ASSESSING SUCCESS IN LARGE LAW FIRM MERGERS: A NEO-CONFIGURATIONAL APPROACH

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To Creena

"Out of intense complexities, intense simplicities emerge."

Winston Churchill

The World Crisis (1923–9)

ABSTRACT

This study identifies configurations of antecedent conditions that are consistent with success in large law firm mergers. Practitioner perspectives concerning merger motives and factors causal of success are distilled into propositions and conditions reflective of those and tested using fuzzy set qualitative comparative analysis (fsQCA). The study analyses 73 mergers that took place from 2002 to 2017 in which at least one firm was headquartered in the U.S. or U.K., the target firm consisted of ≥100 lawyers and the combined firm of ≥500 lawyers.

Merger success in extant literature is typically defined and measured through use of stock market metrics, or otherwise through methods that are poorly aligned with the organisational logics of pure PSFs. This study hence, of necessity, includes a novel multidimensional model to define and assess merger success in the context of large law firms, specifically.

Two iterations of analysis were performed, the first based primarily on data drawn from league tables published on law firm performance and reputation, and involving six conditions that would typically exist in and/or between law firms contemplating a merger. These conditions are: (1) a high-performing acquiror firm; (2) a target firm exhibiting high necessity for the merger; (3) power asymmetry in favour of the acquiror firm; (4) a high degree of relatedness between the firms; (5) a multi-dimensional strategic opportunity underpinning the merger; and (6) the combined firm adopting a unitary (as opposed to dispersed) approach to governance. In the second iteration of analysis, the first and third conditions were conflated and rubrics used to supplement the data used in the first.

The study is undertaken through the lens of the resource based view (RBV). The selected conditions therefore relate to VRIO resources that are enhanced or acquired through the mergers, following previous research that define VRIO resources consistent with sustainable competitive advantage in PSFs.

Several pathways to successful mergers are identified and described. A multidimensional strategic opportunity is shown to be, of itself, both necessary and sufficient for success under almost all circumstances, overriding in importance several other factors that practitioners typically consider to be of at least equal importance. Three types of merger are identified that the study shows to be consistently successful. These are *assortative mergers* (in which the merging firms have a high degree of relatedness to each other, in configuration with a multidimensional strategic opportunity), *white knight mergers* (where a strong acquiring firm combines with a poorly performing target firm) and *leapfrog mergers* (where a target firm that is not poorly performing combines with a larger firm with which it has a high degree of relatedness.)

Keywords:

merger, fsQCA, configuration, law firm, professional service firm, strategy

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Cambridge, England
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AUTHOR'S DECLARATION

I declare that except where explicit reference is made to the contribution of others this dissertation is the result of my own work and that it has not been submitted for any other degree at the University of Glasgow or any other institution.

Robert Frank Millard

27 September 2023

ACRONYMS, ABBREVIATIONS AND OTHER TERMS

Rich nomenclatures exist concerning mergers, strategy, and the legal profession. This section defines key acronyms, abbreviations and some idiosyncratic terms used in this thesis.

ABA – American Bar Association

ABS – alternative business structure (as defined in the U.K. Legal Services Act 2007)

AI – artificial intelligence

ALSP – alternative legal service provider

B2B – business to business

BST – branching space-times

BV – behavioural view (of the firm)

CAD – computer aided design

CAGR – compound annual growth rate

EU – European Union

fsQCA – fuzzy set qualitative comparative analysis

GAAP – generally accepted accounting principles

GBP - Great British Pound

GDPR – General Data Protection Regulation

GFC – global financial crisis (of 2008/9)

HPWS **-** high-performance work systems

IBA – International Bar Association

INUS – a condition that is an <u>insufficient</u> but <u>necessary</u> part of a configuration, which is itself <u>unnecessary</u> but <u>sufficient</u> for the result (underlining identifies the elements of the acronym)

LLP – limited liability partnership

LSB – Legal Services Board

LSE&W – Law Society of England & Wales

M&A – mergers and acquisitions

NGO – non-governmental organisation

PEP – Profit per Equity Partner, being the amount of profit generated by the firm, before deduction of earnings disbursed to equity partners in the case of a partnership, divided by the number of equity partners.

PM – profit margin, obtained by dividing the firm's net revenue by its net income.

PSF – professional service firm

QCA – qualitative comparative analysis

RBV – resource-based view (of the firm)

RDT – Resource Dependency Theory

ROA – return on assets

ROI – return on investment

ROS – return on sales

RPL – revenues per lawyer, being the revenues earned by a firm in a given year divided by the number of lawyers that it took to earn that revenue.

SIC – standard industry classification

SRA – Solicitors Regulation Authority

U.K. – United Kingdom

U.S. / USA – United States of America

verein (Swiss) – A form of legal structure recognized under Swiss law. Vereins have been used by many law firms operating in multiple countries to create holding structures that allows the different firms to remain legally, structurally and (frequently but not always) financially independent of each other, whilst sharing a common brand.

VRIO – valuable, rare, inimitable resources that a firm is organised to exploit (per the RBV)

VUCA – volatile, uncertain, complex, ambiguous

1 Introduction

1.1 Aim and overview of this study

Law firms are intensely interesting kinds of business and an essential component of modern economies and societies. In 2023, the legal services sector is expected to earn roughly $834 billion in revenues globally and that figure is expected to reach $1 trillion by 2025 (Statista 2023). Many law firms are growing to scales unheard of in past decades, but the market remains highly fragmented. Chicago-based Kirkland & Ellis is the highest grossing law firm in 2023, with revenues of $6,042,000,000 (Law.com 2023). Simple arithmetic reveals that Kirkland & Ellis's revenues however constitute just 0.72 percent of those earned by law firms globally. The combined revenues of the ten largest grossing global law firms constitutes only 4.2 percent of that total. Notwithstanding, a common perception exists amongst practitioners that the legal profession is undergoing consolidation. Similarly common is the perception that exists amongst practitioners that large law firm mergers are becoming increasingly frequent and are poised to become even more so. This is not helped by hyperbolic headlines that appear regularly in the legal media, pronouncing "merger mania" and "deluges" of mergers, and suchlike.

Practitioners also have well-developed beliefs about merger motives and what drives success in law firm mergers. The causalities that they assume however are inconsistent and poorly defined, and can even be contradictory. The extensive and well-developed scholarly literature on mergers generally is of little help. As the professional service firm (PSF) literature makes very clear, "pure" PSFs (which include law firms) are organisationally distinctive from other kinds of business (Maister 1985, Greenwood, Hinings and Brown 1990, Løwendahl 1997, Maister 1997, Maister and Walker 2006, von Nordenflycht 2010, Smets, Morris et al. 2017), to the extent that theory drawn from that general merger literature might be irrelevant or even simply wrong when applied to mergers between large law firms. This study is premised upon the reality that practitioner perspectives, being anecdotal and subjective at best, might (albeit with the best of intentions) be similarly flawed.

Finally, little help for law firm leaders and others with an interest in this field whether from a scholarly or practitioner perspective can be found in the literature addressing merger performance specifically, either. Most of that research has been conducted using stock market metrics or other measures that are at best only tangentially relevant to PSFs.

The implications of all this are serious. It might be that law firm leaders are basing their decisions to merge, and how to go about that, on flawed theory and unsubstantiated opinions. This places their businesses at risk, with potentially serious implications for the people who practice and otherwise work in those firms and their clients. It is remarkable that a near-trillion dollar industry exists in which so little is properly understood about what drives success in mergers between businesses in that industry. Very arguably, the implications extend even further. To quote The Rt Hon Lady Dorrian, Lord Justice Clerk of Scotland:

> *"Both as litigators and chamber practitioners, solicitors perform an essential function in upholding a vital element of the rule of law. Amidst the day-to-day stresses and concerns of the office, it can be easy to forget this: but it is important to remind ourselves that the professional lives of solicitors are not just about emerging legal markets, or fee targets, or settlements, or executions of deeds or court appearances."* (Dorrian 2016)

By necessity, given the lack of a reliable model in the literature upon which to build, the study commenced with designing a definition and a model for merger success. This, in itself, was a novel endeavour that contributes to our understanding of merger performance in large law firm mergers from both practitioner and scholarly perspectives.

The next step was to identify antecedent conditions that are observable during the pre-merger phase of large law firm mergers, in most cases derivable from public domain information, that are necessary for successful outcomes and also the configurations in which they need to occur, in order to be sufficient for those outcomes. The author places himself in the shoes of hypothetical law firm leaders contemplating a merger. What factors do they need to consider, at that stage, with the sources of information that they have at their disposal, to optimise the likelihood of a successful outcome?

A neo-configurational approach is adopted, using a set-theoretic method that embraces complexity instead of seeking to correct for it (Misangyi, Greckhamer et al. 2017, Furnari, Crilly et al. 2020). To illustrate the importance of a configurational approach: a fire requires a source of ignition AND oxygen AND suitable fuel, to exist. Each element is *necessary* and the three elements together, in configuration with each other, are together *sufficient* for fire to exist. Similarly, drawn from both the practitioner sources and the formal literature, conditions are identified that are believes to be (or possibly be) *necessary* for successful large firm mergers and that is tested, alongside the configurations of conditions that are together *sufficient* for a successful outcome, as defined in the model for that.

The study examines 73 large British and American law firm mergers that took place across the fifteen years from 2002 and 2017. This sample comprises 100 percent of such mergers where the smaller merging firm had ≥100 lawyers, and the combined firm ≥500 lawyers.

The study focuses on just one phase in the merger process – the pre-merger phase. While post-merger integration and external market factors obviously also have significantly moderative effects on merger outcome, conditions examined in this study relate to variances within the merging firms, or between them, or the nature of the strategic opportunity upon which the merger is premised. The study also addresses variance, not process theory. (The conditions tested related to variances between the merging firms, not the process of the merger.)

This is not to say that the study is irrelevant to the crucial post-merger integration phase. During the pre-merger phase, practitioners make crucial, outcome-influencing decisions about (amongst other things) the strategic intent that the merger is to fulfil, which firm to target, how to structure the merger and how post-merger implementation will unfold. While a successful outcome is dependent on conditions present at each phase of the merger, decisions made in the pre-merger phase have a seminal impact on the ease of post-merger integration and the performance of the combined firm that emerges from the process (Haspeslagh and Jemison 1991).

Three merger types are shown to be consistent with successful outcomes in large law firm mergers. These are *assortative mergers*, where firms with a high degree of relatedness combine with each other in order to exploit a multidimensional strategic opportunity; *white knight mergers* where an acquiror firm that is performing strongly combines with a target firm that is declining in performance, and *leapfrog mergers* where a target firm that is not declining in performance combines with a firm with which it has a high degree of relatedness. In addition, a *multidimensional strategic opportunity* is shown, of itself, to be both necessary and sufficient for a successful merger. These findings confirm some practitioner beliefs about factors causal to large law firm merger success and probably debunk others – for instance that it is important for power asymmetry to exist in favour of the acquiror firm. It provides sound, empirically based guidance to law firm leaders considering whether, and how, to merge their firm with another.

In scholarly terms, the study contributes to middle-range theories (Merton 1968, Nee 2018) that explain merger performance. While the theory derived from this study might be relevant also to mergers between smaller law firms or between other kinds of professional services firms (PSFs), or to a lesser degree perhaps also across other industries, no specific claim is made for this. It is up to further research to confirm whether the findings can be so extrapolated. Contributions made include the model for defining merger success and emphasising the configurational multidimensionality of the causality of success.

1.2 The research question

The research question is:

> *What configurations of antecedent conditions, observable during the pre-merger phase, are consistent with successful outcomes in large law firm mergers?*

1.3 Structure of the thesis

This thesis consists of eight chapters and seven appendixes. Chapter 1 (Introduction) introduces the topic and the context in general terms and introduces the research question. It presents perspectives drawn from ~400 items of practitioner books and other publications, and grey literature such as unpublished papers and articles, blogs, law firm websites, conference proceedings and consulting reports to explain why, in the views of practitioners, large law firms merge with each other and what drives merger success.

Chapter 2 (Concepts, definitions and context) supplies historical and field-level context for large law firm mergers, in particular. It explains why these mergers are a relatively recent phenomenon and why they are idiosyncratic relative not only to mergers in other kinds of industries but also to those between other kinds of PSF. It describes the different types of mergers recorded in the literature and offers a typology based upon the ways in which firms approach combinations from structural, legal and process perspectives. It assesses which types are relevant in the case of mergers between large law firms, specifically. It explores the phenomenon of merger waves and their relevance to large law firm mergers. It dissembles the merger process to clarify the stages and identify those which this research addresses. Finally, it explores practitioner perspectives concerning motive.

Chapter 3 is the Literature Review. This focuses on retrospective studies that review, synthesize, and integrate previous M&A literature, together with more recent research and papers on topics directly related to large law firm mergers and ancillary issues. Extant research concerning assessment of merger performance and the antecedent conditions that practitioners identify to be consistent with such success, the aspects of the PSF literature that are relevant to mergers, and concerning the validity of data sources used, is reviewed.

Chapter 4 addresses research design, methods and data sources. It covers ethical considerations, the epistemological and ontological landscape within which the research is located, the configurational theory that applies and the fsQCA method employed. Data sources and their validity for purposes of this study are also described. The key steps followed in executing the project are outlined.

Chapter 5 (Analysis) presents in step-by-step sequence how the research project unfolded, describing each of the phases in turn. These phases are: (1) selecting the cases (the mergers) to be analysed; (2) defining merger success in the context of these mergers and the metrics by which to measure that; (3) defining practitioner-led, literature-based propositions and conditions to test against successful merger outcomes; (4) collecting and collating data; (5) determining the fuzzy set membership scores; (6) performing fsQCA set theoretic analysis to identify the configurations of conditions necessary and sufficient for merger success.

Chapter 6 (Results) presents the results of the research. It describes the configurations identified to be consistent with the outcome (merger success) and their implications for the practitioner-led propositions and offers examples of each. It revisits the research question and assesses the degree to which it is answered by the study.

Chapter 7 (Conclusions) draws conclusions from the results and, cross referencing back to theory, their implications of those conclusions for that theory. It summarises the contribution that the thesis makes both to theory and to the body of practitioner knowledge and indicates area of future research.

Chapter 8 provides closing remarks.

Appendix A lists the mergers included in the study.
Appendix B records the practitioner sources from which practitioner beliefs were distilled.
Appendix C presents tables of the data that were used in the analysis
Appendix D provides robustness testing of conditions.
Appendix E provides descriptive statistics related to the conditions.
Appendix F records the historical exchange and interest rates used in the study.
Appendix G provides the rubrics used in the second iteration of analysis.

The bibliography, of course, cites sources referenced in the study.

2 Concepts, definitions and context

2.1 Historical context

2.1.1 Large law firm mergers: a relatively recent phenomenon

This chapter provides context to the topic of large firm mergers generally. The material offered blends the author's practitioner experience as a strategy advisor, including on large law firm mergers, with a mix of scholarly and practitioner sources. It supplements rather than replaces the literature review (to which Chapter 3 is devoted.)

Although law firm mergers have existed for as long as lawyers have associated into law firms and sought to combine those firms, *large* law firm mergers are a relatively recent phenomenon. Early law firm mergers were tiny and contextually so different as to be almost entirely irrelevant to modern large law firm mergers. Yet practitioners sometimes claim such relevance. For instance, the 1854 merger between the practices of William H. Seward and Richard M. Blatchford to form the three-partner patent firm of Blatchford, Seward and Griswold has been offered as precedential evidence of a potential for mergers between New York elite firms (Zimmermann and Morris 2022). After a succession of further names and new partners, the product of that merger was, in 1944, renamed Cravath, Swaine & Moore. Today, Cravath, Swaine & Moore is one of the most prestigious of elite U.S. law firms. It consists of just under 500 lawyers. Like virtually all of its elite New York peers, the firm has not undertaken a significant merger in more than a century.

Many equally prestigious law firms in the United Kingdom and elsewhere trace their origins to similarly tiny firm mergers in the nineteenth centuries or before. Even by the late nineteenth century, strong imperatives to grow in both scale and sophistication had emerged. The so-called second industrial revolution, triggered by disruptive technological inventions including the internal combustion engine, telephone and distributed electricity (Schwab 2017) was in full force. Financial institutions, industrial companies and other businesses were growing rapidly, dispersing geographically and becoming more sophisticated. New legislation was being promulgated at unprecedented rates. The legal advisory needs of these businesses were consequently becoming significantly greater and more complex. Law firms needed to develop more extensive resources and capabilities and their lawyers needed to specialise in order to adequately service those new legal advisory needs (Millard 2018).

The transition from the small, generalist practices of the nineteenth century to the somewhat larger (but still relatively modest-sized) firms of the early twentieth century, with specialist practice groups and a far more business-like approach to the practice of law, did not unfold without controversy. In his book *The Law: Business or Profession?* Julius Cohen describes how at the core of that controversy was an argument as to whether the practice of law should be regarded as a business at all instead of, as was the case previously, a vocation in which it was somehow unseemly to seek profit (Cohen 1916). Cohen argued that the separation between the practice of law as a profession versus as a business was a false dichotomy - a radical notion at that time but one that became generally accepted in subsequent decades. Today's law firms devote considerable attention to managing their businesses as profitable enterprises. Economic productivity of individual lawyers and teams is closely monitored. Altruism and prioritisation of client interests above firm interests however remain significant principles and sources of satisfaction. At the same time, non-financial values including altruism have also become important across many other business sectors. The notion of professionalism itself has also evolved to include many kinds of business that would not formerly have been so defined (Patterson 2012, Susskind and Susskind 2015). In the U.K. and several other important markets, regulation of the practice of law has evolved to allow lawyers to share fees with others and for equity in law firms to be owned by shareholders who are not lawyers. Some would argue this means simply that the legal profession's transition from profession to business is complete (Regan and Rohrer 2021).

Notwithstanding, eighty or more years would pass after the publication of Cohen's work before law firms reached headcounts that allowed mergers of the scale defined in the scope for the mergers assessed in this study. By the early 1960s, only twenty law firms in the United States had more than 50 attorneys practicing in them and the largest firm in the country had only 125 (Smigel 1964). By 1983, the average number of lawyers practicing in the top 100 U.S. law firms was 217 (Gilson and Mnookin 1985).

Senior British lawyers aged in their mid-sixties in 2023, who commenced their traineeship in the 1980s, would likely have entered firms of fewer than 10 lawyers (Cable 2018). In 1985, the largest twenty U.K. law firms consisted of just 85 lawyers each, on average. The largest, Linklaters, had a total lawyer headcount of 211 (Galanter and Roberts 2009).

At that time in the U.K., law firms were all ordinary partnerships regulated under the Partnership Act 1890 (c. 39). That Act stipulated that British partnerships of any sort were limited to no more than twenty partners. Nearly a century later, Section 716 of the Companies Act 1985 reaffirmed this:

> *"No company, association or partnership consisting of more than 20 persons shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the company, association or partnership, or by its individual members, unless it is registered as a company under this Act, or is formed in pursuance of some other Act of Parliament, or of letters patent."*

The restriction was eventually lifted by the Regulatory Reform (Removal of 20 Member Limit in Partnerships etc) Order 2002 – just ten years before the earliest merger included in this study. In addition, Sections 89 and 14 of the Courts and Legal Services Act 1990 allowed, for the first time, multinational partnerships between foreign lawyers and lawyers qualified in England and Wales, this being confirmed by Statutory Instrument 1991/2729, which stipulates that:

> "*Section 716(1) of the Companies Act 1985 does not prohibit the formation for the purpose of carrying on practice as lawyers of a partnership which is a multi-national partnership within the meaning of section 89(9) of the Courts and Legal Services Act 1990.*"

The Limited Liability Partnerships Act 2000 addressed another significant impediment to law firm growth, namely partners being held jointly and severally liable for claims against other partners in their partnership, with whom they would have less familiar and trusting relationships as those partnerships grew in scale. The risk of large professional negligence claims was especially troubling given that partners were personally exposed to unlimited liability. A partner might therefore be personally ruined by the professional misbehaviour of another partner. The ability to limit liability in Limited Liability Partnerships (LLPs) came at the price of regulatory control to which general partnerships continue to be exempted.

Today, Dentons is the largest law firm in the world by headcount, with roughly 6,000 lawyers. This lawyer headcounter was >12,000 prior to Denton's separation from Chinese law firm Dacheng in mid-2023. The product originally of the 2010 transatlantic merger between U.S. law firm Sonnenschein Nath & Rosenthal LLP and U.K. law firm Denton Wilde Sapte LLP (on which merger the author advised the latter firm) Dentons has since undertaken more than forty *combinations* (the firm's preferred term). It today operates more than 180 offices across the world, including three strategic alliance offices in Brazil but excluding offices in Russia that it closed following that country's invasion of Ukraine in 2022 (Dentons 2023). A very far cry indeed from Blatchford, Seward and Griswold in 1854!

2.1.2 The conquest of Europe

Several of the mergers included in this study were between U.S. law firms and their London alliance partners, in part as a springboard into the then newly formed European Union, which was founded on 1 November 1993. In the years immediately prior to the study period, a spate of mergers took place between the leading London law firms and European law firms. They are worth mentioning at least because the scale of several of these mergers was such that, but for their timing, they would likely have fallen in-scope for the study sample. They were excluded because prior to the study period (commencing 1999, being three years before the first merger in the sample in 2002) the data published by Chambers & Partners and in financial league tables was inadequate for the level of analysis performed in this study.

For thoroughness: Linklaters merged with Lagerlöf & Leman (Sweden, in 2000), De Bandt, van Hecke, Lagae & Loesch (Belgium and Luxembourg, in 2001), and Oppenhoff & Rädler (Germany, in 2001). Freshfields merged in 2000 with the German law firm Deringer Tessin, Herrmann & Sedemund and the Austrian law firm Bruckhaus Westrick Heller Löber to form Freshfields Bruckhaus Deringer.

In 1999, Clifford Chance merged with German law firm Pünder, Volhard, Weber & Axster. In the same year, it became the first London firm to merge with a U.S. law firm in the role of acquiror instead of target, namely the New York law firm Rogers & Wells. Through this merger, Clifford Chancer gained 450 lawyers in the USA and a Wall Street client base. Rogers & Wells gained access to all the major financial centres of the world through Clifford Chance's network of offices, together with its significant international client base. While the post-merger integration process was difficult, by 2022 Clifford Chance still had the largest New York and U.S. practice of any of the 'Magic Circle' of leading London law firms. Clifford Chance was itself the product of the merger in 1987 of Clifford-Turner and Coward Chance, neither of which legacy firms would have been described as top-tier amongst London law firms. That merger however created the foundation on which Clifford Chance's leading global practice today has been built.

Amongst the 'Magic Circle', neither Slaughter & May nor Allen & Overy merged with European firms. In 2000, though, Allen & Overy did combine with part of the Amsterdam, Brussels, and Luxembourg offices of Loeff Claeys Verbeke.

Several other U.K. law firms also established presences on the European mainland through mergers at that time, but with targets smaller than those in mergers included in this study.

2.2 Types of mergers

Large law firms and their mergers are anything but monolithic in character or context. Consideration of the concepts, definitions and context pertaining to large law firm mergers would therefore be incomplete without inclusion of a typology of these mergers. Three kinds are addressed in this chapter. The first concerns the governance system adopted in the combined firm. The second, the strategic motives for the merger. The third, the relative positions that the merging businesses occupy in each other's supply chains.

2.2.1 Typology based upon the governance system of the combined firm

2.2.1.1 One-firm-firm versus dispersed governance model

David Maister shows how a unitary *one-firm-firm* governance model (Maister 1985, Maister and Walker 2006) is characterised by a single profit pool and strategy and business model, and fully integrated systems and processes. He demonstrates that this model typically delivers superior performance in partnership-based PSFs. Recent McKinsey & Co research confirms Maister's theory and shows it not to be restricted only to PSFs (Epstein, Hewes and Keller 2023). Dispersed governance models on the other hand (typified by the Swiss *verein* although other corporate structures have also been used) consist of independently operating co-branded businesses (Richmond and Corbin 2014).

Dispersed governance models typically involve separate profit pools and legal entities across countries, regions and/or businesses. They have been widely adopted across the largest global law firms, such as Baker & McKenzie, Dentons, DLA Piper, Eversheds Sutherland, Hogan Lovells, King & Wood Mallesons, Norton Rose Fulbright, and Squire Patton Boggs. So too, for different reasons, by the 'Big 4' global advisory firms KPMG, PwC, Deloitte and Ernst & Young and also large global non-governmental organisations (NGOs) such as the World Wildlife Fund (WWF) and the International Federation of Association Football (FIFA). The flexibility that dispersed governance models offer can make it easier to combine businesses, especially when radically different strategies and organisational logics exist across the merging firms. They avoid complications from: (1) complexities of managing remuneration and other economic variances across multiple currency regimes; (2) diverse regulatory requirements across different jurisdictions; (3) cultural preferences; and (4) the realities of cross-jurisdictional risks. But do configurations of conditions exist in which they deliver the same or better levels of performance when compared to unitary models?

The use of dispersed governance systems in combining law firms has been surprisingly controversial. Ethical issues even are sometimes raised during and following such mergers (Richmond and Corbin 2014, Millard 2019a). Yet they are sometimes unavoidable. Regulatory institutions governing the practice of law in their jurisdictions frequently constrain the activities of global law and other foreign law firms. Local norms, culture and as previously noted economic factors can have a similar, less formal effect. These factors can combine to make it challenging or even impossible to comprehensively adopt unitary governance model construct in a merger between a U.K.- or U.S.-based firm and a local law firm, driving the firms to adopt a dispersed governance construct even if the preference would be for a unitary governance model (Muzio and Faulconbridge 2013). However, wide variation exists in the degree to which firms adopting Swiss vereins or other similar mechanism integrate their businesses.

Whether the combined firm adopts a unitary or dispersed governance model is one of the conditions tested in this study.

2.2.2 Typology based upon strategic motives

2.2.2.1 Domestic versus cross border

Cross border mergers have become significantly more common since the advent of globalisation at scale, commencing in the 1990s, typically due to law firms following clients into foreign markets. As previously noted, though, inter-jurisdictional differences in the regulation of the practice of law have proved challenging in some markets and so too cultural differences between the lawyers of different nationalities. These challenges can impact merger performance, especially through their effect on post-merger integration. A local presence in a market is viewed as an important enabler of client relationships in that market and of reputation, though. It also allows the firm to deliver services tailored to the idiosyncrasies of that market.

Merging with the motive to enter new markets is therefore considered, in this study, as one of the components defining the condition of multidimensionality of the strategic opportunity. Given that one of the selection criteria for inclusion in the study sample is that at least one of the merging firms needed to be headquartered in the U.S. or the U.K., only domestic mergers of firms headquartered in one of those two countries are studied. International mergers in the sample include between U.S. and U.K. firms and also between U.S. or U.K law firms and those in Europe, South Africa, and Australia.

2.2.2.2 Legal services only, versus multi-disciplinary

As already discussed, the Legal Services Act 2007 offers opportunities to bundle legal and other service offerings into integrated advisory client value proposition in the U.K. The Solicitors Regulation Authority (SRA) website maintains a publicly accessible database of so-called alternative business structure (ABS)s, licensed to offer non-legal combined with legal services. When accessed on 5 July 2022, that database contained 1,349 ABSs. Such structures are also possible in other countries, most notably Australia (from the perspective of this study) and New Zealand.

Until quite recently, though, virtually no law firms that had registered ABSs offered significant non-legal services in their service portfolios. To date, no law firms have merged with or acquired significant PSFs or other businesses whose primary focus is on services other than legal, although some acquisitions (mostly of technology or related companies) have taken place. Other kinds of PSFs have acquired law firms, however. In 2020, for instance, Deloitte Legal acquired the law firm Kemp Little LLP, adding 29 partners and roughly 57 lawyers to boost their U.K. headcount at that time to ~370 lawyers (Kinder and Beioley 2020).

Across the Atlantic in the United States a similar trend is unfolding, but far more slowly. First released in 1983, the American Bar Association (ABA)'s Model Rule 5.4, subsection (a), states in relevant part:

> *"[A] lawyer or law firm shall not share legal fees with a nonlawyer…,*" while subsection (b) holds, "*A lawyer shall not form a partnership with a nonlawyer if any of the activities of the partnership consist of the practice of law*."

When the ABA rule was finalized and versions thereof adopted by state bar associations, these and other restrictions in Rule 5.4 were considered essential for keeping lawyers independent in their legal advice and preventing the possibility of non-lawyer owners or others exerting influence over lawyers, including influencing them to prioritize profit over duties to clients.

As at April 2023, bar associations in several U.S. states are experimenting with various ways of allowing ABSs and the practice of law by professionals other than licensed lawyers. These states include Utah, Arizona and Florida, and Washington DC with regard to lobbyists, with similar moves afoot in Canada (Rose 2021).

As is clear from their websites, the legal advisory practices established within the Big 4 audit and global advisory firms make a particular point of presenting such multi-disciplinary ABS offerings as core to their client value propositions. Given that none of the cases in the sample analysed involve mergers across professional boundaries, though, this condition is not relevant to this study. It is included in the typology for the sake of completeness and because mergers of this type involving large law firms might conceivably emerge in due course.

2.2.3 Typology based on firms' positions in each other's supply chain

This typology distinguishes between horizontal, vertical, and conglomerate mergers. The theory underpinning such a typological approach dates back at least to the 1960s and is well established in the merger literature (Narver 1967). *Horizontal mergers* involve a firm merging with a rival with a similar business - so growing market share, enhancing market power and improving its market position. Firms merging with others upstream or downstream in their supply chains are engaging in *vertical mergers*. Thirdly, *conglomerate mergers* involve a firm seeking to diversify its offering or geographic reach by merging with a firm already established in the different market, or the products or services being targeted. It is debatable though whether cross-market mergers by similar firms, with similar clients, to create single combined businesses, are true conglomerate mergers. In a business sense, a *conglomerate* is a business that consists of several *different*, independent businesses. While this might superficially appear a good descriptor for firms that adopt the most heavily independent of dispersed governance structures, these still differ from conglomerates in that they are not characterised by a substantive holding company that owns controlling stakes in the individual companies or firms, each of which conducts business as a separate entity.

Vertical mergers would also be unusual for traditional law firms, given the very limited scope of value chains involved in production and delivery of legal advisory services. This study consequently considers all the large law firm mergers in the study sample to be *horizontal mergers*.

Horizontal mergers in non-service sectors have been shown generally to be successful both integratively and synergistically but in service sectors to tend to fail integratively. In both industrial and service sectors, they have been shown to constrain profitability (Rozen-Bakher 2018). This implies that even when synergies are evident, the outcome remains highly dependent on how successfully the businesses are integrated. To the extent that post-merger integration performance is affected by antecedent conditions (Haspeslagh and Jemison 1991) such conditions would clearly be important in this study.

Service pricing is a major variable and strategic differentiator between law firms, distinguishing elite law firms from others in the market. Obviously, though, it is not the only competitive variable that exists between law firms. Firms compete also across non-price variables such as quality, service focus and mode of service delivery. It follows then (rather obviously) that in horizontal mergers, merger performance depends heavily on strategic relationships between price and those non-price variables. Despite this, though, merger literature contains remarkably few papers that analyse the effects of horizontal mergers when businesses (not only law firms) compete across both price and non-price variables (Brekke, Siciliani and Straume 2017). While price is not treated directly amongst the conditions analysed in this study, it is included indirectly through incorporation into the condition that characterises the degree of relatedness between merging firms.

2.3 Alternative ways to grow, other than through merger

Mergers are not the only growth strategy available to law firms. Kirkland & Ellis, the largest grossing law firm in the world in 2022, with global revenues of >US$6.5 billion, has grown to that scale without significant mergers. Figure 1 shows the 'Global Top 50' largest fifty law firms by revenue in 2021, cross referenced to their revenues per lawyer (RPL) in 2022. The colours of the markers on the chart indicate representation in the study sample. Except for WilmerHale and Reed Smith, whose last in-scope mergers took place in 2004 and 2008 respectively, all the firms in the study sample have RPLs that are below the median for the Global Top 50 in 2021. Several of the firms with RPLs above that median did undertake mergers during the study period, but these were with target firms that were too small to meet the scope for the study.

As this thesis is being drafted, though, partners from elite New York law firm Shearman & Sterling and U.K. Magic Circle firm Allen & Overy are contemplating a merger. If consummated, this merger will be unprecedented in that it will be the first merger between elite global law firms of such scale and, in particular, a U.S. elite law firm based in New York City. If this merger goes ahead and is emulated by other elite law firms, it could mark the start of an interesting new chapter in large law firm mergers.

Besides merging, three other viable pathways to revenue growth exist. The first is *organic growth*, which involves focus on retaining the talent that one has and growing the numbers from within. The second is through *lateral hiring*. This is the intentional action of one firm to identify, solicit, and hire an individual or group currently employed by another firm, a practice often pejoratively labelled "poaching" (Gardner, Stansbury and Hart 2010) for the purposes of enhancing sustainable competitive advantage (Amankwah-Amoah 2015).

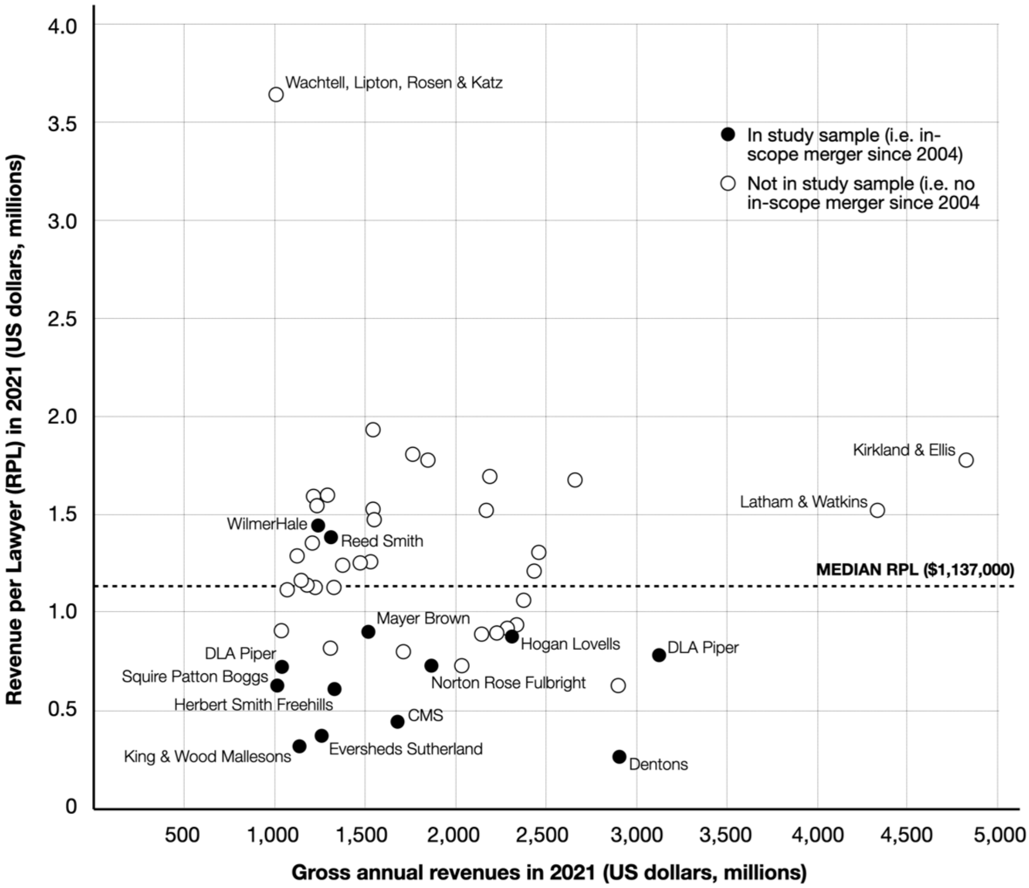

Figure 1: *The 'Global Top 50' law firms in the world by revenues in 2021, cross referenced to revenues per lawyer (RPL) and whether or not the firm is represented in the study sample. Data source for revenues and RPL: ALA International (ALM 2021).*

Lateral hiring can also involve assimilation of solo practitioners and small firms into the firm through what are called mergers, but the target is tiny compared to the acquiror, sometimes referred to colloquially as "bolt-ons." Virtually unheard of more than a few decades ago, these combinations have become a very prominent feature of contemporary law firm strategies. A substantial practitioner literature has emerged concerning lateral hiring and issues relevant to this, in social sciences generally as well as in journals devoted to legal practice theory. The importance of collaboration to successful lateral hiring has been proven (Gardner 2017) which has obvious implications for law firm mergers so, to the extent that antecedent conditions can affect that, they are again important.

