

3 Why merge? (2): Forces driving consolidation in the UK legal services market

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A merger is a means by which a strategic objective may be achieved; it is not a strategic objective in itself. This is, perhaps, an obvious statement, but one which seems to elude many management teams when discussing strategy and the options available to them. A statement by any law firm leader that ‘our objective is to merge’ is worrisome unless it is simply a shorthand way of expressing a thought process which has led to the merger option as the best of those available to realise a strategy.

In the current economic and competitive environment, it is true that many firms have now reached a view that seeking a suitable merger partner offers them the best route to achieving their objectives (even if, perhaps, the objective is simply to stay in business and provide partners with a means by which to earn-out their liabilities).

In this chapter we will consider reasons why firms may choose to merge, examine the compelling forces that are driving many to consider the merger option very seriously and discuss the key issues driving consolidation in the UK legal services market which are creating the perfect storm (or, in some cases, the perfect opportunity) to build a compelling business case for law firm mergers.

A key driver for the high levels of merger discussion and activity in the market, is the current state and future prognosis of the legal services industry in the UK. The last three years have been characterised by very difficult trading conditions, whilst those commentators looking to the future see only increased competition (driven by both existing firms and new players), more demanding clients and further downwards pressure on price.

Whilst merger has always been an option, it is one that relatively few firms have entered into (or considered seriously) until the onset of the 2008 recession. For the preceding decade and more, law firms lived in an economic bubble (along with large sections of the developed world) in which, it seemed, the good times just kept getting better. Speaking to firms in those heady days, it was almost like strategy was a secondary issue – lawyer recruitment was a key driver of success and the critical pinch point in the supply and demand model. ‘Buy more lawyer capacity and the work will follow’ was the simplistic, and yet apparently true, model.

Of course, this had the effect of driving salaries to heights never seen before, rewarding junior lawyers at levels which were out of kilter with their experience,

raising expectations to stellar levels and with mediocre candidates being granted equity in order to secure their 'loyalty'.

Inevitably, firms struggled to match revenue growth with commensurate increases in equity partner profit because they had built a model in which significant areas of cost (i.e. salaries) were largely out of their control.

Nonetheless, many management teams did not believe that a merger route was either necessary or desirable given, perhaps, the loss of personal control and increased management workload that such a move might bring. Instead they pursued organic growth although often simply by adding turnover and costs at approximately commensurate rates by hiring more partners without addressing underlying revenue per partner issues.

Then came the crash ...

3.1 The evolving legal services environment

Since the end of 2008, firms have battled the twin pressures of economic slowdown and deregulation of the profession – both of which have significantly increased the competitive pressures in what has been, up to that point, one of the few remaining sectors in the UK economy operated in a relatively protected business environment.

The legal services market is hugely fragmented. There are over 10,000 law firms in the UK but around 6,500 have only one or two partners. Even looking at the UK's largest 100 law firms and comparing their revenues with those of the comparable accounting practices (see Figure 3.1), it can be seen that relatively low levels of consolidation are also evident at the upper echelons of the legal services market too. With such high levels of fragmentation, as the legal services industry in the UK undergoes structural change, consolidation is inevitable.

