

Why Aren't we Seeing More Combinations?

By [Joseph B. Altonji](#) on April 10, 2014



In Mike Short's last [blog post](#), he wrote about the drivers of current increased activity on the merger front, and increased interest by midsize firms in combining with other, often larger, firms. However, while a very real upturn in interest exists, many, maybe most, midsize firms remain firmly opposed to the idea of "being acquired" notwithstanding any real opportunities a combination might offer. Absent this common position, there might be far more mergers. In many (not all) cases this aversion is visceral. The reaction is expressed in many ways... "We want to control our own destiny." "We don't want to lose our culture." "The devil we know is better than the one in (insert 'East Coast' city name)." Or, "I don't want someone telling me how to practice law." Sometimes these emotional reactions are backed up with partially strategic concerns around billing rates, or whether an acquirer would take all of the lawyers or just "cherry pick."

What exactly are these firms trying to protect, and just as importantly, what did the "big law firms" do to create such emotional resistance to the idea of being part of a "big firm"? (Note that "big" is relative here. We often see the same thing when a 50-lawyer firm approaches a 10-lawyer firm.) The answers, of course, vary from firm to firm, but there are some common themes from the point of view of the midsize firms:

- First, many attractive mid-size firms were themselves created not so long ago (a decade or two) by then younger partners leaving larger firms to strike out on their own. These partners often left because of either 1) perceived mistreatment in the subjective compensation systems of the firms they were leaving or 2) a sense that the senior lawyers (at the time) would not let the younger lawyers (them) move up as fast as they felt they should. Some of this may have been true, and perhaps some was the perception of the then much younger, soon to be founder, partners of the now midsize firms. But the idea remains embedded that larger firms will be unfair and arbitrary, and in any case will not take the time to understand the real worth of the people they acquire.
- Second, in many situations there is a real and justified pride in the institution. Maybe a first generation firm really has built something special (culturally and otherwise), or maybe the firm is older and enjoys much cache in its smaller market place – there is some local brand value. For these lawyers, the idea of combining and losing the firm's identity and culture feels something like a death sentence – if not for the individual, at least for a close friend. They just cannot conceive that a combination could allow them to maintain what they have but add something to it. And sometimes it won't.
- Third, and sometimes most real but not expressed initially, is fear. Will the lawyers lose what they have? Will the clients abandon them? Will their culture be destroyed? Will their partners – friends – leave if the combination occurs? And expressed even less, will new tougher standards be imposed that I won't measure up to? There is great resistance to change in almost every firm today, which must be overcome for a combination to occur.

For many smaller firms, these reactions stand on one side of the decision scale, and whatever the strategic value of the idea is stands on the other. It's not hard to imagine that the strategic case must be compelling, and almost overwhelming, for many firms to even consider it. (Note that this post is not focused on the strategic reasons why a firm should, or shouldn't consider merger. That will vary for every firm, and it is categorically *not* the case that every small or midsize firm should join a larger one.)

So how did "big firms" create this situation? And could an individual firm create a different reputation that stands out and makes it easier for that firm at least to locate and actually acquire the talent it seeks?

Start with the obvious point: most big firms do not have "horrible cultures" where no one wants to practice law. The fact that they are big and have plenty of lawyers who could choose to do something else alone belies this. In our experience, most firms, big or small, have generally good cultures that work well for most of their people. (No matter that most lawyers seem to believe the culture of every firm but their own is horrible). Second, most large firms are not unfair in their compensation approaches, nor are they poor at managing their businesses, with a few high profile exceptions noted. The ones that fail on these fronts become obvious in the industry, usually fairly quickly, but changing mindsets on these fronts will take more than a statement of these realities.

Whether this environment will ever change systematically is hard to say but seems unlikely in the foreseeable future. So the goal for leaders of firms seeking to grow might be to give culture and people a higher profile in your thinking and outreach. Lead with the emotional and cultural side, rather than the "logical" one. If a midsize firm who's practice would fit well in your firm saw you as a larger version of themselves (culturally) you might have a better opportunity to at least make the strategic case. Overcoming these issues is a major obstacle to many a large firm's strategic growth.