

Happily Ever After? Firms Talk Life Post-Merger

By **Marco Poggio**

Law360 (January 20, 2022, 3:18 PM EST) -- More law firms are considering mergers and acquisitions than in the past, driven by a desire to shorten the road to market dominance and secure the best talent against the competition, industry experts say.

Historically, most law firms have sought to grow through lateral hires, or organically, by letting associates rise through the ranks. But in today's economy, many are now exploring mergers and acquisitions to achieve faster growth and find their place in the market, said Kent M. Zimmermann, a partner at the Zeughauser Group, a consulting firm working with some of the largest law firms in the country.

"What firms increasingly realize is that just growing with associates and laterals tends to be slow, error-prone and expensive," Zimmermann said. "That's leading a very large group of firms to look at combinations."

A larger firm size generally equals a higher profile, better market position and a stronger brand, all of which bring more clients and attract the best professionals. Getting bigger also makes a firm more resilient in the face of poaching by larger competitors, he said.

Although the actual number of closed merger deals last year was lower than expected — a slowdown likely due to the COVID-19 pandemic — there were still over 70 mergers across the legal industry in 2021.

The most notable include the tie-up between Holland & Knight LLP and Thompson & Knight LLP, which in August combined to form one of the biggest law firms in the U.S., with 1,600 lawyers across 31 offices.

Arent Fox LLP and Schiff Hardin LLP announced their combination in December. When the merger completes on March 1, ArentFox Schiff will become the around 75th-largest law firm in the country, with over 600 attorneys and professionals working across seven U.S. cities.

Crowell & Moring LLP also acquired two boutiques in 2021. Kibbe & Orbe LLP, a 24-attorney firm based in New York City specializing in financial transactions, joined Crowell in March, while Brinks Gilson & Liono, a Chicago-based intellectual property firm, was acquired in June, bringing 60 lawyers, including 27 partners, to Crowell.

Zimmermann, who had a front-row seat to those transactions — he advised Schiff Hardin and Brinks

Gilson on their moves and is a strategy advisor for Thompson & Knight — said those firms chose to combine to accelerate their progress toward goals that they had individually set for themselves.

"The benefits of scale are becoming increasingly clear to most firms," he said.

Law360 Pulse spoke with Crowell & Moring chair Philip T. Inglima; Anthony V. Lupo, the chair of ArentFox Schiff; and Holland & Knight's managing partner Steven Sonberg to hear about how their combinations are playing out. The interviews have been edited for length and clarity.

PHILIP T. INGLIMA, Crowell & Moring

Crowell acquired two boutique firms last year. How has it been since those deals closed?

It's been terrific. These have been busy folks since they've come aboard. We have seen excellent client response. We had preannounced some of this because it was about to hit the market, and even before these folks arrived we had clients sending us messages, or calling us and saying, "Terrific fit. Home run. Congratulations." We've always admired these people; [we've had] all sorts of excellent feedback.

In the case of Brinks Gilson, a GC of one of our very highly prized clients asked us to consider these folks, saying that we are very well-aligned and that this would be a natural fit. And he was right. So, the client response has been excellent. The integration of the teams has been great. We couldn't be happier about it.



Philip T. Inglima

Have the mergers helped you move toward your goals?

With both these teams, we actually started one of the most important things before they actually got here. As we started working together, we had some of our trial teams, some of our client service teams already talking between the firms before the date that they went live with Crowell. That was quite deliberate.

This is a shared goal, and we were able to really get after it quickly. That is the best integrator of all: working together on matters that each team brings to the equation. And it leads, of course, to new thinking about how we can serve our clients together and how we can open up new pathways for our clients to support from the larger enterprise. So that has been a very big part of the success. And I will say, it happened at quite a rapid pace.

What challenges did you face with these acquisitions?

The challenge you always have is scaling up in size. It puts more pressure on the operational side of the house, on the professional staff generally, with the addition of people from these existing firms and teams. There's always going to be a period of transition. It takes time to get everybody adjusted on systems. Those integration processes take time.

Then, of course, the pandemic makes everything more difficult. We love to do things in person. We were fortunate that we had a low in the pandemic from April through late summer, and so we did a fair

amount of things in person. But then, we had to start shutting down more and more into the fall and the turn of the year, which is frustrating. We've made good use of technology and more limited in-person sessions in the last couple of months to continue the pace.