The third pathway is to grow through *leverage* through technology instead of through increasing headcount, for instance by automating legal service delivery processes through use of platforms and algorithms. While this pathway remains nascent in the legal sector, it is well established in other professions (Susskind and Susskind 2015, Pemer 2021).

2.4 Merger waves

Merger waves offer a perspective on *necessity* as an antecedent condition to mergers. They relate directly to financial performance as a motivator. In the economy generally, seven such merger waves occurred in the USA since the start of the twentieth century, between 1897 and 1904, 1916 and 1929, 1965 and 1969, 1984 and 1989 (Stearns and Allan 1996, Gaughan 2018), 1992 to 2001, 2004 and 2007 (Gaughan 2018) and, as this study shows at least with respect to large law firm mergers, following the global financial crisis - from 2010 to 2018. At least some of these waves corresponded with similar phenomena in Europe and other global regions.

Although early research on merger waves focused almost exclusively on the behaviours of individual firms (Stearns and Allan 1996), more recent work has included understanding the phenomenon itself and linking empirical findings to economic theory (Cho and Chung 2022). Two overarching views have been advanced to explain waves of elevated merger activity, namely the neoclassical view and the behavioural view. The neoclassical view assumes separation of ownership and control, where owners of the firm have no direct control over management's decision-making (Gugler, Mueller and Yurtoglu 2006, Gugler, Mueller and Weichselbaumer 2012, Ching 2019). This is the very antithesis of the reality that exists in law firm partnerships (Greenwood, Hinings and Brown 1990). Notwithstanding, one of the two theories that fall under the neoclassical view, the *Industry Shock Theory*, is relevant to many cases in the sample of large law firm mergers analysed in this study.

Previously noted changes in the U.K. concerning limitations on the size of partnerships, the introduction of limited liability partnerships, restrictions on sharing fees with other professionals (including foreign lawyers), and ownership of legal service providers have created industry shocks that paved the way for firms to grow at rates and to scales that were hitherto not possible. Digital disruption of both the business and the practice of law constitutes another such shock.

With regard to economic shocks, merger waves tend to be associated with periods of recovery following shocks rather than the shocks themselves (Thanos, Papadakis and Angwin 2020). As discussed below, the global financial crisis of 2007 to 2008 generated a very substantial shock in the legal sectors in the U.S., the U.K. and elsewhere. An earlier recession, in the first half of 2001, might also have catalysed some of the earliest mergers in the sample during the sixth merger wave identified by Gaughan (from 2004 to 2007) especially for firms with significant exposure to the technology sector. (That recession followed the so-called *dotcom crash*.) The merger wave that followed the global financial crisis was however far more profound (see figure 2.) In normal times, the economic engine of a full-service law firm is heavily located in its corporate and commercial practices. During the very sharp economic contraction that occurred in 2008/9 following the bankruptcy of Lehman Brothers and the subsequent liquidity freeze across financial markets, those engines stalled so abruptly and completely that dispute resolution and restructuring (being the revenue sources upon which firms rely during economic down cycles) were unable to adapt to the shock (Rothwell 2020).

As a consequence, between 1 January 2008 and 31 January 2010 the major U.S. law firms laid off at least 14,347 people (5,632 lawyers and 8,715 staff) (Wald 2010). Neither was that the end of it, nor were premium law firms immune to it. In mid-2013, when the merger wave was at its peak (see figure 2) one of the most prestigious of American law firms, Weil, Gotshal & Manges LLP, laid off 170 associates and support staff. This was a measure that executive partner Barry M. Wolf lamented in a firm-wide email as "*very painful from a human perspective*" but necessary to "*retain historic profitability in the new normal*." The firm also imposed significant pay cuts on 10 percent of the firm's partners (Harvard Law School 2014). Elevated numbers of large law firm mergers persisted for some years thereafter, too, subsiding only with the onset of the Covid pandemic in 2019.

Motives for mergers that occur outside of merger waves are likely dissimilar to those that occur during them, driven more by strategic imperative than economic necessity. Mergers outside of wave periods might also be less numerous but they might be more likely to be successful than those that occur during waves. During non-wave periods, firms tend to proceed with less urgency, conducting more thorough attention to due diligence and spending more time and effort on strategizing, including on the synergies to be exploited, and on post-merger integration (McNamara, Haleblian and Dykes 2008, Thanos, Papadakis and Angwin 2020).

Competitive advantage might also accrue to *early movers* during merger waves, with later movers distracted and unduly influenced by bandwagon or herding effects that are either institutional, being derived from social pressures within the firm (DiMaggio and Powell 1983) or competitive, being derived from fear of loss of competitive advantage (McNamara, Haleblian and Dykes 2008, Thanos, Papadakis and Angwin 2020).

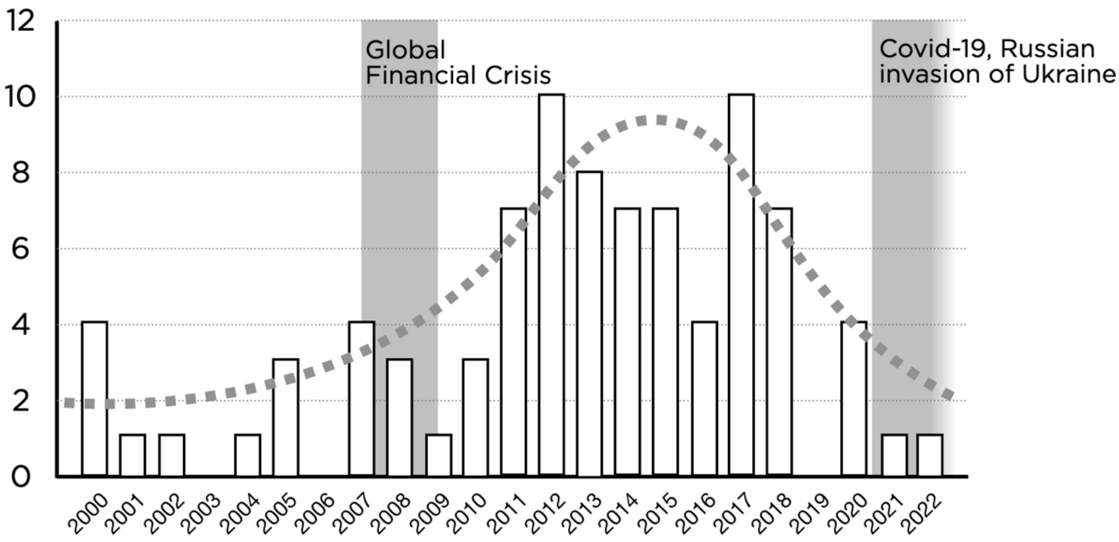

Figure 2: *In-scope large law firm mergers by year, 2000 to 2022, showing the merger wave that occurred after the global financial crisis of 2009. This graphic excludes the far larger number of smaller mergers that also occurred since 2000, inclusion of which would have demonstrated the wave even more vividly. (Source: author research).*

Later movers might be pressured by these effects into not investigating merger prospects deeply enough to develop accurate views of the opportunities for value-creation, or of potential pitfalls (Thanos, Papadakis and Angwin 2020). In particular, such later movers might pursue mergers underpinned by lower quality strategic opportunities, which the results of this study show to be potentially dangerous.

2.5 Deconstructing the merger process

2.5.1 Introduction

While this study addresses variance theory and is focused on antecedent conditions observable during the pre-merger stage of the merger, it is nonetheless important to recognise this stage's context within the overall merger process. At its simplest, a merger transaction can be described as consisting of two stages. That is, a *pre-merger stage* which involves initial strategizing, a search for prospective merger candidates, discussions between the firms, due diligence, strategic decisions about whether to go ahead, planning the post-merger integration and then (assuming the deal is consummated) a *post-merger stage* during which the firms are integrated, to a greater or lesser degree depending on the approach to governance, to form a combined firm and business. The degree of integration varies from a fully comprehensive exercise in the case of the merger involving a *one-firm-firm* unitary governance model, to the adoption of a common brand and a set of non-exclusive collaboration protocols in the most franchise-like of the dispersed governance models - such as that employed typically by Dentons (Richmond and Corbin 2014). As previously noted, key to the distinction between the two models is whether or not partners in the combined firms share profits from a common pool (irrespective of moderators that might be adopted to account for currency differentials and other complicating inter-market variables) and share joint accountability and decision-making across the businesses.

2.5.2 The pre-merger stage

The pre-merger stage is characterised by a range of crucial decisions, including about: (1) the firm's strategic objectives; (2) whether and how merging would be the best means of meeting those objectives; (3) which firm/s should be considered as target/s and how these should be prioritised; (4) options concerning how the combined firm will operate; and (5) how post-merger integration should be undertaken (Welch, Pavićević et al. 2020). Problems encountered during post-merger integration can frequently be traced back to errors made during the pre-merger phase (Haspeslagh and Jemison 1991, Gomes, Angwin et al. 2013).

The pre-merger phase can be further disaggregated into six themes or categories of activities, which are: (1) deal initiation; (2) target selection; (3) bidding and negotiation; (4) valuation and financing; (5) announcement; and (6) closure (Welch, Pavićević et al. 2020).

Practitioners typically rely on a range of sources for cues as to the suitability of various merger options and other decisions to be made during this stage. A great deal of information is publicly available from which valuable intelligence can be secured concerning a potential target's strengths, weaknesses, culture, and other organisational characteristics. From this information, judgements can be and are frequently made of the likelihood of a successful merger and subsequent sustainable competitive advantage for the combined firm.

Strong practitioner beliefs have emerged concerning why law firms merge, what constitutes a successful merger, and what is causal to a successful outcome. These, cross-referenced against the literature on these topics, are addressed further in the literature review.

2.5.3 The post-merger stage

Frequently referred to as *post-merger integration*, this is the stage during which the merged businesses are melded together into a single business entity - although in the case of dispersed governance arrangements such as some (not all) utilising *Swiss vereins* and similar constructs the degree of integration is sometimes limited (Richmond and Corbin 2014):

> *"The law firm movement toward organizing as a verein as a means of expanding globally, rather than growing through traditional mergers, is thought to be largely attributable to the verein's flexible structure. Basically, organizing as a Swiss verein allows globally-oriented firms to combine and promote a unified brand across borders, while still affording the individual firms within the verein separate corporate or partnership status with discrete legal liability and financial independence."*

The literature addressing post-merger integration is considerably more extensive than that which addresses the pre-merger stage. The focus of this research project however is firmly on the pre-merger phase so, excepting for the reality that much of the success of the post-merger stage is dependent on actions taken during the pre-merger stage, the post-merger integration literature is not sufficiently relevant to warrant its further inclusion.

2.6 Future changes in concepts and context

It is worth briefly highlighting how the contexts in which law firm mergers occur is changing, and how this is likely to affect conditions consistent with performance. That the legal profession is being disrupted by a trifecta of technological, regulatory and economic pressures has already been discussed. Likewise the links between such disruption and merger waves and other industry consolidative trends. It seems highly likely that a new merger wave will unfold in coming years, and might indeed already have already commenced. It will be interesting to see whether those few law firms that dominated the last merger wave do so again in the next one, or whether the next one ushers in a new cohort of global giants.

The aforementioned pressures are likely to increase the number of law firms with high degrees of necessity for merger, and hence the incidence of *white knight* mergers (see chapter 7.) Given a finite number of potential acquirors, this might even catalyse multi-disciplinary mergers of the type described in section 2.3.2.2. It is well known that in London, the Big 4 have approached several law firms to combine with their growing legal service businesses. So far, Kemp Little LLP is the only law firm of any scale that has taken up the opportunity, its team joining Deloitte Legal in 2021.

The prospect of a merger between Shearman & Sterling and Allen & Overy raises the possibility of large law firm mergers no longer being associated only with mainstream corporate commercial law firms, but perhaps extending to the global elite, too.

The mergers in this study predate the advent of ChatGPT, Bard and other large language models and generative AI platforms. If these platforms catalyse disruption in the legal profession of the scale that computer aided design (CAD) has disrupted the architecture, engineering and other design professions since the 1990s, then this might well introduce new motives to merge and new antecedent conditions that are consistent with successful outcomes.

The study will likely be of interest in years to scholars and practitioners alike who are interested in how current trends will cause the contexts of large law firm mergers in the first two decades of the twenty first century to differ from those in subsequent decades, and how that manifests in terms of merger motives and factors causal of successful outcomes.

3 Literature Review

3.1 The literature on mergers is well-established field but fragmented, with significant gaps

Unsurprisingly given their immense importance to firms, in strategic, economic and social terms, a vast literature exists on mergers and acquisitions. This literature spans well over half a century and is drawn from a wide array of disciplines (Gomes, Angwin et al. 2013). A number of useful retrospective papers have been published, summarising key aspects of merger theory (Cartwright and Schoenberg 2006, Haleblian, Devers et al. 2009, Mulherin, Netter and Poulsen 2017, Teerikangas and Colman 2020). Frequently referred to colloquially as "M&A", in keeping with common practice in the legal profession the term *merger* is used throughout this study especially when referencing the cases in the study sample.

As regards mergers between law firms specifically, the literature is far less prolific. A search of the scholarly databases yielded only a handful of papers in peer-reviewed, scholarly articles in either the legal or business science publications. A thorough review of articles on PSF strategic management published in ABS listed journals between 1991 and 2015, to identify key research themes, identified nine such themes. *Mergers & collaboration*, with only 10 papers, was the least explored of these themes (Skjøsvik, Pemer and Løwendahl 2017). Most papers on law firm mergers that have been published in the scholarly legal publications such as law review journals relate furthermore to ethics, addressing topics such as client conflict and confidentiality in mergers.

This review focuses on literature concerning motives for law firm mergers and the conditions consistent with (or, better still, causal to) successful merger outcomes. While particular attention is paid to the few scholarly sources that address law firm mergers specifically, by necessity the review also therefore draws on the wider merger literature and also practitioner grey literature and other informal sources.

Mergers are highly complex, dynamic business processes with a great many moderating variables, spread across a fragmented body of knowledge (Miczka and Grössler 2010). Significantly idiosyncratic characteristics can be demonstrated even between mergers that take place in the same industry and in the same market, making it difficult to generate simple theories to explain their motives, their process or their performance (Haspeslagh and Jemison 1991). Over the years, the strategic management literature has taken a consistently sceptical view of business mergers. The literature is especially sceptical of large combinations. An early concern that has received considerable attention over the years is the empirical evidence that, in aggregate, abnormal returns accruing to acquiror firms in the years following a merger are typically negative or, at best, not statistically different to zero (Agrawal and Jaffe 2000).

Perhaps because of the lack of empirical research, the topic of law firm mergers appears particularly rife with misconceptions and ambiguities. Large law firm mergers may for instance be less common than is generally believed. While it is undeniable that (on average) firms are increasing in scale, a small number of very large global law firms have emerged as prolific, serial executers of mergers (see figure 3). Media reports keeping count of mergers tend also to be misleading, typically including in their ‘merger counts’ those between small firms and acquisitions of small or even tiny firms by large ones (colloquially referred to as *bolt-ons*) on an equal footing with large law firm mergers. This arguably creates the impression that significant mergers are more commonplace than they actually are and that global consolidation in the legal sector is more profound than is really the case.

Of the many themes addressed in the merger literature, one of the most perennially popular has been that of merger performance. 61 percent of papers on merger research published in top-ranking management journals from 1963 to 2009 addressed the topic of performance and roughly half of those (31 percent) were on merger performance specifically (Cartwright, Teerikangas et al. 2012). Three general methods have been used by researchers to assess performance, namely: (1) stock-market metrics; (2) accounting-based measures; and (3) assessment of the degree of achievement of the strategic goals that motivated the merger, usually through manager perceptions. These are described in more detail below.

The literature suggests that mergers tend to suffer high failure levels, perhaps even to the extent of representing “*wealth destruction on a massive scale*” (Moeller, Schlingemann and Stulz 2005). That despite this mergers continue to be so keenly pursued by businesses represents a paradox at the very core of merger research.

Other well-researched topics include the range of motives that drive firms to merge, the economic effects of mergers, the criteria by which mergers should be regarded as successful or not, and the conditions consistent with merger success and failure.

Traditionally, scholars have posited quests for *market power* and for *economies of scale* to be the primary motives for mergers (Larsson and Finkelstein 1999, Thanos and Papadakis 2012, Thanos, Papadakis and Angwin 2020). Strategy scholars in particular have concluded that mergers can be motivated by multiple strategic, financial, and economic drivers all simultaneously (Angwin 2007, Gomes 2011, Thanos, Papadakis and Angwin 2020).

Financial and market studies dominated early merger research (Cartwright and Schoenberg 2006) and, despite a recent surge in interest in the more behavioural, human aspects this dominance persists to this day. Economic and finance scholars have tended to disregard the importance of human and organisational issues and the reverse is also true, which has led to calls for more integrative approaches that adopt more holistic views of mergers (Larsson and Finkelstein 1999, Cartwright and Schoenberg 2006, Angwin 2007, Thanos, Papadakis and Angwin 2020).

Within the strategic and behavioural literature specifically, scholars have explored issues of strategic fit, organisational fit and the merger process itself (Cartwright and Schoenberg 2006, Cartwright, Teerikangas et al. 2012).

Only a very small amount of the literature however takes the holistic, integrative approach implicit in the configurational, set theoretic method used in this study.

3.2 Why law firms merge

Alongside causality in successful merger outcomes, factors motivating businesses to merge is another perennially popular research topic. Early views included that mergers can be considered: (1) a rational choice; (2) a process outcome; or (3) the result of macroeconomic phenomena (Trautwein 1990). Publicly stated motives for mergers are frequently quite different to the actual motives though, especially when the real motive is to correct economic under-performance, or other chronic problems (Angwin 2007).

Especially important to the pre-merger stage and also to the set-theoretic configurational approach followed in this study, the literature contains no shortage of research on the topic of 'fit' between the combining businesses, as an influencer or even a determinant of outcome (Cartwright and Schoenberg 2006, Cartwright, Teerikangas et al. 2012, Schriber 2020). Too often, firm leaders also approach mergers as a financial exercise to facilitate their growth strategies without adequately considering the wider strategic rationale (Galpin 2018).

Two broad theoretical schools of thought or philosophies have emerged, not necessarily mutually exclusively, to explain why mergers take place (Chung, Hur and Liu 2020). The neoclassical view posits that they occur because firms seek to maximise shareholder wealth through increased efficiency and market power (Comanor 1967, Cho and Chung 2022). The second posits that mergers are responses to regulatory, economic and technological shocks that induce firms to reallocate their resources in ways that restore efficiency (Harford 2005). As previously discussed in the context of merger waves, the separation of ownership and control that is assumed in the neoclassical view does not apply in law firm partnerships. The interests of non-shareholder stakeholders such as clients and employees can also significantly affect the performance of the merger through their support or conversely their resistance to it.

While law firms are certainly not immune to regulatory, economic and technological shocks, which have become increasing prevalent in recent years (Susskind 2010, Susskind and Susskind 2015) the motive for reallocating resources and acquisition of new ones cannot be adequately explained as a quest for restored efficiency. Hence these explanations alone do not provide an adequate explanation of motives for mergers between large law firms, specifically. Following the RBV, motive is better explained as a quest for enhanced and new valuable, rare, inimitable resources that the firm is organised so as to be able to exploit them (VRIO resources) which deliver enhanced, sustainable competitive advantage.

Review of ~400 items of practitioner literature on law firm mergers yielded seventeen motives frequently mentioned by practitioners as to why, in their experience and expert opinion, law firms merge (see figure 3). Six reasons accounted for 74 percent of the mentions. These are: (1) enter new markets (18 percent of mentions); (2) build scale, market position and/or competitiveness (15 percent); (3) acquire new services/capabilities (13 percent); (4) financial pressures and survival (11 percent); (5) build an international presence / global firm (11 percent); and (6) enhance existing services/capabilities (6 percent). Many of these sources are popular in nature, though, and possibly biased. The motivations described may themselves be motivated more by public relations than rigorous, critical-analytical assessment.

The following sections of this thesis review the literature regarding each of these motives, especially as they pertain to law and other PSFs and mergers between large law firms.

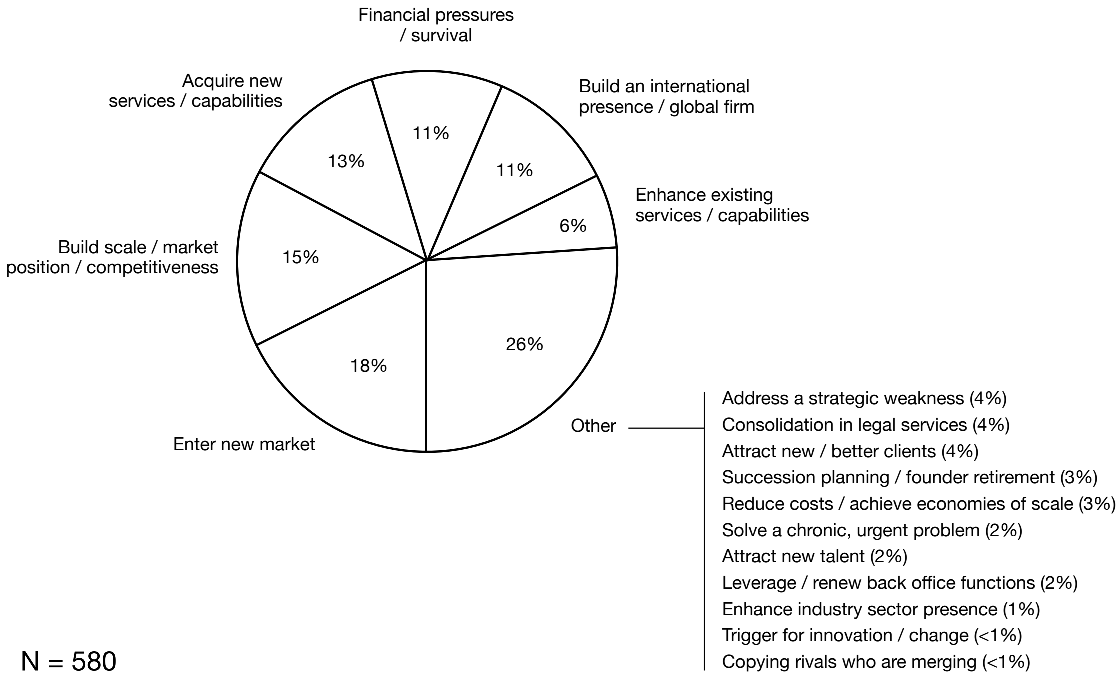

Figure 3: *Practitioner beliefs regarding motives for law firm mergers, drawn from practitioner publications and grey literature.*

3.2.1 Enter new markets

Customer/client proximity has been long recognised as a VRIO resource, including and perhaps especially in PSFs, where client relationships are a core resource and driver of performance. Clients purchase idiosyncratic knowledge from individuals in law firms, which knowledge is supplied through close interaction, colocation, and proximity (Løwendahl 1997, Beaverstock 2004). An important part of the value proposition offered by the large global law firms, for instance, is connecting specialists in their large offices in major markets with generalists in smaller offices, in less prominent (for instance emerging) markets.

Research on PSF referral alliances addresses issues highly relevant to this, including that of proximity between generalists and specialists and the complexity of rivalry between specialists (Nam, Gruca and Tracy 2010). While this research is focused on inter-organisational referral alliances, its conclusions are equally relevant to intra-organisational referral networks such as exist across offices in large multi-office law firms. In such instances, the local office of a large multi-office firm is frequently the primary point of contact with the client for quite complex work done by specialists in or from other offices. Where a critical mass of important clients operate in a particular market, that can of itself provide sufficient motivation for a firm to establish a local presence in that market including, where the scale or the presence required warrants it and a suitable combination opportunity exists, through a merger.

Transactional characteristics of knowledge can also make its transfer susceptible to opportunism from parties in external, contractual, encouraging mergers as opposed to alliances, franchises and other external resource-seeking arrangements as a strategy for entering international markets (Malhotra 2003).

Each law firm has its own requirements in terms of how international it needs to be, depending on its own attributes and strategy (Powell 2014). The optimum degree of internationality and the performance derived from that is typically also context-dependent. Entry to new markets is frequently driven also at least partly by client expectations - or by a firm's perception of these.

Writing more than two decades ago, Empson notes that:

> *"Accountants, lawyers, consultants and advertising agents have all been merging as their clients demand global and diversified services from their professional advisors."*

and

> *"In recent years, multinational clients have been demanding increased geographic coverage from all their professional service providers. At the same time, the competitive landscape has become more complex, with the development of hybrid multibusiness organisations which encompass a range of professional services."* (Empson 2000).

Chapter 2 notes that regulatory impediments to the size of law firms and to the ability of U.K. and foreign lawyers to share fees were removed at roughly the time that Empson wrote the above, coinciding with the establishment of the EU and, with that, the ability of British lawyers to practice in any EU jurisdiction. These regulatory developments catalysed a series of mergers between U.K. law firms and mainland European law firms with whom strong referral relationships existed. Brexit has reversed this benefit for U.K. law firms and for U.S. and other non-European law firms staffed by British lawyers, that relied upon their offices in London to be their primary point of entry to the EU. Ireland now being the only officially English-speaking EU nation has led several such firms to establish new offices in Dublin – in some cases through market-entering mergers (Gunnarsson 2020).

An exploration of globalism in the context of law firm mergers would be incomplete without addressing also forces that oppose globalism, especially protectionist practices that constrain or even prevent the entry of foreign law firms into particular markets. While an exhaustive, jurisdiction-by-jurisdiction treatment of local regulatory requirements is obviously beyond the scope of this study it is worth noting that such local regulations are constantly in flux, hence also the attractiveness or otherwise of those markets for mergers between law firms in those markets and others, from other jurisdictions.

That said, a significant number of jurisdictions persist (mostly in emerging markets but also in many states in the USA) where severe regulatory restrictions are imposed upon the practice of foreign lawyers, also hampering the ability of firms from outside those markets to merge with those in them. Such markets include Brazil, China, and Nigeria (Hook 2007). In March 2023, the Bar Council of India published its new *"Rules for the Registration and Regulation of Foreign Lawyers and Foreign Law firms in India"* which included the lifting of the prohibition on foreign lawyers working in India and foreign law firms from establishing offices in India, under specified circumstances.

In considering whether a merger is the best method of entering a new market, it might be more useful to conceptualize a firm as a knowledge entity instead of a contractual entity. Realising that the two are complexly interrelated, that would mean prioritising the question of how to make the firm's competencies available to clients in a foreign market, over how to develop relationships with clients in that market (Malhotra 2003). Such thinking would impact decisions about whether the firm should enter a market through a merger with a local firm, or through an alliance, or by hiring local lawyers and building a presence there, or servicing clients in the market concerned from an office located elsewhere.

3.2.2 Scale and brand awareness

Law firm leaders have traditionally tended to assume that the benefits of greater scale achieved through a merger outweigh the downsides of greater complexity:

> *"The primary argument for law firm mergers has typically been that greater scale creates enhanced growth opportunities. Typically, firms have focused on cross-selling to existing clients as the biggest growth opportunity. The combination of two separate firms, each with its own practice area strengths and client lists, creates the possibility of leveraging the existing client relationships from each pre-merger firm to sell the other pre-merger firm's services. That outcome, if realized, would boost revenue and profit significantly.*

> *The second growth opportunity firm leaders typically consider is the larger platform that the merger promises to create. Firm leaders often hope that a larger firm, with a wider range of services in a larger number of jurisdictions, will be more successful at winning new work. This, in turn, would lead to faster growth in revenue and greater profitability."* (Bruch 2017).

Viewed through the RBV lens, scale is widely recognised as a source of competitive advantage but only if it creates opportunities to enhance existing VRIO resources and to acquire new ones that are aligned with an effective strategy. It does not yield sustainable competitive advantage if the resources enhanced or acquired are not VRIO, or if the strategy is flawed. Value in a merger is also dependent upon the process of integration effecting transfer of knowledge and strategic capabilities (Fischer, Rodwell and Pickering 2021). Fischer et al also adopt a configurational approach to their inquiry into merger performance, focused on the post-merger integration phase, viewed also through the RBV lens:

> *"A configurational approach emphasizes a holistic synthesis of elements and highlights the importance of thinking of M&As in terms of patterns. A configurational approach offers tools for considering M&As such as analyzing the thematic coherence of integration and enables the inclusion of sustainability into the logic of organizations."* (Fischer, Rodwell and Pickering 2021)

The Thomson Reuters Global Elite Law Firm Brand Index 2022, which is a practitioner resource on law firm brand equity, reveals some correlation between scale and market/brand awareness. Eight out of the top twenty firms ranked in the index are firms included in the study sample. The firm in number one slot, Baker McKenzie, has however grown to its current scale through smaller mergers than those in-scope in this study. In 2022, Baker McKenzie's score of 100 in this index was furthermore a full 56 points ahead of the second-ranked firm, DLA Piper (Thomson Reuters 2022). Clearly, large-scale mergers might be neither the only nor perhaps even necessarily the best way to achieve scale in ways that clients recognise and value.

That said, mergers have also been demonstrated in the scholarly literature to have a positive effect on brand equity, part of which at least could be attributable simply to the greater scale (Chu, Chu and Liu 2021). The practitioner literature is divided between those experts who claim that *"materially increasing"* scale can be crucial for competitive advantage, and those who posit that scale of itself is a poor motive for a merger, and who suggest that scale is unnecessary and perhaps even undesirable. It has already been noted, for instance, that the most profitable law firms in the world are very far from the largest or the most international.

Amongst the most prominent of scale-sceptics in the legal sector is Steven Harper, author of *The Lawyer Bubble: A Profession in Crisis* (Harper 2016). In an earlier text, Harper writes of the serially-merging but ultimately ill-fated U.S. law firm Bingham McCutchen LLP, which closed doors in 2014:

> *"Bingham's twelve-year effort to increase "brand awareness" through an aggressive program of mergers contributed mightily to its ... plight.*
>
> *... Bingham's ... mergers got it into the AmLaw 50. However, that didn't protect the firm from double-digit declines in 2013 revenue and profits, or from a plethora of partner departures in 2014."* (Harper 2014)

3.2.3 Acquire new capabilities (diversification of VRIO resources)

Diversification implies the combined firm being able to offer a broader spectrum of substantive services and other elements to the value proposition that it offers its clients, than the legacy firms separately. It implies securing sustainable competitive advantage through deployment of a broader, better portfolio of VRIO resources. PSFs have long been shown to benefit from diversification (Greenwood, Hinings and Brown 1994, Morris and Empson 1998, Hitt, Bierman et al. 2001) especially when they remain pure-service providers in areas where performance is positively related to a strategy of specialized narrow brands (Castaldi and Giarratana 2018). Larger, more diversified firms are better able to take risks and weather economic downturns (Akins 1983). Conversely though, a recent study of longitudinal data on 137 accounting firms and cross-sectional data on 125 law firms showed service diversification to be *negatively* associated with the rate of firm revenue growth and positively associated with the use of mergers (Eckardt and Skaggs 2018).

In elite law firms, focused diversification is consistent with enhanced performance. A study of elite corporate law firms in New York, London and Paris showed that law firms that engage in category spanning are more successful than those focused on single or fewer categories of practice (Paolella and Durand 2016). The authors observe that this contradicts previous theory that suggests that category-spanning organizations receive lower evaluation and perform worse than those focused on a single category. They posit that these effects are contingent on clients' theory of value and that, as clients expect more sophisticated services, they tend to value category spanners more positively. Also that the evaluation of producers mediates the relationship between category spanning and performance. Importantly though, the practices analysed in this study showed the category-spanning that the authors observed to be between high-value corporate practices and other practices that are supportive of those core practices. This suggests that positive effects might be triggered not only by increased resources in the firm's primary areas of practice, but also those in ancillary but directly related and supportive areas of practice, rather than simply by diversification as such.

Scale is also an important contributing factor to diversifying into some new areas of practice. A certain critical mass in a firm's mainstream practices can be necessary before certain ancillary practices become viable. As former law firm managing partner, and law firm consultant Nick Jarrett-Kerr observes:

> *"I was talking some time ago with an environmental lawyer from an 80-partner commercial law firm. He told me that he felt his firm was just about the minimum size necessary to support a two-partner environmental team; for him, scale was definitely an issue."* (Jarrett-Kerr 2009)

Such critical mass results more from these support practices deriving the bulk of their work from the mainstream practices within the firm and less from their own client relationships. Hence it is not uncommon to discover following a merger that the greater scale of the firm's mainstream practices creates opportunities for the addition of further practices that were perhaps not originally anticipated and were not viable at the legacy firms' sizes.

Finally, a strategy of diversification in a PSF will only be successful, recognising the importance of reputation, if two conditions are met (Greenwood, Li et al. 2005). The first condition is to avoid *image contamination costs* (Nayyar 1993). If clients do not perceive the new services to be related to the existing services upon which the firm's reputation is based, then reputation will not fully transfer to the combined firm.

Nayyar continues that the second condition to be met for a diversification strategy to be successful is that the PSF's clients must perceive the new service to be balanced within the firm's overall service portfolio, and for serious resource investments to have been made into it. Diversification runs the risk of damaging the firm's overall reputation if the commitment to the new services that have been added is perceived (especially by clients) to be incidental (Greenwood, Li et al. 2005).

This aligns with the RBV in that if the resources so acquired are not VRIO resources, including that the acquirer needs to be organised so as to be able to exploit the resources acquired (Meier and Servaes 2020) then they do not yield sustainable competitive advantage.

Competencies that constitute VRIO resources are not limited to services sold to clients. Globalisation, external economic pressures and a burgeoning focus on diversity and inclusion have produced a ‘new normal’ for law firms (Seuffert, Mundy and Price 2018), requiring reassessment even of the core competencies that firms require to ensure their success. Coupled with introspection that frequently follows major law firm failures such as that of Dewey & LeBoeuf in 2012, this can extend even to desire to reconfigure aspects of the firm’s organisational form and capitalisation structure (Adams 2013). Enhancement of existing and diversification into new VRIO resources through merger can be as applicable to internal competencies and characteristics as it is to services sold to clients. As this thesis is being written, the advent of large language models and the disruptive impact that these and other generative artificial intelligence tools will have on legal services and other knowledge industries introduce an entirely new level to these pressures.

3.2.4 Financial pressure (economic necessity)

Economic necessity is a motive frequently offered for mergers, especially from the perspective of a target firm, but the scholarly literature is largely silent on this topic with regard to law and other PSF mergers specifically.

Perceived necessity of a merger strongly influences post-merger identification because that sense of necessity can dilute uncertainty and resistance that typically inhibits post-merger identification (Giessner 2011). It has also already been noted including in the section on merger waves that these can be induced by economic shocks, which would translate to financial pressure on one or both merging firms.

