Wrecking Ball

The thrusting challenger from Illinois has become the world's highest billing law firm. *Legal Business* assesses the unheralded rise of Kirkland & Ellis. Can anything stop the juggernaut?

MARCO CILLARIO AND NATHALIE TIDMAN

They said rapid growth is hard if you are already big. Last year it hiked revenue 19% from $2.65bn. They said profitability is about focusing on quality over growth. As it became the highest grossing law firm in the world, fee-earner headcount surged 13.5% to over 2,000 and profit per equity partner (PEP) was up nearly 15% to $4.7m. They said a sprawling international footprint is essential if you want to secure high-end mandates. It has just 14 offices – only five outside the US – and generated $3.165bn in 2017. They said global law firms need bank clients. It is famously dismissive of banks and their onerous panels.

Perhaps the most intriguing aspect of Kirkland & Ellis' meteoric rise over the last decade is how it turned BigLaw's playbook on its head. The Chicago-bred giant has not only outperformed the profession's elites in London and New York but challenged the very assumptions underpinning the legal industry's decades-spanning pecking order.

Whichever metric you pick, Kirkland has delivered. Entering markets successfully. Check. Attracting top talent. Check. Securing high-end mandates for top clients. Check. The 900-partner outfit has more than doubled income over the last ten years, the second best performance in the Global 100.

Few topics crop up as frequently in the Square Mile as last year's $10m hire of private equity (PE) playmaker David Higgins from Freshfields Bruckhaus Deringer or that of transactional veteran Eric Schiele and ▶

Illustration HARRY MILBURN AND MARIA PAKKENBERG

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▶ litigator Sandra Goldstein from Cravath, Swaine & Moore. Moves that would have been unthinkable a few years ago are now regularly making news.

'They are as hungry as a law firm that hasn't achieved such a strong market-leading position – their appetite for success is insatiable,' reflects Scott Zemser, head of leveraged finance and co-head of lending at Mayer Brown. 'Regardless of their incredible success to date, they are continuing this march.'

'Anybody who is [saying Kirkland] isn't a great firm is just wrong,' concedes Latham & Watkins' banking co-chair Christopher Kandel. 'Kirkland has grown impressively on the borrower side over the last five years. It's not like the market has hugely expanded. What they have grown is at the expense of certain other firms.'

End of the story? Of course not. The reason Kirkland excites such debate from Wall Street to the Square Mile goes to the heart of its iconoclastic business model and what critics dub an aggressive, macho culture. 'Kirkland is genuinely one firm that people don't like,' says one partner at a rival. 'Whenever you try to hire someone, Kirkland is out there with the appallingly vulgar cheque book.'

But rivals should take a closer look at what lies behind the results. The burning question remains: where is all this going to end? Where some see a juggernaut picking up speed, many talk anxiously of short-termism, greed and an unsustainable institution.

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With this in mind, *Legal Business* interviewed dozens of current partners and peers on both sides of the Atlantic to probe behind the phenomenon. Can anything stop Kirkland & Ellis?

TAKING MANHATTAN

As recently as the early 2000s, Kirkland would have figured on no-one's radar for global elite status despite a knack for outclassing peers on profitability. The firm launched in Chicago in 1909 and established itself as one of the Windy City's major law firms by the 1970s, even if it was more scrappy and dispute-driven than patrician peers like Sidley Austin and Mayer Brown & Platt. Recalls one veteran: 'PE started out as venture capital – ugly little work other people didn't want. Kirkland's PE team became its biggest business. Very aggressive.'

While Sidley and Mayer Brown expanded with institutional clients into New York and London, Kirkland was fielding just six offices. The firm launched its English law practice in 2001 with the hire of DLA corporate partner Nigel Dunmore to little notice. One of the first English law recruits recalls the response of his then Magic Circle employer: 'Never heard of them.' A subsequent Google search left the bemused partner none the wiser, asking: 'Why would you join a greengrocers?!'

Yet the firm benefited from a ground-floor position in the US leveraged buyout market thanks to clients like Bain Capital and Madison Dearborn Partners, a sector already driving its growth ahead of peers focused on plc clients. The firm was expanding revenues at a clip during the 1990s and 2000s.

By this stage much growth was driven outside its Chicago heartland. Launching in 1990, its New York arm focused heavily on sponsor clients, providing a clear niche, and only Simpson Thacher & Bartlett and Weil, Gotshal & Manges of the major local players to contend with as competition.