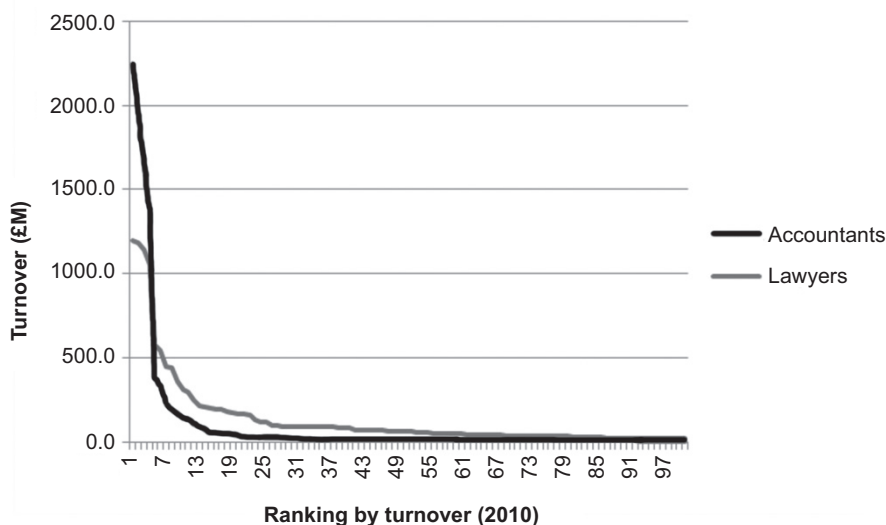


Figure 3.1 Structural differences between two professions

Strategy theorists, such as Michael Porter in ‘Competitive strategy in fragmented industries’ (*Competitive Strategy*, Free Press, 1980), suggest that there are five generic reasons why industries are fragmented, which may be summarised as:

- low entry barriers and/or high exit barriers;
- lack of power advantage with buyers and/or suppliers;
- no economies of scale or scope;
- regional issues – for example, high transport costs, high inventory costs or diverse markets;
- regulatory issues.

Of these factors, the most significant by far for law firms has been the regulatory environment in which they have practised. These regulatory issues had historically created a protected environment; with ownership being restricted to members of the profession and significant constraints on competition between firms (the lifting of restrictions on advertising, for example, is still a relatively recent event). Such protectionist practices have resulted in firms being ill-equipped to deal with the forces of competition in the 21st century.

Combine a regulatory regime which provides protection and maintenance of the status quo, a culture which values independence, a system for charging which inhibits innovative business processes and only moderate price competition, and it is clear that the forces of consolidation were weak with only a small number of firms seeking growth by anything other than organic means.

3.2 Future challenges facing the UK legal services market

However, the legal market now finds itself in a phase of unprecedented change. Within the UK, the dual effects of the deregulation of the sector (driven by the Legal Services Act 2007) and recessionary forces have created significantly increased competition.

At the same time, purchaser sophistication has undergone a step-change. For corporate clients the impact of more intelligent purchasing practices by the in-house counsel community combined with the growing influence of the procurement function on the appointment of law firms have both increased the pressure on firms and their management teams. Outside the commercial sphere, societal changes and the increased transparency afforded by new technologies have meant that services to individuals are also in the spotlight as clients shop around, use the internet to compare different firms and are both more price sensitive and discerning in the firm that they choose to use.

Taken together, the effect has been to create huge downwards pressure on price together with the emergence of new charging models for legal services. This has been accompanied by client demands for ever increasing service levels and value delivery from their firms. In short, firms need to be better, faster and cheaper in order to prosper.

Whilst the current recession will end, and growth return to the market, it should be assumed that the other change factors are here to stay. In short, there will be no return to ‘business as usual’ and, in order to succeed, firms will need to adapt their strategies and structures to respond to the new competitive map and the changed nature of the lawyer-client relationship.

3.2.1 Driver for merger activity

On the demand side of the equation, many large purchasers of legal services are increasingly seeking to reduce the size of their supplier panels (both to improve their own internal efficiency and to command keener prices) as well as requiring better service levels from those panel firms which remain. This has a number of consequential effects; firms need to demonstrate excellent ‘bench strength’, by which we mean strength both in depth (i.e. resource capacity) and width (i.e. range of practice specialisms). For firms wishing to compete in this segment of the market, scale combined with coverage (both by practice and geography) is a key competitive requirement. In such a climate, with scale a prerequisite for such clients, the driver for merger activity is clear.

The effects of these demand-side changes on the supply side of the equation have already been far reaching and are set to have further impact. In order to respond to new and fast evolving client requirements, to be able to invest in developing their businesses and to continue to reward their people appropriately, a range of new approaches have been adopted – including the outsourcing of support functions, the rise of legal process outsourcing, the innovative use of IT, changes to partnership structures and active choices being made about which markets to focus on and which to exit.

We have moved, and will continue to move, away from a monolithic, homogeneous view of the law firm market to one in which firms vary considerably in their structure, nature and focus as they choose to pursue different market positions and client strategies. The position adopted will drive a firm’s business model, pricing, profitability and ownership structure.

