

Can K&L Gates Quadruple Its Revenue Again?

By **Aebra Coe**

Law360 (September 4, 2024, 2:14 PM EDT) -- Craig Budner is tasked with helping lead K&L Gates LLP's expansion as its global strategic growth partner, looking to add talent to a law firm that has already quadrupled its revenue in recent decades.

With roots dating back to 1858, K&L Gates began a rapid expansion in the aughts. Through a handful of major combinations, the firm has added 38 offices globally since 2004, bringing the current count to 48, and in the last two decades it has more than doubled its lawyer headcount and quadrupled its annual gross revenue.

When asked whether he thinks there is room for a firm like K&L Gates to quadruple its revenue again in the next two decades, Budner said it's possible. However, he added, size itself is never the goal when it comes to the law firm's addition of a lateral, group or new office.

"We certainly look at markets that emerge, and we kick tires to see if it works, but we're always really focused on the client opportunity. And the clients don't really care if we're 2,000 lawyers or 2,500 lawyers," he said.

Here, Budner discusses his firm's growth strategy, which includes maintaining a single profit pool across the globe, as well as what industry factors are at play as K&L Gates and its peers look to the future.

This interview has been edited for length and clarity.

K&L Gates prides itself on being fully integrated globally, meaning it has a single profit pool. How rare is that among the firm's peers and in what ways do you think that has been an advantage to the law firm as it has grown?

It's more rare for global firms than I think folks realize. Our firm is a fully integrated global firm, which at the front end is more expensive. Everything is the same, the conflicts have to get run in one system, all of the same computers, technology. But at the end of the day the profit center is the same, so that we share the positive results with others around the firm globally.

Where it works to our advantage is we've created a remuneration system that rewards client collaboration. If I represent a large client and I have a matter in London, instead of that being in a separate profit center, and the London partner maybe not being quite as interested in serving that



Craig Budner

client, the partner in London gets a matter origination credit. We keep track of client origination, matter origination and matter responsible partner credit, and then we have a fourth category that's cumulative, nonduplicative credit, so you add up those three categories of credit without double counting. Why is that important? Because if I pick up the phone and I call a partner in London and I'm in a Swiss verein, for example, that partner may not be as motivated for the long term with that client, because the only credit they're seeing is any revenue on their own time that they're billing. So, it's better for the client in our opinion because it motivates the lawyer to be more responsive and play the long-term game.

You do see more fully integrated firms that are more national-focused, but there aren't as many that are global like we are on five continents.

How does the firm balance differing levels of profitability in different offices?

It's a pistons up, pistons down. We balance it like any firm does that's one enterprise, and we try to think about markets and use resources without being confined to geography.

We've had a number of mergers that grew the firm from an Eastern Seaboard firm to the global firm it is today. But in 2008 when my legacy firm merged with K&L, around 15% to 17% of our work was sourced by a lawyer in office A, but done by a lawyer in office B. In 2023, the percentage of revenue from a sourcing lawyer in office or practice A and worked by a lawyer in office or practice B was 54%. So we are keenly focused on finding the right person in the platform to serve the client's needs.

Our model is to try to go to the client with questions about what needs, opportunities, challenges the client is seeing and find the project that we can do best for them to add value. And that's often not sitting in the practice of the lawyer who's the originator of that client.

Does growth continue to be an important priority for the law firm and why?

There are a lot of practices that we have in particular that we feel we can continue to synergize with new talent. We've got some areas where we think we're really strong and we want to look at opportunities to add groups and lawyers to make one plus one equal three, if you will.

Is size important in today's legal industry and is it important to continue growing in order to keep up with competitors?

I don't think that's necessarily where the industry is heading. Some people predicted that law firms were going to go the way of accounting firms. But I think different markets have different rules. There's still a lot of impediments to that kind of growth with the bar rules in the United States, for example. It's not quite the same as accounting firms in terms of growing for growth's sake. We think of it as strategic growth. We think of becoming better suited to represent the kinds of clients we think we can add value to. We don't look at our headcount and say we had a great year because we went from 1,900 lawyers to 2,000 lawyers. That's not really how we look at it. We're already in 48 offices. We certainly look at markets that emerge, and we kick tires to see if it works, but we're always really focused on the client opportunity. And the clients don't really care if we're 2,000 lawyers or 2,500 lawyers.

Do you think there's room in today's legal environment for the firm to quadruple its revenue again in the next two decades?

I think there is. I think that any law firm that wants to quadruple their revenue, obviously it's easier to

do if you're small than if you're already into the billions of revenue. It would be a little bit of a fool's errand to predict it at that extended of a timeline. But you're seeing some pretty exciting things in the industry around artificial intelligence and lawyers figuring out how to create some economies of scale around that. The real question will be, will law firms eventually be able to work with clients to get rid of the billable hour model? Will clients get comfortable that they can evaluate value and will lawyers get comfortable that they can evaluate value without a time and materials concept embedded in it? To really make those quantum leaps from the big firms, you would probably have to see something like that. Or, you would have to see a really big firm like K&L Gates merge with another big firm, which is extraordinarily complicated, as you would imagine.

--Editing by Robert Rudinger.