Yet it was in the post-banking crisis malaise that Kirkland attracted the notice of Manhattan's bemused leaders, with the 2009 hire of corporate specialist David Fox, one of Skadden, Arps, Slate, Meagher & Flom's highest billing (and earning) partners, and fellow partner Daniel Wolf, another strong performer. Fox rapidly established himself as one of Kirkland's most influential operators and a major force in building out its New York arm. By the time Kirkland in 2012 hired Cravath's hotly-tipped young corporate partner Sarkis Jebejian to fill out its public M&A team, a sense of unease among Manhattan's clubby elite had set in.

Another notable PE hire was Simpson Thacher partner Peter Martelli in 2016, proving even Wall Street's top buyout firm was not impregnable and delivering another productive transfer. The aggressive recruitment in New York has, if anything, intensified over the last 18 months. Others shipped in include funds rainmaker Erica Berthou from Debevoise & Plimpton and former co-chair of Latham's PE practice Jennifer Perkins, a rare loss for the upwardly mobile Los Angeles-bred firm. Cravath's Goldstein came in on a reputed $11m deal, making her perhaps the US's top-paid female partner. Such moves helped Kirkland build a 550-lawyer Manhattan arm generating more than $700m, approaching 25% of the firm's global revenue last year.

Finance playmaker Neel Sachdev pushed for high-impact City recruits.

Not that there can be much doubt where the growth came from. The firm is unusually concentrated for a business of its size, focusing on just four core areas: transactions (essentially private equity, corporate and debt finance, all with a heavy sponsor tilt); litigation; intellectual property (IP); and restructuring.

Viewed from the City, it is often forgotten how central disputes are to Kirkland's heritage. Take two of the highest-profile mandates of the last decade: the long-running litigation following the BP Deepwater Horizon oil spill in 2010 and the 2015 Volkswagen emissions scandal. Kirkland is on both of them. Over 500 lawyers focus on litigation. Another 230 cover IP, primarily disputes, a marquee practice that calls on clients such as Cisco, Intel, Samsung and Sony.

In restructuring, Kirkland has featured on some of the largest bankruptcy filings of recent years, among them Toys R Us, GenOn Energy and Seadrill. Though the group is its smallest with 130 lawyers, the practice is famously productive and a core part of the brand. Certainly the firm remains well hedged.

Meanwhile, its largest group, the transactions practice, has been perfectly positioned to ride the 30-year boom in the global private equity market, having put such clients central in a manner no other firm of its scale has yet attempted, while avoiding the plc panels that have subdued the growth of many leading firms.

Notes one Kirkland rainmaker: 'We only have one goal: having a role in most of the main deals in our markets. That's it. This place gives you freedom. They'll give you an office, they'll give you support. No-one gets in your way or says no.'

HIGH IMPACT, LOW PROFILE

'Short, hairy chest, medallion boxer-type. When he comes into a room he high-fives. He does not take no for an answer. Leads from the front and his decision is the only one that matters.' This is how a former partner describes the man leading the world's top-billing law firm for the last eight years: Jeffrey C Hammes.

The picture is echoed in more flattering terms by his admirers. Not that Hammes has amassed much industry profile given Kirkland's rise. In contrast to the reputation of figures like Bob Dell (Latham) and Brad Karp (Paul, Weiss, Rifkind, Wharton & Garrison), the press-shy Hammes' role in the Kirkland saga is frequently missed by outsiders, particularly in Europe. (So media-phobic is US leadership that current partners interviewed for this article asked to talk on a background basis to avoid antagonising the US.) But no-one internally doubts Hammes' role in super-charging an already driven institution.

The corporate lawyer joined Kirkland's Chicago office in 1985, making partner in 1991, and quickly made his name with key client Bain and for fronting Kirkland's expansion through California. Hammes led the San Francisco branch after its 2003 launch and opened the Palo Alto base in 2008.

Hammes was positioned to formally take over from veteran litigator Thomas Yannucci in 2010 as early as 2006, serving as vice chair for several years. 'There is no election,' recalls one former partner. 'People "emerge", it is very rarely a surprise. Everybody knows what is going to happen before it happens.'

The impact of lean management and the huge autonomy granted senior leadership is hard to overstate in the Kirkland saga. Hammes is its only partner in full-time management, running the firm alongside its influential 15-member global management executive committee. This group has huge discretion on key decisions. Observes one former partner: 'There are a lot of people saying: this is not a partnership, this is a business enterprise.' Membership of the executive is a recognition of internal clout and financial contribution. It includes Fox, the increasingly influential head of investment funds John O'Neil and Chicago restructuring heavyweight James Sprayregen (see box, page 78).

If the transition from Yannucci to Hammes was orderly, the shift in style was striking. While 'paternal', 'eloquent' and 'diplomatic' are characteristics attributed to Yannucci, Hammes is regarded as tough and driven. One particularly colourful description goes: 'The guy is untouchable: no-one is going to say anything, partly because profits are so high – and partly because he will grab you by the neck.' The corporate lawyer also shifted Kirkland's disputes-heavy centre of gravity in favour of deal work.