3.2.2 Changing demographics

Concurrent with a dynamic and unpredictable business outlook, firms are also grappling with demographic and societal shifts which have changed the nature of the psychological lawyer-partner and partner-firm contract. The career certainty of the past has given way to flexible work patterns, cyclical employment and increased emphasis on work-life balance. However, even in recessionary times the competition for the best talent is intense and those firms able to demonstrate strong brands, underpinning core values and clarity of direction will remain attractive career choices.

Many firms have focused for the last ten years on efficiency improvements without any fundamental shifts to their underlying business model – i.e. they have been

concerned with doing things better. This is unlikely to be sufficient to deliver success in the future. They are trapped in a downwards spiral of competitive price pressures in markets which are defined by a lack of competitive differentiation. Firms will need to take an approach which is based on doing things differently, rather than doing the same thing more efficiently, in order to build a sustainable business.

Going forward, the pursuit of finding ways to do things better will give way to strategies centred on doing things differently in the thinking of law firm leaders; this is not to say that efficiency is not important, as it surely is, but rather that it is necessary but not sufficient to deliver future success.

We are on the cusp of the industrialisation of the legal service industry in the UK. What has been largely a cottage industry will now change fundamentally. There will be both winners and losers from this process. Strategies reliant on growth by merger will be a core approach used by firms active in the reshaping of the profession as they seek to compete with new entrants and alternative service providers.

3.3 Why a merger might make sense

In the most straightforward of terms, a merger makes sense when the combined business is in a better position to compete than each firm was alone.

There are a number of reasons why a merger might be appropriate for a firm, some are found in the pages of management texts whilst others are more concerned with the human condition and the position in which partners, as owner-managers, find themselves.

Mergers may be conceived, in broad terms, as either consolidatory or complementary in nature. A consolidatory merger takes two firms that are broadly similar in their nature, skills and client base. By combining the firms, squeezing the middle line and improving productivity, a larger more efficient organisation is created.

A complementary merger is founded on the premise that two firms which are dissimilar can combine to create new opportunities (both from within their respective client bases and with new clients) that neither could do alone. Whilst there will be elements of cost saving, this is not the strategic driver for the deal.

Ultimately, however, to be considered a success any merger must improve profitability and sustainability for the longer term.

Across the range of mergers, drivers will typically include:

- A desire to extend into new markets. These may be geographically or sectorally defined; the direct demands of significant clients may be a motivator in some cases.
- A merger may provide an opportunity to access new skills. These could be lawyer capabilities – increasing the scope or depth of resources of the firm – or management capabilities.

- Providing access to new clients and putting in place the capabilities needed to serve existing ones better is another strategic driver which leads firms to consider merger.
- A well-executed merger will result in the new entity having an enhanced brand. What this means in practice is that there will be a raising of the ‘glass ceiling’ which constrains the quality and scale of work for which the firm is considered. The bigger firm will generally attract better work and clients.
- An improvement in bench strength – both depth and breadth of resources – in order to appeal to the more sophisticated purchaser and to manage better the inherent risks associated with small teams and an over-reliance on a small partner pool.
- Any merger by definition reduces competition. How material this is in a very fragmented legal sector is a moot point. It will be the case, however, that in some highly specialised or niche areas such an effect will be experienced. However, client conflicts and the need to have a number of advisers engaged in a typical large scale commercial transaction mean that the likelihood of any merger taking place which impacts significantly on a client’s choice, to the point where a pricing advantage may be enjoyed, is limited.
- When boiled down to their essence, a number of mergers, in a market where supply far outstrips demand, are about reducing the combined cost base, improving overhead efficiency and squeezing the combined middle line. By holding the top line and reducing the middle, margins are improved (or at least the rate of erosion is reduced). The economic drivers in the current business environment mean that such cost-reduction exercises will also generally be accompanied by a ‘reshaping’ of the equity base – a reduction in the number of equity partners in order to prop up profit per equity partner figures.
- A merger can give the perception of creating a safe harbour for the firm, reducing risks for both the business and partners individually. Of course, the wrong deal can have the effect of doing the reverse – the creation of a larger, more complex business with all of the underlying issues and challenges of its antecedent firms risks simply exacerbating historic problems and risks. In short, it is likely that the combination of two small under-performing firms will only create a larger under-performing firm unless a merger is accompanied by far-reaching changes in working practices and behaviours.