Looking at economic necessity as a merger motive outside of law firms and PSFs, 23 percent of the $5.8 trillion invested in M&A between 2010 and 2018 by large public firms in the USA was made by firms exhibiting poor financial health (Zhang 2022). While the literature does offer theories about acquisitions *of* distressed assets, little theory exists concerning the motivations behind acquisitions *by* distressed firms. Zhang continues that diversifying bankruptcy risk can be a motive, as well as the possibility of smoothing cashflows, decreasing asset volatility, increasing optimal leverage ratios and reducing costs of capital.

Because neither money nor equity typically changes hands in mergers of the scale of the cases in this study, some of the cited benefits of acquiring distressed firms do not apply in these cases. This includes acquirors being able to acquire resources at significantly below market prices.

Although logic would suggest it to be so, the notion that economic necessity in a merger target firm inevitably leads to a weakened bargaining position is also not always supported in the literature. In research conducted immediately after the global financial crisis, for example, distressed firms in crisis periods were shown to receive a 30 percent higher offer premium than distressed firms in normal periods; they also received a 34 percent higher premium than non-distressed firms in crisis periods (Ang and Mauck 2011).

3.2.5 Build an international/global firm

Several areas of legal practice traditionally favour a multi-jurisdictional approach. These include, for instance: banking, finance and investment; competition law; employment; energy markets; intellectual property; mergers & acquisitions; technology (Rubens 2005, Heshmaty 2021). Induced by globalisation, the emergence of truly global law and other PSFs is one of the most important phenomena to have emerged in professional services in the closing years of the twentieth century and the first two decades of the twenty first (Brock, Powell and Hinings 1999, Morgan and Quack 2005, Morgan 2009, Muzio and Faulconbridge 2013). It created opportunities for such areas of practice to be delivered globally on an unprecedented scale. But will the future of law firms consist (as some claim) of a few global giants, specialised boutiques, and then a plethora of medium-sized, under-performing generalists eking out an existence in between? Writing in the Financial Times in 2006, less than two years after DLA's ground-breaking merger with Piper Rudnick Gray Carey, a commentator wrote of this claim:

> *"Underlying the question is whether companies will ultimately prefer to be served by one-stop-shop multinational law firms or by cherry-picking different legal practices in different countries. Leading US law firms harvest the world's largest legal market at home and plough cautiously elsewhere, while many of the biggest British-based firms have placed a huge bet on building extensive international networks and a global presence."* (Peel 2006)

Arguably, that question is as valid in 2023 as it was then. Jennifer Leonard, a professor at University of Pennsylvania Carey Law School who researches the future of the practice of law, says of the capabilities that global firms' scale allows them to muster:

> *"A global firm has the resources to hire a team of people to run their diversity efforts, run their marketing efforts, or to take up a corporate social responsibility role. They also have a much greater view of any given situation or challenge. Regional firms don't often have that capacity. They're limited in their resources yet competing with these global powerhouses"* (Love 2022).

This is especially important in today's market, which seems increasingly to be on the cusp of technological disruption of a scale that might not be able to be contained by protectionist regulatory measures. The largest global large firms have greater resources to invest in technology. They, like other kinds of multinational companies, also have the greatest ability and incentive to generate and to efficiently share knowledge and new practice methods, including technology adoption, across their affiliates (García-Vega, Hofmann and Kneller 2019).

The notion that global legal services will in future be dominated by a small number of global giants is far from proven, though. Even less proven is the notion that if such domination does emerge, it will be by firms utilising the professional partnership business model found almost universally in today's largest and best recognised law firms. It might be more likely in that case that the small group of firms that dominate the future legal services market are the Big 4 global accounting and advisory firms (Wilkins and Esteban-Ferrer 2018) or other firms employing similar business models for their advisory services. Notwithstanding, the success of some of the global serially-merging firms relative to what they might have achieved with less ambitious strategies shows that a quest to be a truly global firm can deliver sustainable competitive advantage - if the firm is able to sustain such a strategy and organise in such a way as to fully capitalise on the benefits that it offers.

Challenges involved in becoming an international/global law firm have long attracted the attention of scholars from both legal and business science disciplines. With respect to large law firms, these include the need to: (1) balance the need for coherent approaches to strategy and organisational logics with the competing demands imposed by local idiosyncrasies in the practice of law across markets (Silver, Phelan and Rabinowitz 2009); (2) manage client conflicts across multiple jurisdictions (Richmond and Corbin 2014, 2020); (3) provide clients with 'one-stop shopping' across multiple markets (Aronson 2007, Muzio and Faulconbridge 2013); (4) maintain uniform client perceptions of prestige and quality across markets and projecting specialised practices into offices located in smaller markets (Sokol 2007); (5) manage cross-jurisdictional economic and regulatory differences, and differing culturally-induced organisational logics (Faulconbridge 2008, Boussebaa 2009, Malhotra and Morris 2009, Boussebaa 2022).

As previously discussed, each law firm has its own needs in terms of how international it needs to be, depending on its own attributes and strategy, and the client needs it seeks to meet. It makes little sense to try to define “ideal” levels of multinationalism for law firms generally (Powell 2014).

3.2.6 Enhance existing capabilities

The scholarly literature is surprisingly silent on the topic of mergers as a strategy to enhance existing VRIO resources/capabilities, other than by projecting those capabilities into new markets. This did however represent 6 percent of the motives distilled from the practitioner sources, to which one could add at least part of addressing a strategic weakness (4 percent), solving a chronic or urgent problem (2 percent) where those relate to loss of high-quality talent or other challenges with existing services, or enhancing industry sector presence (1 percent). That it does not feature more prominently as a motive might be because enhancing existing capabilities is usually addressed through lateral hiring. Applying the RBV it is logical though that a merger should, by combining the practice groups in areas where the firm is already strong, enhance that capability yet further.

3.2.7 Consolidation in legal services

It is well described in the literature (including definitively in Clayton Christensen’s ground-breaking book *The Innovator's Dilemma* (Christensen 1997)) that all industries are inevitably and eventually disrupted, frequently by technological advances that trigger entry to that industry of new competitors that adopt innovations that are difficult for incumbent market leaders to adopt. See Hopp, et al for a comprehensive overview of the literature on disruption (Hopp, Antons et al. 2018).

In some sectors, of which legal services is one, industry disruption can be countered through protectionist measures imposed by industry bodies and others who have an interest in the *status quo,* including the sectors’ regulators. Courts can also sometimes be excessively sympathetic to claims of unfair competition that are advanced on the basis that the proposed merger will cause harmful disruption to entire markets or economies (Lemley and McKenna 2020). In many jurisdictions, these authors note, the legal profession has been especially vigorous and successful in applying such disruption-preventing protectionist measures.

A significant body of both scholarly and practitioner literature exists describing the links between industry disruption and industry consolidation (Kroeger, Vizjak and Moriarty 2008, Sheth, Uslay and Sisodia 2020). Patterns of consecutive strategic responses and their optimal sequencing drive a firm's adaptation (or even survival) in the aftermath of regime shifts in their industries. As has been previously noted, mergers are only one of a range of responses available for such adaptation, that must also balance with client expectations and other demand-side pressures (Pettus, Kor et al. 2018).

A study of 1,345 large mergers completed over a period of 13 years (Kroeger, Vizjak and Moriarty 2008) yields convincing theory to confirm that of Christensen, that consolidation is inevitable across any industry sector. Following a period of scaling up, this study concludes, the leading three players in an industry will typically own 15 to 45 percent of a given market. Other studies have reached similar conclusions including that mergers tend to concentrate in industries that have experienced regime shifts in technology and regulation, and to offer potential as an efficient and value-maximising response for firms to adopt in the face of such regime shifts (Mitchell and Mulherin 1996, Andrade, Mitchell and Stafford 2001, Gorton, Kahl and Rosen 2009, Sheth, Uslay and Sisodia 2020).

Drawing conclusions similar to those of Kroeger et al. are Sheth, Uslay and Sisodia in their book *The Rule of Three.* They argue that irrespective of industry, and barring protective regulatory barriers, artificial barriers to entry and other externally imposed forces that constrain them, consolidative forces are inexorable. Competitive market forces in any given market tend to drive emergence of three full-line generalists and a moderate to large number of specialists. Generalists adopt volume-driven strategies, and their financial performance improves with gains in market share. Specialists are margin-driven and decline in financial performance if they increase their market share beyond a certain level. They observe further that considerable overlap exists between the offerings of specialists and generalists, yet the specialists enjoy significant price premiums over generalists. The reason for this is that specialists are able to offer those same services within a complex value proposition that generalists cannot match (Sheth, Uslay and Sisodia 2020).

Wesemann's practitioner observations concerning dominance (Wesemann 2005) suggests also that Kroeger et al and Sheth et al.'s theories are likely as valid for law firms as for businesses in any other sector. So too does the share of the global audit market that has been captured collectively by the 'Big 4' firms PricewaterhouseCoopers, EY, Deloitte, and KPMG, with regard to PSFs more broadly. It must be recognised though that while *Generally Accepted Accounting Principles* (GAAP) have made audit protocols heavily standardised across markets, law and legal services logics can be deeply fragmented across different jurisdictions (Silver, Phelan and Rabinowitz 2009).

That transformational regime shifts are fundamentally under way is very much part of the *zeitgeist* of the modern legal profession (Mayson 2007, Susskind 2010, Patterson 2012, Susskind and Susskind 2015, Cohen 2018, Pemer 2021). The question remains though, whether these regime shifts are a strong enough force in the legal sector yet, to already be driving widespread industry consolidation? From figure 4, which shows how nearly half of the large American and British law firm mergers in-scope for this study involved one of just seven of today's large global law firms, it appears not. Or, at least, not by 2017.

The phenomena of legal and commercial conflict means that the optimum number of leading law firms in any given market that has undergone such consolidation is probably larger than that of other professions and industries, but the indication remains that consolidation will continue to be a motive for large law firm mergers, whether it directly recognised as such or not. Given the degree to which legal services can be idiosyncratic across jurisdictions (Silver, Phelan and Rabinowitz 2009) it is dangerous to bluntly extrapolate phenomena from industry sectors where such idiosyncrasy is absent or less onto merging law firms.

Perhaps inspired by the compelling evidence for the inevitability of consolidation irrespective of industry, Sir Nigel Knowles (former chairman of DLA Piper and architect of the ground-breaking transatlantic merger between DLA and Piper Rudnick Gray Carey in 2004) said in 2014:

> "*Commercial law is a $300bn global industry – no one firm has more than 1% of the market share and this has to change. The sector is still remarkably fragmented; there are simply too many firms (and too many lawyers) in the market offering the same services without any clear differentiation. …. Consolidation is an imminent certainty and, furthermore, I expect to see consolidation on a scale not previously witnessed."* (Rose 2014)

In 2023, the legal services industry remains heavily fragmented. Many smaller firms have however disappeared, the large firms have grown larger and degrees of internationalisation amongst large law firms have increased. The global legal services market reached a value of at least $787 billion in 2022, having increased at a compound annual growth rate (CAGR) of 2.52 percent since 2016, and is projected to exceed $1 trillion by 2025 (Statista 2023). Against that, the largest law firm in the world by revenue in 2022, Kirkland & Ellis, earned just over $6,5 billion in fees (Law.com 2022) implying a global market share of 0.8 percent.

Although as previously noted the contexts are very different, it is useful for perspective to compare the notion of consolidation of legal services with that of the Big 4 accounting or global advisory firms, EY, Deloitte, KPMG and PwC. In 2020, their combined global revenue reached $157 billion (approximately GBP112 billion) which was more than the combined revenue of all of the largest 200 law firms in the world, by revenue (Williams 2021) and they held 74 percent of the global market for audit and accounting services (Gyorkos 2021).

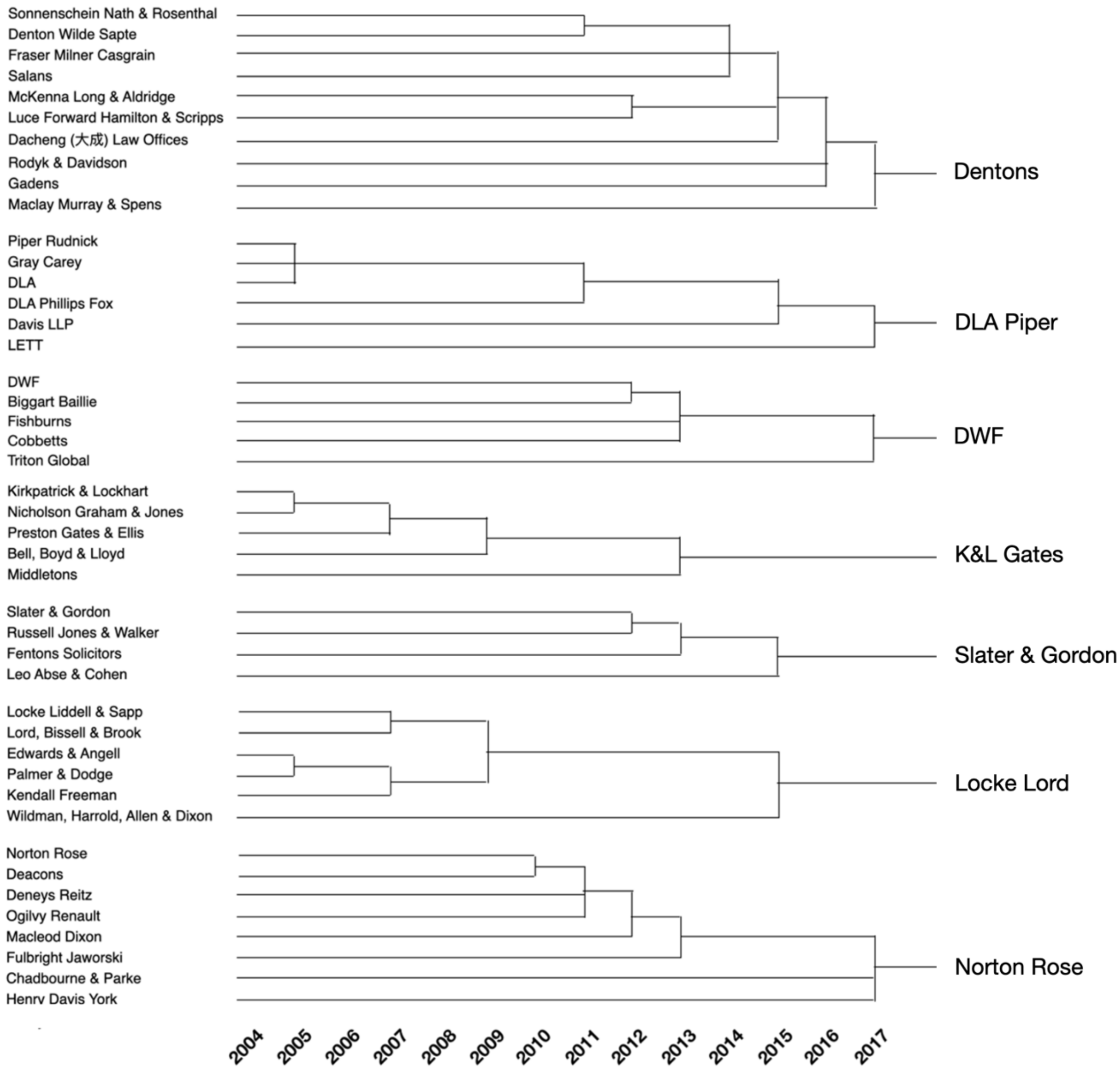

Figure 4: *Of the seventy-three mergers in-scope for this research project, forty-four (60%) were attributable to just seven law firms. (Source: Author's research.)*

The Big 4 are furthermore making steady inroads into legal services with a highly differentiating strategy in markets where this is permitted, bundling legal services with other professional services into a multi-disciplinary advisory value proposition that many clients apparently find attractive (Wilkins and Esteban-Ferrer 2018).

3.2.8 Respond to client expectations

Alongside technical knowledge and expertise, client relationships are the most important VRIO resources that a law firm or other PSF can possess (Løwendahl 1997, Maister 1997, Empson 2000). Regulations exist in many jurisdictions concerning the management of client interests in law firm mergers. As previously discussed, these regulations and their implications for merging law firms are popular and long-standing themes in the scholarly legal literature, especially regarding client-related ethical issues such conflicts of interest and confidentiality (Ravkind 1988, Levin and Ziznewski 2011, Millard 2019) including with regard to former clients (McVea 2000). The scholarly PSF literature on the other hand is surprisingly barren on the topic specifically of clients reactions to law firm mergers and theory that might explain these reactions. A modest literature exists on the role of customers/clients in merger success and failure generally (Öberg 2008) but a paucity of research exists on how external stakeholders (including customers/clients) specifically are affected by mergers, or respond to them (Kato and Schoenberg 2014).

Across industries generally, though, *stakeholder theory* has gained considerable traction and offers rich insights on the topic. This includes that clients are far too infrequently and shallowly considered when strategy is developed (Freeman 1984, Freeman, Harrison and Zyglidopoulos 2018) which by logic would include when that strategy includes a merger. This, despite the PSF literature arguing that quality in professional services is co-created by clients and service providers as they engage in an iterative process of knowledge application and professional conduct to solve the client's problem, and that in fact this is a defining characteristic of professional as opposed to technical and other kinds of service (Greenwood, Hinings and Brown 1990, Løwendahl 1997, von Nordenflycht 2010, Skjølsvik 2012).

Almost all the research on mergers to date has focused on the businesses themselves and their owners (equity partners) and, to the extent that other classes of stakeholders are mentioned at all, on internal stakeholders such as employees and managers (Napier 1989, Birkinshaw, Bresman and Håkanson 2000).

Yet almost without exception, according to merger announcements and practitioner commentary on mergers, virtually every law firm merger is promoted to the market by the merging firms as being predicated upon *serving clients better*.

In *horizontal mergers*, where former competitors integrate, those clients might not remain loyal and might move to rivals because of the merger if they perceive that the merger does not adequately meet their best interests and needs (Lusch, Brown and O'Brien 2011).

Furthermore, when conflicts exist between clients of merging firms, the merger frequently makes it necessary to terminate the relationship with some of those clients.

But to what degree are mergers driven *directly* by client expectations that firms advising them merge? What is true is that clients expect firms to deliver ever-increasingly sophisticated work, to a higher standard of quality, at lower price. Some services make sense to be produced and delivered across multiple jurisdictions simultaneously, and it might then be beneficial to use a firm that has the scale and range of services to deliver that, and that has a presence across all relevant markets.

Following the merger of Denton Hall and Wilde Sapte in 2000, to form Denton Wilde Sapte (one of the legacy firms that today comprise the giant global law firm, Dentons) the former senior partner of Wilde Sapte, Mark Andrews, was quoted as follows:

> *"Clients were saying what they always tend to say in mergers. If this will make it easier for you to give us a better service, then do it. ... All they are interested in is the impact of the merger on your ability to deliver services."* (Hodgart 2005).

When one asks clients directly, though, it appears that they can be deeply ambivalent about large law firm mergers. A Wall Street Journal article titled *Big Law Mergers Fuel Skepticism* (Smith 2013) records general counsels' views as follows:

> "*I'm pretty skeptical about the value these big mergers give to clients*" …. "*If I want a good transactional lawyer for tech, I can call people at Cravath who have been doing it for 20 years for me. …. I don't know why it's better to use a bigger firm.*" (Robert Weber, general counsel for IBM).
>
> "*By and large, the lens I use is reputation... and the talent of the specific lawyer.*" (Thomas Moriarty, general counsel at CVS Caremark Corp.)
>
> *"When I talk to my colleagues, we are all still fairly much aligned on the idea that we hire lawyers, not law firms."* (John Schultz, general counsel of Hewlett-Packard Co.)

Conversely, the same article quoted Peter Kalis, then chairman of U.S.-based serially merging global law firm K&L Gates LLP, as saying:

"*What's in it for clients, is seamless service*."

As evidence, Kalis offered growing volumes of work his firm originates in one office but is performed in another - nearly 30 percent of its work the preceding year – requiring coordination that he said would not have been possible without the mergers that expanded K&L Gates from a Pittsburgh-based firm into a global entity with more than 2,000 lawyers on five continents.

Again following the Denton Hall and Wilde Sapte merger Virginia Glastonbury (then of Denton Hall and later chief executive of Denton Wilde Sapte) said of that merger:

> *"There was something very sellable to clients… we could go to our clients and say we have a stronger finance capability and Wilde Sapte could demonstrate to its clients that it now had a strong international network. This was very obvious then and very tangible."* (Hodgart 2005).

Clearly, mergers can be a means of winning more market share by accessing more work with existing clients and by winning new clients, although this benefit needs to be balanced with the clients that are inevitably lost in a merger, usually due to conflicts or client departures, and sometimes also the lawyers who advised them. Key to this is for a merger to deliver a client value proposition for the combined firm that clients perceive to be better than the proposition that they were offered previously by the legacy firm/s, and also by rivals.

3.2.9 Succession planning

Succession planning from a founder generation of partners to a *perpetual partnership model* is a common difficulty in founder-led law firms. Succession planning involving large law firm mergers typically only occurs when leadership transition to the next generation of partners is unsuccessful, though. Literature exists that researches issues related to founder exits through acquisition, but this is not relevant in combinations where the target is not acquired – at least not in the conventional sense, in which money changes hands. Succession planning is also more difficult in firms that are organisationally complex, with high human capital requirements (which is a good descriptor for large law firms) in which case internal succession tends to be more successful than laterally imported leaders (Naveen 2006). In such firms, if a next generation of leaders is lacking or not yet up to the task, a merger might be a viable way to effect succession.

Practitioner literature on succession planning in law firms specifically does exist, outside of the context of mergers, but it is focused almost exclusively on small firms (frequently addressing the transition from founder-led to broader equity governance.) Most, but by no means all target firms that reach the scale relevant to this study of ≥100 lawyers will have already transitioned to a perpetual partnership model before that scale is reached. Hence the need for succession planning as a motive is not reflected in the condition tested in this study.

3.2.10 Achieve economies of scale

Distinct from scale of itself, and as has been previously noted, achieving *economies of scale* is one of the two main motives proffered by early scholars for mergers generally - the other being a quest for *market power*. Whether economies of scale are a significant and achievable objective in large law and other PSF mergers, though, has long been disputed (Akins 1983, Aronson 2007, Coffee 2020). Mergers might also deliver *economies of risk* (Akins 1983) by which is meant that larger firms are able to take more risk and absorb economic shocks better than smaller ones, especially than smaller firms with low practice diversity or a high concentration on a small number of key clients. *Resource poverty* might also be a particular challenge in such smaller firms (Kroon, Van De Voorde and Timmers 2013, Kroon and Noorderhaven 2018). In such cases, seeking economies of scale might well be a significant and justifiable motive for a firm to merge with another.

Managing and coordinating operations can also present greater challenge in the new, significantly larger organisational scale of a newly combined firm. These challenges tend to *increase* disproportionately with firm size, making the combined entity more difficult and expensive to manage than the two legacy firms separately, so creating *diseconomies* of scale (Shaver and Mezias 2009). It is furthermore common practitioner knowledge in the legal sector that the overhead costs per lawyer generally increase in tandem with firm size.

As long ago as 1987, Lawrence White observed (in the context of antitrust/competition in horizontal mergers, agnostic of industry sector) that efficiencies are hard to achieve:

> *"Efficiencies are easy to promise, yet may be difficult to deliver. All merger proposals will promise theoretical savings in overhead expense …. and so on; they will tout 'synergies' …."* (White 1987).

A contemporary, Franklin Fisher, concurred:

> *"The burden of proof as to cost savings or other offsetting efficiencies, however, should rest squarely on the proponents of a merger, and here I would require a very high standard [of proof]. Such claims are easily made and, I think, often too easily believed."* (Fisher 1987).

PSF's unique attributes, discussed in more detail later in this thesis, include low fixed and high marginal costs, with scarce economies of scale and scaling-up incentives (Castaldi and Giarratana 2018). Mergers might however present serendipitous opportunities for *efficiency enhancement*. For example, the merger might coincide with one legacy firm reaching the end of an office lease and the other having vacant space available, for which they are already paying. Mergers also offer the opportunity to reduce employment costs through layoffs of duplicate headcount (Lee, Mauer and Xu 2018).

In general, mergers that are motivated by a quest for economies of scale tend to occur during periods of market expansion and not when firms are under pressure. During such times, strengthening market power emboldens firms to merge (Lambrecht 2004). As such, quests for economies of scale might also be more closely associated with periods in between merger waves than during them, although cost reduction would be a motive during the latter.

The case against economies of scale is not unequivocal, though. It has already been noted that certain practices only become viable when a firm's core services exceed a certain scale. Firms also need to be of a particular scale before they will be able to efficiently appoint and utilise certain business service roles (Bratton, Bennett and Robson 2003). Toby Brown, a leading U.S. legal services pricing and project management expert, explains:

> *"For years the prevailing wisdom has been there are no economies of scale for law firms. In the classic economics sense this is true. Having more lawyers does not reduce the amount of time it takes to perform legal tasks. So it does not matter whether you work at a firm with a few lawyers or with hundreds of them. The work has always been very manual so larger scale does not impact the time it takes to get things done.*
>
> *However ... there are other economies of scale to be gained from size in a law firm. These economies exist and are emerging on the business side of firms…. small and midsize firms are not in a position to fund all of these* [business services] *positions at the same level as larger firms. If a $100m in revenue firm commits 1% of their revenue to a function and a $1b firm does*

> *the same, the $1b firm will end up with a higher level of expertise and resource. "* (Brown 2019)

Enhanced ability to afford innovative technology also appears to be a valid benefit but some practitioners remain sceptical of the opportunities mergers offer for law firms to build economies of scale – including with regard to technology investment. These sceptics include John C. Coffee Jr., Professor of Law at the Columbia Law School:

> *"When business corporations merge, the dominant rationale is usually hoped for synergies and/or increased market share. Particularly in consolidating industries, increased market share tends to imply higher prices and profits. But this goal cannot explain law firm mergers. Synergies, while conceivable, are rare when two firms of equal size enter into an alleged merger of equals, and gains in market share are trivial, given the highly competitive and fragmented nature of the legal market. Once, the goal may have been economies of scale, but these are usually fully realized at levels well below 400 lawyers. By that level, a large law firm can afford the best IT system it needs and can hire all the professional marketing and public relations staff it wants."* (Coffee 2020).

It should be noted that Coffee's misgivings predate the advent of large language models and other generative artificial intelligence tools, hence they might be less valid in future if these (or other) emergent technologies disrupt human-delivered service delivery models as much as some speculate they might.

From the above one might deduce economies of scale to be more easily achievable in smaller law firm mergers than in large ones. This is important. Although outside the scope of this study, such smaller combinations constitute the vast majority of law firm mergers. Almost all of the law firms in the world consist of considerably fewer than Coffee's threshold of 400 lawyers. In 2020, a survey by the American Bar Association revealed that only 12 percent of U.S. attorneys then practiced in firms of 500 attorneys or more, and a further 10 percent in firms of between 100 and 499 attorneys (Conroy 2020). It is impractical to attempt to ascertain exactly the point in the global law firm headcount rankings at which firms with 400 lawyers fall, this being the minimum size where the addition of a target of 100 lawyers would yield the minimum of 500 lawyers for the combined firm required for inclusion in this study. However, we do know from the Global 200 law firm rankings in 2022 that the place of 199th largest law firm in the world by lawyer headcount that year was shared by

U.K. based law firms Fieldfisher and HFW, each with 477 lawyers (Law.com 2022). For context, the number of law firms registered in the U.K. in December of that year was 9,622 (Solicitors Regulation Authority 2023). In early 2023, the same figure in the USA stood at 449,663 (IBISWorld 2023).

Logic therefore suggests that the number of law firms in the world with more than 400 lawyers is almost certainly fewer than 0.1 percent of the total number of law firms in the world. These firms are generally recognised as a distinct category of law firm, sometimes referred to colloquially as *BigLaw* - an epithet said to have been coined in 2013 by Australian law firm consultant George Beaton (Lim 2016). BigLaw is taken generally to refer to well-recognised conventional law firms that are international or global, full service, typically bill by the hour, employ a pyramid-shaped "up-or-out" talent model and have a lawyer headcount of at least 500 (although headcount thresholds of 250 or even 100 are sometimes also applied.) Because in smaller markets the very largest law firms often have fewer than 100 lawyers, BigLaw by logic typically refers to law firms headquartered in larger centres.

In defining the scope by which the sample of mergers for analysis were selected from amongst population of law firms mergers generally, this consideration inspired the minimum of 100 lawyers for the target firm, and 500 lawyers for the combined firm.

3.2.11 Rival mimicry and copycat behaviour

In general, firms facing uncertainty are more likely to imitate other firms in order to remain competitive or to reduce the risk of unexpected outcomes. Taken further, this phenomenon can lead to *mimetic isomorphism*, being processes of imitation that organizations take, to become more like other organizations in their environments (DiMaggio and Powell 1983, Yang and Hyland 2012).

Rival mimicry and copycat behaviour has long been recognised in the legal profession, for instance in that when one firm departs from standard practice and innovates, it is common to see others adopt the innovation early on and still others adopt it later (Sherer and Lee 2002).

Rival mimicry and copycat behaviour has also been long-recognised as a motive for law firm expansion, including internationally. Firms might assume a rival opening in a particular market to have better information than they, concerning the opportunities in that market, and to be a signal that they should follow suit (Sokol 2007). Sokol continues that a firm might also perceive a rival establishing offices in a particular market (including through merger) to threaten their client relationships in that market, triggering a copycat response. Fear of losing existing clients to newly enlarged competitors also drives law firms to engage in defensive mergers to meet that competition in terms of scale and reach (Aronson 2007).

Rival mimicry might be more common in the hypercompetitive conditions that characterise periods of economic contraction or their aftermath (contributing to merger waves, as previously noted) and value created by mergers in such markets may exceed that created in more buoyant times (Erxleben and Schiereck 2015). Rivalry-based theories describe how firms imitate others to maintain competitive parity or limit rivalry (Lieberman and Asaba 2006). These authors continue along similar lines to Sokol, positing that reasons why firms seek to rival each other have two theoretical foundations: (1) information-based theories, where firms follow others that are perceived as having superior information; and (2) rivalry-based theories, where firms imitate others to maintain competitive parity or limit rivalry.

In Chapter 2, note was made of late movers in merger waves being adversely influenced by pressures such as *bandwagon effects* and *herding*, which pressures can be either institutional or competitive in nature. The former is derived from social pressures from within the firm (DiMaggio and Powell 1983, McNamara, Haleblian and Dykes 2008, Thanos, Papadakis and Angwin 2020) and the latter, as already noted, from fear of loss of competitive advantage to rivals that are merging (Thanos, Papadakis and Angwin 2020).

Importantly though, mergers between rivals also offer opportunities for firms <u>not</u> merging, which might exceed the benefits of following suit. Mergers have long been understood to be subject to the so-called *merger paradox* or, more specifically, the "*Cournot merger paradox*" in reference to Antoine Augustin Cournot's theory of competition (Cournot 1897 [Originally published 1838]). This paradox states, in essence, that in a symmetric Cournot game, all the gains from a merger between two firms are captured by non-merging rivals in the same industry (Salant, Switzer and Reynolds 1983, Miguel, Azar et al. 2019). A symmetric Cournot game refers to a classic oligopolistic market in which two rival enterprises each produce the same commodity and sell it in the same market – which is arguably a very compelling description of legal services in any given market. The Cournot merger paradox suggests that unless a strong, separate strategic imperative exists to merge when others are doing so too, non-merging firms might derive more value from not merging and, instead, capitalising on the fallout and disruption (such as decreased client satisfaction) that the merging firms frequently experience during their mergers by focusing on attracting scarce, high quality talent and client relationships who are disenchanted with the merger. As noted before relationships and [talent] resources, following Empson, are both VRIO resources. Hence, following the RBV, they are proven sources of sustainable competitive advantage.

When services offered by the merging and non-merging firms are similar (undifferentiated) as is frequently the case with a broad range of mainstream legal services, then they furthermore constitute *strategic substitutes* and a merger paradox arises also in price competition (Toshimitsu and Nakajima 2021). In this paradox, merging firms tend to seek to raise prices, which allows non-merging rivals to win market share simply by maintaining their existing pricing structures.

Coupled with this, branch offices of law firms are frequently less profitable than the firm's mainstream offices, especially when the branch office is small or located in a market that cannot sustain the same level of fees (Sokol 2007). Multi-market mergers frequently create such branch offices. Alongside managing regulatory variances, this challenge is one of the most important reasons why some firms have selected dispersed rather than unitary governance systems for their international mergers (Richmond and Corbin 2014).

3.2.12 Partner ambition and hubris

Almost all large law firms are structured as partnerships, which means that a firm's owners are also its core producers and also its managers (at least in the practice but sometimes, infrequently, in business functions too). Ambitions and motivations of a law firm's owners (partners or their equivalent) therefore play a significant role in setting and executing strategy, including whether or not their law firm undergoes a merger. Partners might furthermore anticipate merger opportunities as *defensive*, where their firm merges with another as acquirer in order to avoid losing private benefits if their firm becomes the target in a merger with a stronger firm, or as *positioning*, where their firm positions itself as an attractive takeover target in order to secure a merger with a more prestigious acquiror firm than would otherwise have been possible (Gorton, Kahl and Rosen 2009).

Given the latitude of the owner-manager roles assumed by partners and the limited autonomy and influence enjoyed by "non-lawyer" executives in law firms, managerial self-interest is usually strongly related to partner self-interest in large law firms. In cases where business executives have greater autonomy and influence is less limited, managerial self-interest can manifest in ways more similar to the conventional understanding of the concept. The strategic risks inherent in managerial self-interest in mergers (and otherwise) is well articulated in the literature (Achampong and Zemedkun 1995). The *Behavioural View* of merger waves, for instance, is directly relevant to partner ambition and motivation. This view posits that mergers are driven primarily by managerial intent (Gugler, Mueller and Yurtoglu 2006, Gugler, Mueller and Weichselbaumer 2012, Ching 2019). If the bulk of a firm's most powerful partners want their firm to merge with another, then that usually happens. The converse is also true.

Ambition coupled with self-interest and taken to excess is referred to as *hubris* and the impact of that on merger decisions is also well documented (Aktas, de Bodt and Roll 2007, Yang 2015, Galavotti 2019, Da Costa, Miguel et al. 2021). Hubris is presented almost uniformly as a negative factor that can cause poor decisions and hamper the merger process. Drawing on behavioural strategy theory, though, hubristic managerial behaviour when <u>not</u> taken to excess can also enable firms to thrive in chaotic and uncertain contexts and settings (Loia, de Gennaro and Adinolfi 2022). This could easily characterise pre-merger conditions in a firm that is declining in performance and shedding partners, for instance. Loia, et al list "*overconfidence and over-persistence, recklessness and contempt for critical feedback*" as the attributes that define positive behavioural strategies implemented by hubristic managers in such circumstances – but it is easy to see how these attributes, when taken to excess, could be deeply counterproductive.

3.2.13 Drive innovation and change

Mergers are typically associated with a higher levels of innovation, especially in target firms adopting the aforementioned *positioning* stance in anticipating a merger, hence investing in making themselves into more attractive merger partners, sometimes being quite innovative in their quest to do so. When acquiror firms are able to assimilate a target's performance-enhancing innovations into their own value propositions, mergers will typically benefit clients in both the short and the long term (Hollenbeck 2020). The relationship between industry consolidation and innovation has been shown to be an important modifier, though, and industry consolidation can also have a depressive effect on entrepreneurialism and innovation (Oliver and Velji 2019).

3.3 Linking merger motives to the resource-based view of the firm (RBV)

Few would dispute that the resource-based view of the firm (RBV) has evolved into one of the preeminent theories in the field of strategy. Central to the RBV is the notion that VRIO resources constitute the core source of sustainable competitive advantage (Wernefelt 1984, Barney 1991, Barney 2001). Following the RBV, if the merger is to deliver sustainable competitive advantage mergers, it should therefore aim to enhance the VRIO resources available in the firm. An alternative approach would be to view mergers through the lens of organisational theory. The two approaches are quite different. Organization theorists explain *why* firms look and act the way they do, while strategy explains *what* effect these have on performance. It can be said that strategy is located downstream from organization theory in the intellectual value chain (Davis and DeWitt 2021). Because this study explores the effects of antecedent conditions on merger performance, not why such conditions exist or the behaviours that give rise to them, the RBV is the correct lens in this particular case.