Yet while attracting some criticism for his style, he remains a hugely respected figure. The word 'visionary' is bandied around on several occasions inside and out of the firm. 'His ability to make big calls is unlike any other law firm leader,' asserts one Kirkland partner.

Many ideas are initially pitched from partners to Hammes – as with David Eich's push to launch Chinese branches. If Hammes is convinced – it happens quickly. Kirkland's 2014 Texas launch is held up as emblematic of Hammes' audacity. In what one former partner dubbed a 'stroke of Jeff's genius', Kirkland hired a local Simpson Thacher M&A partner in his mid-30s, Andrew Calder, and gave him a blank cheque to build out the Houston arm. Calder handled substantial amounts of energy-related work for leading US sponsor Blackstone, as well as being a regular for KKR.

According to firm legend, Calder asked Hammes his budget only to be told: 'If I knew your budget I wouldn't have hired you.' Eighteen months later Kirkland had 80 lawyers in Houston, based on gut instinct and a bet on a partner. Four years on there are 130 lawyers locally and this month it recruited a team of six lawyers to launch a second Texas branch in Dallas. Calder now sits on the firm's executive committee.

One former partner recalls: 'The energy market exploded, and they rode that wave hugely in Houston.' Reflects a current London partner: 'Jeff's willingness to back young people, give them a role and get everyone else out of the way was right.'

Hammes is also noted for shifting Kirkland's remuneration model to encourage team performance over individual accreditation, in what insiders see as a significant shift in driving a team-first approach.

And he doubled down on Kirkland's willingness to make top-dollar investments to bring in significant numbers of star partners. This was obvious in New York, but also impacted on Kirkland's foreign offices. While the opening of a branch in Beijing in 2013 was the only foreign launch under his term so far, Hammes backed a fundamental repositioning of Kirkland's London arm from high-quality service operation to a core part of its playbook.

'Kirkland's leader Jeffrey Hammes comes into a room and high-fives. He does not take no for an answer. Leads from the front and his decision is the only one that matters.'

FALSE DAWNS

There are only two non-US based partners on the firm committee: London finance partner Stephen Lucas and private equity veteran Higgins, appointed in 2015 and 2018 respectively. Lucas' move from Weil Gotshal in 2014 on an $8m package was a step change for Kirkland's London arm, signalling its determination to broaden its business beyond the needs of its US clients in Europe. The hire of the former Clifford Chance (CC) and Linklaters star would be the first in a long series of headline-grabbing laterals.

Behind the move had been Hammes' surprise when several high-billing London partners complained of lack of ambition in Europe. The hire of Lucas was directly aimed at rebooting the practice and widening its franchise. Change would not be painless. Lucas' recruitment was certain to unsettle London's elder-statesmen just as hiring the demanding Fox in New York has triggered similar creative destruction. '[Hammes] had to have Lucas at any cost,' recalls one former partner. 'He doubled what he was on. He arrived on such a big package and with an extremely strong mandate.'

Despite never taking the title of London head (such a position does not exist at Kirkland), Lucas is credited with bringing structured management to an office some felt had acted like a barristers set. The firm's previous City head Jim Learner had quit in 2012 to join private equity house HGGC, and while the then Bain relationship partner had a strong reputation as a revenue generator he was tied to US-centric strategy. (Learner returned to Kirkland in 2015, though his position in the pecking order was diminished).

A former partner says that with Lucas 'there was more management at a departmental level: what deals have been done, who is doing what. Very obvious for other firms, but for Kirkland it was unheard of'.

Lucas is described as an 'energizer bunny': 'If you are in a meeting with him, he has so much nervous energy that by the end of the meeting, his wheelie chair would be at the other side of the room.' Another description goes: 'He is always sparking on with new ideas. Always interrupting people.'

The expected clash with the old guard was immediate. De facto office head Graham White, London funds practice founder Mark Mifsud and finance veteran Stephen Gillespie left between the second half of 2014 and the first half of 2015: the first two to Fried, Frank, Harris, Shriver & Jacobson; the other to Gibson, Dunn & Crutcher. All three had been recruited under Yannucci's regime and chaffed at Hammes' style and

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L-R: Stephen Lucas and Neel Sachdev, Kirkland & Ellis

Lucas' intensity. According to one account: 'Gillespie could not last ten minutes in a room with [Lucas]. He would start speaking and Lucas would just jump in and interrupt him.'

White and Gillespie were felt by some to have dragged their feet over bringing in talent needed to drive growth. Notes one City partner: 'At Kirkland, A Players hire A Players. If you are a blocker to hiring someone equal or better than you, your time at Kirkland is limited. We have seen people leaving the firm as a consequence of blocking someone getting ahead.'