Synergy, or the much debated ‘ $2 + 2 = 5$ ’ factor, is often talked about as a driver for merger. Quite what constitutes this elusive, magical factor is somewhat harder to define. In reality, any synergistic effect is a combination of the elements above which, when taken in their entirety, propel a firm to a level beyond that which was anticipated.

A merger can also be a Trojan Horse for the management team, a disruptive event which provides an environment in which changes to working practices and initiatives to modernise the firm can be pursued more easily.

We have noted already that a merger may be a means of achieving a strategic objective. A valid question for many firms centres on how much real strategic freedom they enjoy. The vast majority of firms are constrained by their geographies, skills base, client franchise, access to capital and appetite for risk – how easily can

they break out of existing markets and practices? They have neither the capacity nor the capability to make ‘big, strategic moves’.

Many firms being driven to consider merger options will, in truth, be doing so not out of any grand strategic plan (no matter how they dress it up) but rather as a means of reducing partner personal risk and in an attempt to ensure the viability of the business. This is more about short-term survival than longer-term strategy.

3.4 A framework for assessing the drivers of consolidation

It is possible, by using analytical frameworks, to dig more deeply in understanding the nature of these drivers for consolidation, or merger, and to assess their likely impact. In looking at any firm’s market position in order to develop a cogent competitive strategy, it is important to consider issues through two lenses – a macro-environmental look at the changes that are impacting over the longer term and which will affect the business environment, and a shorter time frame, competitive perspective. The frameworks most commonly used to undertake this analysis are the PESTEL and 5-Force models, which are explored in more detail here, with a specific focus on the drivers for consolidation in the UK legal services market.

3.4.1 PESTEL overview

PESTEL is the acronym used to describe one of the most popular and useful analysis frameworks used by strategy advisers. By considering likely longer-term changes in the political, economic, social, technological, environmental and legislative environment in so far as they will impact on the firm, the law firm leader has one of the key analytical building blocks that is needed to create an appropriate strategic response. The PESTEL factors are interrelated as highlighted in Figure 3.2.

A PESTEL analysis is concerned with macro issues which may not impact on the firm for some time (perhaps even many years) but will be of such potential significance that the business needs to put plans in place now to deal with their impact – whether to grasp a new opportunity or to counteract a threat.

In conducting an environmental assessment, the strategist will generally be concerned to consider a number of issues which focus on uncertainty and change. Typically these will include:

- Where are the uncertainties in the environment?
- What are the sources of these uncertainties?
- What is the appropriate response to deal with these uncertainties?
- What is the rate of change of the environment?
- How complex is the environment based on the number of forces at play that will, or may, impact on the firm?
- How interconnected (or alternatively discrete) are the most significant environmental forces?
- How dynamic and predictable are the changes?

