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# Unlocking the client dividend in a merger

Any merger should seek to build a sustainable competitive advantage. What this means in practice is that vision is needed to create a client proposition which is more compelling than either firm could offer before and, crucially, better than other firms competing for the same work.

A characteristic of the newly-emerging legal services market is a simultaneous trend towards consolidation and specialisation. As well as getting larger, firms are also becoming much more focused in their objectives, strategies and implementation.

The market opportunities for the smaller, generalist practice are limited. There will still, of course, be a requirement for such firms in places that are geographically isolated, where the service has to be delivered face to face and where the risks of using a generalist rather than a specialist firm are judged reasonable. However, this is a fast-shrinking market, presenting few options to firms with growth ambitions.

A feature of successful mergers, when viewed through the eyes of the strategist, is a desire to dominate a specific market space. This market space may be defined by geography, sector, client type, practice area or a combination of these, but clarity is vital. Simply getting bigger without an overriding strategic purpose will not deliver commercial benefits and may well create significant difficulties.

One way of ensuring that any merger delivers sustainable competitive advantage is to view the deal through the eyes of the client and assess ways in which the new firm's value proposition will be enhanced. This means, of course, understanding which aspects of the firm's service mix are most important to its target client groups.

It is by demonstrating that the merger offers specific advantages to these types of clients that a step change in market position can be realised. This will be achieved by enhancing the offer of both legacy firms and creating new areas of value which neither could historically offer. By showing increased coverage, capabilities and capacity that are relevant to the client, combined with an improvement in overall brand awareness, the new firm will be repositioned in the mind of the client.

It should also be possible to look more closely at the small number of clients which will be of particular importance to the firm in the period immediately following merger. These will be the clients that present significant opportunities for revenue development. An excellent early-stage initiative for any newly-merged firm is a key client programme.

**"See the world through the eyes of the client"**

This may serve a number of purposes. In some cases, the new firm will be better able to meet a client's existing requirements with a greater geographic footprint because, with a greater depth of resources, the client feels comfortable allocating a larger share of work to the firm. In other instances, opportunities will arise because the new firm is able to offer a broader range of services, creating the potential to service key clients across a wider set of practice areas.

It is also crucial that any post-merger key client initiative is used as a Trojan horse opportunity to promote integration. By assembling a team from across the firm, drawing on a broad college of expertise, the new firm can encourage collaboration and communication at the earliest possible opportunity.

By sharing knowledge, the combined team will be better able to understand the current relationship and dissect the business mix. This will allow a plan to be developed which exploits the client development opportunities that are uncovered by leveraging the capabilities of the new firm.

At the same time, it is important to ensure enthusiasm is balanced with realism. It should never be forgotten that, even with a new array of resources and talent, the firm will almost certainly be attempting to displace a well-ensconced incumbent. How can a proposition be developed and communicated that will encourage the client to consider moving this work?

For any merger to succeed, clients should sit at the centre of the management team's thinking – clients that each firm has historically served and those which the new firm wishes to focus upon in the future. It is vital to see the world through the eyes of the client and to shape the firm to deliver distinctive value in a way that is sustainable and profitable.

The danger that must be avoided is that the merger is assembled solely on the basis of internal cost efficiencies, overhead consolidation and reduction of the partner base. That is not to say that these are not important considerations, but rather that they should not be the dominant ones. Most of these factors form part of the transition plan and offer one-off benefits, but they do not change the fundamental competitive position of the firm. Longer-term success is achieved by adopting an external orientation, which is client centric.

In simple terms, if there is nothing in the merger to excite and entice the client, there is little chance that growth will be achieved. Without growth, stagnation becomes inevitable, along with the firm's ultimate demise. A strong client rationale must sit at the centre of any merger proposition. mp

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