High-yield guru Ward McKimm left for Freshfields in 2015, while Dechert recruited a private equity and finance team, including European debt finance team founder John Markland, between 2016 and 2017. McKimm's loss stung but a bigger hit came when Sidley Austin recruited six partners from the London office and seven from the Munich office in the space of a year, including several productive equity partners. The London team that quit in February 2016 included two Kirkland veterans, partners Erik Dahl and Christian Iwasko, and managed to bring across substantial client TowerBrook, a rare reversal in Kirkland's private equity heartland.

The exits came amid complaints that management was too focused on 'shiny new toys' hired on massive packages, which some younger partners saw as a hindrance to their development. Some criticised Hammes' increasing insistence on directing work to new hires to help with initial integration. Says one former partner: '[The new hires] have to be successful, because if they are not the guy who hired them looks stupid. So if anything comes from the network it goes to them.' There were also continued tensions over Kirkland's Munich branch (see box, page 79).

MATT AND MORE

Kirkland's bullish reaction to the acrimonious Sidley losses was in part because its new hires included some of the most successful laterals ever for a US firm in Europe. Moreover, Kirkland's focus – which meant favouring sponsors over banking clients – was increasingly potent as traditional lenders lost clout in Europe's credit markets post-banking crisis.

In 2015 Lucas convinced a young private equity partner to join from Linklaters. Matthew Elliott's story is emblematic of Kirkland's approach to laterals from the London elite. Elliott is regarded as being mishandled by the Magic Circle firm, which promoted him on the longer real estate lockstep rather its mainstream corporate ladder. In contrast, Kirkland gave the rising star huge space to develop his practice. His clients include Oaktree Capital Management, GIC and Brookfield, reinforcing Kirkland in one of the hottest niches in the City.

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Elliott's immediate success also paved the way for a series of Linklaters corporate partners to transfer, including David Holdsworth and Stuart Boyd. Elliott aside, the key hire was Linklaters' well regarded Nordic PE specialist Roger Johnson, believed to have joined on a $5m package after turning down an offer from White & Case. Several finance partners hired from Freshfields had also hit the ground running. Elliott is now one of the top earners in the firm's London office alongside Lucas and Higgins and widely tipped as one of the most productive young partners in the City in any transactional field, overseeing a client book well in excess of $20m a year.

The other figure in the group of top earners is one of the longest-serving UK partners, the flamboyant but driven debt star Neel Sachdev. Credited with pushing to hire Lucas and boasting a strong relationship with Bain, Sachdev is arguably Kirkland's most influential European partner not on the executive committee. According to one account, Hammes would leave meetings of the executive team to answer Sachdev's calls. A former colleague recalls: 'I remember being at a global partner meeting – 600 partners in a room – and Neel was singled out by Jeff in front of all those people.'

As the City office boomed through the last two years, it followed up the Higgins hire with Allen & Overy's global head of IP Nicola Dagg in May this year, its first substantive attempt to translate its top-tier IP business to Europe.

The swift hiring is helped by the fact that few in the firm are aware of the details of the process until it is concluded. Only a handful knew about the Higgins move until a few days before it was made public: the firm announced it internally on the Friday (15 December) and publicly the following Monday (18 December). Higgins was known to be increasingly disenchanted with Freshfields after tensions with its banking team, though many thought Latham would secure his services.

Kirkland had a clear rationale to bring in more muscle in mainstream deals – the Ashurst M&A duo Gavin Gordon and David Arnold, hired under the previous City regime, were felt to have not achieved the required breakthrough. Hammes took a direct hand in recruiting Higgins, encouraged strongly by Elliott and Sachdev.

There has been much debate over how the chalk-and-cheese pairing of the clubbable Higgins and the wired Lucas will work, with some claiming the finance veteran was side-lined in the recruitment thanks to Hammes' irritation over the Sidley exits. But there is little indication that Lucas' lustre has faded internally.

That Kirkland could recruit such a prominent partner from the Magic Circle – and the $10m price tag, the same deal Lucas is currently on – sent shockwaves through the City and much grumbling about industry excess. Yet much the same was said about Lucas' recruitment and Kirkland has a long track record of making such marquee hires aimed at long-term practice building pay off.

Despite doubts that Higgins can persuade key client Cinven to shift to Kirkland, the hire has sent a signal that the firm is determined to build a broader corporate practice to rival its muscular debt team. Critics also have little response to its startling expansion in recent years – Kirkland's 237-lawyer London arm generated well over $300m in 2017, its UK headcount growing by 86% since 2012.

