

A Developing Law Firm Merger Business Case – A Pure Talent Grab

By [Michael D. Short](#) on February 28, 2023

I've seen a few merger negotiations recently that really caught my attention because they may foreshadow a new type of law firm merger – a pure talent grab. Interestingly, none of these discussions resulted in an actual merger, but each potential deal progressed and developed much further than it likely would have pre-Covid. These extended discussions were based on a decent amount of support from key Partners who were simply quite nervous about current or near-term talent gaps...not longer-term market positioning needs borne from a strategic plan.

The excitement from such deals doesn't come from a traditional and thrilling $1 + 1 = 3$ storyline, wherein the combined firm can boldly go after a new market segment via a differentiated service offering to capture talent and clients. Rather, it comes from the potential of two sobering $1 + 0 = 0$ storylines, wherein both legacy firms simply cannot maintain the current talent churn (hire X and lose X-1 in any given year) and need to merely survive and create a foundation for sustainability. As such, I admit that suggesting these types of combinations are not "strategic" is being too traditional because mere survival is a very valid strategic goal.

Recognizing these deals is relatively easy. When asked what the business case for the potential combination is, one hears –

- "So I can have a life."
- "Once <Partner with a unique skill that plays a key role in transactions, such as tax> retires, my clients will take their deals elsewhere and we cannot find a replacement."
- "We lose as many as we hire, and we can't get any traction."
- "I don't see nearly enough future rainmakers in the firm right now."
- "Honestly, our future leadership cupboard is bare."
- "We just need a boost."
- "So we can have a future together...via combining with another similar group."

The talent challenges are fairly universal in the legal industry, and are emanating from some combination of the following factors –

- Even though we are currently seeing layoffs, there is an ever-present competition for the best talent in each market and firm, with a significant Covid-based deemphasis on geography and where people sit, which allows larger and more profitable firms to reach well beyond their physical platforms for good people.
- Covid stress and cultural disconnection due to some firms still not being together on any type of structured basis, which grossly hinders the ability of the young talent to truly experience the culture.
- Shifting generational perspectives toward the practice of law and the challenges of understanding and managing four or more generations at the same time, which is a huge time-consuming task.

- The increasingly unfounded allure of working in-house.
- The march of time, and the resulting turnover/brain-drain/loss of cultural vanguards due to retirements.

This developing law firm merger scenario is highly aligned with my prior blog on the leading criterion for mergers shifting, over time, from comparable financials, to aligned strategies, to similar cultures. [Read [Law Firm Merger Business Case Development: The 'Script' is Evolving with the Times.](#)] Two partnerships that complement or supplement each other, talent-wise, can provide each other with a means to continue to serve their clients, ease the talent grind, and survive. Sharing similar cultures is the primary characteristic that allows both parties to undertake this dramatic approach to addressing their shared challenges and frustrations.

So, when one of these types of deals finally closes, and one *will* close at some point, will we be able to clearly identify it in the press releases and public comments? Most certainly not. Will we be able to judge the success of such transactions quickly? Most certainly. We will see smiles and hear huge sighs of relief but, on a more serious note, departures soon after the votes will either slow considerably or accelerate, based on the confidence of the partnerships in each other and their deal structure. The messaging around the business case for such a deal will need to be handled very carefully because the deal will be much more internally focused than externally...and that's OK. Survival is a strategic goal.