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Mergers - will you reap the dividend?

Howard Hackney and Nigel Haddon

MOSAIC legal

17 June 2015

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Howard Hackney

Howard left Grant Thornton UK LLP in 2008 where he had been a partner for over 25 years to establish his own boutique practice. During his time at Grant Thornton he was head of professional practices for the North West and head of family businesses for the UK. At Grant Thornton he had a variety of roles including office Managing Partner, North West regional marketing partner and membership of the partners appointments panel. Howard specialises in advising mid market professional practices and family businesses. In 2002 he won the CBI's national award as "Best Business Adviser".

Howard's focus is providing "special projects" advice to firms with up to 20 partners. His experience extends from highly profitable sole practitioners to advising 3 of the top 100 law firms. Recent assignments have included sales of law firms, partnership disputes, fund raising, LLP and ltd company conversion, ABS conversions and acquisitions.



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Nigel Haddon

Nigel spent nine years as Managing Partner and then CEO of a successful regional law firm, and during that period moved the business from being a 'High Street' general practice to being a credible alternative to city-based competitors, deriving the majority of its income from commercial work.

Nigel is a former Chair of the Law Management Section of the Law Society, editor of the same Section's Merger Toolkit and an alumnus of Harvard Business School's Leading Professional Service Firms course.

What sets Nigel apart is the breadth and depth of his practical experience gained in law firms large and small. Nigel has over thirty years' experience as a practising solicitor at five different law firms. During Nigel's time as CEO he concluded four separate mergers, and was involved in talks about many others – indeed, he often says that he learned more from the deals that got away than from those which completed!



 **Haddon Consult**

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Introduction

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Agenda

- Only 50% of mergers are a success!!
- Pre merger
- Pre & post merger
- Post merger issues
- Questions throughout please





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Robert Sher - Forbes leadership forum

- Do you have sufficient management capacity to take on the integration process, or are you already stretching to run your business?
- Have you thoroughly assessed the culture of your target acquisition, and is it compatible with your company's culture
- Is the deal in line with your corporate strategy
- Is the deal priced so that you can afford to pour adequate resources into the integration—and still have a return on investment?
- Is the acquisition, along with all the costs and risks associated with it, a better choice than all other alternatives?



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Pre merger

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Strategic reasons to merge

- New markets
- New skills
- New clients
- Bench strength
- Cost base
- Risk
- Succession / exit
- The availability of finance





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The real “bottom line”

- Must increase or at least protect profit
- Fee income & size is unlikely to be a valid reason
- OR that everyone else is doing it
- Genuine SWOT assessment
- Are you a buyer or a seller - few real mergers



Getting buy-in

- Particularly important in a partnership - recognise if you are the buyer or seller
- Who
 - Management team
 - Partnership
- When
 - Early to avoid leaks OR
 - Later to avoid embarrassment & to deal with the politics
- How - depends on management style - the “terrorist”
- Managing Partner hubris/vanity



Resourcing & preparation

- Respective values of each practice
- Funding
 - Partners
 - Banks
- Management time & ability
- Model in detail & stress test robustly





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Questions?

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Pre & post merger

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Structure

- Legal
- Management team
 - Who gets what
 - MUST avoid infighting
- Organisational structure
 - Geographic
 - Service line
 - Functional
 - Matrix - AVOID
- Focus on genuine business unit
- Centralisation v local decision making