YOUTH, MONEY AND CULTURE

Kirkland's 'vulgar cheque book' has certainly played a major part in its advance. But ominously for rivals its ability to attract and retain talent rests on more than the mighty dollar. Most potent is its knack for engaging young lawyers, a quality demonstrated by its unusual approach to partnership. Operating a fast track, associates can make salaried partner six years after qualification – bucking the wider trend of pushing back promotions. While other firms talk of partner alternatives and fret over how to talk

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Pictured: David Higgins, Kirkland & Ellis

to Millennials, Kirkland explicitly positions all lawyers in the partnership race from the start. Says one former partner: 'Even as a newly-qualified, what you are assessed on is not how you are doing compared to your peers – that causes associates to fight. You are assessed on how you are proceeding towards becoming a partner.' Consider the numbers: Kirkland made up 268 partners over the last three years, massively outstripping any comparable firm. This year it promoted more partners than the entire Magic Circle – 97 compared to 89.

Basic salary increases each year along the line of the associate lockstep, with a junior partner starting on around $320,000 compared to $305,000 for associates on year six. But salaried partners have access to a much bigger pool of discretionary bonuses, ranging from 25% to 40% of salary. According to one internal account, a fourth-year salaried partner earns around $450,000 before bonus.

The 'up or out' system expects salaried partners to make equity within four to six years or move on. Equity is tightly held, at 388 partners, against 512 salaried. And rewards are rich. With a core ladder spanning 40 to 280 points and each point worth around $45,000, the handful of top earners takes home over $12m. (The firm several years back compressed its compensation ladder from eight to one to seven to one.)

Though no-one denies remuneration is intended to be robustly commercial and meritocratic, equity awards are far less focused on origination or individual billings than rivals suppose. While the system is typically derided by peers for palming off senior associates as 'partners', and it is conceded that younger partners are often a little less polished than peers making partner three or even four years later, the model is widely credited as a major part of its success.

From a business perspective, the case for having a large group of salaried partners is clear: lawyers don't get much of a pay rise while allowing the firm to charge higher rates. But the system also sends a clear signal about the value placed on the new generation and the separate 'tournament' for equity partnership generally ensures only strong performers make the final cut.

'This takes very good, relatively young folks and gives them the opportunity to build a book of business. If you turn up to a client meeting and say you are a senior associate, clients will say: "I don't want to talk with you." If you are a partner, they are literally instructing you.'

One former salaried partner notes: 'If you drill into their financials you will find the most profitable rank is the salaried partner rank: they work extremely hard, they are not going anywhere because being a partner is hugely valuable. The firm has given people what they desperately desire, it has locked them in because no-one else would promote them so early.'

This approach speaks to a strength the firm's old money rivals using lockstepped partnerships struggle to acknowledge: Kirkland has flourished by encouraging an entrepreneurial culture that takes little notice of seniority or hierarchy. The ominous issue for City and New York rivals is not that they lose partners to Kirkland for the ▶

money, it is that some of their most productive young lawyers hitting prime actively want to drink the Kirkland Kool-Aid.

Culture is for some the Achilles' heel and there is no doubt a group of Kirkland partners in a room brings an individualistic energy very different to what you find in the offices of Linklaters. Attending *Legal Business*' 2018 awards ceremony a sizeable group of Kirkland partners appeared to have wound each other up, only to instantly make up several times over in the same night in a churn of egos, banter and letting off steam. But partners also frequently bring charisma to proceedings, the kind of chemistry that can seal client relationships for decades.

One former salaried partner observes: 'Kirkland people truly believe they are working for the best law firm in the world. That's the feeling for every single lawyer. Yes, the environment is aggressive, but the flipside is you are the best, and paid better than anyone else. The people doing those hours, if they have not left already it means they absolutely love it. You never hear people say: "I hate this job."'

Several former partners also describe the firm's 'play hard mentality' and a fondness for bling as making Kirkland vulnerable to laddish behaviour: 'Some of the partners have a very macho and partying approach. With that comes the potential for things getting out of control.'

One City partner did not last long after driving his car wildly over a hotel lawn at a work reception several years back. More recently, the firm attracted a few headlines for a 2016 private equity ski conference when a party at the Grand Hotel Zermatterhorf achieved '*Wolf of Wall Street*-style levels of excess' (if spraying a lot of champagne around qualifies). Partners gave the annual event a miss this year.

That said, the caricature of self-serving individualists is largely rejected by insiders and former Kirkland veterans. Kirkland partners are certainly hunters but they increasingly hunt in a pack. One high biller, who joined recently after having been first pursued more than a decade back, reflects: 'The way Kirkland would act on transactions with their counterparts [in the 2000s] was aggressive. Not my style. At my first interview, I had the impression most people were at Kirkland because of the money. That has dramatically changed. Everybody is ambitious, but people work very well together.'

