

Mergers & Strategic Alliances – What Should Law Firms Expect out of Synergies in India?

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There is no doubt that law firm mergers are trending like never before. One may examine the reasons why. Is it a strategy to grow numbers in terms of turnover? Is it sending a message of larger technical expertise and bandwidth? Is it a part of strategy to outsmart competition? In this article, we talk about the driving force behind exploring options of mergers and strategic alliance by firms in India, and what law firms should expect out of synergizing.

Alliances have, historically, been one of the ways in which countries used to bond and come together to form a stouter force against other, rival countries. Following a somewhat similar approach, law firm mergers are being considered as a move that would make them stronger vis-à-vis other firms. The expectations are very simple – enhanced bandwidth, more partners contributing to the top line, addition to the array of practice areas offered to clients and advantages of established brands. We will examine these factors one by one.

One of the primary factors that encourage law firms to merge is the addition to practice areas that the firm would be able to offer to its clients as a result of merging with another firm of diverse practice areas. Also, between firms of similar practice areas, mergers are a prudent strategy to let the merged firm become known as a 'stalwart' in a boutique practice area. This is an especially growing trend in recent times owing to increased interest by clients in specialized or boutique law firms.

Another major factor drawing law firms to look for mergers is the advantages associated with an established brand. This is largely applicable for law firms with a smaller practice, looking to merge with a law firm with a larger practice. Subject to working out modalities with respect to name change (most likely, smaller firms drop their name or get their name in the subsequent order in a joint name), smaller firms tend to gain advantages from the robust client base and well-known brand of the larger law firm.

In larger countries like India, especially the ones that are diverse in terms of geographical expanse and language, customs, religions and local practices, law firm mergers are a popular way to make inroads to far-off locations. In order to be the 'Go-To' firm for their clients across all locations, law firms try to open offices in different cities, covering the entire landscape of the country. Now it may not always be possible for a firm to establish an office from scratch and invest capital in building an infrastructure and office. In such cases, law firms explore the options of entering into synergy with a firm/lawyer based out of particular location by various means – say by way of merger, brand merger or referral relationships. The aim is to enhance the

service offerings from a particular geographical location with least investment in terms of time and capital to set up a practice.

Another trend that has been noticed in the recent past is the 'Panic Button Merger'. There are times when the key stakeholders, say managing or founding partners, either lose interest in running the firm, or understand the limitation in their capability to take the firm to the next level of growth. In such a state, the merger comes to them as an option to overcome the panic-struck state and reform the firm under the expert hand of a firm that has been running more efficiently or under a more efficient leadership.

What to Expect from A Merger

Now that we have examined some of the factors that drive law firms to synergize and form alliances, we should also understand what the firms should truly expect from a synergy. The factors driving the need for synergies are like swimming on the surface. One needs to dive deeper and understand what lies beneath the synergy. Are the firms merging only to create a statement within the fraternity? Or is there a better offering to the clients? Is there a true acceptance of best practices from the synergy? Are the firms being one-up in terms of technical competency? These are some of the questions both of the synergizing entities should consider.

By merely opening an office in another city, the clients are not obliged to direct their mandates to the firm. They will obviously need to be convinced that there is a technically sound lawyer to advise them on the most correct legal course of action. Hence, the firm must look to merge with another firm or lawyers after being convinced of their technical expertise, talent, experience, legal acumen and quality of work done in the past. Due weightage must be given to the benefit in terms of talent that will be on-boarded with a synergy.

Considering that synergies are once-in-a-lifetime kind of events in the life of a law firm, the approach to exploring a synergy cannot be treated like a formality or ticking off a bucket list of desired advantages. It is definitely a serious exercise that calls for all the parties to contribute to the planning and examine all the strengths that can be synergized to raise the service offerings to the client. It calls for imbibing best practices followed by the other party without any ego and hitch of dilution of power. One cannot be driven by short-term advantages like gaining from a better brand or larger share of profits, etc. There are deeper concerns that should not be overlooked by the merging firms. Activities like culture test, practice planning, financial budgeting, marketing strategy etc. are too often ignored. After the merger, their effects are far-reaching, and sometimes irreversible.

To sum up, a truly synergized entity is one that is integrated in its aim, and its approach to achieve that aim to serve nothing but the best to the clients. Law firms should look for synergies with a view to creating better service avenues for clients and to get on board a team of quality professionals. The merging parties should be like-minded in their vision to build an entity that is managed efficiently, that swears by best professional and managerial practices, that offers its services at competitive prices, and that aspires to be a 'one-stop shop' for all legal requirements of their clients, serviced by a team of best legal professionals.