

Merge and conquer

Andrew Roberts discusses how to achieve successful integration once a merger is complete



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Mergers are exciting. They are likely to be the biggest transaction that a law firm will conduct on its own behalf, and they take a huge amount of effort and mental space. It is only natural to feel that, when the merger finally happens, this is the end of the process – but in reality, it is only the start, and the real work comes after.

All too often, the merger is formalised and all staff come together for a party, but the next day everyone goes back to their day jobs and not a lot has changed. So, how do you avoid this and make the merger positive from day one?

This article explores the key areas where proper planning can ensure a merger has the greatest chance of success.

Creating a one-firm culture

One of our clients at Ampersand is a top 60, £90m fee income firm that has completed a number of mergers. They told us: “Creating one culture is fundamental to any merger. If you do not think that this can be achieved, do not attempt a merger in the first place. One good guideline we have used is to ask ourselves the simple question, ‘would a new starter joining the firm a month after the merger still think of it as two firms?’”

So, let’s go back a couple of stages. Once a heads of terms document is agreed, the management teams should instruct mixed groups from both firms to plan how the merged firm will operate in their specific areas of expertise. These groups should cover staffing, system integration (including IT and finance) and

– just as importantly – both internal and external messaging.

Staffing

We know that staff are the largest asset of any firm, and an event like this can be unsettling. The ‘staffing group’ should construct a combined organisational chart for the various specialist teams (corporate, property, litigation and so on), to make sure that any doubling-up of job roles is addressed as a priority. There are very few genuine mergers of equals, and most will involve one of the firms being perceived as the acquirer. Regardless, both sides must maintain an open mind during this process, as one firm assuming it has the monopoly will likely doom the transaction from the start.

Among the lawyers, having extra capacity might not be an issue. However, up until now, they have understood their team structure, including who is above them on the career ladder and what they need to do to progress, so they will have had a good idea of their prospects. Putting two teams together might appear to alter their opportunities, and careful handling of these key people will be needed to ensure they buy in to the new firm and its opportunities rather than leave for perceived better options.

If there are redundancies, these are likely to be among the support staff, who are an integral part – often the heartbeat – of every firm. A few grumbles around the watercooler can soon start to breed discontent and lead to a ‘them and us’



attitude. If there are redundancies, these must be handled correctly from a legal perspective, but they also need to be handled sympathetically. A sensible idea is to offer voluntary redundancy on generous terms and only then assess the remaining team. In my experience, if more generous terms than necessary are offered, this can help enormously, as those affected will still have a voice in the firm until they leave, and can otherwise sour relations.

There may also be redundancies among the senior teams in IT, HR and finance, and management needs to be alive to these.

Our client gave the following advice: “There is usually one dominant party in a merger. It is important that the junior firm is awarded key roles in the combined practice. This can cause difficulties with incumbents but is essential to creating a one-firm culture.”

There is the well-reported occasion from 2023 of a partner who, having just sold his firm, arrived in the car park in a new orange sports car in the same week that all support staff were made

redundant, which is an extreme example of how not to handle your staff.

System integration

The merging firms will also be combining two pay scales, holidays and benefits. The staffing group will need to address this early, ensuring that no member of staff is disadvantaged by the merger. If there are some consultants on unusually generous terms, these will need to be addressed so that, going forward, everyone is on a level playing field.

However, a word of caution from our client, who said: “Do not force day one ‘tick box’ changes that you don’t need to. Respect the other firms’ employment terms and other benefits and practices that they value. You do not need to have instant uniformity on issues that frankly can cause you more trouble than they are worth. There are more important cultural priorities to address to create a genuine ‘one firm’ than just equalising holiday days.”

A second key element of this is IT integration, the importance of which cannot be overemphasised. If systems do not operate correctly on day one (including the basics such as updated logos, logins and email footers), or, even worse, the new website is not ready to launch, you can forgive staff for wondering about the professionalism of the new firm. You don’t want them longing for the good old days.

Let’s also address finance. At an early stage of the discussions, a combined profit and loss account should be put together to demonstrate whether the proposed merger is even viable. Once the merger is live, there will need to be combined billing systems, client accounts and reporting – all of which need to be in place on day one. The ‘finance group’ responsibilities also extend to choice of bank and accountants. A merger is a good opportunity to trial other options and secure the best deal.

Messaging

The final key element is messaging, and this is often overlooked. This covers explaining both the internal and external benefits of the merger. Internally, staff need to know why it is good for them and for the business. Friends and peers are likely to ask about the merger, and recruiters are likely to approach key staff, so if your people understand three or four core benefits that they can buy into and explain, it is hugely helpful.

Externally, clients also need to understand why the firms are merging. Very often, the

top billing clients are called by the relevant partner to explain the benefits, but other clients might only find out when they receive a letter on new letterhead. A well-drafted letter to all clients with clear and concise benefits – ideally, tailored to their specific legal needs – will go far in making sure they remain with the combined firm and instruct new departments.

Key milestones

These are the basic preparatory steps to ensure that any post-merger issues are minimised. But we also suggest that the combined management team should have key milestones around which they can measure progress. We suggest 100 days, six months, and 12 months are sensible milestones, and the various groups you have put in place should have targets to hit by each of these. Examples might be to have two partners (one from each firm) visit the top 100 clients of the combined firm within 100 days, to explain the benefits in person and open up cross-selling opportunities. Alternatively, all private clients could be written to within six months, offering a free meeting to review their wills, or all data could be migrated onto a new cloud-based system and fully integrated within 12 months.

The six ‘p’s

The old military adage of the six ‘p’s’ also rings true with law firm mergers – prior preparation and planning really does prevent poor performance. When embarking on a merger, it is vital that the management teams do not get too carried away with the interesting jobs to the detriment of the other elements. The name, new logos and spreadsheets showing dramatic financial benefits are all very interesting, but management must keep an eye on the areas I have mentioned. Only by doing so will the combination succeed.

A final thought comes from another client (this time a £15m fee income firm), who told us: “If I could offer one piece of advice, it would be whatever time you think it will take, double that estimate and you will be halfway there. Spending that time with staff in both firms, at every level, is, however, vital to ensure the merger succeeds. Failing to put in that hard work makes failure much more likely, no matter how things appear to stack up on a profit and loss basis.”