'Kirkland people truly believe they are working for the best law firm in the world. The people doing those hours, if they have not left already it means they absolutely love it. You never hear people say: "I hate this job."'

Concedes one veteran partner at Ropes & Gray who has worked frequently across the table: 'The truth about Kirkland is closer to what they say about themselves than what others say about them.'

THE $6BN QUESTION

Fast decision-making, driven growth, an uncommonly tight focus on lucrative product lines, the resources to recruit A-listers and a flexible system to nurture talent – all are ingredients in Kirkland's rise. Which leaves the core question: how far will this take them?

An interesting challenge concerns leadership. Hammes struck a deal with the executive committee to extend his third three-year term to 2020 but will not stay beyond: in accordance with the partnership agreement he will leave the equity at 60. Succession is in place, with Chicago corporate partner Jon Ballis widely tipped to take over. Yet another Bain relationship partner, Ballis started his career at Sidley before joining Kirkland 20 years ago. Still, considering how much Hammes' personal style has meant for the firm, the handover will test what has been achieved during a transformative decade.

If lean management gives Kirkland a competitive edge, neither is the firm big on checks and balances. The system delivers if strategic bets pay off (as seen in New York, Houston and London) but could backfire if leadership miscalculates or a partnership used to robust leadership gives way to a much softer hand. Certainly, Kirkland is a firm filled with big egos and remains prone to personality clashes – the 'warlord system', as one former partner calls it, is not easily tamed.

Ballis is expected to front a more consensual style than Hammes, signalling Kirkland's ascent from challenger to dominant player, a shift reflected in the recruitment of polished boardroom technicians like Cravath's Schiele and mainstream deal hands like Higgins.

Still, growth and profitability easily mask internal problems but eventually Kirkland must see some slowing of growth unless it branches into new territories or markets. Some maintain progress in Europe has been limited by having just one small office on the continent. One former partner says the firm has debated for years what to do with Paris without resolution, a strange omission given brisk activity levels in French buyout work.

Kirkland's well-earned reputation for high fees – linked to Hammes' intense focus on targeting marquee clients in core sectors – is cited as a limiting factor by some, though there is little sign of its core sponsor clients running out of steam anytime soon (some attribute high fee levels to Bain using other firms in Europe in recent years on large mandates).

Yet rivals hoping that closer inspection of Kirkland reveals Dewey & LeBoeuf-style fault lines set to tear it apart are either living in denial or such weaknesses are incredibly well hidden. There is no obvious reason to believe Kirkland's ascent has peaked. Says one London rainmaker: 'The number of clients we have a material share of is still quite low. We do a little bit of work for a tonne of clients in London. We are still at the beginning of the journey.'

Kirkland has risen to the position once held by disruptors of previous years Skadden and CC, either adapting global law's playbook, applying it more effectively than peers or just discarding it outright. Barring an unlikely calamity or dramatic reversal over the next three years, Kirkland looks certain to have an even more profound impact on the profession than those institutions in their day.

And to be clear, that lofty status and upward trajectory is exactly what *Legal Business* is predicting. Current trends are ominous for Kirkland's rivals. Another three years like this and the legal elites of New York and London will be well past the stage of talking down Kirkland. They will be desperately trying to copy it… and hoping it is not too late. LB

marco.cillario@legalease.co.uk
nathalie.tidman@legalease.co.uk

REVOLVING DOORS IN EUROPE (2014-18)

Key hires

- Finance partner **Stephen Lucas** joins from Weil, Gotshal & Manges (*June 2014*)
- Private equity partners **Matthew Elliott** (*pictured, right*), **Roger Johnson**, **David Holdsworth** and **Stuart Boyd**, and competition partner **Paula Riedel** join from Linklaters (*2015-16*)
- Latham & Watkins PE partner **Jörg Kirchner**, Hengeler Mueller's corporate partner **Achim Herfs** and Weil Gotshal's PE partner **Volkmar Bruckner** join the Munich office (*2015-17*)
- Investment funds partner **Anand Damodaran** and investigations partner **Marcus Thompson** join London as part of a six-partner move from Ropes & Gray to several Kirkland's offices in the US, Europe and Asia (*August 2017*)
- Before the $10m **David Higgins** hire in December 2017, restructuring partner **Sean Lacey**, finance partner **Jonathan Birks** and PE partner **Michael Steele** have been hired from Freshfields since 2015
- Former Allen & Overy head of IP **Nicola Dagg** joins (*May 2018*)