In explaining that mergers between PSFs are frequently motivated by objectives different to those in other kinds of business, multiple scholars have used the RBV to argue that the resources upon which PSFs rely are generally threefold: (1) technical knowledge and expertise; (2) client relationships; and (3) reputation (Greenwood, Hinings and Brown 1990, Løwendahl 1997, Maister 1997, Empson 2000, von Nordenflycht 2010, Empson 2017). It follows, if one accepts this reduction, that the VRIO resources created by the merger must constitute one, or a combination of these. The conditions selected for analysis in this study are built largely around these three categories of VRIO resources.

Empson continues that technical knowledge in PSFs is proprietary to each senior professional, in turn a result of their previous client engagements combined with knowledge assimilated through training and other learning. Although firms codify and store that knowledge through processes of knowledge management and other organisational learning, the most current and innovative knowledge is derived from the most current client work, hence it constantly evolves and remains proprietary to those individuals.

Strong and trusted relationships between those individuals and their clients are crucial to attracting and retaining clients and to delivering high quality services to those clients. In many but by no means all cases, the relationship with a particular client is controlled by one professional (typically called the *relationship partner*).

Mergers can provide opportunities for firms to acquire new client relationships, expand relationships into new markets, strengthen the core services upon which the firm relies and diversify the service portfolio with the addition of new competencies obtained from the other firm. Central to the RBV is that firm-specific intangible assets are likely to be the strongest sources of sustainable competitive advantage (Wernefelt 1984, Barney 1991) - but only if the firm is organised to exploit them. The “O” in VRIO is crucial. In non-PSF contexts, it has been shown that buyers of highly intangible assets experience greater economic losses over time than acquisitions that involve tangible assets. In one study, for instance, that loss measured 12 percent over five years (Arikan 2004). For a merger to be successful, the combined firm must organise in such a way as to be able to optimise the benefits of firm-specific intangible assets offered by the merger.

Reputation is a good example. This is a socio-cognitive construct distinct from the objective resources invested to develop it. Reputation is characterized by two dimensions: *quality* and *prominence* (Rindova, Williamson and Petkova 2010). As a construct, it is causally ambiguous, deriving complexly from a combination of firm resources including the technical knowledge and competencies of a firm's professionals, and its client relationships. It is therefore very difficult to emulate. This explains how, as a VRIO resource, it is such a powerful source of sustainable competitive advantage (Barney 1991, Barney 2001) if the combined firm is able to organise itself in a manner that effectively blends and enhances the derivatives of reputation.

Taking Empson's categorisation of VRIO resources in PSFs to a deeper level of specificity, it is worth considering other theoretical characterisations of resources. For instance, building on an approach that uses the relationship between accounting data and financial market data to contrast the market value of a firm with its replacement value, as a measure of *monopoly rents*, Lindenberg and Ross identify three kinds of assets: (1) those that are <u>sold into the market</u> (in a traditional sense, capital stock - but with the unique characteristic of professional services that they are difficult or impossible to store for later sale) (Løwendahl 1997); (2) special factors of production that <u>lower costs</u> relative to those incurred by rivals (in a PSF context, perhaps physical presence in a market which rivals service from other locations, or leverage with technology or legal project management); and (3) special factors of production that the firm possesses that <u>act as barriers to entry</u> to rivals and <u>generate abnormal returns</u> (in a PSF context, besides the firm-specific intangible resources noted by Empson, perhaps also VRIO digital client-facing assets and work processes) (Lindenberg and Ross 1981).

As to codified and organised knowledge resources, distinct from resources proprietary to specific individuals within the firm, firms that develop *organisational core competencies* (defined by Gary Hamel and C.K. Prahalad as "*the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies*") are more likely to derive sustainable competitive advantage over rivals that do not (Prahalad and Hamel 1990). Technological VRIO resources are already noticeably supplanting human talent as core sources of sustainable competitive advantage in law firms and this trend appears poised to accelerate (Susskind 2010, Susskind and Susskind 2015, Cohen 2018). As technological and human components of high-performance work systems

(HPWSs) combine, it is likely that VRIO resources and assets that have previously been essentially intangible will become less so, which could significantly impact both motives and drivers of success in future law firm mergers (see the final section of Chapter 2.)

More recent research, drawing on the RBV and on configuration theory, emphasises the need for the right *configurations* between the resources and the capabilities upon which a firm relies for sources of competitive advantage (Lafuente, Szerb and Rideg 2020). Also related to effects of resource and capability configuration, HPWSs have been shown to influence the performance of PSFs through two mechanisms: (1) linkages between intellectual capital resources (being the human, social, and organizational capital that HPWS create); and (2) the uses to which both HPWS and these resources can be applied, operationalized as the *organizational ambidexterity* to, simultaneously, exploit existing knowledge and explore new knowledge (Fu, Flood et al. 2014, Fu, Flood et al. 2015). HPWSs themselves, it follows, are also a form of VRIO resource, closely linked to sustainable competitive advantage.

It follows further that all of these kinds of VRIO resources can be enhanced by well-executed mergers, in pursuit of well-conceived strategies, with well-suited merger partners, enhancing existing areas of sustainable competitive advantage and creating new ones. Finally, it follows that where mergers fail to deliver such enhanced and new VRIO resources, they tend also <u>not</u> to deliver sustainable competitive advantage and <u>not</u> to be successful.

3.4 Defining and measuring success in large law firm mergers

3.4.1 Introduction

As discussed previously, the merger literature offers little corroborative evidence that mergers generate positive impact on the financial performance of the acquiror firm. Research studies focused on mergers more generally, not limited to those between PSFs, have typically produced conclusions that are inconclusive, even contradictory. A significant body of literature show that mergers are generally profit-dilutive for acquirors (Haleblian, Devers et al. 2009, Papadakis and Thanos 2010, Thanos and Papadakis 2012, Brekke, Siciliani and Straume 2017). When taken together with literature detailed below, which shows that applying different measures of success can also result in conflicting conclusions, defining and measuring success in mergers might be something of a chimera. Yet defining the outcome and how it is to be measured is the crucial first step in any research project that seeks to assess performance against that outcome.

Several reasons have been proposed in the literature for why mergers are profit-dilutive, for acquirors, that are relevant in the context of PSF mergers generally and those of law firms as a subset of those. These reasons provide useful pointers to how success might be defined. Inter-firm transfer of tacit knowledge being difficult is one such reason. Intensive post-merger integration efforts might be required in order to achieve this (Puranam and Srikanth 2007, Almor, Tarba and Benjamini 2009) but over intensive integration efforts can trigger cultural clashes (Weber 1996, Weber, Tarba and Reichel 2011, Sarala, Junni et al. 2016, Sarala, Vaara and Junni 2019). Tacit knowledge is even more difficult to transfer in mergers where the level of integration is minimal, though, for instance in the most highly autonomous dispersed governance *verein* model, such as that employed by Dentons. If one could measure the degree to which tacit knowledge is transferred, that would be a useful success indicator.

Another profit-dilutive effect can be if VRIO resources are diminished by loss of key talent (Krug, Wright and Kroll 2014, Brekke, Siciliani and Straume 2017). (Bekke, 2017; Krug et al, 2014; Ranft and Lord, 2000) if that talent does not see the combined firm as a platform from which they wish to practice. Loss of key talent is therefore also a key success indicator. Published league tables and other media make this a relatively easy metric to assess.

In following sections, this logic is applied further to identify and distil, from the literature and cross referenced against practitioner sources, a set of workable conditions that are likely reliable indicators of merger success.

3.4.2 The timeframe over which merger success should be measured

The timing over which success or failure should be assessed is debatable. Studies that use market perceptions of the merger, reflected in movements in share price usually immediately following its announcement, are relevant only to the handful of publicly listed law firms. In this study a period of two years is used. This is largely because that conforms with received wisdom from law firm leaders and other practitioners who have successfully executed mergers, but also because of the relative short-term nature of the metrics used. This period aligns with that which has been used by some previous merger researchers, although others have used longer period – 3, 5, 7 or even 10 years (Thanos and Papadakis 2012). Shorter than two years and the firm is still likely mired in the post-merger integration process. Much longer and other factors will likely be affecting the firm, significantly and for better or worse, diluting the direct effects of the merger.

From a truly strategic perspective, far longer than two years is required to reap the full benefit of a merger (Lorsch and Tierney 2002). Many of the U.K. law firm mergers preceding the study period for this research project, for instance, yielded firms that today are far stronger than their legacy firms would likely have become through organic growth or lateral hires alone. Examples include: Clifford Turner and Coward Chance in 1987 to form Clifford Chance; Dibb Lupton Broomhead and Alsop Wilkinson in 1995 to form DLA, now DLA Piper; Addleshaw Sons & Latham and Booth & Co in 1998 followed by Addleshaw Booth and Theodore Goddard in 2003 to form Addleshaw Goddard; Berwin Leighton with Paisner & Co in 2001 to form Berwin Leighton Paisner, now part of BCLP following that firm's transatlantic merger with St Louis based Bryan Cave in 2018; Wansbroughs Willey Hargrave (WWH) with Beachcroft Stanleys in 1999 to form Beachcroft Wansbrough which is, following the merger with Davies Arnold Cooper in 2011, today's DAC Beachcroft.

As previously noted, the internal logic of the PSF business model means that the ultimate result of any bold strategic stroke aimed at generating sustainable competitive advantage, such as a major merger, depends on the subsequent behaviour of the firm's most important talent reacting to that bold stroke and its subsequent effects. This is also influenced by subsequent events in the firm, and market demand for that talent. It can become difficult to untangle effects that result from the merger from those that were otherwise caused by later factors, whether internal to the firm or external in its markets.

For example: the Magic Circle firms that invested in bold mergers into Europe in the 1990s might not immediately recall those mergers when viewing the scale and performance of their European offices today. Without those mergers, though, their strategic paths in those markets might have been very different. However, remembering that neither Allen & Overy nor Slaughter & May entered and grew in those markets through mergers (but through organic office openings and by leveraging carefully conceived "best friends" alliances) demonstrates again that mergers are not the only strategy that can deliver significant growth, performance, or sustainable competitive advantage. Comparing Linklaters' business in Sweden and in the Netherlands illustrates this. The former was established by a merger with the firm's Swedish ally Lagerlof & Leman, in 2001. The latter by organically growing the office from grassroots and through lateral hires. The two offices have very similar profiles today, but the journeys made by each office over two decades to reach those profiles, differed widely.

Finally, and rather perplexingly, some literature concerning merger performance regards the period over which performance is assessed as unimportant. In a review of papers on accounting-based measures of merger performance published in 28 journals and one book and spanning five decades of research, fully 25 percent of the papers failed to disclose the period over which the metrics were assessed at all (Thanos and Papadakis 2012).

3.4.3 Metrics for defining successful large law firm mergers

As previously noted, the literature contains a great deal of variety about how the success or failure of a merger should be determined, including metrics. Broadly speaking, three streams of research exist in this regard (Papadakis and Thanos 2010, Thanos and Papadakis 2012).

Stock market metrics are relevant only to the very small number of firms so far that have listed on stock exchanges, so might have been used in this study to assess the mergers of the firm Slater & Gordon (but were not.) The other publicly listed law firm in the sample, DWF Group, listed on the London Stock Exchange in 2019, which falls outside of the study period. As this thesis is being written yet another law firm formerly listed on the London Stock Exchange (Ince Group plc) has fallen into bankruptcy and been delisted and wound up.

Accounting-based metrics have also proved popular for assessing merger success, especially with finance and economics scholars (Haleblian and Finkelstein 1999, Papadakis and Thanos 2010, Thanos and Papadakis 2012).

A third stream of research focuses on managers' subjective assessment of the degree to which the goals for the merger were achieved, typically in the views of managers within the combined firm (Papadakis and Thanos 2010, Croucher, Glaister et al. 2020). Different merger strategies can yield different outcomes but it can be difficult to assess whether the difference is due to the merger strategy selected, or to external market factors (Lubatkin 1987, Seth 1990) especially when significant time has elapsed since the merger.

Correlation has been shown to be poor between performance metrics based on stock-market measures and both accounting-based measures and manager perceptions. However those between the latter two do tend to correlate well (Cartwright and Schoenberg 2006, Papadakis and Thanos 2010).

Thanos and Papadakis's aforementioned review of literature on accounting-based measures of merger performance published over five decades found only 36 papers to review. This, again, demonstrates how assessment of merger performance other than with stock-market metrics has been neglected by scholars. Furthermore, 58 percent of those papers were focused on the acquiror firm, the remainder addressing the target firm, or comparing the pre-merger condition of either the acquiror or the target firm with their post-merger condition, or compared the pre-merger condition of both the target and the acquiror firms with the post-merger condition of the combined firm (Thanos and Papadakis 2012).

As is described more fully in Chapter 4, this study takes a different, apparently novel approach to measuring merger performance. It compares key performance metrics of the combined firm in the year of the merger (year M) with those same metrics two years afterwards (year M+2). The combined firm might correspond with the acquiror firm in Thanos and Papadakis's review but the transaction being a true merger between partnerships rather than an acquisition makes it quite different. Assessing merger success by comparing accounting-based measures in the combined firm at an interval following the merger with the combined firm immediately after the merger is fundamentally different to comparing the former to those of an acquiror firm immediately *before* the merger.

Building again on Thanos and Papadakis's review, three types of accounting-based metrics have been used for assessing merger performance. The first involves *ratios* such as *return on investment* (ROI), *return on assets* (ROA) *and return on sales* (ROS.) The second refers to *growth measures* (for instance *sales*, *profits,* and *assets*). The third refers to changes in *operating cash flows*.

The metrics used in this study are in common use by practitioners in the legal profession, influenced by the league tables that report on the performance of major law firms in some but not all markets. Four metrics are used - one *ratio* metric (profit margin) and three *growth* metrics. The first of these is real revenue growth (that is, growth adjusted to account for inflation). Building on the RBV and Empson's identification of technical knowledge, client relationships and reputation as the key VRIO resources in PSFs, the second and third metrics are changes in practice rankings in the Chambers Global directories published by Chambers & Partners are assessed. The rationale and methods used are described in Chapter 4.

It is quite normal for some partners to leave a firm because of a merger. Reasons include client conflicts, disagreement with the proposed strategy for the combined firm, not wanting to be part of a larger firm or even simple hostility to the idea (Greenwood, Hinings and Brown 1994). Underperforming partners or those who are otherwise poorly aligned with the vision for the combined firm might also be asked to leave. On average in U.S. Amlaw 200 law firm mergers preceding 2016, 6 percent of partners left their firms because of mergers (Bruch 2017). Said Squire Sanders Chairman Jim Maiwurm to *The Washington Post* about his firm's upcoming merger with Patton Boggs in 2014:

> "*A few people will be affected by conflicts and will not be able to join the combined firm. And there will be a few who don't feel comfortable, for one reason or another."* (Ho 2014)

Measuring the change between the rankings as reported in year M and year M+2 excludes departures preceding completion of the merger from the assessment of merger performance.

As previously noted, accounting-based measures have been shown to correlate well with managers' subjective assessments. Cumulative abnormal returns however are not correlated with either accounting-based measures or managers' subjective assessments (Papadakis and Thanos 2010, Thanos and Papadakis 2012). (Cumulative abnormal returns are the sum of unusual returns that deviate from an investment's expected return, typically as a result of an unusual event - which would include a merger.)

Besides stock market metrics and accounting-based measures, a third way in which mergers can be assessed to be successful or not is the degree to which the strategy upon which the merger is predicated is successfully implemented and is itself successful.

According to law firm strategy specialist Ed Wesemann, large-scale law firm mergers tend to be successful so long as they lead to increased profitability and a more dominant position for the merged firm (Goldberg 2012). In essence, taking these as the ultimate desired outcomes of the wide range of value-additive results that firms expect of their mergers, this distilled definition of merger success aligns closely with the composite employed in this study to define and measure success.

3.5 Conditions consistent with success in large law firm mergers

3.5.1 Introduction

As previously discussed, much of the research on mergers has been monovariate and linear in nature which, given the multidimensional and interrelated complexities involved, means that some of the theory derived from its conclusions might be flawed (Gomes, Angwin et al. 2013, Alhenawi and Krishnaswami 2015, Alhenawi and Stilwell 2019). A comprehensively integrative approach would require detailed analysis of intra- and inter-firm characteristics, management actions and also external factors such as the economy and industry factors (Porter 1988 (1980)).

Factors causal of merger success have been hard to convincingly identify, especially in earlier research that employed such monovariate approaches. New methods and better theory requires different research methods, especially methods that use the integrative and multidisciplinary frameworks essential to fully grasping the complexities involved (King, Dalton et al. 2003, Alhenawi and Stilwell 2019). A paucity of such research exists thus far, hence comprehensive, holistic explanatory frameworks for merger performance have been lacking (Gomes, Angwin et al. 2013). This study bridges this gap, or at least begins to do so in the specialised context of large law firm mergers.

Because this study focuses on configurations of *antecedent* conditions, the considerable body of literature that addresses the most-merger phase of a merger is excluded from this literature review except where it is directly relevant to an antecedent condition.

As with merger motives and how success should be measured, practitioners have developed strong and sometimes contradicting and ambiguous views of drivers of success in law firm mergers. In the same assessment forming part of this study, of practitioner publications and grey literature used to distil the merger motives most commonly mentioned by practitioners, a similar assessment was made of beliefs concerning conditions consistent with success. Seven conditions account for 87 percent of the mentions (n=305) (see figure 5). These are: (1) a clear strategy, conflated with shared aspirations/goals (together, 24 percent); (2) cultural fit (17 percent); (3) similar characteristics, termed *relatedness* in this study (16 percent); (4) a clear integration plan (11 percent); (5) the ability of the combined firm to retain its high-value talent (8 percent); (6) clear communications (7 percent); and (7) the ability of the combined firm to retain and expand its client base (6 percent).

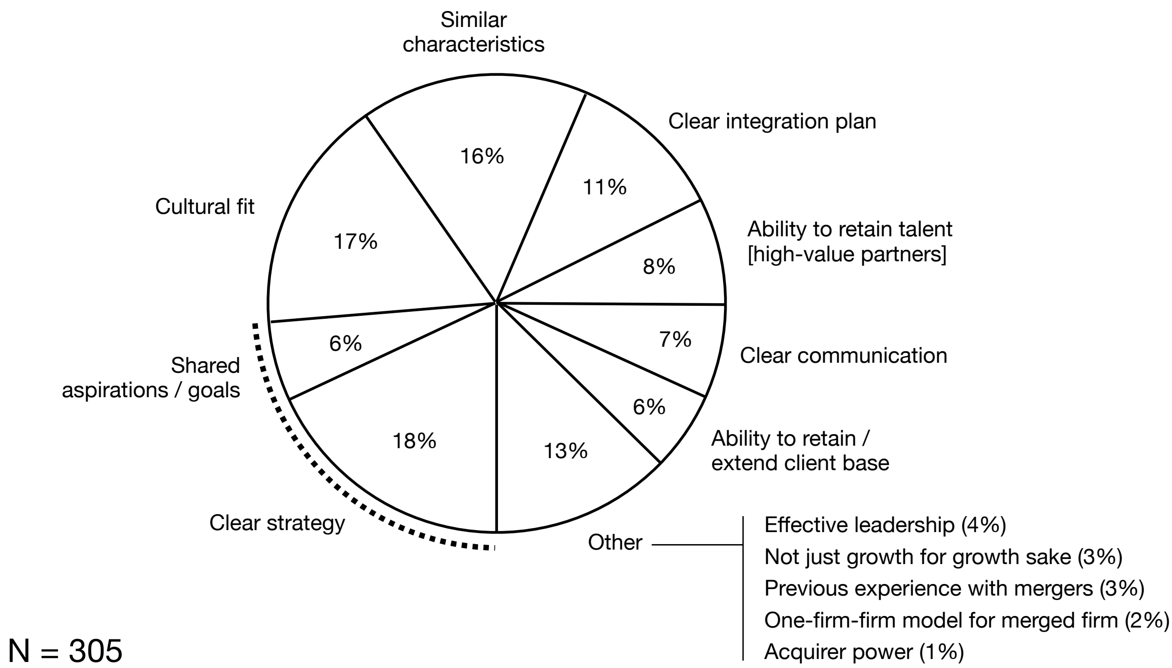

Figure 5: *Practitioner beliefs regarding conditions consistent with success in law firm mergers, drawn from practitioner publications and grey literature. These practitioner beliefs formed the basis of the practitioner-led propositions assessed in this study, and the conditions employed in the fsQCA analysis to test them.*

Considerable ambiguity might exist within these practitioner perceptions. What one might consider to be an aspect of culture, another might consider an aspect of relatedness. Similar dissonance might also exist as was observed with merger motives, with publicly disclosed, subjective information differing from reality. While the large number of sources dilutes the effect of individually misleading sources, a healthy dose of scepticism needs to be applied to practitioner perspectives if objective reality is to be separated from subjective opinion (or worse.) As is described in Chapter 4, such scepticism is incorporated into the underlying ontological foundation of this study.

As with the practitioner perceptions concerning merger motives, practitioner perceptions concerning causality of success were used to develop the propositions tested in this project, and in the design of the conditions used to test these propositions.

The following sections review the literature both scholarly and practitioner, as it pertains to these conditions and especially as relevant to mergers between large law firms.

3.5.2 Clear strategy and common vision

3.5.2.1 Overview

That a merger should be based upon a clear and sound strategic imperative is so obvious as to be trite. Within that simple statement, though, lies a great deal of ambiguity. What constitutes a "clear strategic imperative?" Is such an imperative different in law firms versus other kinds of PSF, and in PSFs generally versus other kinds of business? How might it differ between large, international law firms and smaller law firms with single offices? Should firms seek mergers based on simple strategies, that imply easier post-merger integration, or instead pursue more ambitious, multidimensional strategies?

Alan Hodgart, a leading law firm strategy consultant in the late twentieth and early twenty-first centuries, explains strategic direction in the context of law firms as follows:

> *"A clear, strategic direction is one that contains a good understanding of the level at which the firm is seeking to compete in the legal market. This requires articulation of the desired core clients that the firm wishes to attract, and the desired core practice areas in which genuine competitive strengths can be built. In addition, it is essential that the strategic direction takes into account the geographic location (or regions) that the firm sees as its marketplace, and*

the competitive capabilities that it will require to succeed in that targeted market position." (Hodgart 2005).

Hodgart's strategic trifecta of clients, services and markets is a recurring theme in law firm strategy. It meshes well also with Empson's earlier-discussed three core VRIO resources of technical competencies, client relationships, and reputation.

The importance of strategic clarity has been emphasised by theorists from the earliest times, back to Sun Tzu and the classical European theorists at least, so a detailed review of the relevant literature generally would be both superfluous and impossible in scale. Virtually all the modern literature on merger performance points to a clear strategy and common vision as being consistent with successful outcomes. One of the very earliest seminal works on PSF mergers bemoaned the tendency for merging firms to focus on *strategic fit* in pre-merger discussions and neglect considerations of *organisational fit* (Greenwood, Hinings and Brown 1994). As will be seen later in the results of this study, this primacy of strategic fit over organisational fit is generally correct, though.

3.5.2.2 Strategic synergies

Through the lens of the RBV it is logical that for a merger to be successful, the merging firms must have strategic synergies which can be exploited in order to enhance existing VRIO resources and build or acquire new ones. Literature that employs synergy as a construct to explain additive value in mergers extends back over more than half a century (Fiorentino and Garzella 2015). The degree of synergies realised through a merger has even been proposed as an indicator of the success of that merger (Larsson and Finkelstein 1999). Fiorentino & Garzella posit further, noting many supportive studies, that synergies are typically over-estimated in the runup to a merger, are difficult to achieve, and that merged firms tend to display a "*dangerous lack of attention to the realization of synergy.*"

Mergers in which synergies are objectively lacking or poorly developed are regarded to be especially risky. In non-PSF mergers, shareholders have been shown regularly to lose in non-synergetic mergers and not necessarily to gain in mergers where synergies are positive (Kursten 2008). As previously noted it is also not enough for the *valuable, rare and inimitable* resources themselves to be synergistic. Applying the RBV and in particular the concept of VRIO resources, requires that the combined firm be organised in such a way as to exploit the valuable, rare and inimitable resources that each legacy firm brings to the combined business, too. Synergy starts though with a common vision or set of overarching goals for the strategic direction of the combined firm. Without that, it is not possible to determine whether synergies even exist (Hodgart 2005). As noted in section 3.5.3 below, being organised to exploit synergistic resources also meshes with the notion of cultural fit (Fong, Lam et al. 2018).

Besides synergistic shortcomings, a range of other reasons that might contribute to resources not being shared and exploited across the combined firm include action planning that lacks sufficient specificity, ambiguous accountability, and status differences. An example of the latter would be mergers in which partners of one firm perceive themselves to be of higher status than those of the other firm, leading them to choose not to share knowledge and relationships with their new colleagues (Empson 2001).

Synergies are especially important in the case of law firm mergers, compared to those in other kinds of industries or even PSFs. Law firms are *classic PSFs* with the highest degree of professional service intensity (von Nordenflycht 2010) requiring that strategic synergies must apply to all three of *knowledge intensity*, the approach to capitalisation (pure PSFs being characterised by *low capital intensity*) and the manner in which *professionalism* manifests itself in the workforces of each of the merging firms.

3.5.2.3 Operating or cost synergies

Cost synergies apply to savings or cost reductions that are enabled by the merger, for instance (as previously noted) through removal of duplication in business service functions or by increased efficiency of aspects of the firm's business through enhanced economies of scale. Also as previously noted in the section addressing assumptions regarding the benefits of economies of scale, operating or cost synergies are frequently over-estimated. This is sometimes associated with management hubris (Ismail and Mavis 2022). On the other hand, mergers motivated by exploitation of *operating synergies* have been shown to outperform those motivated by *financial synergies* (Rabier 2017). The dynamic political capabilities of key talent in the merging firms to manage their institutional contexts are important drivers of operating synergies and their realisation (Čirjevskis 2022). In this regard, previously discussed concepts concerning hindrances to inter-partner collaboration across merging firms is clearly also relevant and important to realising operating synergies (Empson 2017). Linkages between this and relatedness are also clear.

3.5.2.4 Revenue synergies

Revenue synergies occur when the combined firm is able to generate revenues in excess of those that the legacy firms were able to generate separately. This might occur, for instance, because the combined firm is able to control pricing more effectively, and increase prices through enhanced *market power*. The possibility of mergers inducing price increases, to the unreasonable detriment of consumers (in this case clients) is explicitly mentioned in merger guidelines published by the U.S. Department of Justice and the Federal Trade Commission, and by the European Commission, and by similar regulatory agencies in other jurisdictions.

Such price increases need not be unreasonable in terms of monopoly/antitrust logic. When accompanied by enhanced value being perceived by clients, they can be both logical and reasonable. Mergers of the scale defined in the scope for this study frequently place the combined firm into a significantly more prominent market position, relative to those occupied by either legacy firm. The peer competitor set of the combined firm can then also be more elite than those of the legacy firms. Applying Wesemann's principle of dominance (Wesemann 2005), one might expect the combined firm so to be able to charge higher rates that compete with the new peer rival set, rather than the lower rates that applied with those of the legacy firms' peer rival sets.

As noted previously in the quote from Sir Nigel Knowles (Rose 2014) the legal services sector remains persistently and deeply fragmented. Specific subsets of the sector, though, are consolidated to the point that Wesemann's dominance principle can be evident. The group of elite law firms that clients instruct in matters of highly complex and specialised litigation, for instance, is a very small sub-set of all large law firms, hence that specific segment of the market is relatively highly consolidated. The same applies to the sub-sets of firms exhibiting preeminence in major, complex transactional work or in specialised *niche* areas of law such as elements of intellectual property, personal injury claims and high net wealth private client practice, or even more general services to clients in specific industries and other niches that are characterised by highly idiosyncratic legal needs. Market power through revenue synergistic mergers can logically become a factor within such sub-sets, in ways that might not be evident between those sub-sets or generally across the sector.

Revenue synergies would also occur when the combined firm is able to increase revenues for reasons other than price increases, for instance by winning more work from existing clients and attracting new clients, through the enhanced market position and perceptions that creates amongst clients. In other words, through the RBV lens, through enhanced VRIO resources and the sustainable competitive advantage that they yield.

3.5.3 Cultural Fit

Few would contest the notion that culture is closely linked to business performance. This includes a prominent role that culture plays in influencing the success or failure of mergers. What is frequently less clear is precisely what is meant by "culture." Wesemann wrote of culture, in the context specifically of law firm mergers:

> *"When a law firm leader is asked why his or her firm is considering a merger with a particular firm, the most common answer you hear is, "They're just like us." It's probably human nature to seek out kindred spirits, and certainly dealing with people who share your values and have a similar history is comforting. But, T.J.L.U. is probably not sufficient motivation for a merger. In fact, firms might be better off seeking merger partners who aren't at all like themselves."* (Wesemann 2012).

The notion of culture extends far further than the T.J.L.U. as described by Wesemann, which could be equally attributed to *relatedness*. Wesemann's view that firms might be better off seeking merger partners who "*aren't at all like them*" is also supported in literature showing that while it does lead to post-merger integration challenges, differences in culture between merging firms can also be a source of value creation and learning (Stahl and Voigt 2008).

A range of models have emerged through which culture can be conceptualised and by which its links with performance can be explored and articulated. These include, amongst others: (1) Schein's layers of organizational culture (values, norms, artifacts and behaviours) (Schein 2016); (2) Hofstede's six dimensions of national culture (power distance index, individualism versus collectivism, uncertainty avoidance, masculinity versus femininity, long-term versus short term orientation, and indulgence versus restraint) (Hofstede 2001); (3) Trompenaars and Hampden-Turner cultural dimensions (universalism versus particularism, individualism versus collectivism, achievement versus ascription, neutral versus affective, specific versus diffuse, internal versus external, and time orientation) (Trompenaars and Hampden-Turner 2020); and (4) Daniel Denison's cultural inventory (Denison 1996, Denison, Nieminen and Kotrba 2014, Denison and Ko 2016). Each perspective brings its own insights to culture generally, and to the role of culture in causing success in mergers. Unless clearly defined in a particular context, though, *culture* might be better suited as a label for a set of conditions related to specific cultural attributes, than as a condition itself.

Notwithstanding, the literature not only identifies the importance of culture in mergers, but also the specific roles that it can play. Including proper assessment of culture in merger due diligence processes is important for two reasons: (1) to identify cultural factors that might prevent the merger from proceeding; and (2) to highlight differences so the combined firm can be better prepared to deal with these (Denison and Ko 2016). Dramatic events such as mergers can bring latent elements of corporate culture in either firm to the surface, causing them to manifest in ways that they might not be during the normal course of business (Weber, Tarba and Reichel 2011, Weber and Tarba 2012). Research into culture in mergers has also tended to focus more on the pre-merger stage than on post-merger integration (Weber, Belkin and Tarba 2011).

Unconstrained as they are by their low capital intensity, PSFs are usually more able than other kinds of businesses to, at the organisational level, structure routines to facilitate matching of solutions to problems and to develop organisational culture that motivates employees to acquire knowledge (Wu 2015). This, together with enhancing client relationships and fostering the collegial decision-making and inter-personal professional relationships that are the cultural 'glue' that binds the firm together and drives its performance (Maister 1985, Greenwood, Hinings and Brown 1990, Brock 2006, Maister and Walker 2006, Harlacher and Reihlen 2014).

Notwithstanding, significant examples exist of failed PSF mergers that appeared strategically beneficial, where cultures between the firms apparently differed to such an extent that leaders of the merging firms could not create internal alignment needed to transfer capabilities and exploit synergies, so to acquire enhanced or new valuable, rare and imitable resources, or to organise in such a way as to meet the preconditions for them to be VRIO. The struggle to achieve such alignment meant that, instead of turning outwards and focusing on better servicing the needs of clients, they remained mired in dealing with internal factions who were pulling at the very core of the firm (Delong, Gabarro and Lees 2007).

Barry H. Genkin, a partner at U.S. law firm Blank Rome LLP, wrote of the importance of culture in law firm mergers as follows:

> *"Culture matters in every industry, of course, but in deals between law firms, it's paramount. …. The power of a law-firm merger lies in human capital. If the lawyers of one firm aren't compatible with the lawyers of the other, then combining the two, no matter the business case, makes little sense."* (Genkin 2015)

Although cultural differences can hinder post-merger capability transfer in the combined firm, this effect can be actively moderated through use of social integration mechanisms and a high degree of operational integration across the practices of the combined firm (Björkman, Stahl and Vaara 2007).

Cultural distance can also create challenges in cross-border mergers that manifest as profit-dilution and, at an extreme, merger failure. Cultural distance is the degree to which shared norms and values differ from one country to another (Geert Hofstede 1980). Cultural distance can also manifest through differences in organisational logic that are induced by local circumstances, where the acquiror firm seeks to transfer firm-specific characteristics to the target firm by requiring that firm to institutionalise the acquiror's preferred routines, procedures and practices in ways that disrupt the target firm's power structures and internal relationships (Reus and Lamont 2009, Reus, Lamont and Ellis 2016).

Cultural distance might even be exacerbated by the west-centricity of some of the most important logics underpinning legal services. Almost all of the research on legal services (as a subset of PSFs) has been conducted in western markets, yet the theorising that has emanated from this research tends to be presented as universal (Boussebaa 2022).

In international mergers especially, cultural distance can deliver both harm and benefit. It can deliver harm in that it impedes understandability of key capabilities that need to be transferred and constrains communication. When these impeding effects are overcome, though, it can deliver significant benefit by allowing opportunities to be seized that can only be exploited with strong integration capabilities (Reus and Lamont 2009). The degree to which cultural distance is present can therefore be regarded as an antecedent risk indicator and the degree to which that risk is mitigated a key success indicator.

It can deliver benefit, though, because although cultural distance is a commonly cited reason for merger failure in cross-border mergers, such mergers can paradoxically perform *better* in the long run if the acquirer and the target come from countries that are culturally more disparate (Chakrabarti, Gupta-Mukherjee and Jayaraman 2009). This appears to further bolster Wesemann's point on "*T.J.L.U.*" sometimes not being the best approach.

The effects of culture do correlate with some of the conditions researched in this study, so although culture is not a condition that is explicitly addressed, its influencers are.

3.5.4 Relatedness

Relatedness is a highly multifaceted concept. As a metric for assessing success causality in mergers, it is open to ambiguity unless properly defined (Alhenawi and Stilwell 2019):

> "*In the extant mergers and acquisitions (M&As) literature, the term "relatedness" refers to several forms of similarity between the acquirer and the target. Understandably, relatedness has played a pivotal role in the development of our understanding of value creation in M&A transactions. Absent a unified definition and measurement tool of relatedness, however, authors employ different measures of relatedness (and often reach conflicting conclusions).*"

Relatedness in a semantic sense means human judgement of the degree to which members of a given set of items or concepts are related to each other. Relatedness, often expressed through a cultural moniker, is deemed crucial to effective post-merger integration. This makes it especially important if one accepts the argument that in mergers, "*all value creation takes place after the acquisition*" (Haspeslagh and Jemison 1991).

