10th Annual IBA Law Firm Management Conference

Moscow, 2 December 2016

Strategy. Consolidation VS Spin Off

Understanding why the firm must grow: through Mergers?

Overarching strategic intent

Where and how we choose to compete

Specific growth rationale

For instance:

Optimal economic return to owners

Great place to practice; self-actualisation

Well-serviced, satisfied key clients

Advance the rule of law / contribution to society

Develop an institution that will outlive owners

Clients to prioritise

- Highest NPV future earnings / profits
- Brand-driving 'trophy' clients
- Altruism-based clients
- Client industry sectors

Services on which to focus

- Talent (in firm / available in market)
- Able to deliver profitably
- Brand-driving services
- Supportive / ancillary services

Markets in which to operate

- Existing key clients want us to be
- Our services are in demand
- Prospective new key clients to be won
- Acceptable cost + risk / benefit ratio

Our optimum **Business model**

- Resources available (not just financial)
- Desired culture
- Profitability drivers
- Optimum presence in markets

- Broaden value to existing key clients
- Deepen competence and brand in key industry sectors
- Attract new potential key clients
- Achieve / sustain preeminence in core service areas
- Diversify into new service lines
- Exploit economies of scale
- Attract new talent and/or client relationships into the firm
- Penetrate / grow in attractive new markets
- Manage / reduce 'long-tail' of unprofitable areas of the business
- Effect difficult change
- Defensive – key clients defecting to newly-larger competitors
- Climb the league tables

Key dimensions to creating value

Double down on strengths

Diversify practice offering

Deepen client industry sector focus

Develop geographic reach

Acquire new resources (talent, systems, etc)

- Comparing the average revenue per lawyer (RPL) weighted by headcount in the legacy firms with that of the merged firms can provide an indicator of whether value has been created – or destroyed.
- Tight economic conditions can create merger opportunities that would not exist in more prosperous times.
- Recent mergers include several examples of distressed acquisitions where, had at least one of the parties not merged, it would have likely become insolvent.
- The successful mergers appear to be firms that combine successful exploitation of scale with a very tightly defined strategy that is well aligned with market realities.
- Key to optimising post-merger performance is the separation and release of those parts of the new combined firms that, while they may have made strategic sense in the legacy firms, align poorly with the new firm's strategy.