



CORPORATE PERFORMANCE IMPROVEMENT

# A Guide to Successful Law Firm M&A

## A&M's Merger & Acquisition Integration Framework

### A Practical M&A Intergration Approach for Law Firms

**Charting the path to sustainable, profitable growth is not easy. From strategic analysis to execution, Alvarez & Marsal has the experience and expertise to help law firms meet the challenges of enabling future growth.**

#### How Do Law Firms Best Achieve Growth?

In an era where growth defines success, law firms constantly face the pressure to sustain and accelerate growth.

For firms that don't have the time to grow organically or through lateral hires, a strong alternative method to grow quickly is through combination with another firm. Consolidation within the legal industry through mergers and acquisitions (M&A) can rapidly create economies of scale, expand practice group capabilities and broaden geographic reach. Firms aspiring to accelerate growth should evaluate M&A as a potential big-bet strategy.

While choosing the right path can be difficult, the real challenge lies in execution. Realizing the full benefit of a M&A transaction requires having a practical approach that can mitigate execution complexities.

#### How Does A&M's Integration Framework Work?

A&M's integration framework addresses the biggest concerns of the M&A process, including how to prepare, effectively execute and achieve and exceed expected desired outcomes.

#### M&A INTERGRATION FRAMEWORK



With substantial expertise in addressing M&A challenges to deliver outcomes, Alvarez & Marsal is a trusted partner for law firm leaders. Our leadership, seasoned experience, swift execution and pragmatic solutions are tailored to effectively manage the intricacy, urgency and financial objectives of any transaction.



## Pre-Close

How do you  
prepare?

**Determine the Basis of the Deal:** To set the foundation for integration, ensure firm leadership has a unified understanding of the projected benefits of the deal, to provide clarity of purpose. Assess the capabilities of each firm to establish a clear starting point and to identify gaps.

**Assess Practice Capabilities and Global Reach:** The success of the merger relies on the expertise of the people that comprise both firms. Evaluate leadership's capabilities against firm needs, identify potential talent risks to develop a strategy to retain key staff and compare compensation and pay philosophy. Clearly articulating the value proposition and gaining consensus amongst partners is vital to deal execution.

**Set Common Organizational Goals:** Successful integration requires a unified culture and an optimized organizational structure. Unify culture by identifying areas of divergence between the two firms and building a culture plan that includes decision-making frameworks. Determine the initial organizational structure and capabilities based on the target operating model.

**Determine Change Approach and Develop Plans:** Identify change impacts and affected stakeholders and rationalize the roles and responsibilities between the firms. Keep a clear, open line of communication throughout the merger while ensuring sensitive discussions remain private until the right time.

**Set up Governance Structure:** Governance is critical to running a successful integration. Appoint Integration Management Office (IMO) leadership and define integration objectives, milestones and success metrics. Address any conflicts that arise and identify the necessary resolution.

**Evaluate Technology and Plan for Integration:** Start the integration of technology by assessing technology capabilities against the needs of the newly combined firm. Use this baseline to determine target tech architecture, immediate budgetary impact and the strategy for online presence.

### How A&M Can Help:

We can be your Integration Management Office (IMO); we will partner with you to create the integration roadmap (including organization design), define transition services, identify synergies, understand change impacts and execute Day One.





## First 100 Days

How do you  
effectively execute?

**Drive Deal Vision Through Communication and Behavior Alignment:** Influential partners in both firms need to support the merger and understand the benefits and opportunities it presents. Engage them first to enable leadership to role model deal vision and desired firm culture, then launch culture, communications and change plans to staff.

**Frame Changes and Enable Stakeholder Transitions:** Targeted change management ensures positive client, associate, lawyer and staff experiences. Identify critical staff and implement talent retention tactics to align their interests. Communications should address concerns, manage expectations and facilitate a smooth transition for all stakeholders.

**Execute New Organization Structure:** Optimizing the organization structure is critical to realizing and sustaining M&A synergies. Define clear roles, responsibilities and required competencies for the combined firm. Outline and communicate the target operating model and ways of working.

**Monitor Progress and Effectiveness:** Executing the integration requires constant monitoring: identify and measure adoption key performance indicators (KPIs) (e.g., milestone tracking, employee turnover, service disruptions, etc.) and implement a feedback mechanism.

**Launch New Organization:** Launch and communicate the new organization structure, ensure all external stakeholders are informed about closing and what this means for them and conduct firm management roadshows to unify the new firm.

**Evolve Governance:** Transition the IMO and post-migration activities to the business and functional owners and re-deploy firm integration resources to their functions. Roll the synergy and efficiency targets into the business area/functional budgets.

**Execute Technology Integration:** Combine networks of the merged firms, execute a firmwide technology support model to mitigate risks of business disruptions and rationalize the portfolio of projects. As you execute, ensure access to data to support practice area work efforts. Looking forward, build applications, infrastructure and cyber roadmaps for rationalization/migration.

### How A&M Can Help:

In the first 100 days, we can execute the integration plan by launching and managing integration efforts, monitoring and reporting on progress, taking actions to manage risk, facilitating the communications plan and managing change.







## 100+ Days

How do you achieve and exceed expected outcomes?

**Reinforce New Culture:** Establish new firm culture through continued firm leadership modeling of culture behaviors, and ongoing, consistent messaging. Continually assess leadership's ability to perform in alignment with deal vision.