The importance of relatedness to merger performance has therefore attracted considerable attention in M&A research over the years (Chatterjee 1986, Lubatkin 1987, Seth 1990, Ramaswamy 1997, Canina 2009, Steigenberger 2017). The less related the managerial practices and other organisational aspects are across firms (i.e. the greater the differences), in PSF mergers in particular, the more problematic a merger might be expected to be (Greenwood, Hinings and Brown 1994). Reasons for relatedness or its lack failing to explain variance in merger outcomes might include failure to properly conceptualise relatedness. Most conceptualisations of relatedness that are used in merger literature employ a particularistic perspective, so they miss key aspects that are outside the scope of their theoretical perspectives. Extant literature also fails almost completely to capture the multifaceted nature of relatedness (Lüthge, Pidun and Knyphausen-Aufseß 2020).

A number of competing proxies exist for relatedness. Selecting the right ones for a given situation, is important. For instance, in research demonstrating how mergers propagate in waves across economies through customer/client-supplier links (Ahern and Harford 2014), relatedness can refer to aspects outside of the merging firms such as the similarity or otherwise of the markets in which they operate, their relative market positioning, their reputation compared to that of rivals, and their relative service pricing (external relatedness) or, alternatively, to aspects within the firms' organisational logics including culture (internal relatedness) - or indeed even to both (Canina 2009). While relatedness between merging firms can deliver synergies, the uniqueness of the inter-firm relationship (i.e., the number of firms that share similar inter-firm characteristics) is also important (Liu, Lu et al. 2022).

Internal and external relatedness impact merger performance in different ways. Speed is beneficial in post-merger integration of horizontal mergers when external relatedness is low and internal relatedness is high. In contrast, it is detrimental to post-merger integration in the case of low internal combined with high external relatedness (Chakrabarti, Gupta-Mukherjee and Jayaraman 2009).

Studies on relationships between relatedness and merger success that were inspired by the RBV have tended to emphasise associations among firm-level factors, geography and synergy realization. Especially important in PSF mergers, human capital relatedness has been demonstrated to be associated with a higher incidence of mergers, higher merger returns and greater post-merger performance (Lee, Mauer and Xu 2018).

Dissimilar approaches to professional competency, on the other hand, can profoundly impact how partners and employees perceive their firm's merger strategies. The degree to which they commit organisationally to their combined firms following mergers can be impaired where such dissimilarities are allowed to persist in those combined firms (Segal-Horn and Dean 2007, Segal-Horn and Dean 2009, Segal-Horn and Dean 2011). As previously noted, Empson raises this issue also with her observation of reluctance on the part of partners who perceive themselves to be professionally superior to share knowledge with their new colleagues in the combined firm who they do not regard as peers (Empson 2001). Such relatedness in the area of competency is complexly interconnected to all three categories of resource that Empson identifies, namely technical knowledge, client relationships and reputation. For 'relatedness' to suffice as a condition to assess in terms of its association with merger performance, it must be defined in a manner that captures all these facets.

In cross-border mergers, context familiarity (in both country and business contexts) plays a fundamental role in determining the contribution to sustainable competitiveness advantage that target firms deliver (Galavotti, Cerrato and Cantoni 2020). In markets with which acquirers are unfamiliar, therefore, acquiror firms are well advised to prioritise target firms with which they have higher levels of relatedness (Galavotti, Depperu and Cerrato 2017). This is especially true when the merger involves the firm becoming significantly more international, and in other cases where significant change or innovation is required (such as significant product/service diversification). Firms feel more comfortable when acting within the boundaries of what they already know (Nohria and Garcia-Pont, 1991), hence they tend to seek to counterbalance unfamiliarity in one dimension of growth with familiarity in the other (Lavie, Stettner and Tushman 2010).

Practitioner beliefs hold that it is difficult or even virtually impossible to merge firms where the profitability (profits per equity partner, frequently abbreviated as 'PEP') differ significantly. This is not always the case though. One needs to understand the root of that disparity before deciding how much of an obstacle it will represent in a merger. For instance, a wide disparity in PEP existed between the U.K. based international firms Clyde & Co and BLM, which merged in 2022. Both firms were heavily insurance focused but with Clyde & Co enjoying a leading reputation in high-end advisory and complex insurance litigation work whilst BLM was better known for its volume defence practice (Begum 2022). On the other hand, when differences in PEP reflect fundamental differences in levels of elitism then, following Empson, the difference in PEP might be indicative of deeper, more challenging relatedness issues.

In a low-status firm undergoing a merger, post-merger identification can be expected to be strongly affected by the perceived justice by its partners especially, of the merger event (Lipponen, Wisse and Jetten 2017). It follows that mergers between higher-status and lower-status firms can be problematic, which relates once again to Empson's observation of professionals refusing to share knowledge with colleagues who originated in the other, less elite legacy firm.

Contingency conditions such as firm similarities or dissimilarities explain only a small fraction of the observed variance in merger outcomes, though (King, Dalton et al. 2003). In large law firm mergers, the businesses being combined are PSFs practicing the same profession. Besides variations in the complexity of the legal services that they sell to clients, their lawyers all received the same or similar training at the same or similar institutions, namely law schools. They are bound by the same ethic and regulatory constraints. They advise the same or similar clients, albeit with variances in the degree to which clients view different firms as elite. Given this high intrinsic degree of relatedness between law firms, the moderating influence of similarity or dissimilarity should surely be even less than for mergers between PSFs that practice multiple professions, and less still than for mergers between businesses that staddle diverse industry sectors.

Why then do practitioners perceive lack of relatedness especially with regard to PEP to be such a significant impediment to a successful large law firm merger?

The necessity of the condition of relatedness for a successful merger outcome is tested in this study, with difference in PEP being one of the dimensions of that condition. From Maister's seminal work (Maister 1997), we know that PEP in a business model predicated on the billable hour (which remains the preeminent business model of most modern law firms, whether *BigLaw* or otherwise) can be derived through the formula:

PEP = rate x utilization x margin x leverage

It follows that relatedness in PEP does not necessarily directly correlate with relatedness of the drivers that determine it. To explain, an elite law firm with high rates and low leverage can theoretically have the same PEP as a firm selling highly commoditised services at low rates, utilising high leverage. The question then becomes not whether that relatedness is in terms of PEP, or between fundamental business models, reflected by the *relative* weighting of the four variables: rate, utilization, margin and leverage.

PEP is furthermore notoriously susceptible to *gaming*, meaning that instead of manipulating these four variables, firms raise PEP simply by de-equitising some of the lowest compensated equity partners (Mayson 2011). The temptation for such gaming is understandable, including in firms engaging in aforementioned *positioning* behaviour intended to enhance their attractiveness as a target. PEP is a widely accepted indicator of reputation, at least to other lawyers, hence important in attracting high-value talent, if not necessarily directly impressive to clients (SenGupta 2021).

Organisations in the same field tend generally to become increasingly similar over time, because rational actors make them so even as they seek to change them. This phenomenon, as previously discussed, is known as *institutional* or *mimetic isomorphism* (DiMaggio and Powell 1983, Yang, Lin et al. 2010). Taken together with the high degree of intrinsic relatedness already noted, this stands in stark contrast to the widely-held notion by law firms that they are diverse and well differentiated. It supports instead a recurring theme in practitioner literature that clients tend to view the law firms that advise them as deeply homogenous and undifferentiated, at least in those aspects that matter most to them. DiMaggio and Powell continue that organisational diversity might be significant between firms in their early stages but, as they mature, they become increasingly similar and also more resistant to change.

> *"Once disparate organizations in the same line of business are structured into an actual field (… by competition, the state, or the professions), powerful forces emerge that lead them to become more similar to one another.*

Organizations may change their goals or develop new practices, and new organizations enter the field. But, in the long run, organizational actors making rational decisions construct around themselves an environment that constrains their ability to change further in later years".

Knowledge relatedness has also typically been equated with knowledge similarity. The separate influence of knowledge complementarity has been largely overlooked by scholars (Makri, Hitt and Lane 2010) although its importance has been noted in research concerning diffusion of technology adoption across affiliates in multinational companies (García-Vega, Hofmann and Kneller 2019). Clearly this relates once again directly to Empson's *technical knowledge/competencies* VRIO resources that underpin antecedent conditions selected for this study. Knowledge relatedness is also sometimes conflated with knowledge similarity, the separate influences of knowledge complementarity and scientific knowledge having being neglected (Makri, Hitt and Lane 2010).

Finally, the most appropriate relatedness metrics depend also on the theory that is being applied. Where the primary lens is the RBV, as in this study, and the strategic focus is on VRIO resource enhancement and diversification, then structural relatedness for instance in terms of supply chains, business support systems and processes and the level of similarity and dissimilarity between practice areas would be important (Berger and Ofek 1995). If mergers were being explored from the perspective of efficiency theory, metrics better related to synergies and the effort required to effect post-merger integration would be more appropriate. Were the lens that of the behavioural view of the firm (BV) then metrics related to human behaviour would likely be more appropriate.

3.5.5 Previous experience with mergers

Organisational learning theory (as a subset of the BV) has long shown that experience-based learning promotes performance through its effects on knowledge creation and transfer, and by inducing changes to organizational practices, strategies, and structures (Muehlefeld, Sahib and Van Witteloostuijn 2012). Also, organizational inertia and strategic momentum causes firms to repeat over time strategic actions that have proved successful in the past (Galavotti, Cerrato and Depperu 2017). This raises questions about whether and under what conditions organizations learn from past merger experience, in executing new mergers (Haleblian and Finkelstein 1999, Haleblian, Kim and Rajagopalan 2006, Haleblian, Devers et al. 2009) and leverage their experience to enhance the success of their later mergers.

Extant literature suggests generally that previous merger experience is beneficial to merger performance, but it might also be harmful. This is particularly so when inadequate time elapses between mergers, or where strong governance mechanisms and top management team diversity are lacking, or where firms rely blindly on their [financial] advisors to effectively transfer prior merger experience into the current one (Kolev and Haleblian 2018). Firms might themselves apply lessons learned from previous mergers to a current one without proper consideration of how the current merger is different so requiring different and bespoke approaches to be applied to integration (Weber, Tarba and Reichel 2011, Brekke, Siciliani and Straume 2017, Kolev and Haleblian 2018).

Combining merger experience with carefully considered, systemized and documented processes has been shown to enhance merger performance. Such experience implies *tacit knowledge* of the merger experience and resides largely in the minds of the firm's leaders. A clear, systemized and documented merger process implies *codified knowledge*, consisting of written procedures that a company drafts to guide actions and decision-making throughout the merger process, from inception to the end of post-merger integration (Zollo and Singh 2004, Galpin 2018).

More recent research on recurrent acquirers has shown that by at least one measure, namely *cumulative abnormal returns*, performance is diminished by mergers being undertaken too frequently (Li, Liu and Gregoriou 2021). Serial mergers can also be a result of *hubris* (Aktas, de Bodt and Roll 2007) the risk then being of mergers proceeding despite strategic cases for the mergers being weak, increasing the risk of disappointing outcomes. Other research has focused on particular aspects of prior experience in mergers that is positively or negatively associated with successful merger outcomes, recommending that, in order to maximise the likelihood of the former, firms: (1) expand time between mergers; (2) implement strong governance mechanisms and top management team diversity; (3) use similar-context experience; (4) avoid herding behaviour; and (5) avoid blind reliance on advisors (Kolev and Haleblian 2018).

3.5.6 Power asymmetry

The importance of acquiror firms being in control of the merger process is noted in both scholarly and practitioner literature. As previously noted, leader-follower mergers tend to be successful in markets defined by clear leaders and followers and where costs are convex (Qiu, Zhu and Peng 2021). Whilst many law firm mergers are presented as mergers of equals, power asymmetry usually exists to a greater or lesser degree and perceptions regarding its existence varies across demographics within the law firm (Van Dijk and van Dick 2009).

The need for a clear integration plan is one of the most mentioned by practitioners in the practitioner publications and grey literature from which data concerning those beliefs were extracted, which logically implies the need for that merger plan to be implemented in a disciplined fashion, implying in turn the strong leadership that results from a clear hierarchy of decision-making, as is usually present when power asymmetry exists.

The speed with which a merger process unfolds might also significantly affect merger performance. Tension exists in any merger between the need for agile decision-making and efficient post-merger integration on the one hand, and for key talent to feel engaged with the new, combined firm on the other. The latter typically requires extensive and time-consuming consensus-building activities such as communication and consultation. But mergers that take too long to complete have been shown to indicate poor post-merger performance and sometimes failure (Thompson and Kim 2020). Faster integration of people and tasks specifically has also been shown to be consistent with merger success (Proft 2014). The form and degree of relatedness, already discussed, can also heavily influence whether speed of post-merger integration is beneficial or harmful (Chakrabarti, Gupta-Mukherjee and Jayaraman 2009, Homberg, Rost and Osterloh 2009). All of which is dependent on the discipline with which strategic decisions are made and executed during the integration process, as opposed to being unnecessarily debated and compromised.

'De facto' power asymmetry exists in the case of so-called *white knight mergers*, where a firm merges with another that is in distress of a level that persuades its partners than they cannot continue to operate as a separate business or even, at an extreme, as an alternative to becoming insolvent and closing. In such cases, there might simply be too little time for niceties and power asymmetry in favour of the acquiror firm becomes essential:

> *"It should come as no surprise that as legal markets tighten there will be more troubled firms available. This provides aggressive firms that have gained workout skills through client engagements the ability to take advantage of growth opportunities. But, there are distinct differences between acting as a white knight and being a suitor in a normal merger. …. The normal romancing and cultural niceties that are the starting point of most mergers go out the window. If the target firm is truly troubled, there simply*

> *isn't enough time to go through the "get to know each other" stage."* (Wesemann 2014)

The literature is ambivalent as to whether strong performers are good or bad merger candidates, either as acquirors or as targets. Part of this might be related to ambivalence regarding necessity of power asymmetry in delivering a successful outcome, where the target is not in actual distress. A study of the relationships between firm-level recent profitability and post-merger performance suggests that strong performers do exhibit better post-merger returns and also, as previously noted, that learning from previous merger experience enhances that positive effect (Galavotti 2019, Galavotti, Cerrato and Cantoni 2020).

The creative process by which the *organisational identity* of the combined firm emerges is also impacted by the degree of power asymmetry that exists between the merging firms. This process has two stages. First, boundaries are negotiated (or imposed) to leverage and import certain practices and values of the legacy firms. Second, these boundaries are blurred during the process of post-merger integration as the set of imported practices and values are modified to form the systems that define the new firm (Drori, Wrzesniewski and Ellis 2013). While this process can proceed more expeditiously when power asymmetry exists in favour of the acquiror firm, care needs to be taken not to apply that power in ways that cause VRIO resources that the merger is intended to retain or develop to become ineffective or in the case of technical competencies, for the talent on which it resides to leave the combined firm, or to fail to join it in the first place. Power asymmetry in favour of the acquiror firm might cause disaffection on the part of partners in the target firm if, as previously noted, those partners perceive the merger process to be unnecessarily directive towards them.

The *cat-herding* characteristic of pure PSFs, including law firms (von Nordenflycht 2010) exacerbates this risk. Where this risk can be mitigated, though, the time and effort needed to move through the merger process can be reduced, enhancing likelihood of success.

Finally, the previously noted phenomenon that in markets defined by clear leaders and followers, and where costs are convex, mergers between a leader firm and a follower firm tend always to be profitable, while those between two follower firms tend to be profitable only if their level of inefficiency is great enough for the free-riding behaviour of non-merging rivals to be overwhelmed by the effects of efficient reallocation of outputs derived from the merger (Qiu, Zhu and Peng 2021) also suggests power asymmetry perhaps to be a necessary condition. "*Clear leaders and followers"* logically implies power asymmetry in favour of the leaders, adding credence to the proposition that an appropriate measure of power asymmetry likely enhances the probability of merger success, but that this needs to be sensitively applied.

3.5.7 A unitary ('one-firm-firm') governance model in the combined firm

One-firm-firms value and emphasise firmwide coordination of decision making, group identity, cooperative teamwork, and institutional commitment. Their opposite emphasises individual entrepreneurialism, autonomous profit centres, internal competition and/or highly decentralized, independent activities (Maister 1985, Maister and Walker 2006).

A significant and profitable portion of the work of international law firms involves advising transnational clients on complex cross-border projects, structures, and systems of production, and on resolving disputes concerning these. This requires seamless delivery of integrated advisory or representational services across all the different jurisdictions relevant to a particular transaction or matter (Faulconbridge, Beaverstock et al. 2008, Muzio and Faulconbridge 2013). From the RBV, we know that sustainable competitive advantage is derived not only from the availability of resources that are valuable, rare and inimitable, but at the same time also from the firm being organised in such a way as to be able to effectively exploit these (Barney 1991, Barney 2001). Previously noted also is the ability and incentive on the part of multinational companies, including international law firms, to diffuse new knowledge and practice methods, including technology adoption across affiliates (García-Vega, Hofmann and Kneller 2019).

Following Maister, a unitary, one-firm-firm governance structure allows a large law firm to better integrate and organise the VRIO resources that it derives from a merger in such a way as to utilise them more effectively on such complex, profitable work, than a case where the governance structure is dispersed and the merged entities operate more independently of each other. By this logic, mergers in which the combined firms adopt unitary governance models should be more likely to succeed than those in which dispersed governance models are adopted.

In cases where the firm's strategy focuses less on such complex cross-border work, and knowledge and technology diffusion is less important, the franchise model implied by dispersed governance models (epitomised by the *Swiss verein* construct) might also be successful (Richmond and Corbin 2014). In such cases where motives for cross-office collaboration are less compelling the benefits of simple work referral instead might be adequate to indicate a successful outcome by the metrics and within the timeframe used in this study. As has been previously noted, though, a great deal of variance exists across business models ranging between the extremes of wholly unitary, to wholly dispersed.

3.6 Literature addressing PSFs, relevant to law firm mergers

3.6.1 Introduction

Commencing in earnest with the paper *Merging Professional Service Firms* (Greenwood, Hinings and Brown 1994), a modest literature has emerged on the topic of mergers in PSFs, as distinct to mergers between other kinds of PSFs and, more so, other kinds of organisation. Greenwood et al's foundational paper expressed surprise that, during the pre-merger courtship stage, the firms' managers were concerned with both strategic *and* organisational fit. Prevailing theory at that time largely neglected the latter, with a resulting belief that mergers almost inevitably create behavioural difficulties (Jemison and Sitkin 1986).

Decades before Greenwood, Robert Sibson also wrote superficially of difficulties involved with PSF mergers or acquisitions, noting that PSFs are difficult to value accurately and the need to include in them measures to ensure continued performance of key people (Sibson 1971).

As previously noted, transformational changes have emerged within the legal sector in the past two decades (Susskind 2010, Susskind and Susskind 2015, Cohen 2018, Pemer 2021). These continue to unfold, although perhaps not yet as radically as in industries that are less insulated from fundamental regime-shifts by protective regulatory measures or other artificial market barriers (Christensen 1997, Kroeger, Vizjak and Moriarty 2008, Sheth, Uslay and Sisodia 2020). Law firms have become far larger, and more international and more digitalised, but the market leaders and most of the others too continue to operate the people-leveraged 'pyramid of lawyers' that emerged in the mid-twentieth century as the dominant law firm business model, heavily predicated on the billable hour and other production rather than outcome-based, client-centric metrics (Galanter and Palay 1991, Galanter and Henderson 2008).

Nonetheless, viewed as a continuum extending back to the 1980s, it is clear that extensive transformation has taken place. As discussed in Chapter 2, the legal sector and law firms in particular are significantly different to what they were. This likely reflects in an evolution also of the motives for law firm merger, perhaps the measures by which one might assess performance, and the conditions that might be consistent with law firm mergers. As previously discussed, further digital transformation and disruption of legal services and law firm business models will likely continue to ensure that these will evolve yet further.

3.6.2 Unique characteristics of PSFs

3.6.2.1 The context for the review of unique PSF characteristics

Reviewing the PSF literature that describes their unique characteristics, in contexts relevant to law firm mergers, poses several challenges. That PSFs have idiosyncratic characteristics that distinguish them from other kinds of business is well established (Greenwood, Hinings and Brown 1990, Løwendahl 1997, Maister 1997, von Nordenflycht 2010).

That almost all law firms (and many other kinds of PSF) are arranged as partnerships (Løwendahl 1997, Scott 1998), and in particular professional partnerships, or P^2 governance models (Greenwood, Hinings and Brown 1990, Smets, Morris et al. 2017) has also been well established. The unique characteristics of these kinds of organisations have been thoroughly explored and are well understood.

Unlike non-partnership equity structures such as companies, where ownership, management and [senior] producer roles are separate (owner-managed companies being an exception) partnerships conflate these roles into a single stakeholder group – at least in smaller firms. In larger firms, management roles are usually delegated to business professionals who typically are not partners. In most states of the U.S. it remains prohibited for such managers to be partners unless they are lawyers. This was the case in the U.K. too, prior to promulgation of the Legal Services Act 2007.

This evolving landscape raises one of the most profound challenges in reviewing this literature. The earliest mergers in the sample pre-date the Legal Services Act 2007, the end of self-regulation of the legal profession in the United Kingdom through the establishment of the Solicitors Regulation Authority on 29 January 2007, and the listing of law firms on stock exchanges. They also predate the emergence of many technological advances that have radically changed the way lawyers work (Pemer 2021) of which smartphones, ubiquitous broadband internet and machine learning tools are just a few. The same applies to large language models such as ChatGPT and other generative AI tools, although these emerged into common usage only after the study period used in this study ended. At the time of the earliest mergers in the sample, even the World Wide Web and emails would still have been considered quite novel and worthy of caution. Richard Susskind relates how at that time he was berated by the President of the Law Society of England & Wales for suggesting that client information should be allowed to be transmitted by email (Susskind 2010, Susskind and Susskind 2015) echoing resistance by others to earlier technologies, including to the telephone in late Victorian London (Stein 1996).

Other challenges are raised by fundamental changes in logics underpinning what it means to be a professional (Patterson 2012) and, as previously noted, to the law, and to the practice of law, and to law firms and other PSFs as organisations. These logics have evolved considerably since commencement of the study period in January 2002. New logics have even provided lawyers with new vocabularies and frames of reference concerning their practices and themselves (Paquin 2021) that did not exist in the early part of the study period. Besides the aforementioned trends and events, we have also seen other new pressures brought to bear in law firms, including new preferences regarding work-life-balance (Galanter and Palay 1999), and the rise of environmental, social and governance (ESG) issues as a matter of central strategic concern, including in law firms (Johnson, Stout and Walter 2020) this disruption also being "*from the inside out*" as employees mobilise out of concern for such issues in ways unprecedented in the profession (Briscoe and Gupta 2021).

The inherent mobility of professionals across firms is also highly relevant to mergers between pure PSFs, to the extent that dynamics that drive the flow of professionals between firms might be as important to understanding their organisational logics, as the social organisations of the firms themselves (Liu, Blocq et al. 2022).

The Covid-19 pandemic (which also occurred after the study period) has had a lasting impact on organisational logics that apply in large law firms, challenging in some cases our most basic institutional assumptions about them in ways that have yet to be properly researched and understood (Empson 2021). How this will affect future mergers between large law firms, in ways differently to before, will be revealed in time.

Clearly, if the purpose of this literature review is to record extant research concerning unique characteristics of PSFs (particularly large law firms) as they existed at the time of the mergers, then a routine review of research on this topic over the past half-century would suffice. If the intent of the review is to support the development of theory that is relevant to future mergers, then the approach must be more nuanced. Clearly, the review then needs to be critical in nature, filtering long established theory to separate that which remains valid from that which has recently become redundant or is likely shortly to be so in light of current trends, and blending that with new literature that aligns with new logics and paradigms.

Some of the literature concerning unique characteristics of PSFs is cited elsewhere in this literature review, where their particular topic is related to large law firm mergers. Literature so elsewhere addressed has been omitted from this section except where its inclusion is necessary to support a particular point made here. Significant variances also exist across different types of PSFs (Malhotra and Morris 2009, von Nordenflycht 2010) with, as previously noted, law firms falling into the category of classic or pure PSFs. Except where otherwise directly relevant, this review consequently focuses only on this particular type of PSF and mergers between them.

3.6.2.2 The structure of ownership and governance in large law firms

In common with other kinds of business, large law firms exert control over their business units (typically geographic units such as offices or desks but also practice groups, client teams and groups focused on particular industry sectors) through strategic, operating, and financial control (Greenwood, Hinings and Brown 1990, Smets, Morris et al. 2017). In professional partnerships the drivers of high knowledge intensity, a professionalized workforce, and low capital intensity modify the manner in which these need to be applied.

This means that that such firms are governed and managed in ways that would be alien in most industrial and other commercial enterprises that are not PSFs (Løwendahl 1997, Maister 1997, Maister, Green and Galford 2000, Empson and Chapman 2006, von Nordenflycht 2010, Skjøsvik, Pemer and Løwendahl 2017, Smets, Morris et al. 2017). Professional partnerships are intensely democratic, characterised by a high degree of collegiality and great value placed on consensus. Leaders are elected "*firsts amongst equals*" (Maister and McKenna 2002, Empson, Cleaver and Allen 2013, Empson 2020) their leadership being granted and withdrawn at the pleasure of their peers. In the context of mergers, the value placed on consensus creates obvious challenges, especially given the previously noted phenomenon of *cat herding* (Løwendahl 1997, von Nordenflycht 2010), including keeping a possible merger confidential during the crucial early stages of consideration, excessive time being needed to achieve that consensus and to overcome resistance from those who perceive it not to be in their interests, and the effort required for post-merger integration.

Despite its challenges and its continued relevance being long questioned (Greenwood and Empson 2003) the professional partnership has remained remarkably persistent as a governance construct for highly skilled professionals practicing collectively. Cat-herding and related phenomena mean that professionals tend to be difficult to manage, with "*guiding,* *nudging, and persuading*" usually proving more effective than more directive managerial approaches (Malhotra and Morris 2009). Inherent distaste for direction, supervision, and formal organizational processes (Løwendahl 1997, Lorsch and Tierney 2002, Greenwood and Empson 2003) and even wilful ignoring of good business organisational principles while still being able to be successful (Karreman 2010), places professionals in direct conflict with the very nature of traditional bureaucratic organisations (Empson and Chapman 2006, von Nordenflycht 2010).

An increasingly hypercompetitive market for legal services has emerged over the past two decades, especially. This has placed severe pressure on *laissez faire* approaches to control and governance. Today's large law firms are immensely more complex than the large firms of twenty years ago (Empson 2012, Smets and Jarzabkowski 2013, Smets, Morris et al. 2017), typically with revenues of hundreds of millions or billions of dollars and thousands or even tens of thousands of partners and staff. Client needs have become immensely more complex, requiring collaboration between professionals and groups of professionals (Gardner 2017) on a scale that would have been inconceivable, before. It is doubtful whether many firms still exist where older interpretations of professionalism are able to operate as inefficiently as they might have been able to in decades past (Tirole 1988, von Nordenflycht 2010, Smets, Morris et al. 2017). Furthermore, the Big 4 global advisory firms and other *alternative legal service providers* (ALSPs) have become significant rivals to large law firms in markets where they are allowed to practice law, and they are even more *corporatized* in their institutional logics (Wilkins and Esteban-Ferrer 2018).

3.6.2.3 The nature of the work

The work done by lawyers, in common with professionals practicing in others kinds of Classic PSFs, has been traditionally regarded as being distinct from work done in other kinds of PSF and very highly distinct from that done in non-PSF industry sectors. Convergence is acknowledged, though, and it has long been suggested that characteristics ascribed to professional partnerships might translate well to the needs of other kinds of knowledge-intensive business (Gilson and Mnookin 1985, von Nordenflycht 2010).

Technical knowledge, relationships and reputation are very different resources to those that might be considered sources of competitive advantage in other kinds of commercial enterprise. Reputation is especially important given the opacity of professional services, hence the power asymmetry that has traditionally existed in favour of lawyers in their relationships with their clients (Løwendahl 1997, Greenwood, Li et al. 2005). Over the past two decades this power asymmetry has been considerably diluted, though, with clients becoming increasingly knowledgeable and capable of meeting their own legal needs, largely as a result of the rise of in-house legal departments (Heineman 2016).

Digital disruption also presents significant challenges to reviewing the unique characteristics of PSFs through a retrospective lens (for instance to explain motives and success drivers in mergers historically) simultaneously with a contemporary lens (to support forward-focused theorising.) In particular, this disruption is blurring the boundary between work that is sufficiently complex, bespoke and intangible for it to need to be done by highly trained and experienced professionals (typically partners, assisted by others) and that which is codifiable and able to be delivered through an algorithm or software platform (Eriksson-Zetterquist, Lindberg and Styhre 2009). It is difficult to imagine that this disruption would not also affect both merger motives and the conditions consistent with successful outcomes.

As technology used in law firms improves in functionality, so work falling into the latter category is steadily displacing that in the former. The degree to which the former is being replenished by new, even more complex work that needs to be done by a professional, now aided by hitherto unavailable technological tools, is unclear (Susskind 2010, Susskind and Susskind 2015, Cohen 2018, Pemer 2021). As previously noted, parallels might be drawn with the impact of computer aided design (CAD) on the architecture, engineering and other design professions, the disruptive effects of which have completely transformed the firms that practice those professions and which continue to unfold, but also the scale, quality and complexity of work that such professionals can produce using such continues to accelerate as they improve yet further (Gerber, Pantazis et al. 2022).

Classic or pure PSFs are accumulating digital assets that can be directly revenue enhancing or otherwise value-creating enhance their capital intensity and reduce their knowledge intensity, hence mitigating their long-recognised risk that their primary assets descend the office elevators every evening and go home, (hopefully) to return the next morning (Coff 1997, Løwendahl 1997, Maister 1997). That this is important in mergers is described in the section on key talent retention. In time, as such digital assets grow in value, this might add more tangible value to law firm balance sheets and moderate the historical tendency for mergers not to involve payment for assets acquired. Acquisitions, as opposed to mergers, might become more commonplace.

3.6.3 Implications for large law firm mergers

Several points of theory in the literature concerning PSFs are especially relevant to large law firm mergers. Most of these have been already addressed but, for emphasis:

Professional services by definition involve development of highly bespoke solutions to unique client circumstances by highly educated professionals, using significant judgement, within professional norms, traditionally delivered through businesses governed as partnership structures (Greenwood, Hinings and Brown 1990, Løwendahl 1997). Ownership of the firm by its partners and the idiosyncratic challenges induced by that are deeply relevant to mergers in that decisions are negotiated between and eventually made by the partners as a whole rather than by a board of directors (Greenwood, Deephouse and Li 2007).

Practitioner research into perceptions of clients of recently-merged law firms has showed that most clients perceive such mergers to have been defensive instead of strategic, and yielding little benefit to them. They perceive further that the operational practicalities of joining two businesses (e.g. technology and aligning business processes) tend to be prioritised over their interests both during pre-merger negotiations and during post-merger integration phase, causing their needs to be inadequately met and for strategy and cultural integration issues to be neglected (Edsberg 2016). Coupled with that, clients are tending to select their external legal advisors more carefully (Heineman 2016). Client ambivalence about the benefits of law firm mergers to them increases risk of client defections and hence unsuccessful merger outcomes. These practitioner insights suggest a close coupling with views of capitalism such as stakeholder theory (Freeman 1984, Freeman, Harrison and Zyglidopoulos 2018) as they apply to PSFs in general and law firm mergers in particular, that are worthy of deeper scholarly exploration.

3.7 Blending of scholarly and practitioner literature

In this study, and in broad terms, practitioner and scholarly research correspond generally in their conclusions. This is not always the case, though. Links between theory and practitioner reality can sometimes be tenuous, limiting the usefulness of some of the research and the theory that has been drawn from it. Sound theory is essential to inform practitioner behaviour in approaching mergers and to correct faulty practitioner perspectives. Practitioners on the other hand also theorise, sometimes with great sophistication and frequently mirroring scholarly theories (Whittemore 2015). It should therefore not be anomalous for a study such as this to exist at the intersection between the scholarly and practitioner realms.

4 Research design, method and data sources

4.1 Introduction

This chapter addresses the design of the research project and describes the methods and data sources used. It addresses the ethical considerations, which are very limited given that the source data used is publicly available. To emphasise: no confidential information was used, nor was any data collected directly from humans. The chapter locates the study in the epistemological and ontological landscape and describes how that influenced approach and method. It outlines the theoretical foundation for the study (configuration theory) and the methodological approach (fsQCA). Finally, it describes the data sources used and substantiates their validity for the purposes of this study.

The study tests the validity of a series of practitioner-led, theory-based propositions concerning antecedent conditions necessary with successful outcomes in large law firm mergers and conditions in which they need to exist to be sufficient for successful outcomes. The propositions used are drawn from the scholarly literature, supplemented by practitioner perspectives and beliefs drawn from analysis of ~400 practitioner sources, including articles, handbooks, merger announcements and law firm websites. These are listed in Appendix B.

Although measures of merger success used in this study are probably ubiquitous across the sample, drivers of that success might differ in other kinds of law firm merger, for instance where the firms are smaller, or where neither firm was headquartered in either the UK or the USA. Given the high degree of heterogeneity between different kinds of PFSs, bluntly extrapolating the findings from the large law firm mergers studied to mergers between other kinds of PFSs might also be of questionable validity except where the phenomenon in question has been clearly demonstrated to be of more general application.

Some scholars see the search target of QCA simply to be causal *INUS-conditions*, this being a concept introduced by John Mackie in the 1960s. (Mackie 1965)) INUS conditions are an insufficient, but necessary part of an unnecessary but sufficient condition. Other scholars assert that QCA should instead be used to discover forms of sufficiency that are more substantive than mere Boolean sufficiency (Baumgartner 2021). This study follows the latter thinking, applying the principle of *robust sufficiency* (Dusa 2019, Baumgartner 2021) but following Baumgartner's definition. Dusa's definition states that a condition displaying robust sufficiency is "guaranteed" to deliver a particular outcome. Baumgartner posits and the author agrees that outcome cannot be *guaranteed* by configurations of conditions alone.

Claims of sufficiency and necessity do not, of themselves, indicate causality. They simply express association patterns and subset relations. This is important. These patterns and subsets must be considered together with extant theory and the empirical characteristics of the cases that display them in order for causality to be inferred and for subsequent theorising to be valid.

4.2 Ethical considerations

This study complies with the requirements published by the University of Glasgow's Department of Social Sciences, based in turn on the guidelines published by Social Research Association. No proprietary and confidential material, published or unpublished, is included amongst the literature and other sources used in the research. Except for personal communications that predate the study, no individuals were interviewed or subjected to research. No personal data as defined by the General Data Protection Regulations (GDPR) were collected or stored.

Except for Appendix A, which lists all the large law firm mergers considered for inclusion in the study, and the examples provided for each of the three types of successful merger derived from the analysis, the identity of firms and the mergers are not particularly emphasised. While not anonymised, the individual mergers are not qualitatively described except through the metrics used in the analysis. This is because the identity of the particular mergers is of marginal relevance to the study. While the fsQCA methodology requires sufficient understanding of each merger to be able to resolve ambiguities that arise during the analysis, and enrich conclusions and theory drawn from them, it is not a case study method where characteristics of each are assessed individually for the purposes of theorising.

The open nature of the data is such that particular safeguards are unnecessary. Study data is being retained on the author's own computer.

4.3 Philosophical underpinnings

4.3.1 Evolutionary epistemology and Campbellian (critical/scientific) realism

In developing theory to explain performance causality in phenomena as complex and dynamic as large law firm mergers, it is important to distinguish between what is likely *random*, and what is likely *regular* – either directly with regard to the phenomena or in the mode of their generation. If all or even most outcome influencers are random then theory explaining merger success must deal primarily with issues of emergence, optionality and agility. If outcome influencers are regular and identifiable then, even if they cannot themselves be fully explained, the theory derived can be more constructivist in nature. An evolving mental model is then possible that one can use and adapt as new knowledge becomes available, to make sense on the basis of balance of probability and experiential learning built to explain their influence on the phenomena in hand (Kolb 1984, Bunge 2017). This study assumes the latter to be the case and, at least in part, tests the correctness of that assumption.