Key departures

- Founder of European debt finance team **John Markland** and PE partner **Christopher Field** quit for Dechert alongside tax partner **Jane Scobie** and PE partner **Rob Bradshaw** (*2016-17*)
- Sidley Austin recruits 13 partners from Kirkland's London and Munich offices, including PE veterans **Erik Dahl**, **Christian Iwasko** and **Volker Kullmann** (*2016-17*)
- High-yield partners **Ward McKimm** and **Andrew Hagan** join Freshfields (*June 2015 and February 2016*)
- Veteran partners **Graham White** and **Mark Mifsud** join Fried, Frank, Harris, Shriver & Jacobson (*October 2014 and May 2015*)
- Finance partner **Stephen Gillespie** leaves for Gibson, Dunn & Crutcher (*December 2014*)

DRINKING THE KOOL-AID – THE INSIDE VIEW ON KIRKLAND

We have a looser structure that allows younger lawyers to be entrepreneurial. They come to partnership earlier, learn how to go out and win business early. Our business originally in Chicago was mid-market PE. That DNA has been preserved and driven us to be more entrepreneurial.

Partner, finance

If you wake up every morning thinking: 'How can I be better, because I know all the other partners are doing the same?' it leads to the conclusion the whole machine is running hard towards a common goal. You'll get so much more credit for promoting talent than sorting your own shit out and your personal P&L. It is the complete antithesis of what the market would represent or what it was historically. This firm is about seizing opportunities. There is no business plan to say: "This is what we do." Team focus, collegiate – everything else will sort itself. I want to be a mile deep [with core clients] and to do that you have to really invest.

Partner, corporate

The firm kept the hunger of the underdog. Yet you walk in the New York office and bump into all these Cravath partners. That is an amazing journey. People get assessed on overall contribution. No origination credit. The metric for compensation is not all around individual production. [Chair Jeffrey Hammes] was the main driver of collaboration. Although he is sometimes portrayed as this hard-charging guy, which he is in terms of ambition, he is acutely aware of these collaboration points.

Partner, corporate

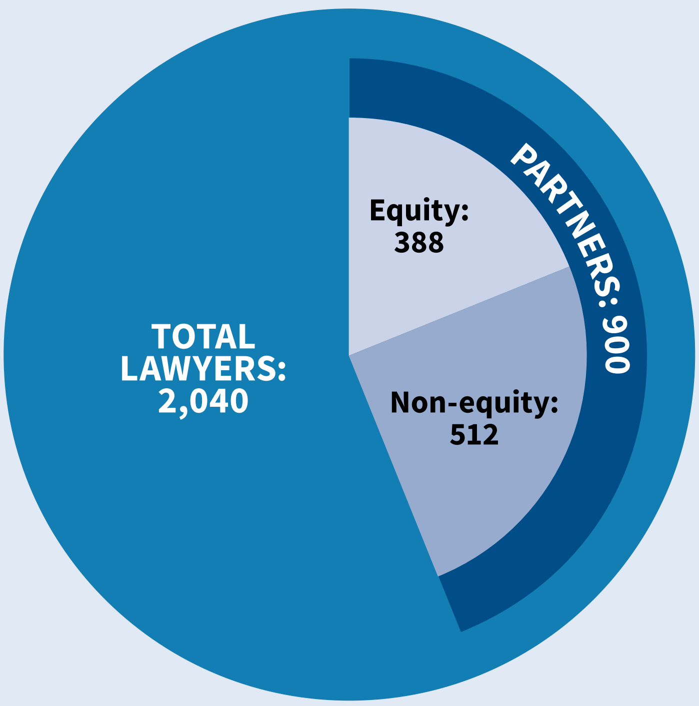
We spend virtually no time on admin. Never wait for the phone to ring. We have edged market share in the alternative capital market and now we do mainstream work. Hammes focused the firm's drive and put out of the way all the impediments. In the old days, [remuneration focused on a] single billing partner. It is encouraged now, when I open a matter, to bring as many partners as I can to share credit. That shift, three-four years ago, had an immediate impact.

