

A2: Achieving progress through mergers and lateral hires
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Why me?

- Largest law firm in Wolverhampton
- Offices in Wolverhampton, Willenhall, Telford, Shrewsbury & Bridgnorth
- Created through five mergers
- 35 partners
- Looked at two mergers in last five years and decided not to proceed
- Several Partner level lateral hires

Background

- Slater & Gordon/Quindell buying PI firms
- 42% of firms report a drop in turnover
- Cobbetts, Blakemores, Atteys etc

Can 2 + 2 = 5?

- She says no
- Thinks you can create a profitable firm from two that are perhaps not so profitable?
- What is the business case for merging?
- Perhaps it helps you retain a big client who might be outgrowing you?
- Existing clients served by additional locations?
- New clients might look at a larger firm differently
- The benefits
 - Economies of scale
 - Elimate some people costs
 - Eliminate some software costs
 - Saving on space costs if you can consolidate locations
- Downsides
 - Clients might be lost through conflict
 - Cannot keep all the referrers happy
 - Lawyers & practice areas might be lost

Due Diligence

- It must be done & done properly
- Existing & previous clients
 - Does one person/team bring in a disproportionate amount of income compared to other people/teams
- Claims record from PI insurance firm
- Other insurances
- Technology platforms
- What warranties have been given by the other firm?
- Lease arrangements
- Financial
 - Any risky sources of income
 - What are their borrowings
 - Any banking covenants
 - Expenses? Leased or owned cars?
 - How is their marketing budget spent?
 - How do they use funding & capital?
 - Is WIP not billed fast enough?
 - What is their cash flow?
 - Balance sheet calculations must be mirrored in each firm

Merger or Takeover?

- Not all mergers are equal
- Lots of platitudes in the press release
- Strength is not always about size
- What is the new name going to be?
- How does the new management structure look?
- The numbers need to be within 10-20% of each other e.g. PEP for a successful merger

Integration Issues

- Financial management e.g. debtor days
- Drawings policy (conservatively or every penny?)
- HR/people issues
- We all sit on a goldmine in our client databases
 - IT
 - Need to "mine" the combined database
- File management & administration
- There will be SRA hoops e.g. one firm is Lexcel, one is not

Lateral Hires

- Can be expensive
- They need to generate more income
- Is it part of succession planning?
- Must drive profitability
- Are they used to an open plan office?
- What software are they used to using?

Maintaining momentum

- It's a marathon not a sprint
- Have a small celebration on the day it starts
- But mergers can take two years to settle down
- There will be setbacks
- There will be unintended consequences