A complexity theory lens, applied supplementarily, reinforces the principle that even if regular schemata cannot be directly observed, processes of theory building should seek to incorporate them. As does McKelvey and before him Holland, this study subscribes to the world view "*that phenomena - whether compressible or not - exist in the real world independently of the eye of the beholder*" (McKelvey 2011). That we are unaware of something, or do not understand it, or even believe it not to exist (when it does), detracts from neither its existence nor its impact.

Configuration theory offers a powerful method for discovering regular phenomena that might not typically be observable through conventional analysis. A conjunctural logic also accurately reflects the nature of our world. However, conjunctures change at different speeds. Claims are definite with regard to the past but conjectural and contingent with regard to the future. In this study, this means that claims regarding the specific mergers in the sample are definite, at least to the extent that they can be empirically or otherwise evidentially supported, but theory regarding how these might be applied to future mergers is conjectural and contingent. What is proven today might be different to what can be proven in the future, even under similar circumstances. This assumption informs another aspect of this study, namely its *evolutionary epistemological* stance. Based upon Popper's and, in antiquity, the ancient sceptics' interest in distinguishing between knowledge and true belief (Popper 1959, Bradie and Harms 2020, Vogt 2022) Donald Campbell coined this term in the context used in this study (Campbell 1974). The underpinning of the term implies that a form of Darwinian natural selection exists amongst ideas, theories, epistemic norms and cultures, where those that are preeminent at a particular time are supplanted by new ones as circumstances evolve and also our understanding of those circumstances.

The *evolutionary epistemological* stance therefore implies acceptance that some of the configurations of conditions that the fsQCA analysis in this study finds to be consistent with successful mergers, and the theory extracted from these, might be different in similar research done on different sets of mergers. For this reason, Ragin and other QCA scholars advise caution in extrapolating conclusions, especially about causality, from one case set to another - and even more so to other contexts, including temporally, and specifically when using QCA (Ragin 1987). Subsequent research would subject that theory to re-evaluation as to its continued ontological validity and it might (or might not) then be supplanted by new theory. This is especially true when the area within which the phenomena are being studied is undergoing change, and most especially when that is VUCA change, as is currently the case in the legal sector, hence in law firms, hence possibly also in the dynamics that apply in their mergers.

In addressing our lack of direct knowing of the world, Campbell emphasizes the *trust-doubt ratio* and admonishes us to "*trust most of our current beliefs while we use that distributed fulcrum to revise a few of them*" (Campbell 1984, quoted by Mark (Mark 1998)). Campbell is more sceptical about human knowledge and understanding, and its ability to explain phenomena, than adherents of other forms of realism, the closest of which would be *critical realism*, following Bhaskar and others since him (Bhaskar 1979, Bhaskar 2008 [1975], Cruickshank 2010, Bhaskar 2016, Bhaskar, Danermark and Price 2017). Campbell's view of realism does accept, though, that our perceptions of the world *can* be an accurate representation of reality and that logical deduction is sufficient in many cases to reach reliable conclusions. Even if human knowledge is fallible, in Campbell's view an objective and reliable understanding of the world is possible when scientific theories are supported by empirical research. His model of realism, with its default to scepticism, is therefore appropriate for a study that aims to test the veracity of incomplete human knowledge in the form of fragmented, inadequate theory coupled with somewhat ambiguous and frequently anecdotal practitioner perspectives.

4.3.2 Abductivity and substantivism

QCA as a method or technique lends itself well to embedding a fresh comparative (or in this case configurational) project of modest scale thoughtfully into a broader theoretical explanatory theory or model. In practical terms, this is achieved by simply adding new columns of summary data. When systematizing the data in this way, new concepts are introduced. Having both deductive and inductive process characteristics, QCA is thus well equipped to generate mid-range theories (Rihoux 2006). Taken further, it might even be construed as retroductive or abductive (why *this* pattern?) rather than inductive (*what* pattern/s?) and, even more, than simple proposition-building[1].

Interpretation of data in a partial (at best) theoretical vacuum must by definition be intuitive, at least initially – before the results of that interpretation can be iteratively referenced back to extant theory in order to establish the right linkages across the theory-practice divide.

Eschewing inferences outside of the sample is another indicator of abductivity. By embracing a substantivist approach in this project[2] the study's inquiry is driven by what is empirically observed in the study cases, while noting and actively considering theory derived from mergers in other contexts. However, the latter is not used as strongly as a foundation as would be the case with a deductive or an inductive approach, thus avoiding logics from other fields being inappropriately imposed on this study's cases.

4.3.3 Epistemological and ontological implications for research design

The research design is reflective of the epistemological and ontological underpinnings to the study's research question and the philosophy within which it is approached. Specifically, that: (1) extant theory to a degree and practitioner perspectives in particular must be treated sceptically but with an open mind; (2) in testing the propositions, the combined effect of the conditions and the configurations in which they exist must be considered as a whole, linked to relevant theory; and (3) the focus is on the study sample (which, in the second iteration of analysis, constitutes all of the large law firm mergers that meet the scope criteria) and considers inferences from other contexts with caution.

This approach is radically different to the more conventional approaches offered by regression analysis and other quantitative, mainstream statistic methods for analysis, concept formation and subsequent theorising.

Methodologically, QCA is located mid-way between case-orientated qualitative research and variable-orientated quantitative research (Rihoux 2006). With case-orientated qualitative research, reliance upon a small number of cases frequently makes it hard to claim findings to be generalisable. With variable-orientated quantitative research, it is difficult to

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[1] The terms *abduction* or *retroduction* are frequently used interchangeably in reference to forms of reasoning and this study standardises on the former. While *deduction* moves from general principles to specific conclusions and *induction* moves from specific observations to general conclusions, *abduction* focuses on generating plausible explanations for specific observations or phenomena. Both mean a process of generating plausible explanations or hypotheses to account for observed phenomena or evidence, even when direct evidence is limited or lacking. Abductive reasoning therefore involves making educated guesses or inferences about the most likely explanation given the available information.

[2] Substantivism is an approach to analysis founded on experience, evidence, and observation, in preference to theory.

address ambiguities and subjectivities, and to derive causal connections between elements. The two extremes can however be complementary when applied together. General patterns observed during quantitative studies can be applied to explain case-specific phenomena. Quantitative researchers can resort to citing unobserved intra-case mechanisms to explain cross-case phenomena (Ott, Sinkovics and Hoque 2018).

4.4 Theoretical approach

4.4.1 Set theory and the configurational approach

Noting Trautwein's assertion that mergers are driven by a complex pattern of motives and that no single approach can render a full account (Trautwein 1990) methodologies focusing on configurations of conditions, as opposed to variables where each is considered in isolation of the others, offer ways to embrace complexity instead of seeking to correct for it.

The use of configuration approaches in business research, as a subset of social science research, is not new. It has been used in entrepreneurship research, for instance, to explain success and failure in new business ventures (Harms, Kraus and Schwarz 2009). It has been used to explain PSF governance models with greater sophistication than did dichotomous views (for instance collegial clan control versus corporate hierarchy, professional bureaucracy versus adhocracy (Mintzberg 1979)) that have proved insufficient to explain the richness and diversity of this field (Empson 2012, Harlacher and Reihlen 2014).

Fundamentally, this study is premised upon the notion that lies at the core of the configurational approach, that when a condition is *necessary* for a successful merger, its necessity frequently manifests only when combined with other conditions into a configuration that is *sufficient* for that outcome. In the same way, for illustration, that an ignition source *and* oxygen *and* a fuel are required in combination for fire to be possible.

4.5 Methodological approach

4.5.1 fsQCA's suitability for researching complex organisational phenomena

Since first being developed by Charles Ragin nearly forty years ago (Ragin 1987), QCA has spread across the disciplines of business science, environmental science, international relations, management, political science, public health, and sociology. A significant body of empirical work has appeared in some of the most respected periodicals of these fields. More recently, QCA is increasingly being applied in strategy and organisational research, too (Greckhamer, Furnari et al. 2018).

As previously noted, QCA (and fsQCA in particular) is especially well suited to uncovering social complexity (Ragin 1987, Ragin 2000, Schneider and Wagemann 2012, Gerrits and Pagliarin 2021).

Designing social research frequently requires compromises between generality and complexity. This dilemma is not helped by literature published by more strident proponents of quantitative or qualitative approaches, championing one over the other. To quote Ragin:

> "*it is easy to exaggerate their differences and to caricature the two approaches, for example, by portraying quantitative work on general patterns as scientific but sterile and oppressive and qualitative research on small Ns as rich and emancipatory but soft and subjective.*" (Ragin 2000): 22).

In important respects, QCA offers a method that resolves this dilemma. A set or outcome is explained by its combinations of different *variables* to use the more familiar analytical term (but one that is not strictly correct in QCA, which refers to equivalent elements in configurations as *conditions*). Different paths can lead to the same *equifinal* outcome, the negation of which is not explained simply by their absence or opposites. This characteristic is referred to as *causal asymmetry* (Ragin 1987, Ragin 2000, Ragin and Rihoux 2004, Ragin 2008, Berg-Schlosser, De Meur et al. 2009).

To further explain, informed observers are likely to perceive and evaluate mergers (not only between large law firms) as complex configurations of characteristics, their perceptions:

> *"characterized by equifinality (or the presence of multiple paths to success) and asymmetric causality (i.e., configurations that represent bad deals are not simply a mirror image of good deals, but differ fundamentally.)"* (Campbell, Sirmon and Schijven 2016)

Fuzzy sets, which are the variant employed in this study, were first introduced in a formal and comprehensive fashion to the social sciences by Michael Smithson, also in 1987 (Smithson 1987). Ragin introduced their application to QCA soon afterwards (Ragin 1987, Ragin 2000). With logical foundations dating back to work by Max Black's work on *vagueness* of nearly a century ago (Black 1937) fuzzy-set theory and methods were developed in part to address perceived deficiencies in probability theory when dealing with specific types of uncertainty in empirical information (Teerikangas and Thanos 2018). Zadeh equated fuzzy logic with a methodology that he called *computing with words* (a wonderfully evocative expression) explaining that:

> *"computing with words is a necessity when the available information is too imprecise to justify the use of numbers, and second, when there is a tolerance for imprecision which can be exploited to achieve tractability, robustness, low solution cost, and better rapport with reality."*

Configurational perspectives linking merger strategies and outcomes to post-merger integration furthermore reinforce the view that merger processes are largely embedded in social and human practices (Brueller, Carmeli and Markman 2018). Applying the RBV, this meshes well with Empson's aforementioned view of VRIO resources being manifestations of social and human practices (technical knowledge, relationships and reputation).

QCA's emergence has furthermore driven a trend towards *neo-configurational* studies that explicitly embrace, instead of seeking to manage or minimise the impacts of causal complexity (Misangyi et al., 2017) and that address mismatches between theory and methods that hampered earlier configurational theorizing (Fiss, 2007).

At its core, QCA relies on *multidimensional conjectural causation.* Outcomes are explained using Boolean algebra to articulate configurations of conditions across cases. Multidimensional conjectural causation is founded upon three core assumptions: (1) a configuration of conditions, not conditions singly, explaining an outcome; (2) different configurations of conditions leading *equifinally* to the same outcome; (3) the impact of a condition on the outcome depending on the context in which the configuration of conditions, and other conditions that influence it, exists (Rihoux and Ragin 2009). Deriving conclusions from the analysis is therefore not simply a matter of presenting the identified configurations but, crucially, interpreting their meaning through cross reference to extant theory, case-specific characteristics and the researcher's knowledge and experience.

In keeping with QCA approaches generally, values of conditions are interpreted as membership scores in the set of cases exhibiting the properties represented by the particular condition, as follows:

<u>Sufficiency:</u> X is sufficient for Y in and only if (*iff*) X → Y (or equivalently: x + Y ; and colloquially: "*if X is present, then Y is present*");

<u>Necessity:</u> X is necessary for Y iff Y → X (or equivalently: ~X → ~Y or y + X; and colloquially: "*if Y is present, then X is present*").

In order to deal with fuzzy-set conditions such as those addressed in this study, Boolean operations must be translated into fuzzy logic. Multiple systems of fuzzy logic have long existed and have been comprehensively described (Hájek 1998). Thus for a condition X, a case with a score X=1 indicates full membership of that set; a case with a score X=0 indicates full non-membership of that set; a case with a score $X=\chi i$, $0 < \chi i < 1$ displays partial membership of that set, to degree χi.

QCA's purpose is to find solutions that display *sufficient* configurations of *necessary* conditions that are consistent with a particular outcome. These solutions must be:

> "*as parsimonious as possible, without sacrificing the sufficiency requirement.*" (Dusa 2019)

Complexity is reduced and *parsimony* achieved through *Boolean minimization*, typically using the *Quine-McClusky algorithm* to identify the *prime implicants*. In Boolean logic generally and QCA specifically, a prime implicant (or *parsimonious expression*) is a configuration that is consistent with or explains the outcome, that contains the minimum conditions required to be sufficient for that outcome. It exploits the principle that given any two configurations, if they differ by exactly one condition, that condition can be eliminated (or *minimized*) to derive a simpler expression. By identifying and eliminating conditions such that, when they are removed from consideration, the remaining conditions continue to be sufficient for the specified outcome to occur, the algorithm systematically minimises down to the most parsimonious expressions or configurations sufficient for the outcome.

QCA lends itself well to research where the number of cases is too large for pure case study approaches (small-*N*) and too small for conventional statistical approaches (large-*N*) to produce reliable results. A lack of methodologies and tools meant that, at least until recently, research involving such *medium-N* sample sizes was heavily under-represented in the literature (see figure 6.) QCA bridges the gap between qualitative and quantitative approaches, offering ways to address "medium-N' sample sizes in a manner that is elegant, quantitatively rigorous and embraces inter-case complexity (Ragin 2004).

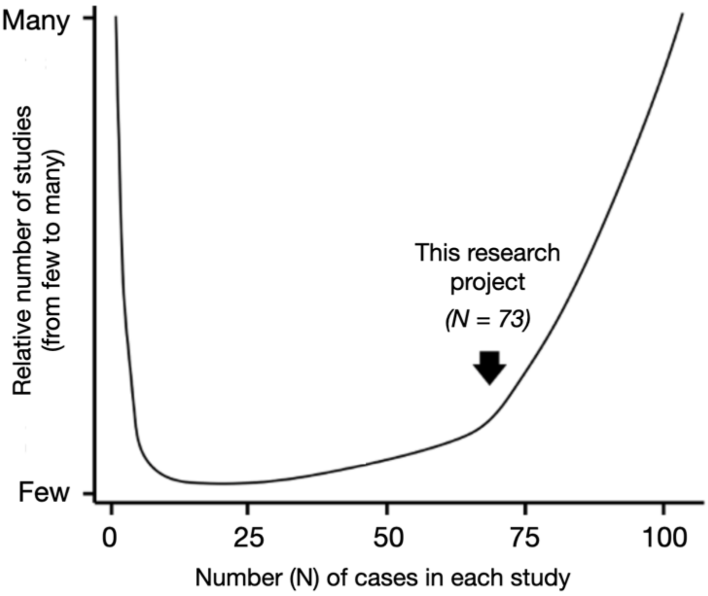

Figure 6: *Conceptual plot of relative number of studies against N of cases (from Ragin, 2004).*

QCA as a methodological approach has not been without its critics. Its deterministic lineage has been questioned, along with its response to measurement error and a suggested inability to ascertain asymmetric causality. At an extreme, it has even been alleged that it fails comprehensively as a methodology, for instance: "*QCA fails even when its stated epistemological claims are ontologically accurate*" (Lucas and Szatrowski 2014). However, this has not slowed its burgeoning popularity amongst scholars who appreciate its merits.

More recent methodological research has also addressed some of these criticisms, showing that QCA is correct when generating the parsimonious solution type, but that the conservative and the intermediate solution type of QCA can sometimes fail fundamental tests of correctness (Thiem 2019, Baumgartner and Thiem 2020).

These limitations reinforce, again, the need to derive conclusions not from the raw analytical results alone, but through cross reference to extant theory, case-specific characteristics and researcher knowledge and experience. Where fallacious inferences such as Thiem describes are encountered, it is up to the researcher to qualitatively explore the root cause of the inconsistencies. Unsurprisingly, given the complexity of mergers both in process and context, these are frequently related to moderating influences of conditions external to the experiment.

One of the most obvious remedies for overcoming these limitations is to be explicit about how set membership criteria and thresholds for inclusion and exclusion of a set are determined.

As is explained in Chapter 5, the first iteration of analysis produced limited results. A second iteration of analysis was therefore performed on the data, employing a different and more holistic approach.

In the first iteration, the set membership criteria and thresholds were derived entirely from the data collected from the Chambers Global directories and the financial and other performance league tables published on the leading US and UK law firms. The directness of the link from the data to the set membership criteria and thresholds makes it very explicit how the latter were determined, in this case.

In the second iteration, this data was supplemented with additional information drawn from the practitioner sources concerning merger motives and conditions consistent with success, and contemporaneous media and other reports on the specific mergers involved, and the author's knowledge amassed over more than two decades of experience. The qualitative data was transformed into quantitative data for input into the fsQCA analysis through the use of rubrics. These rubrics are recorded in Appendix G. (Rubrics are well-recognised as a method for translating qualitative data into quantitative data, specifically including in fsQCA (De Block and Vis 2019).)

4.5.2 Can QCA explain (or even predict) causality?

Before exploring QCA as a methodology for determining causality generally, or in terms of successful large law firm mergers specifically, clarity is required about what is meant by *causation* or *causal dependence* in Boolean analysis. Causation is, of itself, an enormous field involving a multitude of diverse theories (Misangyi, Greckhamer et al. 2017).

Very broadly, the philosophical literature that addresses causation identifies two overarching traditions. The first consists of *difference-making* theories and the second of *transference* and *power* theories (Baumgartner 2015). Difference-making theories hold that causes are characterised by their property to influence ("*make a difference to*") the outcomes to which they apply. Power theories, on the other hand, see causation as a phenomenon that somehow connects some feature of the causal dependency to its outcome. A physical relationship exists between the cause and its outcome, for example where the cause exerts a form of power or influence over the outcome.

Boolean methods do not dissect the relationships between causes and outcomes, so are limited to causal dependencies defined by theories of the *difference-making* tradition. They presuppose a notion of causality in which causes are difference-makers within sufficient and necessary conditions of their effects.

This logic is based on *branching space-times* (BST) theory, which permits the notion of an *originating cause* – a type of transitional condition or event – of an outcome. This logic originates with Mackie's assertion that causes together form a family of INUS conditions, which have been earlier defined (Mackie 1974). Most QCA scholars specifically subscribe to Mackie's INUS conditions (Baumgartner 2015).

A cause (or, to use Mackie's terminology, a *causally relevant factor*) is, of itself, neither sufficient nor necessary for its associated outcome. Instead, relative to a fixed configuration of background conditions, it forms a non-redundant part of a configuration of factors which is *sufficient* to the associated outcome. Several alternative configurations might exist that are sufficient to cause the same outcome. A causally relevant factor is a *difference-maker* only if a particular outcome is dependent on its presence, irrespective of configurations of background conditions that exist.

In practical terms, this means that parsimony must be maximised in order for causality to be inferred. So-called *intermediate solution formulas* (despite having been common practice for much of the time that QCA has existed) are inadequate and, taken on their own, might even yield false conclusions. On the other hand, consideration of intermediate solutions alongside the parsimonious solutions can point to ways in which theory, case-specific characteristics and researcher knowledge and experience can be harnessed to build the parsimonious solutions out into workable conclusions, and subsequent theorising.

4.6 Operationalising the conditions

A particular difficulty in assessing factors theorised to affect the degree to which whether a specified outcome is attained, is operationalising them in ways that are consistent with the literature yet relevant to local contexts (Cress and Snow 2000). The usefulness of set-theoretic methods, the validity of the results that they yield and the robustness of the theory that is derived from those is all dependent on the proper calibration of the set memberships and thresholds (Schneider and Wagemann 2012).

As already noted, considering the idiosyncratic factors that exist in pure PSFs generally and law firms in particular (and in mergers between them) and bluntly applying theory based upon mergers in other contexts cannot safely be expected to yield valid results. Contexts even within a sample as homogeneous as a single industry might still be sufficiently diverse to moderate the factors enough to substantively alter the results, and hence the conclusions drawn from them and, in turn, the theory so derived. In this study, this risk is minimised by: (1) the number of cases in the sample; (2) the ontological universality of the metrics selected; and (3) the limitation of the sample to a specific class of law firm merger (large mergers involving large American and/or British law firms.)

Even so, a wide variety of configurations would be an indicator that contextual ontologies remain so diverse as to make meaningful interpretation difficult and theorising unreliable. In deciding which causal configurations to use in order to explain an outcome, realist theory-driven approaches seek to explain: "*what works, how, why, in which contexts, for whom, and to what extent*" using context–mechanism–outcome configurations (de Weger, van Vooren et al. 2020).

One of the central criticisms that has been levelled at QCA though is that set membership calibration can be arbitrary, and/or based upon assumptions that are false, causing the degree of set membership of conditions or cases to be substantively under- or over-estimated. Logically, such faulty case assignments could significantly alter the research results and the conclusions drawn, negating validity also of theory drawn from them. Linking the logics underpinning the conditions to evidence-based practitioner beliefs as well as to extant theory minimises the risk of arbitrary assumptions, emphasises de Weger et al's real-world approach, and meshes well with Ragin and with Schneider & Wagemann's guidance on this.

Concerns about arbitrariness (and even possibly scholarly malfeasance, where researchers seek to manipulate set membership definitions and threshold calibrations to suit preconceived hypotheses) might have merit in principle but the degree to which data can in reality be so manipulated is actually quite limited. To illustrate, the ranges within which threshold boundaries between set membership and non-membership can be placed is usually highly constrained. Minor changes to thresholds do not usually yield significant changes to the result, especially with medium-N sample sizes. Threshold manipulation in such samples would only affect cases that fall close to the threshold/s concerned and most cases would be unaffected. Also, the multiplicity of conditions involved in the methodology means that the effects of threshold manipulation on the result are non-linear and can be highly complex and intricate, so it is very likely that attempts at threshold manipulation would be futile in any event (Schneider and Wagemann 2012).

Of significantly greater concern is that unconvincing data or invalid criteria might be used to build the base model upon which set memberships are calibrated. This could easily result where the model is based entirely on theory and especially so when the theory being applied is sparse or was developed under different contexts for instance, as has been noted several times, in use of criteria drawn from different (especially non-PSF) industry sectors. Similar concerns would result if the criteria used for calibration were to be opaque.

Numerical consistency scores are not the only indicators of necessity. The score needs to be assessed in conjunction with relevant literature and practical experience to ensure that it "*makes sense*" (Ragin 2000) from both scholarly and practitioner perspectives, as well. Ambiguous scores were therefore modified by incorporating other qualitative data specific to the case. This is described when it is the case.

4.7 Defining merger success

Elusiveness of reliable metrics or methods designed to define and assess merger performance in classic or pure PSFs, coupled with those from other industry sectors being poorly aligned with mergers between classic or pure PSFs, meant that a novel approach had to be designed in this study.

The model for defining success was derived from practitioner sources analysed in Phase 1, blended with the author's own deep practitioner experience in the field. The philosophy underpinning the QCA methodology encourages and arguably even requires when necessary such melding of scholarly theory with practitioner knowledge and experience.

Four variables were used to build the model. These are defined and measured in a set-theoretic manner, directly and manually. The approach to defining merger success is novel for three reasons: (1) the data sources used to construct the model; (2) the comparison being between the combined firm immediately following the merger and in year M+2, as opposed to methods far more commonly employed in the literature that compare the acquiror firm before the merger with the combined firm afterwards; and (3) the multidimensionality of the model, which is appropriate given the complexity of the outcome and its drivers.

In this study's model, large law firm mergers are regarded as fully successful if, in year M+2 and as compared to year M, the combined firm had: (1) a higher profit margin; (2) grown its revenues at a rate greater than that of inflation; (3) diversified its portfolio of high-reputation services; and, (4) increased the strength of its high-reputation services which were already highly regarded prior to the merger.

These four variables were weighted equally to determine the average, which formed the score, as set out in Chapter 5. This score represents not a binary selection between successful and not successful, but a fuzzy score on a continuum between wholly successful and wholly not successful.

4.8 Data sources

4.8.1 Introduction

Data selected for use in this study is of a kind that would typically be available to a law firm leader in the pre-merger stage of a combination, in markets where such data is published. The perspectives contained in practitioner books, articles and other sources are used to supplement the theory and in some cases select between conflicting theories firstly to inform the selection of conditions and the calibration of set membership criteria and thresholds, and then later (in concert with theory) to interpret the meanings of the results. In this way, the theory-practice divide is kept transparent and the dual relevance is maintained.

4.8.2 Sources providing data on practitioner beliefs

As noted previously, the content of the roughly 400 practitioner sources listed in Appendix B was analysed and data systematically collected on stated merger motives and conditions for merger success. Results are illustrated in figures 1 and 2.

4.8.3 Financial and scale performance data

Data on revenues, PEP, RPL, profit margin, number of equity partners and lawyers for U.S. law firms were sourced from the AmLaw 100 and AmLaw 200 league tables published by American Lawyer.

Similar data for U.K. law firms and where possible law firms from other countries were sourced from league tables maintained by The Lawyer and Legal Business, both published in London. Some mergers involved firms in markets, such as Australia, Canada and South Africa, in which law firm financial performance data are not published and law firms typically do not release such data.

4.8.4 Chambers Global data

The Chambers Global league tables published by Chambers & Partners were used as the source for data on practice strength. Chambers and Partners also publish league tables at regional and local level in some markets, including smaller firms, but these were not used in the study. The rationale for limiting the analysis to Chambers Global rankings is that these are more relevant to law firms of more than 500 lawyers than the regional or local tables, which are in turn more relevant to smaller firms in more localised markets. Also, including the lower level rankings would have required a form of weighting to be designed to emphasise firm reputation at the global level over that at regional and local levels.

Chambers & Partners supplied access in their offices to hard copies of their Chambers Global directories for earlier years and provided PDFs of these directories covering later years. These directories were searched manually to collect data on the rankings of firms involved in the mergers, which data was then captured in a spreadsheet.

For the merging firms the number of practices in each band were counted for three years preceding each merger (years M-3 to M-1) and, for the combined firm, the same for year in which the merger took place (year M) and two years thereafter (years M+1 and M+2). These data were recorded in a spreadsheet pivot table. The number of band promotions and band demotions were also counted and used to derive average increases or decreases in ranking. These were adjusted where changes were a consequence of Chambers Global aggregating or (more commonly) disaggregating particular practices. For instance, Chambers Global might have listed a practice *International Trade* up to a particular year and then, thereafter, split that practice when increases in market maturity (size and sophistication) warranted it into *International Trade: Export Controls & Economic Sanctions* and *International Trade: Trade Remedies & Trade Policy*. In such cases, the higher of the two rankings was allocated to the firm in the analysis.

This exercise provided a view of how existing VRIO resources in the form of globally recognised competencies were enhanced or deteriorated, or new ones were acquired, in the years leading up to the merger (indicating strength or weakness of performance in that period, from which antecedent conditions consistent with success were drawn) or in the combined firm for the first two years following the merger (as indicators of success.)

4.8.5 Other qualitative data

Use was also made of notes of non-confidential personal interviews conducted with various law firm leaders on the subject of law firm merger success, well prior to commencement of the project, hence not subject to the university's ethics protocols.

4.9 The validity of data sources used, for this purpose

4.9.1 Chambers Global directories

Directories such as those published by Chambers & Partners and its various rivals are widely regarded to be bellwether indicators of the strengths of leading law firms relative to their rivals, viewed from the perspective of external stakeholders (nominated referees who are external to the firm.) Similar tables are published, far more commonly, to provide comparative information on the relative performance of law schools, business schools and universities. Although such directories are frequently criticised as being subjective, their continued use and commercial success demonstrates their utility.

Of parallel relevance and interest, for instance, a relatively detailed literature exists regarding the usefulness of law school rankings to aspiring law students. Some of the insights in that literature is relevant to the role of Chambers Global rankings in communicating reputation and client perceptions. This literature addresses the concept of reactivity, being that people change their behaviour in reaction to being evaluated, observed, or measured, offering a useful lens for showing how these measures themselves effect change (Espeland and Sauder 2007). Although not entirely the same thing, online referral agents have also been shown to be highly trusted by acquirers of professional services especially when the consumer has limited knowledge of the service being purchased (Pedeliento 2017).

A very small number of papers address the topic of law firm league tables directly. Again, their focus is mostly critical, highlighting scope for subjectivity or bias and other drawbacks. This modest literature shows however that such independent and third-party rating systems, that provide reputational information about lawyers, are (at least) useful to society in providing objective information that might otherwise be difficult to obtain (Petroni 2007).

Chambers rankings have proved a useful source of data for scholarly PSF research, for instance showing that while specialist law firms are typically more highly valued than category-spanners, the opposite is the case with corporate law firms (Paolella and Durand 2016). On the other hand, an unpublished study of litigants in tax cases in England and Wales between 1996 and 2010 found no significant positive effect of having better-ranked legal representation – leading the author to conclude that better-ranked legal representation might have a positive effect on litigation outcomes only if the better-ranked lawyers receive cases that are significantly more difficult to win (Hanretty 2016):

> *"My findings are important for researchers who might be tempted to use reputation-based measures such as lawyer rankings as a measure of attorney skill, and for legal consumers who might hire more expensive legal representation on the basis of better rankings."*

Besides criticisms involving lack of objectivity, law firm and lawyer ranking systems have also been accused of using criteria that, while objective, might be inappropriate to their purpose. Also that the references that are used to produce the evaluations are not available to the consumer (Zacharias 2007). Although Zacharias's work was in the field of criminal defence, where the criteria for client procurement decisions are very different to those for instance involving high-end corporate or commercial legal advisory work, the objectivity of rankings have also been questioned in broader contexts - for instance for reason of cognitive bias (Pleggenkuhle-Miles et al 2017; Sen 2014; Gill et al 2011.)

For most users though, league tables such as Chambers serve their purpose quite well. With some misgivings they are recognized as authoritative by law firms and clients alike and, barring personal investigation or a trusted recommendation, they are the best source of information to assess law firm quality in a given category in firms about which the client has inadequate direct knowledge.

This study assesses changes in the number of areas in which a firm is ranked in Chambers over time, as well as changes in the average ranking. It does not use the absolute number of areas ranked or the ranking score. To the extent to which the misgivings expressed above might be justified, this approach and the context in which it is applied minimizes their effect.

4.9.2 Financial league tables

In markets where financial league tables are published, they are also regarded as generally reliable. In the U.K., firm self-reporting is cross referenced with financial information that limited liability partnerships (LLPs) must report annually to Companies House. In the USA, such mandatory reporting does not apply but the company publishing the league tables (The American Lawyer, or "AmLaw") states that their staff of analysts do conduct checks to ensure data reliability. This assurance is generally accepted by practitioners.

Occasional instances of deliberate misreporting have occurred, the most infamous of which was probably Dewey & LeBoeuf's overstating of their 2010 and 2011 results in the submissions for the AmLaw 100 ranking. These results were subsequently restated by AmLaw following receipt of new information, to the firm's great embarrassment. The firm responded by insinuating that all law firms altered their performance data in order to show better in the rankings. The firm's general counsel, Janis Meyer, wrote at the time in an email to AmLaw:

> *".... the methodology used for internal and financial accounting purposes is different from that used in submitting our numbers to you, which we assume is the case for every law firm that participates in your survey."* (Triedman 2012).

Dewey & LeBoeuf filed for bankruptcy in New York on May 28, 2012.

Overlooking such occasional aberrations, there seems no reason to believe that the league tables used in this study are systemically inaccurate or otherwise unreliable as a source of comparative performance data in markets in which they are published.

4.9.3 Interpreting necessity

Single necessity conditions for the outcome SUCCESS (a successful merger) in first iteration analysis are tabulated in Table 20 and those for its negation in Table 21. Similarly in Tables 22 and 23 for the second analysis iteration. Because the conditions selected were drawn from both extant theory and received practitioner wisdom concerning successful mergers, the lack of configurations that demonstrate significant consistency for the negation, is unsurprising. Also, the study sample includes only mergers that were actually executed, having survived due diligence, pre-merger negotiations and other filters that would have excluded combinations that negotiators deemed likely to be unsuccessful. A study that included cases where mergers were discussed but not agreed, for instance, might have yielded conditions better aligned with merger failure (as opposed to simply the negation of success.)

A consistency ≥ 0.85 is the threshold below which correlation (and causality even less) cannot be reliably inferred (Rubinson, Gerrits et al. 2019). Other scholars have proposed lower thresholds but given the inherent ambiguity and complexity of the conditions and the diverse contexts within which they apply, the more conservative approach was deemed appropriate in this study.

As previously noted, numerical consistency scores are not the only indicators of necessity. The score needs to be assessed in conjunction with relevant literature and practical experience to ensure that it "*makes sense*" (Ragin 2000) from both scholarly and practitioner perspectives. Ragin's admonition is applied as a peripheral consideration to the empirical data in the first analysis iteration, but fully in the rubrics used in the second analysis iteration.

For example, commonly received practitioner wisdom holds that if firms have significantly dissimilar levels of PEP or profit margin, it is usually very difficult to merge their businesses. Doing so, it is argued, would dilute the PEP of the more profitable firm, perhaps leading to dissatisfaction and departure of key fee-earners. Differences in PEP, profit margin and RPL are also frequent indicators that one firm is more elite than the other. Following Empson, as previously noted, partners from an elite legacy firm might be reluctant to share knowledge and otherwise collaborate with colleagues from a lower performing legacy firm. The relatively low consistency score suggests that amongst the mergers in this study, though, the importance of such structural similarity is not as great as received wisdom (both scholarly and practitioner) would suggest.

This might indicate that the impact of relatedness is dependent on other conditions in play. For instance: (1) the level of power asymmetry between acquirer and target; or (2) whether the combined firm follows a unitary 'one-firm-firm' governance model, or a dispersed model such as a Swiss verein; or (3) whether one firm is selling lower margin services to clients but with a highly efficient, leveraged business model, and the other firm is selling higher priced services with a lower leveraged (or otherwise higher cost) business model.

Relying so directly on quantitative measures derived from published financial and other performance league tables might therefore be regarded as a failing in the first analysis iteration, which was corrected in the second.

Consistency scores might sometimes seem implausible, given extant theory and practitioner perspectives about the condition concerned. At the case-level, this can be dealt with in two ways. The first (better) way is to examine the cases more deeply, drawing on whatever sources can be discovered, even extending to case study methodologies if necessary, to understand the reasons for that low consistency. Mergers and the organisations involved are intensely complex. Influencing factors frequently exist that are not reflected in the data selected to build the conditions. To the extent possible given the large number of cases involved, hence the impracticality of delving into each in the detail that would apply in a case study approach, the use of rubrics in the second iteration is intended to address this.

The second remedy is to narrow the focus of the investigation by deleting cases that are a poor fit from the sample. This strategy is less desirable because it reduces the overall sample size. It might also raise the temptation to arbitrarily delete cases that do not support pre-conceived biases.

QCA, at its root, involves distilling complexity involved in complex phenomena in order to explain those phenomena in a parsimonious fashion. An elegant way of doing this is through construction of typologies, on the basis of assumptions regarding necessary and sufficient conditions made through observation of the data, reinforced by extant literature and the 'real life' of practitioner experience. The arguments, however, must be set-theoretic in nature. For instance, the propositions addressed in this study might be combined into a set theoretic combined propositional statement such as:

> *For the configuration of conditions applying to a case (an individual merger) to be sufficient for it to be in the superset of successful mergers, it is necessary for that case to be a member of the following subsets of that larger set: (1) the subset in which the acquiror firm performed strongly in the years immediately preceding the merger; and (2) in which the target firm under-performed over that same period; and (3) in which power asymmetry exists in favour of the acquiror firm; and (4) in which the merging firms were related in terms of structure and organisational logics; and (5) in which the merger represents a multidimensional strategic opportunity for the acquiror firm; and (6) in which the combined firm adopts a 'one-firm-firm' governance structure.*

Configurational theory holds that it is not the individual condition that causes the outcome, of itself, as of the combined effect of the conditions, acting together.

