

LAW FIRM MERGERS

# SELLING YOURSELF TO OTHER LAWYERS

In last month's CEE survey, almost two thirds of law firms said they would consider a merger. Jeffrey Forbes\* examines what merger candidates can do to prepare themselves when trying to attract potential suitors

According to *TopLegal International's* recent emerging markets survey of leaders from independent law firms in Central and Eastern Europe (CEE), 60% of respondents said they would consider a merger with a local or international player.

This is an intriguing statistic. It is likely that respondents probably had international players in mind, rather than local ones, when they answered 'yes' to this question. Experience and observation show that, as a general rule, there is still a lack of trust in most CEE markets to encourage local mergers. Moreover, when asked if they would consider a merger, many of those respondents probably thought of the question in the following terms: "If someone offered you a million dollars would you take it?" Naturally a greater proportion would say yes. The majority of CEE partners would also agree that it is important for their clients to be satisfied with their service. But if these same partners were asked what concrete actions they were taking to ensure that their clients were satisfied with their service, you would get a variety of responses, mostly vague and probably not aligned with client expectations.

The issue here, then, is intellectualizing versus action. But how many of the 60% that said

yes to considering a merger are actively taking steps to make their practice or firm a more viable candidate? Probably very few, and the reason for this is, that selling your legal *business* to other lawyers is not the same as selling your legal *services* to clients. In fact, it is more difficult. And the reason selling your business is more difficult is because it is essentially a management issue. But for many partners their first priority is to manage their clients' cases. If they have extra time, they will manage short-term priorities such as staffing, operations, and possibly marketing. This leaves very little time, if any, to think about and plan for long-term strategic issues such as a potential merger.

Another reason why mergers are difficult for most lawyers is that they are also a very sophisticated selling exercise. The recent global crisis has shown that partners at law firms in CEE, whether foreign or independent, have considerable room for improvement when it comes to selling skills. Independent firms looking to merge with other local players, or wanting to be viewed as a viable candidate by international players, need to look at their management and marketing systems first.

There are five main areas that they should be reviewing internally:



**Strategy.** Many lawyers don't like the word strategy. It is too opaque. Yet this is what articulates where you see your practice in one, two or three years. What merger partner would not want to know this? Lawyers don't like to "strategize" because they think it is a guessing game when, actually, it involves gathering significant client feedback, something that many still don't like to do.

### Leadership

Many law firms portray themselves as being "leaders" in a particular market, region or practice area. But when it comes to leading other lawyers in their firm, this is still a rare trait. Many independent firms may have started with one or two founding partners who needed strong leadership skills to establish a practice. But successive generations of partners are often brought into the fold to retain clients or talent, and not because of their ability to lead others. This always comes back to haunt the founders or designated managing partner when they try to implement change.

### Internal systems

A good strategy with effective leadership will be difficult to implement if the firm lacks

efficient internal systems and decision-making structures. The challenge for some independent firms is to recognize they are a business. And as a business, they need professional managers to help "manage" the firm's business, thus freeing up time for partners to manage client relationships and associates to do the work. Independent firms that have mainly "administrative" support face a steep learning curve in this area when looking to join a major international firm.

### Human capital

This is a major challenge for all law firms in CEE, whether local or international. Because their markets developed so rapidly, most of the focus over the years has gone mainly into recruitment, legal skills development, and retention. What is lacking in many firms is a broader plan for professional development and training in client and firm management skills. There are also very few good examples of coaching, mentoring and clear performance evaluation and feedback.

### Client relationships

Contrary to what many partners may think, a client roster is not the most important consideration for a merger partners. Instead what they look for is the depth and breadth of the client relationships within the firm. In today's highly competitive markets, doing a major deal for a client does not ensure repeat business. Also, if certain client relationships are too tightly concentrated in the hands of one or two partners, then it makes more sense to "cherry pick" these partners and their book of business and not bother acquiring any other structural baggage.

Even if a firm has addressed these key points, it can still stumble on the way to the negotiating table because it does not present itself properly on paper. Lawyers are experts at drafting contracts, but a merger prospectus is essentially a sales document that outlines the firm's strategy, rationale and intentions to merge, along with relevant information about

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its lawyers and clients. A firm can greatly enhance its bargaining position in crucial early talks if it has the foresight to hire other professionals to help it to portray objectively the firm's value to a potential suitor.

It certainly takes time, attention and resources to address deficiencies in these areas. But if you are serious about a merger, do you really want to wait until a prospective partner points out your shortcomings? The upside is that whether you merge with another firm or not, going through this exercise will put your firm in a better position for future growth. ■

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