**Identify Lessons Learned:** The organization has just undergone significant change. Conduct a pulse survey and review feedback received from stakeholders. Then, outline a plan for continuous improvement.

**Optimize the Workforce:** Measure associate, lawyer, partner resonance and adapt as needed. Continue to implement the target operating model while refining the talent and leadership strategy. The goal is to implement a future-focused workforce plan that identifies areas to buy, build and borrow talent.

**Ongoing Change Management and Communications:** At this stage, changes to people, process and technology are constant. Demonstrate an unambiguous operating structure and focus on firm cross-functional decisions and rapid issue resolution. Continually execute communication plans for internal and external stakeholders.

**Stabilize Technology:** Focus on technology stabilization first and optimization second, with continuity of systems, support and processes as the priority. Avoid the temptation to do too many things at once; maintaining technology user experience and firm enablement are paramount. When making decisions, utilize the 80/20 rule and emphasize speed over precision.

### How A&M Can Help:

100+ Days is about realizing synergies. A&M will optimize the people, processes, and technology of the new firm to achieve synergies, then transition IMO activities to the firm and support upskilling and development.



## Managing Risk

Managing risk throughout the integration is critical to sustaining value.

**Failure to Build Trust:** Not establishing trust and inadequately managing staff expectations will hinder collaboration, lower cross-selling opportunities and referrals and undermine the merger's potential. Transparent communication and engagement are critical to gaining buy-in and realizing synergies.

**Unclear Market Strategy:** Failing to communicate the value proposition to key stakeholders or pursuing misguided market expansion without a strategic fit risks losing significant revenue streams and diluting the firm's focus.

**Slow Response:** When issues occur, the impact to clients hits fast and hard; clients will sense when people are distracted and feel pain when service quality is disrupted. Build structures to respond to issues as they arise to maintain a standard of excellence.

**Overengineering:** Effective cross-selling plans are complex to develop. Develop and share knowledge of the skills and capabilities across the future-state organization and manage the sales process, but don't over-complicate.

### How A&M Can Help:

We can develop and drive the integration roadmap and ensure clear accountability for delivery. When issues arise, we take decisive action to steer the deal to completion while managing risk.

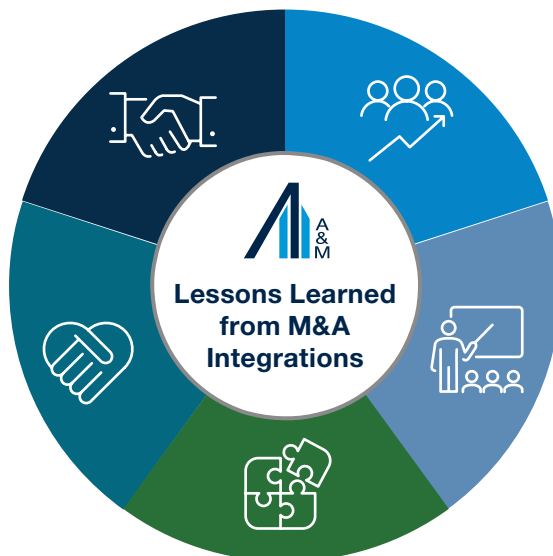
## A&M's Lessons Learned

### Minimize attrition and loss of key talent

Retention of lawyers and practice area capabilities is critical to realizing the value of the combination. Identify the lawyers critical to the firm and clearly communicate their path to partner to ensure they feel valued and integral to the combined firm's future.

### Focus on culture

Culture plays a vital role in shaping the success and effectiveness of a merged organization. Lack of focus on culture can lead to lawyer disengagement, challenges in retention, conflict, misunderstandings, and value erosion.



### Incentives drive behaviors

New compensation models, benefits systems, and rewards approaches must be connected to the combined firm objectives and embedded in the integration strategy. Aligning incentives will encourage behavior that supports the firm's unified objectives.

### Controlling the narrative is critical

Communicate early, often, and consistently. Without a clear message, the rumor mill will take over, and confused and distracted staff will not be able to drive the desired outcomes of the merger.

### Get the integration of technology right

Ineffective technology integration can result in disruptions to service, increased costs, lawyer frustration and resistance, security risks, and backlash from clients. Prioritize user experience and data security to prevent issues before they occur.

## Conclusion

Law firms considering an M&A transaction face the threat of the unknown. While the opportunity is substantial, lawyers will resist change, and leaders may not be experienced in managing such a significant transition. Our experience shows that the firms that successfully pull it off are those that adopt a proven playbook for integration and engage a third party to lead the integration.

Regardless of your firm's position in the decision-making process, A&M can help navigate your M&A journey. Our approach is pragmatic, focusing on delivering practical solutions designed to optimize the value of your merger while minimizing the risks and surprises that can arise post-transaction. We tackle challenges in real-time and provide tangible results that exceed expectations.

If your law firm is poised for growth and ready to explore the strategic leap of M&A, Alvarez & Marsal is your dedicated partner for every step of this transformative journey. Contact us today to discuss how our tailored M&A integration framework can accelerate your firm's growth and solidify your market position. Let's chart your path to growth together.

## Contact Us

To find out more about this opportunity, please reach out to the authors



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## ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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