Were there any big additions or moves since the mergers?

We did have a couple dozen people arrive last year besides those in these combinations. We had 100 new lawyers join our firm last year overall. That includes our direct new hires from law schools, the folks we hired at the lateral level of associate and counsel, and then the partners and senior counsel. But [the mergers] were the most significant scale moves we had last year. And of course, the Brinks Gilson move is the largest we've had in our firm's history.

We are actively recruiting in Chicago. While it's not likely to be a large-scale combination at one time, we are expecting that office to continue growing quite significantly over the next 18 months.

Were there any objections to these two mergers?

These two teams were about as united within each of their shops as you could be. We were in discussion with the Brinks Gilson folks from the end of 2019 until mid-2021. When we went live on July 2, 2021, they were all aboard. They had lots of time to walk up to the line and get a confidence level and familiarity.

The Kibbe & Orbe discussion was shorter, but it still was more than nine months of significant discussion. And we did pretty exhaustive diligence on each other. We want people to have a chance to get some real face time, both from near and far, to get a comfort level. So I feel like there was actually a pretty strong level of comfort and confidence on both sides going into it.

Do you foresee any other mergers in the near future?

In 2022, I would not be expecting anything of this scale, but you never know what the next opportunity will be. And things change rapidly these days in the legal landscape, so I'm not going to make any predictions.

ANTHONY V. LUPO, ArentFox Schiff

Why did you consider merging?

Ten years ago, you would have said a 450-person law firm was a large firm. That's not the case now. Most firms are either breaking [up], going down to boutiques or they're growing larger.

[At Arent Fox], we wanted to be a full-service firm and continue our growth. There was a point where we decided that we wanted to add corporate lawyers, and we added Boston, which is about 50 lawyers. That was such a success: We were able to increase the revenue by 50% coming from Boston and going into Boston. So we started to look on a bigger scale.

Chicago was always one of our core territories. We had clients there; we felt it was a gateway city. There are not many law firms in the country that



Anthony V. Lupo

are in gateway cities only like we are. And so we wanted to continue that strategy and felt Chicago was the missing piece.

Schiff Hardin was a perfect firm for us because it had a very strong corporate presence. It also had private equity. It had things that we didn't have, but that were close. I'll give you an example: We probably have the number one retail practice in the whole U.S., but we didn't have the consumer safety practice and the product liability practice that they had. We're both servicing the same clients, but we had missing pieces. Bringing it together really was a one-plus-one-equals-three type of scenario.

Tell me about your gateway cities expansion strategy.

Gateway cities are major business hubs in the U.S. where there's a critical mass of lawyers that can command the higher rates and where clients would expect to find business-savvy lawyers to be able to do their work. We have 200 lawyers in Washington, D.C., 150 in New York, 200 in Chicago and 100 on the West Coast. It's really a well-defined footprint, with no office really dominating. It's kind of unique.

Growing by ones and twos is very difficult, especially in today's economy, because many times, people don't have the business that they had hoped to bring. You want to grow by groups or by firms. Both Schiff and us saw that opportunity.

The merger with Schiff Hardin LLP will be official on March 1. What's happening behind the scenes?

We have a 180-day plan. We are meeting weekly on integration because it's very important. You do all this work, you have to make sure that it's integrated and it works the way it's supposed to. But more importantly, we also have a 180-day business plan to produce revenue, and we've mapped that out.

Arent Fox is kind of unique: We go after certain industries, and we try to own those industries, 360, soup to nuts. When we bring laterals in or we're trying to pitch clients, we do it on this industry approach. It's been very effective for us. So we want to make sure that we're lining up, we're bringing leaders in from both firms to lead those industries.

We have a list of all the opportunities that we've been able to transfer between the firms, referrals that we were able to obtain as a result of Schiff referring the matter over, or vice versa, matters that we sent over to them. We have been very successful — we created about 32 different opportunities so far before the merger even started to work.

How has the transition worked out so far?

That's been fantastic. We didn't just jump into it. We wanted to make sure all the groundwork was done. We have lots of things that need to be thought of. We have to look at which systems are the best and make decisions. We wanted to take the best of breed.