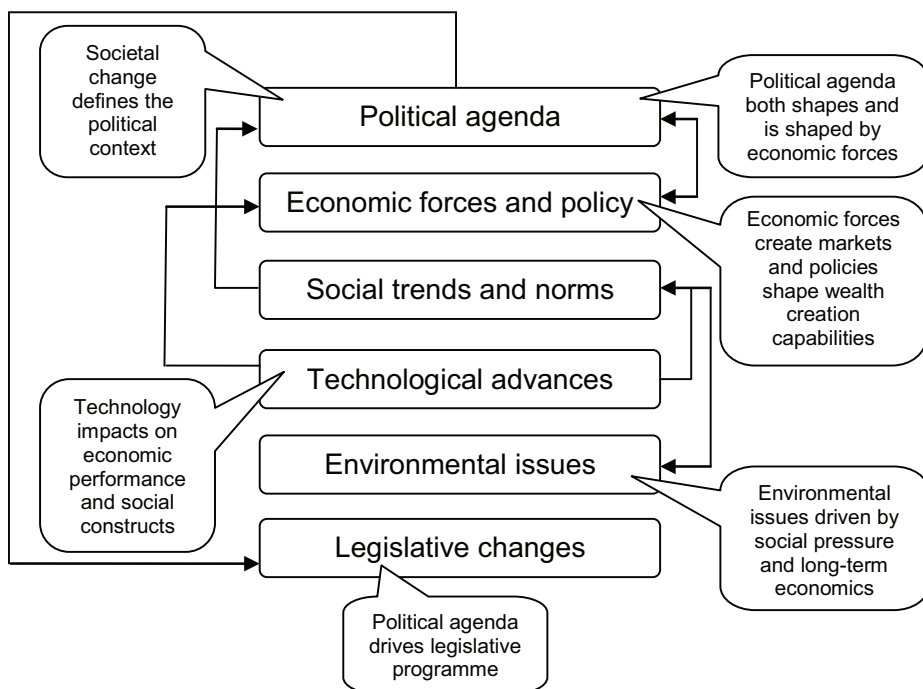


Figure 3.2 PESTEL macro-analysis tool

Taking the relevant components in turn, the nature of potential drivers for consolidation and law firm mergers can be better understood and their impact evaluated. For the purposes of this review, environmental factors are not considered as their impact on sector consolidation is minimal.

Political and legislative

Undoubtedly the biggest single factor which has driven change in the UK legal services industry and which will continue to challenge firms of all sizes is an ongoing political agenda to increase competition and transparency within the profession. It should be expected that the policy makers will continue to exert their powers in opening legal services markets to increased competition and exposing law firms to direct competition with mainstream commercial businesses.

Even though firms have had several years in which to put in place plans and strategies to cope with the impact of the Legal Services Act, it is remarkable how ill-prepared many are.

These legislative changes will drive merger and acquisition activity on a number of fronts – firms merging in order to better compete with new entrants, new entrants acquiring existing practices (and potentially becoming consolidators within the sector) and existing firms taking on the role of consolidator in acquiring smaller practices.

Economic

At the time of writing, the economic climate shows little sign of improvement and the UK appears precariously close to a double-dip recession. Question marks surrounding the Eurozone are creating significant uncertainty and inertia for those within it and its key trading partners.

Longer-term indicators suggest that UK growth will be sluggish for a number of years. With sluggish growth comes a low level of economic activity for both corporates and individuals. It is likely that client confidence will remain low and price sensitivity will be an enduring feature. Work will shift from an hourly rate to a fixed-price model and firms will need to adjust their business models and internal processes to eke profit from a lower price point.

The potential for the introduction of external capital, non-solicitor ownership of firms and alternative business structures are creating significant first-mover opportunities for those both within and outside the profession.

With such an economic outlook, one would expect mergers to feature as a means by which firms seek to increase their share of a more competitive market in order to improve their utilisation and productivity.

Social

Society has witnessed a fundamental shift in attitudes to work-life balance and a seismic shift in the psychological contract between the firm and its partners, as well as between partners and lawyers. The tacit understanding of old, that hard work in the early part of one's career would be rewarded with equity partnership by mid-career and very comfortable earnings until retirement, has gone. There are no longer any guarantees – neither in the certainty of promotion to equity partnership nor the tenure of that position.

The pool of young lawyers aspiring to equity appears to be diminishing both as a result of alternative career options (for example, the fastest growing segment of the profession over the last ten years has been the in-house lawyer community) and emerging social trends which attach more importance to other aspects of work-life balance. It appears certain that new entrants will be offered an increasing number of career routes, options for corporate lifestyles and an environment more conducive to lawyers seeking challenging work but within a balanced framework.

Even for those with aspirations of equity partnership, the risk and rewards balance has shifted – from one of low risk and high reward to a much more challenging one in which apparent risks are increasing exponentially and, at the same time, opportunities for significant and enduring rewards appear to be receding.

For some firms merger will be a means by which a smaller pool of equity partners engineer succession both for themselves as individuals and for their firm. This will be seen most strongly within small partnerships which do not have the depth of partner pool to accommodate multiple retirements over short timescales. However,

the trend will be a factor which is evident in firms of all sizes. As well as at partner level it will also impinge on recruitment and the benefits packages which are offered. A larger pool of lawyers will provide increased flexibility, which again favours scale and so promotes consolidation.

Technological

The impact of technology cannot be overstated. In a profession which is knowledge rich and process intensive, it is inevitable that advances in technology and, in particular, intelligent systems will have profound and far-reaching consequences.

The trend to commoditisation through the application of technology will affect all parts of the profession, not simply the more straightforward work at the lower end of the food chain. More complex work will be disaggregated with elements which can be addressed most effectively through technology being processed separately from those which are more reliant on judgement and experience. We should also anticipate the advent of artificial intelligence which will drive the impact of technology much higher up the value chain.

