

## What if Your Law Firm is NOT Getting Merger Calls?

By [Michael D. Short](#) on June 1, 2021

The law firm world is facing serious consolidation pressures right now. Public numbers on “closed” deals would suggest to any uninformed reader that all the hubbub is about really large firms acquiring really small firms, yet these statistics show a mere sliver of the related M&A activity. These little acquisitions are the easiest deals to close, but for every closed deal there are many proposed transactions that do not get to the finish line, as I discussed in [my summary piece on activity within our M&A Practice](#). What does not show up in the public statistics – and rightly so – are the vast number of inquiries and conversations between mid-sized and larger firms that want to accelerate the implementation of their strategic plans, rather than relying on the expensive and time-consuming routes of organic growth and lateral hiring. We see incredible levels of interest and activity every day in our merger & acquisition practice and [virtual marketplace](#), so what does it mean if *you* don’t see it? What if your law firm is not getting merger calls?

If you are the Managing Partner of a 25+ lawyer firm located in mid-to-large geographic markets that has a solid client base with some institutional/recurring clients who rely on the firm for several relatively sophisticated practices, and you are not contacted regularly by interested parties, you should ask yourself and your partners why you are experiencing radio silence at a time of such high volume...even if you are not currently interested in such discussions.

A lack of inquiries could mean that:

### **Your firm’s practice profile does not really match up with the characteristics listed above.**

Each marketplace has a home for many different types of law practices. Not all are going to be in demand by other law firms, which is fine as long as the services are in demand by some client segment of the marketplace. Find your strategic niche and enjoy it. However, if you want inquiries, but they are not coming, start by taking a critical look at your firm and candidly self-assess. Is your client base really appealing to a larger firm? Are your services really positioned to flourish in a larger platform? Are you regularly taking positions that are adverse to the clients of larger firms that might otherwise be most interested? It is important to manage expectations properly.

### **You have obvious (to the marketplace) concerns or challenges.**

*Example 1* – If your “Our Lawyers” website page includes primarily older smiling faces and a lot of gray or absent hair, that is a challenge. Add a layer of complexity if the faces are primarily males. Add another layer if the faces lack the appearance of color and diversity. First impressions are important in the law firm M&A world and most “seekers” are trying to address multiple challenges simultaneously.

*Example 2* – If nearly every lawyer on your “Our Lawyers” website page is listed as a Partner/Shareholder/Principal then your practice appears to a) have no leverage (a key driver of profitability) and/or b) be highly siloed in its structure. This profile looks like an office-sharing structure for a bunch of lone wolves who share some overhead costs.

*Example 3* – If your “Our Lawyers” website page is constantly changing and reflecting a high level of turnover, that is a challenge. Related to this point, if your firm has a critical mass of poor comments and evaluations on public

sites covering staff satisfaction, that can be a challenge.

### **You have spent years telling the market that you want to “go it alone.”**

Within the M&A world of discussions, reputations are built and shared. A Partnership that always turns down inquiries will ultimately get what it wants...unless, at some point, it then wants to get into the flow of conversations. Moving from a “do not call” list to a “wants to be involved” position must be handled carefully, lest the marketplace interprets the move to mean “needs to be involved,” which results in an entirely different class (and onslaught) of approaches.

Personally, I do not see any downside to taking these calls and being in the flow of M&A conversations. First, I think any leadership team has a fiduciary responsibility to explore any opportunity that may advance the strategic interests of the firm. Second, I think it is a wise move to learn about the strategic goals of competitors who want to be in your marketplace or are seriously interested in entering your marketplace. We’ve never seen a “first meeting” where the “target” firm did not learn *something* that would benefit them if the knowledge was applied, even if the conversations never progressed past that point.

Furthermore, by participating in discussions, the partnership is not declaring that “the firm is for sale” or “we have a problem that we cannot fix on our own.” Rather, it means that firm leadership is simply doing its job. Since most law firms of the type we are discussing have regular conversations, *not* having them might actually suggest something is wrong, rather than the other way around.

### **You are, or you come across as being, arrogant.**

I know of several firms that have a reputation for always signaling to the other party – intentionally or not – that they are too superior for the discussions to continue. Of course, this is off-putting to the inquiring party and it hinders future approaches because law firm leaders talk about such events.

As an aside, I find that the *truly* superior firms tend to be particularly respectful and engaging in these discussions while the arrogant participants need to return to the first point, above, and conduct some candid self-reflection and evaluation before proceeding.

Of course, there are many other potential reasons. Our point is not to be all-inclusive, nor is it to push unwilling participants into the flow of law firm M&A conversations. Rather, the point is to promote some useful reflection and create a learning opportunity. Demand for merger (and acquisition) opportunities FAR, FAR, FAR exceeds the supply of willing and qualified parties right now. This point, combined with the successful remote working experiences of all law firms due to the pandemic, has resulted in search terms and parameters broadening right now (and the minimum size of target cities is dropping as some “seekers” look to fill burning talent holes with qualified lawyers who can now be located anywhere). If your firm fits the profile of a desirable candidate, yet inquiries are not coming, some key element is out of alignment and is precluding you from hearing about strategic opportunities...one of which may make great sense for your law firm. You need to figure this out, even if you are not interested in a combination.