

The Ugly Golf Swing

Law firms with problems could be attractive merger targets.

By Ed Wesemann

As consolidation reduces the universe of available merger partners, waiting for the perfect candidate may take a long time. There are times when a "fixer upper" — a firm without direction or that has profitability problems — may represent an appropriate opportunity for a growth-oriented firm that has its act together.

I fear that some otherwise-rational law firms have lost their sense of reality when they consider merger partners. Late last year, I received a call from a nice 200-lawyer Midwestern firm seeking to do a merger in New York, Chicago or Los Angeles. Their criteria for firms they would consider was that the firm could not be larger than 100 lawyers, had to have profitability at least at the same level as theirs — preferably higher — and had to be willing to "be acquired" (adopt the Midwestern firm's name and compensation system). Oh, and the candidates should have a strong corporate practice representing publicly held companies. Sure — and I want to marry a Victoria's Secret model.

According to an old golf story, Byron Nelson and Sam Snead were standing on a driving range watching two amateur golfers practice. Both of the amateurs were 10-handicappers, but one had a beautiful golf swing that was virtually perfect in form. The other's was an ugly swing with all sorts of hitches and faults. Snead said to Nelson, "Boy, if I could only work with that guy, I could get him to be a scratch handicap in a week." "You mean the one with the nice swing?" asked Nelson. "Nah," replied Snead. "If he's only a 10 with that swing, he's as good as he will likely ever be. But just think of what I could make out of the guy with the ugly swing."

The moral is pretty simple. If you are a law firm that has sound management, reasonably strong practices and a partnership that supports continuous improvement, you may be able to negotiate an attractive merger deal with a firm that has some problems. Of course, you have to be able to make some objective business evaluations of the value of the practice strengths of potential merger partners, their culture's willingness to accept change and your ability to mitigate risk in doing the merger.

But, with some vision, taking on a firm with an ugly swing could provide your firm with quick access to geographic and practice markets that would otherwise take years to develop.

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