

THE NATIONAL LAW REVIEW

Mergers & Acquisitions: How to Successfully Complete a Law Firm Merger

Tuesday, March 19, 2019

Law firm mergers are becoming more and more frequent with each passing year. According to the [American Bar Association](#), in 2010 there were only 39 law firm mergers. Just three years later, as the world still reeled from the Great Recession's turmoil, in 2013, there were 88, and in 2015, there were 91, the highest number ever recorded (via [MergerLine](#)). That being said, law firms must consider many moving parts when calculating whether a law firm merger or law firm acquisition is right for their organization. Beyond due diligence, there is a hefty amount of inner searching and deliberation that must be conducted before the long-term commitment to a law firm merger is ultimately decided.

The ABA provides an example of how to successfully complete a law firm merger with the firm of Mayer Brown, which has merged three different times in just fifteen years, ranging over three continents. "And it's worked out for the attorneys, too," they write. "Mayer Brown experienced a 47 percent growth in net income and a 35 percent increase in profits per partner between 2012 and 2015." Not only are more firms merging than ever before, but the largest merger ever occurred in 2015 as well: "2,600-lawyer Dentons combined with a 4,000-lawyer Chinese firm, Dacheng Law Offices."

Steps for a Successful Law Firm Merger

In other words, the well-executed law firm merger or law firm acquisition can reap untold benefits for the organizations involved. The question, of course, is how to go about doing this without falling flat on one's face in the process, or else regretting the whole affair. For starters, most experts concur that a law firm merger ought to be executed only when it actually benefits the firms in question.

As the American Bar Association puts it, "It should serve a broader business goal." Whether that includes expanding into foreign and international markets or opening up a new area of practice that has become more popular or necessary in a changing landscape, if a law firm merger would not be a boon to the firms, it should be avoided entirely. Mergers should be a means to an end, not simply done for its own benefit.

There are considerations to work through before even taking due diligence into account, in which partners and staff at both firms, as well as outside counsel, all request and pore over endless paperwork referencing finances, workflow, business practices, cases past and present, clients present and future, liabilities and insurance, certifications, and much else besides.

To begin with, though it may seem obvious, partners at the respective firms ought to consider *why* a merger would be beneficial in the first place. Another way to put it is this: what tactical imperative would be accomplished by merging or acquiring that could not be executed properly or efficiently (or at all) without participating in the merger in the first place? If the merger will provide a deeper and more substantial foundation of attorneys, for instance, then it might be worth considering. As Peter Zeughauser, a consultant in Newport Beach, says, "Nobody



Article By [Practice Panther](#)
[Jaliz Maldonado](#)[Practice Panther](#)

[Mergers & Acquisitions](#)
[Law Office Management](#)
[All States](#)

can hire you if they've never heard of you.”

Final Law Firm Merger Considerations

Ultimately, there must be some financial incentive to a merger or acquisition. Without this, it is likely to prove a fruitless endeavor on multiple levels. Compensation is key. The ABA writes, “In addition to the standard profits-per-partner and revenue-per-lawyer data points, which some argue are easily manipulated, firm leaders should scrutinize billing rates and office leases. Compensation, of course, is a critical facet of a deal. Does one firm use a formula system and the other a tiered system? Is compensation evaluated annually or every two years? Are some partners at one firm guaranteed income?”

These may seem like standard areas of due diligence, but the way in which a firm pays its employees is indicative of its culture at large. If the cultures of the two (or more) firms clash, then a deal is likely not a good decision to follow. In the end, the most important things to consider are the incentives for the respective firms, the structural and financial underpinnings and goals of each, and the necessary cultural implementation that will take place after the merger is completed. If these collective prerogatives are not met, a successful merger is very unlikely to occur.

© Copyright 2019 PracticePanther

Source URL: <https://www.natlawreview.com/article/mergers-acquisitions-how-to-successfully-complete-law-firm-merger>