The ability to invest in technology and then to leverage that investment through effective deployment, implementation, ongoing training and management will be easier for those firms with scale. This will again encourage consolidation.

3.4.2 5-Force analysis

Whilst PESTEL looks long term and concerns macroeconomic issues, it is also critical to consider competitive changes on a more immediate timescale. The 5-Force model provides a framework for this and has become a cornerstone of strategic analysis.

It is founded on the theory that competitive forces come from one of five constituencies. By analysing these areas in a structured way we build a clearer picture as to the nature of the likely competitive shifts and the most appropriate strategic response. Macro-changes that would have been identified in the PESTEL analysis for a number of years would be expected to figure in the competitive analysis as they come over the horizon and create more immediacy.

Figure 3.3 illustrates the five forces and draws some examples of each from the legal sector to add colour to what is meant.

Looking specifically at how these forces are encouraging merger activity in the UK legal services market, we can see the following.

Current competitors

Over the next few years, much merger activity will take place between law firms operating in similar markets as they seek to achieve one or more of the strategic objectives that were highlighted earlier.



Figure 3.3 5-Force model

For some it will be accessing new markets, for other acquiring new skills and clients, but for most the merger will be founded in a belief that scale is vital as with scale comes an ability to secure a more stable market position and to provide a more stable future for the firm and its people.

Within a number of well-defined sectors, consolidation can also be seen driving structural change. The combinations of DAC and Beachcroft as well as Barlow, Lyde & Gilbert with Clyde & Co illustrate the fast consolidating nature of the UK insurance law firm market.

As we have already explored, a number of these deals will be mergers of necessity rather than choice and we should anticipate that there will be high levels of post-deal fall-out as partners and staff struggle to come to terms with the changes that will be inevitable in a new firm.

New entrants

It should also be anticipated that law firms will use mergers to enter local markets from ‘out of geography’ – this could be a UK player entering new UK regions or a non-UK firm entering the UK market through merger or acquisition of an incumbent firm.

This can be seen clearly within the UK as a new generation of national firms look to expand across the country through merger or acquisition with the firm DWF being particularly prominent in building a position in the mid-market. The disruptive influence of a new entrant can also be a catalyst for incumbent firms to consider their own strategies and provoke reactionary mergers as they seek better to compete in a reshaped competitive landscape.

Looking at the UK as a whole, we have seen, over the last 15 years, numerous US firms enter the market through merger with, generally, a UK mid-sized city firm. Examples include Reed Smith, Jones Day, K&L Gates and Mayer Brown. More recently, moves (generally under a Swiss Verein structure) have involved larger UK firms with the creation, for example, of DLA Piper, Hogan Lovells and SNR Denton. At the same time, the Australian market, rich in natural resources and proximate to key developing economies in Asia, has attracted significant interest from major UK firms.

These moves have altered the competitive landscape and we are likely to see firms, in danger of being left behind by their erstwhile competitors, responding with merger strategies of their own to close capability and geographic coverage gaps which have opened.

The other significant new entrant threat comes from new legal services organisations, operating under alternative business structures, which will enter the market and compete head-to-head with mainstream law firms.

Aside from the historic hurdle created by a highly regulated environment, other barriers to entry are relatively low for a corporate entity looking to enter the legal services market. The differentiation of the core legal service is low within firms operating in the same markets, skills are generic within the profession and so, by the act of hiring professionals, an organisation becomes equipped instantly with these core competencies. Add to this the expertise in IT, marketing and service delivery which new entrants will bring to the table and the size of the threat becomes clear.

This is a very significant competitive challenge to incumbent firms and it should be expected (in legal markets that are becoming increasingly deregulated) that there will be powerful new forces at play. It appears likely that the initial wave of new entrants will target the high street where revenues are large, there is an opportunity to build a powerful consumer brand, the complexity of legal work generally undertaken is not challenging and the model lends itself to automation and a service-led approach.

However, firms operating in more commercial areas would be very unwise to be complacent. It should be anticipated that, having cut their teeth on the high street, these new entrants will move into mid-market commercial law over time. These new players will evoke a strategic response from the incumbent firms; mergers will be used as an attempt to increase scale and develop a client proposition which is commensurate with that offered by the new players.