Consistency measures the degree to which cases with an effect also exhibit or have its causal or constitutive characteristic. In other words, it measures the proportion of the members of the subset that are members of the superset. It is calculated through use of the formula (Ragin 2006):

$$con(X \rightarrow Y) = \frac{\sum_{i=1}^{n} \min(X_i, Y_i)}{\sum_{i=1}^{n} X_i}$$

Coverage seeks to determine how much of the variation in an outcome can be explained by causal conditions (Ragin 2000, Veri 2018). It is calculated through use of the formula (Ragin 2006):

$$cov(X \rightarrow Y) = \frac{\sum_{i=1}^{n} \min(X_i, Y_i)}{\sum_{i=1}^{n} Y_i}$$

Very low unique coverage scores indicate substantial overlap across sufficiency solutions, which frequently means that multiple solutions can probably be combined into one, with slight variants due to substitutable conditions (Rubinson, Gerrits et al. 2019).

Set coincidence combines and bridges consistency and coverage. It focuses on the degree to which two sets overlap. In other words, the degree to which they are the same set (Ragin 2008). Figure 10 in section 6.4.1, for instance, demonstrates the degree to which the range of different logically possible configurations (and hence the subsets of cases that are represented by each) overlap with and form part of the superset of successful mergers for the second analysis iteration.

4.9.4 Dealing with contradictory configurations and counterfactuals

Counterfactuals and how one deals with them are topics that have intellectually exercised researchers since antiquity, dating as they do back to the very dawn of philosophy (Rescher 1996a). This is especially true in the social sciences, where data is frequently messy, non-linear and ambiguous, and where many outcome-influencing factors can exist outside of the parameters of the research being undertaken. Calibration, even expertly applied, can be at least in part subjective and therefore subject to bias and other human error.

A selection of remedies exist for resolving contradictory configurations and other counterfactuals. These include: (1) add one or more new conditions to the table; (2) replace one or more conditions with new ones; (3) reassess case allocation to particular conditions (including outcome) and ensure that interpretations are consistent; (4) consider whether the variation might be acceptable given how the outcome has been conceptualised and operationalised; (5) qualitatively examine the cases to discover whether explanations emerge that are beyond the data in the table; (6) consider whether the dataset is too heterogeneous; (7) recode contradictory configurations as ‘0’ in the outcome field and present them as ‘unclear’; (8) assess the number of instances in which the configuration is associated with the outcome and its absence, and apply the one that occurs most frequent (‘vote counting’) (Rihoux and Ragin 2009, Thomas, O’Mara-Eves and Brunton 2014).

5 Analysis

5.1 Introduction

The experiment itself was undertaken in the following steps:

Select cases
Define merger success and metrics
Define propositions and conditions
Collect and collate data
Perform analysis (two iterations, two different approaches)

5.1.1 Select cases

To recap, the scope defined for the population of mergers included in this study is that: the merger became effective between 1 January 2002 and 31 December 2017; at least one of the merging firms was headquartered in either the United Kingdom or the USA; the smaller/smallest firm consisted of at least 100 lawyers; and the merged firm consisted of at least 500 lawyers.

For brevity and clarity in analysis the mergers are identified in the analysis through a case identity code. The individual identities of mergers with particular factor configurations or the firms involved are in any event irrelevant, as previously noted, at least until the analysis has been completed and the results interpreted. The focus of the research is on the conditional configurations, not the unique attributes of each and every merger. The key provided in Appendix A identifies the mergers in the sample against their identity codes.

The sample is finally not random but instead arbitrary, assembled in accordance with carefully considered criteria. Ragin argues that it does not even matter whether the cases constitute a proper sample or not, so long as they are real, in the real world (Ragin 1987, Ragin 2000). The scale thresholds are mostly in accordance with those usually applied to the colloquial term *BigLaw*, as outlined in section 3.2.10. and other criteria by data availability.

The cases included in the study were assembled through thorough research of a wide range of legal services media and other practitioner sources. It is believed to be a complete list of all the in-scope mergers.

5.1.2 Define merger success and metrics

As noted in the previous chapter, the metrics by which merger success is determined are the change in the combined firm from year M to year M+2 in: (1) profit margin; (2) real revenues (adjusted for inflation); (3) diversification of its portfolio of high-reputation services; and, (4) strength of its existing high-reputation services.

This data was extracted from the Chambers Global data and (where available) the performance league tables and collated in a spreadsheet. Applying equal weighting to each variable, the average was determined. The criteria set out below were then applied to determine the set membership of each case of the set of successful mergers, named SUCCESS.

Real revenues are gross revenues earned by the combined firm, adjusted for inflation over the period year M to year M+2 using year M as the base. Adjustment is made according to the inflation which prevailed in whichever of the USA or United Kingdom the acquiring firm was headquartered in year M, or had the greatest lawyer headcounts in the case of polycentric firms. Factors used to adjust inflation are recorded in Appendix F.

Profit margin is derived by dividing the amount of profit available for distribution to the firm's owners, (partners or equivalent) after overheads have been accounted for, by the total fee revenues of the firm.

Number of Chambers-ranked practices is the number of practices in Chambers Global in major markets in which the merging firms were ranked in year M-1.

Average rank of Chambers-ranked practices is the inverse of the sum of the ranking scores of all ranked practices, divided by the number of ranked practices (a league table score of Band 1 being the highest). Again, the score derived indicates the change in ranking over the period. No claim is made as to the usefulness of this metric otherwise.

Combined firm change in profit margin, M to M+2	
Profit margin increased significantly	1
Profit margin increased slightly	0.66
Profit margin remained constant	0.33
Profit margin contracted	0

Combined firm real growth in revenue, M to M+2	
Revenue grew faster than prevailing inflation	1

Revenue grew but slower than prevailing inflation	0.66
Revenue remained constant in nominal terms	0.33
Revenue contracted	0

<u>*Combined firm change in number of Chambers-ranked practices, M to M-2*</u>

Number of ranked practices increased	1
Number of ranked practices remained constant	0.66
Number of ranked practices contracted slightly	0.33
Number of ranked practices contracted significantly	0

<u>*Combined firm change in average rank of Chambers-ranked practices, M to M-2*</u>

Average rank improved	1
Average rank remained constant	0.66
Average rank contracted slightly	0.33
Average rank contracted significantly	0

Where league table data was lacking, supplemental use was made in the second iteration of analysis, through rubrics, of media reports and other evidence of market perceptions regarding the success or otherwise of the merger. To reiterate, fsQCA is inherently a qualitative methodology. The aim of the model for defining and assessing merger success is to determine, in an objective and sensible manner, whether or not particular conditions exist by which a merger should be regarded to be: (1) wholly successful; or (2) more successful than not successful; or (3) more not successful than successful; or (4) wholly not successful.

The reasons for a two year period (year M to year M+2) over which to assess merger success are that the elapse of two years should be sufficient for post-merger integration to be largely complete, and for the combined firm to be operating at least at a similar level of performance to that which existed in the legacy firms prior to the merger (Angel 2016). It is acknowledged that the full benefits of a merger frequently take many years to manifest as sustainable competitive advantage (Lorsch and Tierney 2002), but after more than two years it becomes more difficult to assess which changes in performance are attributable to the merger, as opposed to subsequent shifts in strategy, or effective management action, or other performance-moderating phenomena inside the firm, or changes in its external environment.

5.1.3 Define propositions and conditions

For reasons discussed elsewhere, the configurational analysis in this study was performed in two iterations, the first relying directly on the empirical data and the second blending that data with other more qualitative perspectives through use of rubrics.

5.1.3.1 High performing acquirer

Practitioner-led proposition 1: Acquirer firms that exhibit strong performance in years immediately preceding a merger are more likely to achieve a successful merger outcome.

Rationale: Such acquirer firms are more confident, have more resources to invest in the merger and are more likely to be strategically motivated (their strong economic performance providing evidence frequently of an already effective, well implemented strategy.)

Condition: F1's performance increased in years M-3 to M-1. (F1HIPER)

Four variables are scored as follows and weighted equally to determine the average, which serves as each case's fuzzy score for the condition. All relate to years M-3 to M-1.

F1 real growth in revenue

Revenue grew in real terms (i.e. faster than prevailing inflation)	1
Revenue grew nominally but slower than the prevailing inflation rate	0.66
Revenue did not grow at all, in nominal terms	0.33
Revenue contracted	0

F1 change in profit margin

Profit margin increased significantly	1
Profit margin increased slightly	0.66
Profit margin remained constant	0.33
Profit margin contracted	0

F1 change in number of equity partners

Number of equity partners grew	1
Number of equity partners remained constant	0.66
Number of equity partners contracted slightly	0.33
Number of equity partners contracted significantly	0

F1 change in number of C&P-ranked practices in M-3 to M-1

Number of ranked practices increased	1
Number of ranked practices remained constant	0.66
Number of ranked practices contracted slightly	0.33
Number of ranked practices contracted significantly	0

5.1.3.2 Not-high performing target

Practitioner-led proposition 2: Target firms exhibiting weaker performance in the years immediately preceding the merger experience higher levels of economic necessity, and are more likely to achieve successful merger outcomes.

Rationale: Such target firms are likely to be experiencing economic necessity, and be more motivated to execute the merger. The firm's leaders are therefore less likely to negotiate terms as vigorously, hence both pre-merger negotiations and post-merger integration are likely to proceed more smoothly.

Condition: F2's performance did not increase in M-3 to M-1. (F2LOPER)

The negation of the same variables as for F1HIPER, weighted equally and averaged to determine the fuzzy score for each case. All relate to the period years M-3 to M-1:

F1 real growth in revenue

Revenue contracted	1
Revenue did not grow at all, in nominal terms	0.66
Revenue grew nominally but slower than the prevailing inflation rate	0.33
Revenue grew in real terms (i.e. faster than prevailing inflation)	0

F1 change in profit margin

Profit margin contracted	1
Profit margin remained constant	0.66
Profit margin increased slightly	0.33
Profit margin increased significantly	0

F1 change in number of equity partners

Number of equity partners contracted significantly	1
Number of equity partners contracted slightly	0.66
Number of equity partners remained constant	0.33

Number of equity partners grew	0

<u>*F1 change in number of CB-ranked practices in M-3 to M-1*</u>

Number of ranked practices contracted significantly	1
Number of ranked practices contracted slightly	0.66
Number of ranked practices remained constant	0.33
Number of ranked practices increased	0

5.1.3.3 Power asymmetry in favour of acquiror

Practitioner-led proposition 3: Mergers are more likely to be successful if significant power asymmetry exists in favour of the acquiror firm over the target firm.

Rationale: Decisions will tend to be driven by the acquiror firm, so will be reached quickly and actions required to execute the decisions will be taken more efficiently.

The metrics used to determine power are based on relative VRIO resources as reflected in the acquiror firm relative to the target firm having better revenues, PEP, RPL, numbers of equity partners, profit margin, breadth of high-quality practices (number of practices ranked in Chambers Global) and depth of high-quality practices (average score of practices ranked in Chambers Global.)

These seven variables are scored as follows, weighted equally to determine the average, which serves as the score. All relate to the year M-1. Although this metric might overlap in some respects with elements of F1HIPER and F2LOPER, it is constructed around the relative performance of the firms in year M-1, being the year in which the deal is negotiated.

Condition: Power asymmetry in year M-1, favoured F1 over target/s (F1POWER)

<u>F1 revenues exceeded those of F2 in M-1</u>

F1 revenues significantly exceeded those of F2	1
F1 revenues slightly exceeded those of F2	0.66
F1 and F2 had similar revenues	0.33
F2 revenues exceeded those of F2	0

<u>F1 PEP exceeded that of F2 in M-1</u>

F1 PEP significantly exceeded that of F2	1
F1 PEP slightly exceeded that of F2	0.66

F1 and F2 had similar PEP	0.33
F2 PEP exceeded that of F2	0

<u>F1 RPL significantly exceeded that of F2 in M-1</u>

F1 RPL significantly exceeded that of F2	1
F1 RPL slightly exceeded that of F2	0.66
F1 and F2 had similar RPL	0.33
F2 RPL exceeded that of F2	0

<u>F1 number of EPs significantly exceeded that of F2 in M-1</u>

F1 number of EPs significantly exceeded that of F2	1
F1 number of EPs slightly exceeded that of F2	0.66
F1 and F2 had similar number of EPs	0.33
F2 number of EPs exceeded that of F2	0

<u>F1 profit margin significantly exceeded F2 in M-1</u>

F1 profit margin greatly exceeded that of F2	1
F1 profit margin slightly exceeded that of F2	0.66
F1 and F2 had similar profit margin	0.33
F2 profit margin exceeded that of F2	0

<u>F1 had more CG-ranked practices in M-1, than F2</u>

F1 number of CG-ranked practices greatly exceeded that of F2	1
F1 number of CG-ranked practices slightly exceeded that of F2	0.66
F1 and F2 had similar number of CG-ranked practices	0.33
F2 number of CG-ranked practices exceeded that of F2	0

<u>F1 had, on average, more highly CG-ranked practices in M-1, than F2</u>

F1 average ranking of CG-ranked practices greatly exceeded that of F2	1
F1 average ranking of CG-ranked practices slightly exceeded that of F2	0.66
F1 and F2 had similar average ranking of CG-ranked practices	0.33
F2 average ranking of CG-ranked practices exceeded that of F2	0

5.1.3.4 Relatedness

Practitioner-led proposition 4: Firms that are related in terms of reputation, technical knowledge and capabilities and client relationships and that operate in the same or across similar markets, and have similar governance models are more likely to merge successfully.

Rationale: The notion that relatedness between merging firms tends to favour a successful outcome is well supported in both scholarly literature and practitioner sources. This is because they find it easier to develop an effective combined firm strategy and culture, and to integrate the businesses more quickly and efficiently.

Condition: F1 and F2 are structurally and functionally similar in year M-1 (RELATED)

Similar PEP between F1 and F2 in M-1

The negation of the difference in PEP in F1POWER.

Similar RPL between F1 and F2 in M-1

The negation of difference in RPL in F1POWER.

Similar PM between F1 and F2 in M-1

The negation of similarity in profit margin in F1POWER.

Similar partnership models

F1 and F2 have similar partners models (all-equity or equity+ salaried)	1
F1 and F2 have different partners models	0

Same country

F1 and F2 are headquartered in the same country	1
F1 and F2 are headquartered in different countries	0

5.1.3.5 Multidimensionality of the strategic opportunity

Indicators used are that for the acquiror firm, the merger delivers:

- a wider selection of high-quality practices (new, diversified VRIO resources)
- deepening of key existing practices (enhanced existing VRIO resources)
- penetration of new markets
- significantly greater scale (measured as revenues)
- enhanced profit margin (indicating efficiency gain and/or market power)

Practitioner-led proposition 5: Mergers offering multidimensional strategic synergies generate more opportunities from which firms can choose to enhance existing VRIO resources and develop new ones, hence will tend to be more successful.

Rationale: Relying on the RBV, a multidimensional strategy offers diverse strategic synergy, which implies a combination of strategic opportunities, each associated with different forms or sources of VRIO resource, therefore multiple opportunities to create and enhance sustainable competitive advantage.

Condition: Multi-dimensional opportunities offered for strategy (STRATEGY)

The combined firm in M has more CG-ranked practices than F1 in M-1

The combined firm in M has:

Significantly more CG -ranked practices than F1 in M-1	1
Slightly more CG-ranked practices than F1 in M-1	0.66
The same number of CG-ranked practices as F1 in M-1	0.33
Fewer CG-ranked practices than F1 in M-1	0

(Fewer CG-ranked practices in the combined firm in year M than in F1 in M-1 indicates typically that partners linked to CG-ranked practices exited the firms pre-merger.)

The combined firm in M has a better average CG ranking than F1 in M-1

The combined firm in M has:

Significantly higher average CG ranking than F1 in M-1	1
Slightly higher average CG ranking than F1 in M-1	0.66
The same average CG ranking as F1 in M-1	0.33
Lower average CG ranking than F1 in M-1	0

Enter new markets

The merger involves F1 entering a new market (city or country)	1
The merger does not involve F1 entering a new market (city or country)	0

Build significant scale

The combined firm in M1 is:

>25% larger than F1 in M-1	1
10% - 25% larger than F1 in M-1	0.66
<10% larger than F1 in M-1	0.33
The same size or smaller than F1 in M-1	0

Build efficiency and/or market power (enhanced profit margin)

The PM of the combined firm in year M+2 is:

Significantly greater than that of F1 in M-1	1
Slightly greater than that of F1 in M-1	0.66
The same as that of F1 in M-1	0.33
Less than that of F1 in M-1	0

5.1.3.6 Unitary or dispersed governance model

Practitioner-led proposition 6: Mergers in which the combined firm adopts a unitary governance model are more likely to be successful than those in which a dispersed governance model is adopted.

Rationale: Following Maister, a unitary, one-firm-firm governance model better allows a common strategy and resource deployment, and helps ensure that partners in the combined firm align interests and collaborate to achieve more ambitious strategic outcomes than in firms where lack of such alignment might encourage performance-detracting behaviours such as poor collaboration and communication, clashing logics and internal competitiveness.

As previously discussed, though, despite unitary governance applying in a relatively uniform fashion across the law firms that employ it (barring diversity in the range or of organisational logics that they underpin) dispersed governance models range from significantly integrated models that closely resemble unitary models in important respects, to highly dispersed models more akin to alliances or network.

Condition: The combined firm has a one-firm-firm governance model (ONEFIRM)

<u>The combined firm employs a unitary, one-firm-firm governance model</u>

Yes	1
No	0

5.1.4 Collect and collate data

Data was collected from the three major types of source as previously described: (1) the Chambers Global law firm directories published by Chambers & Partners; (2) financial and other performance law firm league tables published in the U.S. and United Kingdom; and (3) the practitioner publications and grey literature.

5.1.4.1 Chambers Global directories

Data was collected from the Chambers Global directories as described in section 4.9.1. The change in the number of Chambers Global rankings and in the average band awarded was assessed. Practices were assessed and scores allocated and aggregated as previously described.

Chambers Global data was analysed for all the firms in the overall sample, which were located in Australia, Canada, Italy, South Africa, United Kingdom and United States. Only the national rankings (not regional or local rankings) were analysed.

This data was assembled comprehensively in a spreadsheet and then that data specific to the mergers under study were extracted to the same pivot table as that containing the data collected from the performance league tables.

5.1.4.2 Law firm performance league tables

For American-based law firms, the American Lawyer AmLaw 100 and AmLaw 200 league tables are used. The AmLaw 100 table lists the top 100 law firms in the U.S. based upon revenues, lawyer headcount and profit per equity partner. The AmLaw 200 table lists the same data for firms ranked from number 101 to 200 in the USA.

The manner in which this data is used is similar to that previously described with regard to the Chambers Global directory data. It was analysed for the combined firm from year M (the year of the merger) until year M+2 (the second year following the merger) and for the legacy firms from year M-3 (three years prior to the merger) to year M-1 (the last year before the merger.) Year M was taken as the first year in which the combined firm is included in the tables. This means that where a merger is announced late in the year, after closure of data collection for that year's edition of the tables, then year M might fall into the year following that in which the merger is announced. This did not affect the results because the focus of the analysis is on the use of the *variances* in the metrics over the two years following the merger (for the combined firm, to assess merger performance) and three years prior the merger (for the legacy firms, as input into conditions used in the configurational analysis) to answer specific questions about the merger performance and the antecedent conditions – not the absolute values.

In the AmLaw league tables, gross revenue and net income are typically rounded to the nearest US$500,000. Profits per partner, revenue per lawyer, value per lawyer, profits per lawyer and average compensation are all rounded to the nearest US$5,000. Firms that are tied in the rankings are listed in alphabetical order. This level of specificity determined the degree of accuracy expected in analysis.

U.S. dollar values were converted to Sterling at the rate that prevailed on 31 December of the applicable year, which for U.S. law firms is typically their year end.

Firms are assessed in the AmLaw league tables if most of their lawyers are located in the USA. Firms that utilise dispersed governance verein or similar structures where profit sharing does not occur between the U.S. and other entities are treated separately in the tables, because their organizational structure, particularly regarding profit sharing among offices, differs significantly from that of traditionally structured AmLaw 100 firms. Again, this also does not impact the research because the focus is on the changes from year M forward to year M+2 and from year M-1 back to year M-3, not the absolute values. In the study, values for such firms were aggregated into a single global firmwide value, expressed in U.S. dollars, converted using the conversion rates recorded in Table 26 in Appendix F, as necessary.

For U.K.-based law firms, The Lawyer Top 200 financial rankings were used. The Lawyer does not need to rely on firm submissions except in the case of those very few law firms that are constituted as ordinary partnerships, because limited liability partnerships are required to submit their financial accounts to Companies House, who publish them in the public domain on their website.

The data published is essentially similar to that in The American Lawyer.

Where a firm's performance data is not adequately reported in either the AmLaw or The Lawyer tables, and where that firm is one of the 200 largest in the world, the Global 200 tables published by Legal Business are used instead. This data is essentially similar to that published in The American Lawyer and The Lawyer.

5.1.4.3 Practitioner publications

Using the search term "*law firm merger*" and a range of permutative variations of that, searches were performed of the websites of the Financial Times (United Kingdom), New York Times and Wall Street Journal (U.S.), and practitioner publications Legal Business, The Legal Gazette, Legal Week (later known as Law.com) and The Lawyer (United Kingdom), and Law360 and The American Lawyer (U.S.). Also, Without Prejudice (South Africa) and Australasian Lawyer (Australia and New Zealand.) In addition, the same terms were used in ordinary Google searches, which yielded a wide range of consultant and other articles, and links to merger announcements on law firm websites and elsewhere. All in all, >400 such practitioner sources were collected and saved as PDFs.

These sources were then searched for content on the themes illustrated in figures 3 and 5 and tagged where this was discovered. The data were collected in a spreadsheet.

During the second iteration of the analysis, these practitioner sources were also used in the original to supplement the quantitative data from the primary sources, in the manner prescribed in the rubrics in Appendix G, to determine set membership criteria and thresholds.

5.1.4.4 Data gaps

Financial performance data was unavailable except from the firms themselves in several important legal services markets, most notably Australia, Canada and South Africa. Attempts were made but proved fruitless to acquire such data directly from merging firms in these markets and from consultants who were known to possess the data. Confidentiality was typically cited as the reason for the refusal, despite offer of non-disclosure agreements and the university's ethics safeguards that would also apply. Initially, this required reducing the sample to mergers only between firms for which league table firm data was available for both/all merging firms, which reduced the sample size to 31. The fsQCA analysis was performed on that reduced sample (iteration 1 of the analysis). The results are presented in figure 7. These results, perhaps marginally adequate in themselves as a research project, were neither enough to yield meaningful insights to practitioners, nor for robust theorising.

Upon reflection, it was concluded that the Chambers Global and performance league tables were not the only sources from which condition set membership and threshold calibration scores could be derived. Qualitative data in the practitioner sources could also be used to determine set membership of cases to the range of conditions and other applicable variables.

To illustrate: set membership and thresholds for the condition "*The target firm declined in performance in years M-3 to M-1*" can be satisfactorily answered through a range of lenses, Chambers Global and performance league table rankings being just two. Media reports of declining performance and similar contemporaneous commentary would also suffice, especially when a relatively coarse Likert scale is applied, mitigating risk of false precision. This study generally uses an adequately coarse four point scale to define set membership, namely "fully in" (1), "mostly in (0.66), "mostly out" (0.33) and "fully out" (0).

After initially considering whether to exclude the first iteration entirely, it was decided to include both. Each delivers its own insights, the results of the two iterations complementing each other and allowing richer conclusions to be drawn. This approach also allowed the sample to be expanded back to include all of the 73 in-scope large law firm mergers. The rubrics used are recorded in Appendix G. The results of the second iteration of analysis (on the full sample of cases) are presented in figure 8.

5.1.5 Determine fuzzy set membership scores

Calibration criteria for each condition were determined individually, taking into consideration the particular attributes of the condition and drawing on theoretic and practitioner perspectives. In the first iteration of analysis only, the condition ONEFIRM or ~ONEFIRM is crisp in nature (binarily either in-set or out-of-set). All the others sets are fuzzy sets, involving degrees of set memberships.

For the fuzzy sets, full set membership was calibrated at an average score across all variables of ≥0.75 and the cross-over point between set membership and set non-membership at 0.5. A more highly calibrated, higher resolution approach was deemed unnecessary (even undesirable, had it led to false precision) because of the nature of the propositions and the variables used to define them, and the inherent multidimensionality of the conditions.

Some cases scored 0.5 for a particular condition membership, which would have negated them in the analysis. Such cases were examined to determine whether, in the light of wider information knowable about that case, the score should be adjusted to 0.49 (falling out of set membership) or 0.51 (falling into set membership.) Such minor recalibration has a minimal arithmetic impact on the consistency scoring and allowing such cases to be included allows their other conditions to be included in the analysis, providing a richer and more robust result.

The data used to calibrate set membership for each condition in the first analysis iteration are presented in Tables 6 to 11, in Appendix C.

5.1.6 Perform the analysis

5.1.6.1 Constructing the underlying data table

The data from the exercise of defining the outcomes and the conditions (which included assigning scores that were led and informed by theory and practitioner experience) were entered into the data table presented in Table 12 and the truth table tabulated in Table 13 was then produced. As may be seen in Table 13, the use of six conditions with 31 cases resulted in a great many logical remainders. Both tables may be found in Appendix C.

5.1.6.2 Calibrating set membership

Calibration was done through Ragin's fsQCA programme, using the default settings. The reason for using the default settings was the degree of judgement already applied in the definition of the conditions' set membership criteria and thresholds, the complex nature of the conditions (raising the danger of false precision) and the inherent multidimensionality of the specified conditions. The standard thresholds are ≥0.75 indicating fully in set; 0.5 indicating cross-over between in-set and out of set; ≤0.25 indicating fully out of set. To emphasise: the default settings in the case of this study represent quartiles not of unstructured data but of carefully operationalised data that is structured in accordance with clear definitions, led by both theory and practitioner perceptions.

5.1.6.3 Contradictory configurations and counterfactuals

In the first iteration of the study, two contradictory configurations were discovered:

In configuration:

F1HIPER • ~F2LOPER • F1POWER • RELATED • ~STRATEGY • ONEFIRM

cases E1 and N1 were associated with outcome SUCCESS and case W1 with outcome ~SUCCESS.

In configuration:

F1HIPER • ~F2LOPER • F1POWER • RELATED • ~STRATEGY • ONEFIRM

case L3 was associated with outcome SUCCESS and case D1 with outcome ~SUCCESS.

Remedy 3 as described in section 4.9.4 was followed in resolving the contradictory configurations. That is, the case allocation to particular conditions was reassessed. In the case of W1, the degree of relatedness was reassessed, in particular the weighting allocated to profit margin, leading to that condition shifting from RELATED to ~RELATED. The adjusted complex configuration F1HIPER • ~F2LOPER • F1POWER • ~RELATED • ~STRATEGY • ONEFIRM is shared with case S1, which is also associated with outcome ~SUCCESS.

In reassessing case D1, it was concluded that changing the state of two conditions were justified, namely RELATED to ~RELATED (on the basis of the weighting allocated to profit margin) and F1POWER to ~F1POWER on the basis that: (1) D1's acquirer firm RPL was greater than that of the firm with which it merged; and (2) neither firm had practices ranked in Chambers Global so instead of scoring these 0.5 (neither-in-nor-out of set) they were excluded from the reckoning. For the sake of consistency, the same adjustment was applied to several other cases where neither firm had practices ranked in Chambers Global. In no other cases did that result in a change in the state of the condition F1POWER. The adjusted configuration F1HIPER • ~F2LOPER • ~F1POWER • ~RELATED • ~STRATEGY • ONEFIRM for case D1 is one that was previously a logical remainder, not associated with any of the cases in the sample.

The truth table in Table 12 in Appendix C incorporates these adjustments, is free of contradictions, and forms the basis of the subsequent configurational analysis in the first iteration.

A different kind of counterfactual was discovered during the configurational analysis, namely that the complex configuration for case AE2 was consistent both for the outcome SUCCESS and ~SUCCESS. This was the only case exhibiting such a discrepancy.

Case AE1 is the merger Squire, Sanders & Dempsey + Hammonds → Squire Sanders Hammonds. Hammonds, a U.K. headquartered firm, was acquired out of administration by U.S. headquartered Squire, Sanders & Dempsey. On the basis, given that for an insolvent firm any strategy that allows it to become solvent again can be regarded as a success, so long as the combined firm did not deteriorate in performance over the measurement period, the outcome of the configuration was adjusted to SUCCESS.

The results of the first and second iterations of analysis are both presented in Chapter 6.

5.1.7 Second analysis iteration

For the second iteration of analysis, two changes were made to the research design. In the first instance, the conditions F1HIPER and F1POWER were conflated, to yield a new condition F1STR (from "strong") which included the elements of both. In other words, high performance on the part of the acquiror firm in the three years preceding the merger AND power asymmetry in favour of the acquiror firm, relative to the target firm/s. This also avoided undue reliance on logical remainders (configurations that are logical but not represented by any actual cases), for which the dangers pointed out by Thiem and Baumgartner have been previously noted. Conflation was achieved by averaging the fuzzy set membership scores for F1HIPER and F1POWER to form the new condition F1STR.

To avoid confusion between the iterations, the cases were renumbered in the second iteration and the conditions renamed. The new numbering is also keyed in Appendix A. The new condition labels in the second iteration are as follows:

F1STR – Conflation of F1HIPER and F1POWER in the first iteration (from "strong")
F2NEC – Corresponds to F2LOPER in the first iteration (from "necessity")
RELAT - Corresponds to RELATED in the first iteration
STRAT - Corresponds to STRATEGY in the first iteration
ONEFI – Corresponds to ONEFIRM in the first iteration.

While six conditions are well within acceptable limits for a sample of 31 cases, reducing that to five would, of itself, reduce configurational diversity and hence produce more interesting results. As will be described later, and for reasons to be provided, the number of conditions was ultimately reduced to four through exclusion of the condition ONEFI from the final analysis.

In the second instance, a more qualitative and holistic approach was adopted to set membership definition for the conditions. Instead of using the quantitative data drawn from the primary data sources, rubrics were designed for each condition, to define whether a case was wholly in-set, mostly in-set, more in-set than out, more out-of-set than in, mostly out-of-set and wholly out-of-set. This allowed the quantitative data to be blended with qualitative data such as contemporaneous reporting on particular mergers' success. The rubrics are detailed in Appendix G.

5.1.8 Expanding the cases

Motivated by reconsideration of the need for the set membership to be determined only through the quantitative data contained in the financial and other league tables, a third perspective was then brought to bear. The use of rubrics allow a broader, more qualitative approach to definition of set membership and calibration of the membership thresholds. This allowed the cases that had been excluded because one or more of the merging firms was located in a market where such league tables were not published, to be reincorporated into the sample. This raised the number of cases to 73 – 100 percent of the in-scope mergers that took place during the study period.

The data table for the full 73 cases is presented in Table 17 and the truth table (excluding condition ONEFI) in Table 18.

6 Results

6.1 Introduction

This chapter details the results of the analysis. The first and second sections provide the results of the first and second analysis iterations respectively and the third combines these into a single set of results.

6.2 Results of the first analysis iteration

6.2.1 Introduction

Table 15 (in Appendix C) provides the first indication that the first iteration of analysis might yield limited results. Fifteen of the configurations shown to be consistent with SUCCESS are represented by only a single case and only one configuration is represented by more than two cases (i.e. three cases). The latter configuration furthermore displays a consistency of only 0.76 with the outcome SUCCESS, which is well below the threshold above which causality can typically be inferred.

Necessity testing demonstrated three uniconditional configurations to be necessary for the outcome SUCCESS, (consistency ≥0.85) namely: (1) the negation of high power asymmetry in favour of the acquiror firm F1 (~F1POWER) with a consistency of 0.86 and a (quite low) coverage of only 0.4; (2) the negation of high relatedness between the merging firms (~RELATED) with a consistency of 0.85 and a coverage of 0.51; and (3) a multi-dimensional strategic opportunity (STRATEGY) with a consistency of 0.88 and a coverage of 0.73. No conditions were shown to be necessary for the negation of the outcome, ~SUCCESS. The results of the uniconditional necessity testing are summarised in Tables 19 and 20.

6.2.2 Parsimonious solutions

Two parsimonious configurations are shown to be sufficiently consistent with a successful merger to infer causality. They are:

~F2LOPER • RELATED → SUCCESS

(A merger involving a target firm that does not exhibit declining performance in the years preceding the merger configured with a high level of relatedness between the firms is likely to have a successful outcome, irrespective of the other conditions assessed in this analysis.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: S1 (0.93), E1 (0.86), AI1 (0.73), N1 (0.67), AB1 (0.67), J1 (0.61), M2 (0.53).

STRATEGY • ONEFIRM → SUCCESS

(A merger offering a multidimensional strategic opportunity coupled with the combined firm adopting an integrated governance model is likely to have a successful outcome, irrespective of the other conditions assessed in this analysis.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: J1 (1), AH1 (1), AB1 (0.93), C1 (0.8), P1 (0.8), G2 (0.67), H1 (0.67), F1 (0.6), AI1 (0.6), A1 (0.53), W2 (0.53).

As may be seen in figure 9, a number of intermediate solutions are derivable from that, that demonstrate consistency of ≥0.85 and coverage of >50 percent, which does allow for a certain amount of additional theorising, but nothing truly novel.

230703 Analysis iteration 1	OUTCOME: SUCCESS				OUTCOME: ~SUCCESS
	1A	1B	1C	1D	No configurations show consistency scores ≥0.85 for outcome: ~SUCCESS
Parsimonious (P) or Intermediate (I) solution	P	P	I	I	
Acquiring firm's performance improves in years M-3 to M-1 (F1HIPER)			•	•	
Target firm's performance declines in years M-3 to M-1 (F1LOPER)	⊗			⊗	
Power asymmetry between the merging firms favours the acquiring firm in M-1 (F1POWER)			•	•	
Merging firms exhibit a high level of inter-firm relatedness in M-1 (RELATED)	⬤		⬤	⬤	
Merger offers a multidimensional strategic opportunity (STRATEGY)		⬤	⬤		
The combined firm adopts a unitary governance structure (ONEFIRM)		•	•	•	
Consistency	**0.89**	**0.93**	**0.93**	**0.90**	
Raw coverage	0.45	0.52	0.40	0.32	
Unique coverage	0.14	0.21	0.12	0.40	
Cases with >0.5 configuration membership	n=7	n=4	n=3	n=7	
Overall solution consistency	**0.90**	**0.92**			
Overall solution coverage	0.66	0.44			

Black circles indicate the presence of a condition and circles with an "X" indicate its absence. Large circles indicate core conditions and small ones, peripheral conditions. Blank cells indicate an outcome to be agnostic of presence/absence of the condition

Figure 7: Results of analysis iteration 1: Summary of parsimonious and intermediate solutions consistent with successful merger outcomes (SUCCESS) the format adapted from Pappas et al, 2016.

6.2.3 Intermediate solutions

Reduction using the Quine McCluskey algorithm with cut-offs set at ≥0.85 consistency and ≥2 cases yielded the following three configuration intermediate solutions consistent with successful merger outcomes. Collectively, these solutions explain 9 of the 31 mergers assessed in the first analysis iteration. However the solutions are quite complex, so of limited value for theorising.

