that will be the future of law firms that are fusing tech into their legal advisory services. Yet, for now at least, he says: “It will never replace the team of strategic advisers I count on at Orrick, but it clearly empowers them.”

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FT law firm index - North America 2022

Ranking of the top participating law firms based on submissions made to this year's report and index

Column for information only.
Revenue growth comprises
part of the growth score

Rank	Law firm	TOTAL SCORE* (/100)	Innovation** (/20)	Digital** (/20)	People** (/20)	Social Responsibility** (/20)	Growth (financial)*** (/20)	Revenue growth (2018-2021)
1	Kirkland & Ellis	86.8	18	19	17	13	20	61%
2	Latham & Watkins	85.7	15	19	17	15	20	62%
3	Orrick	85.0	20	16	19	20	10	26%

Source: RSGI *The total score is the sum of banded scores for innovation, people, digital, social responsibility and growth (financial), which also comprise several indicators themselves. For the full research and scoring methodology see right
Figures are rounded to the nearest whole number *Growth (financial) is banded on revenue growth and profitability figures from RSGI research ****No information. Not scored *****Based on one submission or partial information

Research methodology

FT Innovative Lawyers North America 2022 is a ranking, report and awards scheme for lawyers based in the region, produced by the FT and its research partner, RSGI, based on a unique methodology.

Law firms and in-house legal teams are invited to make submissions. Each submission is researched and scored out of 10 for originality, leadership and impact, giving a maximum score of 30 for each published entry. Top-ranked entries in the report are shortlisted for the FT Innovative Lawyers North America 2022 Awards.

Some 258 submissions and nominations were received from 61 law firms and 28 in-house legal teams. RSGI researchers assessed and researched them through interviews with clients, senior

lawyers, executives and experts between September and November. Featured entries are the highest ranked submissions in each category.

FT law index

The index provides a ranking and a holistic assessment of law firm success. Participating firms were assessed on submissions to the report and a separate questionnaire and ranked on the following criteria, with a maximum score of 100:

Innovation

The sum of scores for the top two submissions to the FT Innovative Lawyers Report in North America 2022, including submissions that were not published, plus a bonus score for each winning entry (weighted score out of 20);

People

Law firms completed a questionnaire about their diversity and selected people policies. Five questions on gender diversity, parental leave and talent policies were scored and benchmarked against other law firm responses (weighted score out of 20);

Digital

Law firms completed a questionnaire on their use of data and technology. Each of five questions was scored and benchmarked against other responses. Responses were also assessed independently by a digital expert (weighted score out of 20);

Social responsibility

Law firms completed a questionnaire on their approach to social

responsibility. Four questions covering commitment and investment to pro bono work, and social responsibility and ESG reporting were scored and benchmarked against other law firm responses (weighted score out of 20);

Growth (financial)

Law firms were compared to each other for revenue growth between 2018 to 2021, and for profitability in the financial year ending in 2021. Revenue growth was weighted out of 20 and profitability out of 10 to produce the final score. Figures were sourced from RSGI's research (weighted score out of 20).

RSGI research team:

Reena SenGupta; Yasmin Lambert; Mary Ormerod; Tom Saunders; Chris Sharp; Alex Volkers; Gitanjali DasGupta;

Ginevra Tortora. Digital expert: Caroline Hill, Editor-in-Chief, Legal IT Insider.

Judging panel

For the Innovative Practitioner and Intrapreneur awards, winners were selected by a panel of judges from a shortlist compiled by RSGI. The judging panel comprised: Matthew Vincent, editor, FT Project Publishing (panel chair); Harriet Arnold, assistant editor, FT Project Publishing; David Fisher, chief executive, Integra Ledger; Yasmin Lambert, managing director, RSGI; Kirsten Maslen, director, inbound product marketing — legal tech, Thomson Reuters; Curt Meltzer, evangelist, Litera; Patrick Temple-West, governance reporter, FT; Stephanie Vaughan, global legal practice director, iManage

KIRKLAND & ELLIS