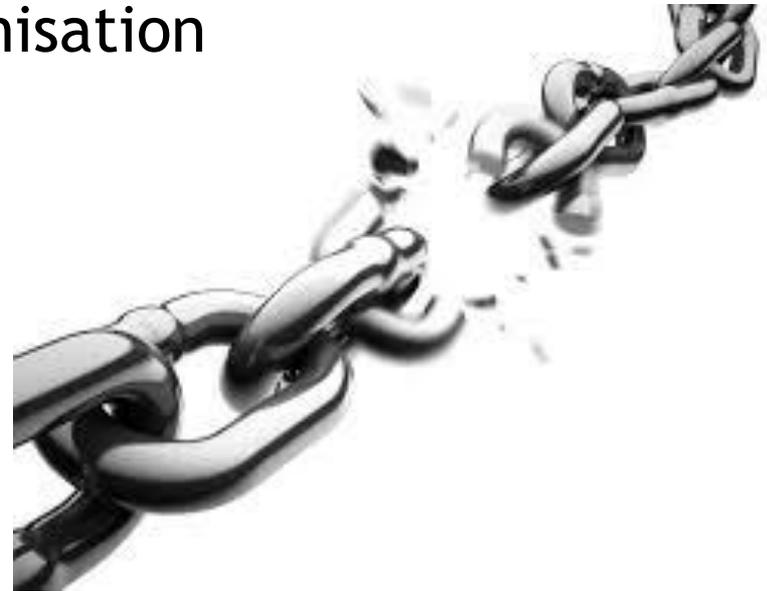
Integration

- What should happen pre-merger
- 20:80
- Integration plans
 - Partnership
 - Strategy
 - Management
 - Operational & support activities
- It is the process not the subject that matters
- Who is responsible for integration?



Critical success factors & deal breakers

- Will vary from deal to deal
- PEP often key
- Premises
- Management structure & organisation
- Retention of clients
- Retention of partners
- Funding
- IT
- Unusual structures or practices
- Really all about the people fit





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Practical & Regulatory

- Practical
 - Use of check lists & precedents
 - Delegation key for leadership teams
- Regulatory
 - SRA
 - Claims & PII
 - Accreditations, etc
 - Risk management





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Communications

- Pre-merger
 - Internal
 - External
- PR consultants
- Post-merger
 - Promoting ‘our’ behaviours
 - Celebrate the quick wins
 - Awareness of ‘differences’
 - External





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Forecasts & Business Plans

- Many drivers but improved profitability has to be main goal
- Clear goals which are measurable
- Budgets
- Business plans
- Performance standards
- Performance management



The first 100 days

- Planning the first 100 days done pre-merger
- The hard work starts on completion
- Firing the starting gun on:
 - New working practices
 - Achieving financial KPIs
 - New routes to market
 - CRM
 - New leadership & management



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Culture

- For the long term success of the venture, compatibility of cultures is absolutely key
- Often glossed over, rarely considered in depth
- Values
 - Organisational
 - Individual
- We just need to know we ‘get on’?
- Values v. culture v. behaviour



Culture

- Culture review
 - Groups working with facilitator
 - Consistencies and inconsistencies
 - Assumptions and issues
- Post-merger
 - Adaptation vs. Change
 - Behavioural change
 - Long and bumpy ride



Role of the lead adviser

- Provide additional resource throughout process
- Critical friend
- Independent
- Market knowledge
- Pre merger preparation
- Expected value
- Potentially lead the negotiation
- Play “hard ball”
- Ask the difficult questions of targets
- Technical input - tax, accounting funding





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Questions?

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Post merger

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Monitoring

- The integration team & 100 day plan - vital
- Meeting financial forecasts - vital
- Achievement of objectives - desirable
- Has it been a success - rarely done formally!!





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A 'One Firm' firm

- Creating a 'One Firm' firm
- Strategy and aspired-to position
- Consistency
- Inconsistencies
- Performance (and Partner) management
- The 'One Firm' firm as an institution





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Fault lines

- Examples include:-
 - Firms that remain more than one firm
 - Conflicts between offices, departments, markets
 - Widely differing profitabilities
 - Widely differing working practices
- What does it lead to?
 - ‘We’ve always done it this way’
 - Drain on internal energy and focus
 - Underperformance
- What to do about it?
 - Soldier on, or
 - Nip it in the bud?





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Strategy

- Journey's end?
- Merger isn't a strategy!
- New strategic choices
- New market position
- Clients and business development
- Execution



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Conclusion



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Questions

Links/ contacts for Law Society and other external resources that may offer further information

www.lawsociety.org.uk

Please send ideas for future webinars to Britha on britha.parekh@lawsociety.org.uk



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