What's the morale like now that the merger is approaching?

It's been amazing. The excitement has gone way up. [The merger] has been incredibly well-received by the marketplace. Clients have all responded very positively. It has created a lot of excitement and goodwill, especially when your clients are reaching out for additional work that you might not have been able to handle alone. So that's a great incentive.

What are your short-term goals for this merger?

We want to make sure that we do this jointly. The partners at each firm have gotten to know what the other firm does and what their people do. It's very important to make sure that there's cultural integration as well.

We're a very marketing-oriented firm. We're aggressive in our marketing approach. You have to know what you can sell. That's going to be a real effort, with a lot of opportunities for meetings, joint pitches and the like. We're talking about how to generate revenue, which is an important goal for a merger.

Has the merger helped to attract talent? Is there any more hiring in the works?

We've been able to attract laterals that we might not have gotten but for the merger. We've had a recent lateral in New York that specifically said, "Hey, look, it's because of the combination that I wanted to come to Arent Fox."

We have a number of candidates that we're looking at right now — groups. We do a lot of due diligence on our hires, so we're in the process of looking at that. There's real energy right now in combining firms. It's a real positivity. I think everyone feels that energy.

What challenges are you facing with this merger?

The challenges are to make sure that we get the firms integrated at all levels, from staff all the way up. That takes a lot of energy and a lot of attention.

STEVEN SONBERG, Holland & Knight

How has it been since the merger went down in August?

It's been very good, very hectic, lots of things to do. But we've had a strong year in client expansion, in lawyer growth and financially.

We see the benefits, already, of the strength of the firm in Texas. It has not only benefited us in Texas, but also in New York and in our international offices, especially in Mexico, which we're hoping will be much stronger in 2022. I believe the additions there have made us stronger, better positioned.

Obviously, the year was quite extraordinary in terms of the volatility of the legal market. It's a recruiting challenge and a retention challenge. We fortunately found opportunities in both of those areas. We're very happy with the end results. We've had gains in all areas, including client expansion, financial gains, the growth of strategic talent, as well as our expanded industry expertise.



Steven Sonberg

How has the merger benefited your firm?

There was a component of Thompson & Knight, their real estate capital markets practice, which had a significant number of people in New York. So, that added strength there. They also had people

positioned in Mexico City and Monterrey, [Mexico]. That will benefit us. We were able to work with people in Texas, as well as other offices.

Two new groups are joining us, one in South Florida, and another one, an energy group. Both believe that one of the attractions for their joining Holland & Knight is the merger with Thompson & Knight.

[The merger] is creating a lot of momentum for us.

Tell us about the challenges you've faced in the merger.

The biggest challenge internally has just been integration. Trying to integrate in a pandemic environment is not the easiest thing.

There were things that we had to accomplish, what I would call the more mundane, nuts and bolts: making sure that the finance and accounting systems were integrated and worked well together, making sure that document production worked well, and trying to coordinate work on pitches, whether it was for clients or recruiting.

We have been successful in having a number of in-person meetings despite the pandemic, but not as many as we would like and not as many opportunities for people to visit different offices and have face-to-face interchange or interaction with their new partners. But despite that, we've had a lot of exciting opportunities.

Why did you choose to merge with Thompson & Knight?

We knew their history. They are one of the oldest firms in Texas. They have excellent reputations, and their practices were complementary to things that we wanted to achieve. Texas is an important state, a growing state. Like Florida, it is seeing a lot of migration of people moving from other locations, and we think that that is going to continue into the future.

Have there been additions, moves or hiring since the mergers?

Yes, many. We added a significant number of transactional lawyers during the course of the year, particularly in the private equity and M&A area. There were additions in Texas and in a number of other states. In that practice alone, I believe we added 19 partners and of counsel from the time the merger was announced. That has led to other opportunities for us.

Are you planning more hiring for the near future?

Yes. We have a very strong backlog of individuals we're speaking with. I think that they will bode well for us in the first quarter. I certainly look forward to continuing to have opportunities for growth as we go forward in 2022.

--Additional reporting by Aebra Coe, Justin Wise and Steven Lerner. Editing by Steven Edelstone.