Cultural Compatibility. As important as any factor in a successful law firm combination is a strong cultural affinity between the two parties. In a law firm context, "culture" includes such factors as inter-personal compatibility; commonality of professional values, ethics, and standards; congruent philosophies toward firm management and governance; and a similarity in terms of practice approach and style.

Strategic Rationale. Successful law firm combinations rest on a strong foundation of strategic, market, and competitive rationale. Such mergers must be able to demonstrate the concrete benefits of the proposed combination both to clients (in the form of stronger capabilities and better service), and to the firm itself through opportunities for revenue growth, practice and/or client enrichment, and increased profitability. In all of our merger work, G. R. Garrett Consulting LLC places heavy emphasis on identifying, verifying and, where possible, quantifying the concrete benefits and synergies that are likely to accrue from the proposed combination. To these ends, our merger team works hard to gather competitive intelligence, to elicit market feedback both from existing clients and non-clients, and to carry out market research to assess the relative attractiveness of different geographic markets, industry sectors, and legal specialties.

Performance Parity. For a law firm combination to be accepted by the partners of both firms, it is imperative that the two firms be "in the same ballpark" with respect to key economic and productivity performance indicators. Among the most salient indicators we include in this analysis are revenue per lawyer, profit per partner, lawyer productivity, revenue realization, leverage, and the relative compatibility of the two firms' balance sheets. Going into the transaction, it is important that neither firm views the other party as a “lesser firm” nor that one firm would, in effect, be "subsidizing" the other from a financial or compensation standpoint.

Absence of Deal-Breakers. In any potential merger, there are always a few issues that, unless resolved, could lead to the cessation of merger discussions. In some cases, relatively minor issues have caused the demise of what otherwise would have been a strategically compelling combination. Among the more important of these potential issues are client conflicts, incompatible compensation approaches, differing partnership structures, disagreements regarding the combined firm name or leadership, outstanding lease or real estate obligations, "red flag" balance sheet items such as unusually large
amounts of debt or unfunded retirement obligations, and the existence of certain
detrimental anomalies such as difficult "800 pound gorilla" partners or an over-
concentration of revenue in certain clients or partners. Unless these issues can
somehow be rationalized, the proposed merger or acquisition could be doomed from the
start.

All four of these criteria must be satisfied before a proposed merger can be
recommended to the two partnerships.