



THE RISE, FALL AND RE-EMERGENCE OF THE BIG 4 IN LAW

How they transformed and how they still can triumph

1 Entry

TURF BATTLE

Lawyers and accountants have always competed, particularly in the area of tax. But by the 1980s, the Big 5 began offering non-audit consulting services.



A NEW BRAND

By the 1990s the Big 5 began aggressively marketing themselves as "multidisciplinary professional service organizations" (MDP) and setting up independent networks to offer a broad range of legal services.

HOW BIG DID THEY GET?

By the early 2000s, four of the original Big 5 were as big as the largest law firms in the world. For example, Andersen Legal boasted:

2,200 Lawyers **36** Countries

RIP

END OF AN ERA ...?

The early 2000s witnessed the apparent death of the Big 5's legal ambitions. Among the causes:

- 1 The American Bar Association rejected proposals that would have permitted MDPs.
- 2 Enron and WorldCom collapsed, triggering a credibility crisis in the accounting profession.
- 3 Arthur Andersen was criminally indicted and declared bankrupt.
- 4 The U.S. Congress passed the Sarbanes-Oxley Act (SOX), which dramatically restricted audit firms from providing certain non-audit services to their audit clients.



2 Re-Emergence

HIDING IN PLAIN SIGHT

Far from dying off, by 2012 the Big 4 re-emerged as major players in the global legal services market, spending the early part of the decade quietly, but effectively, rebuilding and strengthening their legal networks.



Rebuild and expand

the reach of their legal networks, including diversifying their expertise beyond tax law.

Structure their legal practices

to enhance the provision of truly integrated legal services and innovative business solutions.



Increase global visibility

given to their legal expertise.

EXPANDED SIZE AND SCOPE

By 2012, the Big 4 promoted a wide range of legal practices in dozens of countries around the world.

PWC	DELOITTE	KPMG	EY
70	49	39	23
COUNTRIES	COUNTRIES	COUNTRIES	COUNTRIES

HOW DID IT HAPPEN?

- 1 Gaps in the regulation of auditor independence
- 2 Changes in the legal profession's regulatory framework
- 3 Globalization of the legal services market
- 4 Organizational evolution of the Big 4

3 Expansion & Visibility

INTO NEW MARKETS

By 2015, the Big 4 expanded the jurisdictional reach where they deliver a wide range of legal services far beyond their traditional European roots to include the fast-growing emerging economies in Asia Pacific, Latin America, and Africa.



EXPANDING BEYOND EUROPE

PWC	DELOITTE	KPMG	EY
85	69	53	69
COUNTRIES	COUNTRIES	COUNTRIES	COUNTRIES
55% outside Europe	51% outside Europe	36% outside Europe	49% outside Europe

COMING OUT OF THE SHADOWS



Websites

Legal services have become increasingly visible on the Big 4's global websites.



Hiring Star Talent

The Big 4 returned to the kind of lateral recruiting of star lawyers not seen since the 1990s, including from top law firms.



Alternative Business Structures (ABS)

Three of the Big 4 have recently filed applications in the United Kingdom to launch an ABS that will allow them to formally provide legal services. Two of the three have already been granted an ABS license.

4 Transformation

LAW FIRMS LEAVE A DOOR OPEN

In the past decade, international law firms have focused on premium work for premium clients. That inadvertently opened a door for the Big 4, who were only too happy to offer their multinational clients a full range of services to solve their most complex challenges.

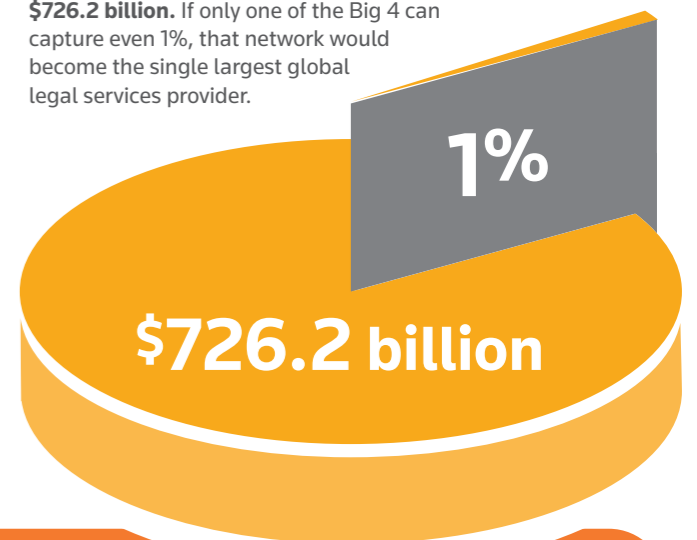
ORGANIZATIONAL EVOLUTION OF THE BIG 4

The Big 4 are each organizing themselves to become a "multiplex" or "matrix" of cross-cutting organizational lines. That means lawyers work and team across jurisdictions; services (e.g., tax, law, audit); industries (e.g., real estate); and clients. This yields a value proposition of "seamless global service." And the Big 4 are only too happy to offer this full range of services to multinational clients.



BIG OPPORTUNITY, HUGE AMBITIONS

The global legal market's projected value in 2019 is **\$726.2 billion**. If only one of the Big 4 can capture even 1%, that network would become the single largest global legal services provider.



Is the practice of law nothing more than a piece of a globally integrated business solution?

Source: David B. Wilkins and Maria Jose Esteban, *The Role of the Big Four Accountancy Firms in the Reconfiguration of the Global Market for Legal Services*, Center on the Legal Profession Working Paper, 2016-01.