Threat of substitutes

Substitute organisations, providing services that have historically been the preserve of solicitor firms, are likely to see the deregulated market as a significant opportunity to offer highly competitive prices in a number of legal product areas. This is already the case in fields such as domestic conveyancing and some areas of human resources advice; it should be anticipated that this trend will continue. It is likely that advances in technology and knowledge management systems will drive substitute products up the value chain, encroaching on the ‘meat and drink’ work of many smaller and mid-sized firms over a relatively short timescale.

Firms will need to make stark choices between building entry barriers or diversifying their service mix to reduce risk.

Either option is likely to drive consolidation activity. Diversification can be achieved expediently through merger whilst firms looking to up-scale in order to compete in terms of overhead efficiency and investment in appropriate technology (to drive down their costs of production) will also seek mergers to create the critical mass that they require.

Power of clients

The client is king and, quite simply, wants its services delivered better, quicker and more cheaply every year. Firms need to be able to understand these trends and take measures to reshape their businesses to be competitive in this new paradigm.

The supply side of legal services significantly exceeds current levels of demand with the effect being that firms are under huge price pressure – running faster to stand still is the order of the day.

Enduring downwards pressure on fees and moves to new charging models aimed at creating more certainty for the client (primarily through fixing the maximum fee exposure in one way or another) will mean that firms need to shift their operating models.

In order to compete, firms are increasingly coming to the realisation that they need the capacity to invest in new systems and have absolute clarity as to their client proposition. Strategies for achieving this will result in increased levels of merger and acquisition. There will also be divestment; we will see niche practices emerging from strategy reviews which have designated them non-core to the future direction of the business.

Power of suppliers

Within the legal services sector, supplier pressure comes from the main cost centres of the firm – people, premises, professional indemnity cover and technology.

It will be clear that economies of scale will apply to many of these areas – if a firm wants to improve its internal efficiency and lower its unit costs of production then a merger may provide the scale of organisation required to maximally sweat the overhead.

This is unlikely to be, on its own, a driver for increased merger activity aside from amongst a handful of firms that are chasing highly commoditised segments of the market which are almost wholly price driven. However, it will certainly be a relevant factor in every case as firms across the piece look to lower their costs of production in the face of pricing pressures.

3.5 Why is there an increase in merger activity?

The perfect storm of deregulation and economic downturn has crystallised many issues. Having believed for many years that they had a viable and profitable business, protected by regulatory barriers and driven by an exceptional period of ‘bull’ market activity, firms have come back down to earth with a deafening thud.

We are witnessing the end of law as a cottage industry and the industrialisation of the legal sector in the UK. It is somewhat simplistic to say that the only options open are to get big or get niche. For example, how big is big or how niche is niche? A firm can be competitive by being ‘big’ in a small well-defined market sector (with high entry barriers of expertise or reputation). Conversely, some of the world’s largest capital markets firms have such strongly focused propositions that they may be viewed as niche operators.

What is clear is that staying small, generalist and undifferentiated isn’t an option. And yet that is precisely where the vast majority of firms find themselves.

A further, purely practical but nonetheless critical, point is that there is a diminishing pool of merger partners. For those firms that have come to the conclusion that a merger offers the best opportunity to achieve their strategic objectives, the market is not replete with attractive candidate firms. There is an art to the doable deal, with compromises likely to be required from both parties. What will be key to success is the ability of the merged firm’s management team to effect changes to working practices, gel newly formed teams and create a common sense of purpose at pace. The dangers of introspection and stagnation need to be recognised and eliminated at all costs.

In reality, of course, all of this is much easier said than done in firms where the only thing that has been historically consistent is the level of inconsistency; where partner politicking has been the order of the day rather than unification behind a common vision. A perhaps unpalatable alternative is that many of these organisations will simply cease to exist.

It is the responsibility of the firm’s leadership team to recognise and assess the forces driving consolidation. Through an objective analysis, as part of a wider strategy review process, the appropriateness of pursuing merger as a means of achieving a

strategic objective will become clear. This will not be the chosen option for all firms but it seems certain that it will be a route that an increasing number choose to follow; for some this will be a defensive play whilst for others it will be a mechanism by which opportunities are grasped.