Partner, restructuring

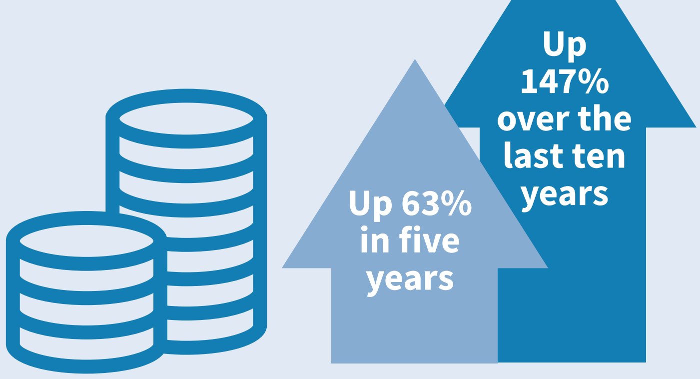
THE TOP TABLE – KIRKLAND'S GLOBAL MANAGEMENT EXECUTIVE COMMITTEE

- **Jeffrey Hammes**, chair, Chicago, corporate
- **Jon Ballis**, Chicago, corporate
- **Matthew Steinmetz**, Chicago, corporate
- **James Sprayregen**, Chicago, restructuring
- **James Hurst**, Chicago, litigation
- **Leslie Smith**, Chicago, litigation
- **Linda Myers**, Chicago, head of debt finance
- **Mark Filip**, Chicago and Washington DC, head of government enforcement defence and internal investigations
- **David Fox**, New York, corporate
- **John O'Neil**, New York, head of investment funds
- **Greg Arovas**, New York, IP
- **Eugene Assaf**, Washington DC, litigation
- **Andrew Calder**, Houston, corporate
- **Stephen Lucas**, London, finance
- **David Higgins**, London, corporate

KIRKLAND & ELLIS – AT A GLANCE



Revenue: $3.165bn



Profit per equity partner:

$4.7m

The four pillars

Transactional (PE/M&A and debt finance)
- Key clients: Apax Partners, Bain Capital, Oaktree, GIC, Blackstone, CVC Capital Partners, Vista Equity Partners, KKR, TPG.
- Advised Bain and Cinven on the €5.4bn acquisition of Stada (August 2017).
- Advised GIC on the €4.4bn acquisition of AccorHotels (February 2018).

Intellectual property
- Represented Intel, Samsung, Sony, Cisco, Teva and BASF.

Litigation
- Advised BP on the Deepwater Horizon oil spill disaster.
- Advised Volkswagen on the violation of US emissions regulations.

Restructuring
- Acted for the debtors in the bankruptcy filings of Seadrill, Toys R Us, Avaya, GenOn Energy, Cobalt International Energy, Global AT&T Electronics, Gymboree, 21st Century Oncology Holdings (2017).

City commentators focused on high-profile London recruitment often overlook the turbulence Kirkland & Ellis has seen with its German practice in Munich. Erik Dahl, who quit in 2016 with a large team for Sidley Austin, had been one of the key promoters of the launch of Kirkland's only continental European arm back in 2005 with the aim of getting more of the sponsor work in Europe and following Bain.

The key target was Ashurst private equity partner Jörg Kirchner for his Bain relationship, but he was instead recruited by the more established German arm of Latham & Watkins. Kirkland turned to former Clifford Chance private equity partner Volker Kullmann, who had joined the firm a few months before the opening of its Munich branch. Kullmann did not have the Bain relationship but brought a number of clients across, including Gilde Buy Out Partners.

Yet the real initial dividend proved to be Leo Plank – 'another little guy with a lot of energy', according to one former colleague. The young restructuring partner recruited in 2006 rapidly made a name with central management and became a leading figure for German restructuring work throughout the financial crisis.

Plank aside, opinions diverge on the effectiveness of the office, with some speaking of a growing frustration from chair Jeffrey Hammes towards both Dahl and Kullmann at the failure to build links with Bain, a cardinal sin to Kirkland. A watershed came in 2015, when Kirkland finally convinced Kirchner to join and bring across his key client (he did not even have to change car parks with Latham and Kirkland occupying two neighbouring buildings on Maximilianstrasse). Plank got much credit for the hire. A few months later, Kirkland secured another prize, hiring an old friend of Kirchner's, Hengeler Mueller's Achim Herfs, becoming the first partner to leave the elite independent for a rival in April 2016.

There was a clash with the old guard: the new recruits accused some of the Kirkland partners of long not doing enough to bring the business in while the veterans grumbled about a more traditional approach – Herfs expected juniors to address him as Herr. After the clash between former US army officer Dahl and Hammes came to a head and Dahl joined Sidley as private equity co-head in 2016, it did not take long to convince Kullmann and his team to follow him and launch Sidley's own Munich office the following year (Dahl took the role of local managing partner).

The Sidley departures brought the tally of European exits since 2014 to almost 30 and cemented the image of the firm as a place dominated by big egos and over-reliant on a handful of clients in Europe.

Although Kirkland's Munich office remains small at 35 lawyers, it finally had Bain onside, which swiftly provided a big-ticket mandate. A team from both Munich and London advised both Bain and Cinven on the €5.4bn takeover of German pharmaceutical company Stada in August 2017. It included Kirchner, Herfs, Stephen Lucas and Neel Sachdev: a showcase of the new guard.

But the Sidley departures brought the tally of European exits since 2014 to almost 30 and cemented the image of the firm as a place dominated by big egos and over-reliant on a handful of clients in Europe. A junior partner who was with the firm at the time recalls: 'It was heavily unpleasant. The impropriety being thrown on both sides. A bitter divorce.'