F1HIPER • F1POWER • RELATED • STRATEGY • ONEFIRM → SUCCESS

(A merger involving a strong acquirer benefitting from high power asymmetry and a target with which it shows a high level of relatedness, to exploit a multidimensional strategic opportunity and the combined firm employing a unified governance model is likely to have a successful outcome, irrespective of the degree of necessity on the part of the target firm for the merger.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: C1 (0.67), AB1 (0.67), F1 (0.6), P1 (0.56), A1 (0.53), W2 (0.53).

F1HIPER • ~F2NEC • F1POWER • RELATED • ONEFIRM → SUCCESS

(A merger involving a strong acquirer benefitting from high power asymmetry and a target which has a low degree of necessity for the merger and a high level of relatedness between the firms, with the combined firm employing a unified governance model, is likely to have a successful outcome irrespective of the multidimensionally or otherwise of the strategic opportunity.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: N1 (0.67), AB1 (0.67), E1 (0.53).

6.3 Results for the second analysis iteration

6.3.1 Overview

Necessity testing of the conditions indicates no uniconditional solutions to be necessary to produce outcome SUCCESS, but four to be necessary for its negation. See Tables 24 and 25 respectively. Of these, ~STRAT is to be expected but the other three F1STR, F2NEC and RELAT are, intuitively, not.

6.3.2 Parsimonious solutions

Minimisation through the Quine-McCluskey algorithm of all configurations with cut-offs at frequency of ≥5 cases consistency of ≥0.85 yielded one three-conditional parsimonious configuration (which had a consistency of <0.85) with two four-conditional configurations (which both had consistencies >0.85). The minimisation was therefore repeated with tighter parameters, namely the same frequency cut-off but a consistency cut-off of 0.90.

This yielded a parsimonious solution STRAT → SUCCESS, with a consistency of 0.95. This demonstrates that a multidimensional strategic opportunity is of itself sufficient for a successful merger outcome in the sample studied.

20 cases (out of the 73 in the sample) show membership of the term STRAT, as follows (membership score indicated in parentheses): BF (0.8), BA (0.8), H (0.8), AZ (0.8), AY (0.8), AX (0.8), S (0.8), T (0.8), U (0.8), AS (0.8), AH (0.8), AB (0.8), AG (0.8), AD (0.6), AE (0.6), AF (0.6), AC (0.6), AA (0.6), AI (0.6), AL (0.6).

6.3.3 Intermediate solutions

Reduction using the Quine McCluskey algorithm with cut-offs set at ≥0.85 consistency and ≥5 cases yielded the following three configuration intermediate solutions consistent with successful merger outcomes. Collectively, these solutions explain 40 of the 73 mergers assessed in the second analysis iteration.

F1STR • F2NEC → SUCCESS
(A merger involving a strong acquirer configured with a target with high necessity is likely to have a successful outcome, irrespective of the other conditions in the configuration.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: BM (1), Z (1), Y (1), BP (0.8), BB (0.8), AY (0.8), G (0.8), M (0.8), V (0.8), Q (0.8), P (0.6), R (0.6), O (0.6), W (0.6), X (0.6), J (0.6), I (0.6), AC (0.6), AD (0.6), AE (0.6).

F1STR • RELAT • STRAT → SUCCESS
(A merger involving a strong acquirer configured with a target with which it has a high degree of relatedness and a multidimensional strategic opportunity is likely to have a successful outcome, irrespective of the other conditions in the configuration.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: C (0.6), I (0.6), J (0.6), S (0.6), V (0.6), AA (0.6), AC (0.6), AD (0.6), AE (0.6), AL

(0.6), AO (0.6), AR (0.6), AV (0.6), AX (0.6), AY (0.6), AZ (0.6), BA (0.6), BI (0.6), BN (0.6), BO (0.6)

F2NEC • RELAT • STRAT → SUCCESS
(A merger involving a strong acquirer configured with a target with which it has a high degree of relatedness and a multidimensional strategic opportunity is likely to have a successful outcome, irrespective of the other conditions in the configuration.)

Cases with >0.5 membership of this term (set membership score indicated in parentheses) are: C (0.6), H (0.6), I (0.6), J (0.6), T (0.6), U (0.6), V (0.6), AB (0.6), AC (0.6), AD (0.6), AE (0.6), AG (0.6), AH (0.6), AO (0.6), AR (0.6), AX (0.6), AY (0.6), AZ (0.6), BC (0.6), BI (0.6)

230703 Analysis iteration 2	**OUTCOME: SUCCESS**				**OUTCOME: ~SUCCESS**
	2A	**2B**	**2C**	**2D**	
Parsimonious (P) or Intermediate (I) solution	P	I	I	I	No configurations show consistency scores ≥0.85 for outcome: ~SUCCESS
Acquiring firm shows strong performance and bargaining power (F1STR)		●	●		
Target firm's shows high necessity for the merger (F2NEC)		•	•	•	
Merging firms exhibit a high level of inter-firm relatedness in M-1 (RELAT)			•	•	
Merger offers a multidimensional strategic opportunity (STRAT)	●			●	
Combined firm adopts a unitary governance model (ONEFI)					
Consistency	**0.95**	**0.95**	**0.97**	**0.97**	
Raw coverage	0.81	0.62	0.62	0.63	
Unique coverage	0.81	0.26	0.22	0.27	
Cases with >0.5 configuration membership	n=20	n=20	n=20	n=20	
Overall solution consistency	**0.95**	**0.96**			
Overall solution coverage	0.81	0.68			
Black circles indicate the presence of a condition and circles with an "X" indicate its absence. Large circles indicate core conditions and small ones, peripheral conditions. Blank cells indicate an outcome to be agnostic of presence/absence of the condition					

Figure 8: *Results of analysis iteration 2: Summary of parsimonious and intermediate solutions consistent with successful merger outcomes* (SUCCESS), *the format adapted from Pappas et al, 2016.*

6.4 Summarising the results

The two analysis iterations, each adopting a slightly different perspective, identifies three parsimonious configurations explaining success in large law firm mergers. These are:

~F2LOPER • RELATED → SUCCESS (first analysis iteration, 7 cases)

STRATEGY • ONEFIRM → SUCCESS (first analysis iteration, 11 cases)

STRAT → SUCCESS (second analysis iteration, 20 cases)

These Boolean expressions also provide the answer to the research question, which is:

> *What configurations of antecedent conditions, observable during the pre-merger phase, are consistent with successful outcomes in large law firm mergers?*

The intermediate configurations identified emphasise the importance of inter-firm relatedness when combined with a multidimensional strategic opportunity, or where the target firm is performing strongly (i.e. does not show a high level of necessity for the merger.) The results furthermore support Maister's one-firm-firm theory in the context of mergers.

6.4.1 The importance of a multidimensional strategic opportunity.

Aligned with the RBV, a strategic opportunity that allows the combined firm to enhance existing VRIO resources and acquire new ones, and so enhance its competitive advantage, is shown by both analysis iterations of analysis to be consistent with a successful outcome.

The second analysis iteration yielded more definitive results in that the coverage scores were higher than in the first analysis iteration, and the number of cases in the sample was 100 percent of the seventy three mergers in-scope for the study. The conflated results are therefore based primarily on the second analysis iteration, moderated as appropriate by cross reference to the results of the first.

Figure 9 summarises graphically the solutions sufficient for outcome SUCCESS, (excluding whether the combined firm adopts a unified or dispersed governance model because a Venn diagram becomes significantly less useful when the number of variables exceeds four.) This graphic demonstrates clearly the importance of a multidimensional strategy to a successful merger, and also relatedness - especially when configured together with such a multidimensional strategy. This is further reinforced by the single condition necessity testing against outcome ~SUCCESS, which shows ~STRATEGY to have a high consistency with that outcome (0.93) and also a high coverage across the sample (0.75) – refer Table 22.

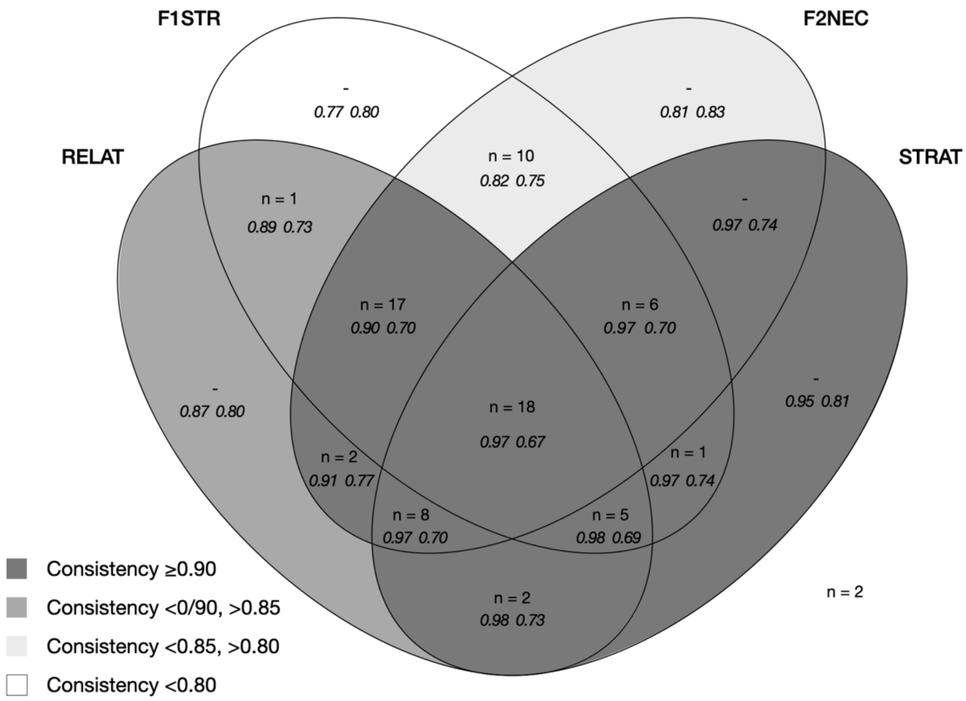

Figure 9: *Configurations that constitute possible subsets of the outcome* SUCCESS, *excluding the condition* ONEFI. *Cells containing no cases are logical remainders.*

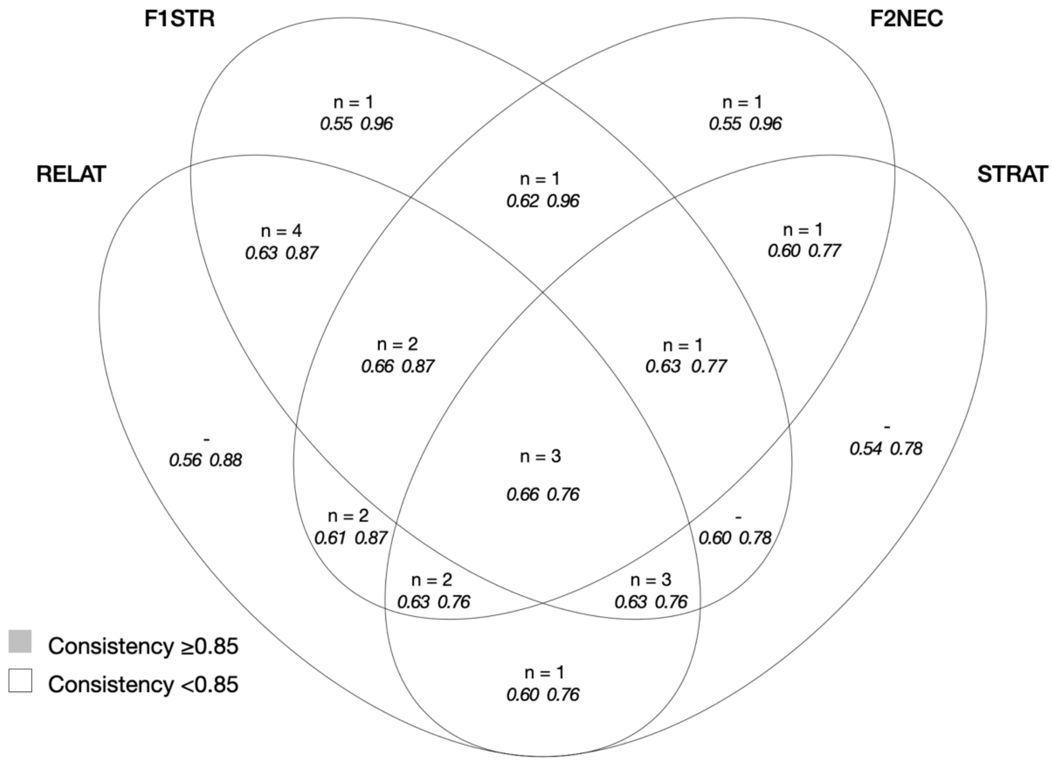

Figure 10: *Configurations that constitute possible subsets of the outcome* ~SUCCESS, *excluding the condition* ONEFI. *None of the configurations have a consistency ≥0.85, hence causality cannot be reliably inferred.*

To remind, a multidimensional strategic opportunity is one that offers more not fewer opportunities to: (1) enhance existing VRIO resources; (2) acquire new VRIO resources; (3) penetrate new markets; and/or (4) enhance operational efficiencies. Given the parameters of the firms in the sample, significantly increased scale is taken as a given.

Figure 10 confirms this further by showing the very low level of consistency between these conditions and the outcome ~SUCCESS. Furthermore, figure 14 in Appendix D presents the robustness testing for a multidimensional strategic opportunity (STRAT) and its negation (~STRAT) against successful outcome (SUCCESS) and its negation (~SUCCESS). This reveals a consistency of 0.881 for STRAT to SUCCESS, and only 0.766 (well below the causality threshold) for ~STRAT to SUCCESS. The consistency for STRAT to ~SUCCESS is shown to be very low. That a multidimensional strategic opportunity is consistent with a successful merger outcome can therefore be considered a robust assumption.

6.4.2 The importance of relatedness

Figure 9 also shows a high degree of relatedness (RELATED) to be an INUS condition for several configurations consistent with successful mergers. Theoretically, the condition alone is sufficient for that outcome (consistency = 0.87) but no such cases exist in the sample to demonstrate that. In other words, that single-condition configuration is a logical remainder. Configurations that are sufficient for SUCCESS that are represented in the sample and which contain a high degree of relatedness are as follows:

RELAT • STRAT → SUCCESS (Consistency = 0.98; Coverage = 0.76; n = 2)

RELAT • F2NEC → SUCCESS (Consistency = 0.91; Coverage = 0.77; n = 2)

RELAT • F1STR → SUCCESS (Consistency = 0.89; Coverage = 0.73; n = 1)

RELAT • F2NEC • F1STR → SUCCESS (Consistency = 0.90; Coverage = 0.70; n = 17)

RELAT • F2NEC • STRAT → SUCCESS (Consistency = 0.97; Coverage = 0.70; n = 5)

RELAT • F1STR • STRAT → SUCCESS (Consistency = 0.98; Coverage = 0.69; n = 5)

RELAT • F2NEC • F1STR • STRAT → SUCCESS (Consistency = 0.97; Coverage = 0.67; n = 18)

A high degree of relatedness is also shown in the first iteration of analysis to be consistent with successful outcomes. In that iteration, the parsimonious configuration identified as being sufficient for outcome SUCCESS is RELAT combined with ~F2NEC. In ordinary language, a high degree of relatedness combined with a target firm whose performance did not decline in the three years preceding the merger.

Figure 13 in Appendix D presents the robustness testing for a high degree of relatedness (RELAT) and its negation - a low degree of relatedness (~RELAT) against successful outcome (SUCCESS) and its negation (~SUCCESS). This test does not indicate sufficient consistency between RELAT and SUCCESS to suggest that RELAT is a core necessary condition in the second iteration, which is why it is indicated as a peripherally necessary condition.

7 Conclusions

7.1 Introduction

Three pathways to a successful merger can be distilled from the results. These are *associative mergers*, *white knight mergers* and *leapfrog mergers*. This chapter describes the characteristics of each and how each was derived from the results, combined with theory and practitioner insights from earlier chapters. It then explores their implications for the practitioner-led propositions, and for theory of mergers and/or law and other PSFs.

7.2 Configurations successful approaches to large law firm mergers

7.2.1 Assortative mergers

In a social context, *assortative* is a term used to describe the phenomenon that people tend to marry partners with similar economic and social characteristics to them (Becker 1973). Applying similar principles, *Associative Matching Theory* has shown that complementary assets should be matched together to create greater economic efficiency, including in the context of merging businesses (Ouyang, Szewczyk and Ngo 2023). In the context of this study, it means a combination between firms that have a high degree of relatedness between them. Following Empson, it means that they occupy similar market positions and they have similar reputations (especially if that reputation is elite.)

The analysis identifies three configurations that are consistently sufficient for successful mergers and that can be said to be assortative mergers, the defining feature being a high level of relatedness as a necessary condition, together with a multidimensional strategy and the combined firm having a unitary governance structure. These configurations are intermediate solution 1C from the first analysis iteration:

F1HIPER • F1POWER • RELATED • STRATEGY • ONEFIRM → SUCCESS

… and solutions 2C and 2D from the second analysis iteration, respectively:

F1STR • RELAT • STRAT • ONEFI → SUCCESS

F2NEC • RELAT • STRAT • ONEFI → SUCCESS

Although the configurations representing assortative mergers have sufficiency scores that show very high consistency (>0.95) and acceptable coverage (>0.6) the low necessity scores for the individual conditions show that other conditions might exist, not included in the configuration, that are also causal of merger success.

The prominence of assortative merger configurations amongst the findings of this study confirms theory developed over many years concerning relatedness being causal to merger success (Chatterjee 1986, Lubatkin 1987, Seth 1990, Ramaswamy 1997, Canina 2009, Steigenberger 2017, Alhenawi and Stilwell 2019). Although primarily an antecedent condition, and treated as such in this study, relatedness manifests most strongly in its impact on the post-merger integration phase (Haspeslagh and Jemison 1991). Relatedness has also been long understood to be important to performance in the context of PSF mergers, specifically (Greenwood, Hinings and Brown 1994).

Studies inspired by the RBV include theory linking human capital relatedness with a higher incidence of mergers, higher merger returns and greater post-merger performance (Lee, Mauer and Xu 2018). Its converse has also been shown to harm the prospects of merger success (Segal-Horn and Dean 2007, Segal-Horn and Dean 2009, Segal-Horn and Dean 2011, Galavotti, Depperu and Cerrato 2017) including in PSFs specifically (Empson 2001, Empson 2017). The topic is also addressed exhaustively in the literature on organisational culture (Trompenaars and Hampden-Turner 2020) especially with regard to cross-border mergers.

Through its contribution of assortative mergers, this study adds to this theory the notion that relatedness exerts its causality in conjunction with other conditions, namely a multidimensional strategic opportunity and a unitary governance approach in the combined firm. Its effect is complexly interrelated to these other conditions and perhaps also other conditions, dependent on context.

That relatedness configured with a unitary approach to governance would be consistent with successful merger outcomes is also logical. ‘One-firm-firms’ value and emphasise firmwide coordination of decision making, group identity, cooperative teamwork, and institutional commitment (Maister 1985, Maister and Walker 2006). This is especially important in firms where seamless delivery of integrated advisory or representational services is required across all the different jurisdictions relevant to a particular transaction or matter (Faulconbridge 2008, Faulconbridge, Beaverstock et al. 2008, Muzio and Faulconbridge 2013), as opposed to those where the relationship between the offices or other sub-entities is primarily work referral.

Importantly, the three configurations found to be sufficiently consistent with successful mergers for causality to be inferred are not mutually exclusive. Several mergers exhibit characteristics of more than one type. For example, the merger between Eversheds and Sutherland Asbill & Brennan in 2017 to create the firm Eversheds Sutherland is an example both of an assortative merger and of a leapfrog merger.

Examples of assortative mergers include (case number as per second iteration of analysis, the effective year of the merger in parentheses):

H – CMS Cameron McKenna + Nabarro + Olswang → CMS (2017)
I – Beachcroft + Davies Arnold Cooper → DAC Beachcroft (2011)
J – Denton Wilde Sapte + Sonnenschein Nath & Rosenthal → SNR Denton (2010)
T – DLA Piper + DLA Phillips Fox → DLA Piper (2010)
AB – Eversheds + Sutherland Asbill & Brennan → Eversheds Sutherland (2017)
AG – Herbert Smith + Freehills → Herbert Smith Freehills (2010)
BN – Squire Sanders + Patton Boggs → Squire Patton Boggs (2013)

7.2.2 White knight mergers

White knight mergers involve a combination between a strong acquiror firm and a target for which a high level of economic necessity exists for the merger. In this study, an example would be configuration 2B in the second analysis iteration:

F1STR • F2NEC → SUCCESS

At an extreme, the target firm might be in financial difficulties, even insolvent.

Under such circumstances, the acquiror firm typically benefits from strong power asymmetry. The target firm has little choice but to align with its requirements. A multidimensional strategy is not a necessary condition, under such circumstances. Neither is a high degree of relatedness, nor a 'one-firm-firm' unitary governance system. Which is not to say that these conditions are *not* necessary. Were that the case, the configuration would include the negation of the particular condition/s concerned. It means simply that some cases exist in which those conditions are both present, and others where they are absent.

As with assortative mergers, the low necessity scores for the individual conditions demonstrate that also in white knight mergers, other conditions external to the experiment might also be necessary.

As pointed out in section 3.5.6., a white knight merger is especially suited to acquiror firms that, though client work, have acquired competencies in bankruptcies and restructuring (Wesemann 2014). Also to serially merging firms adept at seeking out suitable under-performing firms and capitalising on their previous merger experiences (Galavotti 2019, Galavotti, Cerrato and Cantoni 2020). They would also be suited to mergers where the business of the target firm is fungible – in other words not dependent on being done by particular lawyers (hence less susceptible to partner exits.) For obvious reasons, white knight mergers tend also to be more prevalent during economic down cycles.

Key in such mergers is to quickly stem loss of VRIO resources (technical competencies including high-value talent, client and other relationships, and reputation) and to organisationally assimilate the distressed firm into the business as efficiently as possible. Mergers that take too long to complete tend to have a higher risk of failure (Thompson and Kim 2020) and in distressed situations, time is particularly of the essence. Due diligence is focused on assessing and mitigating risk instead of the more cordial "getting to know each other" process typical in assortative or leapfrog mergers (Wesemann 2014).

Typical examples of white knight mergers include (case number as per second iteration of analysis, effective year in parentheses):

BM – Slater & Gordon + Leo Abse & Cohen → Slater & Gordon (2014)
Z – DWF + Triton Global → DWF (2016)
Y – DWF + Cobbetts → DWF (2012)
M – Dentons + McKenna Long & Aldridge → Dentons (2014)
Q – Dentons + Maclay Murray & Spens → Dentons (2016)

7.2.3 Leapfrog mergers

Leapfrog mergers involve a combination where the smaller (target) firm has a low level of necessity for the merger. In leapfrog mergers, the smaller firm is motivated not necessarily by necessity but by the greater VRIO assets that the combined platform deliver for it. It acquiesces to loss of its independence in exchange for these. In the study sample, an example would be configuration 1C from the first analysis iteration:

~F2LOPER • RELATED → SUCCESS

Only four cases in the first iteration of analysis have >50 percent membership of this configuration. It does not surface in the second analysis iteration at all, hence such mergers can be regarded as exceedingly rare across the sample.

A strategically minded smaller firm that is in good economic health might even initiate a merger with a larger rival, taking on the role of acquiror, at an extreme even engineering a reverse takeover of a larger firm with a high level of necessity for the merger.

This study shows that such reverse takeover mergers are likely be a perilous undertaking. No configurations identified amongst the 73 cases in this study involved such a tactic and led to a successful outcome. A real-world example of such a merger that ended badly would be merger of Ince & Co into the smaller and highly unrelated Gordon Dadds Group LLP in early 2019, which ended in the merged firm's bankruptcy in 2023, followed by further travails including charges of unethical behaviour following its acquisition out of administration by another, again quite dissimilar firm (high relatedness being shown by this study to be a necessary condition for SUCCESS.) This case is not included in this study because it took place after 31 December 2017 - the end of the study period.

In the sample in this study, the Quine McCluskey minimisation process also identified the intermediate solution 1D:

F1HIPER • ~F2LOPER • F1POWER • RELATED • ONEFIRM → SUCCESS

This provides an insight into some of the other factors that might be necessary, besides a high degree of inter-firm relatedness, for a successful merger outcome. As with white knight mergers, a multidimensional strategy is not necessary to yield configurations consistently sufficient for successful merger outcomes. The necessity however both for a high-performing acquiror and for power asymmetry in favour of that acquiror (conflated into the condition STRONG acquiror in the second analysis iteration) is also important. Configurations that would constitute "*reverse white knight mergers*", where a high-performing smaller firm merges with a low-performing larger firm, are not shown to be consistent with successful merger outcomes.

To reiterate: combining two firms that are both in good economic health and have a high degree of relatedness between them is itself sufficient to yield a successful outcome, even if the strategy upon which the merger is premised is not multi-dimensional. It is also unsurprising that such mergers might typically employ a unitary governance system in the combined firm.

Typical examples of leapfrog mergers include (case number as per second iteration of analysis, effective year in parentheses):

E – Charles Russell + Speechly Bircham → Charles Russell Speechlys (2014)
N – Dentons + Dacheng (大成) Law Offices → Dentons (2014)
AB1 – Eversheds + Sutherland Asbill & Brennan → Eversheds Sutherland (2016)

Dentons and Dacheng (大成) Law Offices have since demerged, showing again that different timeframes might yield different perspectives on merger success, and in this case also emphasising again the moderative effects of external factors following the merger.

7.3 Implications for the practitioner-led propositions

The conclusions drawn from the results of the analysis are best expressed as responses to the practitioner-led propositions that formed the basis for the conditions. During the course of the research, the two practitioner-led propositions concerning the acquiror firm (F1HIPER and F1POWER) were conflated into a single condition (F1STRONG) that combined in equal measure the conditions of the acquiror firm exhibiting growth in the three years preceding the merger, growth being defined as (again in equal measure) a combination of improvements in real revenue, profit margin, number of practices ranked in the Chambers Global directory and the average rank of those practices in that directory, on the one hand, and power asymmetry in favour of the acquiror firm on the other.

7.3.1 Strong acquiror firm

Proposition 1: Firms exhibiting strong performance in the years immediately preceding the merger are more likely to be merging for thoughtfully defined strategic reasons, and will have more resources to fund post-merger integration, hence are more likely to be consistently successful. Power asymmetry in their favour also allows them to efficiently drive the merger process and implement the strategy for the combined firm.

This proposition is partially supported. A strong acquirer is necessary in the case of white knight mergers, in which case a multidimensional strategic opportunity is not necessary, but in all other configurations bar one in which it is necessary, its necessity is conjunctural with a multidimensional strategic opportunity and, in all such configurations, also with a unitary governance system in the combined firm.

While a strong acquiror firm can successfully execute a merger, so too can acquiror firms for which a high level of necessity exists. (In this study, the metrics defining necessity are economic and related to erosion of VRIO resources.)

From both theory and practitioner wisdom, a strong acquiror firm would be expected to be consistent with successful merger outcomes, irrespective of whether the target has a high level of necessity, or low. This aligns with theory that leader-follower mergers tend always to be profitable in markets defined by clear leaders and followers and where costs are convex (Qiu, Zhu and Peng 2021). Conversely, the cat-herding characteristic of pure PSFs (which include law firms) can make power asymmetry difficult to apply (von Nordenflycht 2010) and this might be exacerbated when the target firm has a low level of necessity for the merger.

A strong acquiror firm would logically be expected to be motivated more proactively by strategy than defensively by economic or other necessity. It would be able to impose discipline on the process of the merger and execute post-merger integration more efficiently. It is likely to have more developed systems and processes, and a stronger reputation.

Nonetheless, the study results are ambivalent concerning the <u>necessity</u> for the condition of a strong acquiror firm. Necessity testing revealed it to have a consistency of 0.96 (so highly likely to be causal) with outcome ~SUCCESS (with a coverage of 0.55). Looking to the theory, a number of reasons might explain this. From Empson's findings concerning partners from elite firms being reluctant to work with new colleagues from legacy firms that they perceive to be less elite, this challenge might overwhelm the benefits that accrue from power asymmetry and perhaps even work against it. This might be exacerbated when opposition to the merger amongst partners who need no strategic need for it hampers post-merger integration and perhaps even disrupts business operations. In mergers where the acquiror firm is considerably larger than the target, the merger might also not yield sufficient value to register success by the metrics employed in this study. As has been previously discussed, importantly, the outcome ~SUCCESS is not the same thing as merger failure. It simply means that the outcome does not conform with the criteria for SUCCESS as defined in this study.

7.3.2 Poorly performing target firm/s

Proposition 2: Target firms exhibiting weaker performance in the years immediately preceding the merger experience higher levels of economic necessity so will more quickly reach agreement on the process of post-merger integration and the strategy of the combined *firm, reducing the time required to complete that integration and return to external [client] focus.*

This proposition is partially supported generally and fully supported in the case of white knight mergers. In all other configurations consistent with SUCCESS in which a poorly performing target firm is shown to be necessary, that is conjunctural with a high level of inter-firm relatedness, a multi-dimensional strategic opportunity and a unitary governance system in the combined firm. In leapfrog mergers, a strongly performing target firm (defined as the smaller firm) is necessary.

7.3.3 High level of relatedness

Proposition 3: Firms that are similar in terms of reputation, technical knowledge and capabilities and client relationships and that operate in the same or across similar markets, and have similar governance models are more likely to merge successfully because they find it easier to develop an effective combined firm strategy, and integrate the businesses more quickly and efficiently.

This proposition is supported, particularly in the case of assortative and leapfrog mergers. It is not supported in the case of white knight mergers.

As previously noted, in configurations consistent with SUCCESS in which relatedness is a necessary condition, its necessity is usually conjunctural with that of a multidimensional strategic opportunity and a unitary governance system in the combined firm.

7.3.4 Multi-dimensional strategic opportunity

Proposition 4: Mergers offering multidimensional strategic synergies generate more opportunities from which firms can choose to enhance existing VRIO resources and develop new ones, hence will tend to be more successful.

This proposition is very strongly supported. The condition is of itself sufficient for the outcome, and it's consistency with that outcome increases significantly when combined with a high degree of relatedness and a multidimensional strategic opportunity. To reiterate: a multi-dimensional strategic opportunity offers the combining firm a range of ways to enhance and create VRIO resources and achieve sustainable competitive advantage, by exploiting as many as possible of: (1) enhancing existing VRIO resources; (2) acquiring new VRIO resources; (3) expanding into new markets; and (4) enhancing operational efficiencies. As previously noted, the parameters for the mergers included in the sample means that a meaningful increase in scale can be taken as given. The necessity and sufficiency of a multidimensional strategic opportunity contradicts theory that holds that strategies upon which mergers are predicated should be straightforward in order to ease post-merger integration (Stahl and Voigt 2008).

This proposition being supported also debunks a notion frequently espoused by practitioners, that strategic advantage lies simply in "getting bigger." Growing scale, for the sake of scale. To illustrate, the failed merger discussions between Shearman & Sterling and Hogan Lovells in 2022/23 were premised largely (according to legal industry media) on becoming a firm with $3 billion in annual revenues. The senior partner of the U.S. firm ArentFox Schiff, formed by the merger of Arent Fox and Schiff Harding, on March 2022, said following the merger that he was elected on a mandate to grow the firm's scale:

> *"There are so many more areas that are needed now. We needed to get bigger. It's just a much more complex legal paradigm than in the past."* (Wise 2023)

This interpretation of scale also does include diversification ("*many more areas*") and does not preclude other dimensions such as geographic expansion and enhancing operational efficiencies. "*Getting bigger*" might in some cases be lazy shorthand for adopting the kind of multi-dimensional strategy that is consistent with a successful merger outcome.

The importance of scale has been discussed in earlier chapters. From the RBV, the greater the number of VRIO resources (not just resources generally including those that are not VRIO) the greater the opportunity for sustainable competitive advantage. To be successful in terms of the model defined in this study, the combined firm needs to be able to attract more work, and deliver that at a better profit margin, than what the pre-merger legacy firms would have achieved on their own. That means that scale alone is not enough. It needs to be accompanied by, or deliver, service diversification and/or access to new markets and/or enhancement of current core, high value practices and/or operational efficiencies, too.

7.3.5 One-firm-firm

Proposition 5: Following Maister's 'one-firm-firm' theory, a merger where the combined firm adopts a unitary governance model is more likely to be successful than where a dispersed governance model is adopted.

This proposition is supported, especially in the case of assortative mergers. It should also be again noted, though, that a wide variety of models exist under the verein banner, some of which in practice closely resemble 'one-firm-firm' unitary governance systems. At the one extreme are law firms whose businesses are very significantly integrated, despite limited profit sharing and collaborative decision-making. At the other, the level of integration between the individual businesses is so low as to resemble a network or alliance of businesses more than a single firm. This phenomenon was accounted for in the way in which this condition was calibrated.

In firms where the nature of the relationship between offices and other sub-entities is primarily work referral, as opposed to those in which seamless delivery of integrated advisory or representational services is delivered by tightly collaborative teams across all the different jurisdictions relevant to a particular transaction or matter (Faulconbridge 2008, Faulconbridge, Beaverstock et al. 2008, Muzio and Faulconbridge 2013), it is logical that a dispersed governance system could work well.

This kind of governance system, as opposed to Maister's unitary one-firm-firm model, emphasises individual entrepreneurialism, autonomous profit centres, internal competition and/or highly decentralized, independent activities (Maister 1985, Maister and Walker 2006). These are not undesirable characteristics. This study does not conclude that such mergers are inevitably unsuccessful. By the lack of configurations in the sample that include ~ONEFI as a necessary condition and that are consistent with the outcome SUCCESS, it concludes that no solutions exist that include dispersed governance models (at least amongst the configurations produced in this study) that consistently deliver successful mergers.

Conversely, the analysis identified several configurations that are consistently sufficient for successful mergers, in which a unitary governance system in the combined firm is a necessary condition.

7.4 The importance of conditions external to the study

As has been noted in several places, the impact of necessary conditions that are not included in the study should not be under-estimated. The intent of this study is not to provide a comprehensive treatment of all the conditions necessary to deliver configurations sufficient to success. Such a study would include too many conditions to be able to be managed with the fsQCA method. Instead, this study's intent is to explore specific conditions that are identified in the literature and by practitioners as likely to be causal of merger success and test these across the cases in the sample. It is entirely possible that unidentified and unanticipated conditions might exist, external to the study, that are necessary for successful merger outcomes within the definition of success applied in this study.

Factors external to a merger that impact the performance of the combined firm can also sometimes be mistaken for factors influencing the merger itself. An excellent example of this is the merger between Dewey Ballantine and LeBoeuf, Lamb, Greene & MacRae in 2007 to create the firm Dewey LeBoeuf. By the criteria used in this study, that merger was successful. Yet the law firm of Dewey LeBoeuf ceased operations in 2012, following the biggest law firm bankruptcy up to that time, in history. Dewey LeBoeuf's unfortunate end has led many practitioners over the years to hold the 2007 merger itself to be flawed. This study show this probably not to be the case. The global financial crisis coupled with over-ambitious partner recruitment, driven in no small measure by hubris and accompanied by malfeasance on the part of some of the firm's leaders, triggered the firm's doom.

This study provides strong pointers to how outcomes of mergers between large law firms can be enhanced through better pre-merger decisions. The results also raise questions, though, both about those beliefs and other aspects of large law firm mergers. The results yield new knowledge about antecedent drivers of success in these mergers and point the way for future research.

Although results and the conclusions drawn from them are specific to the sample set, the sample analysed in the first iteration of analysis included 42 percent (31/73) of the in-scope mergers and the second iteration covered 100 percent of them. The model produced in this study therefore explains the outcomes of virtually all of the major US and UK large law firm mergers that took place over that fifteen year period, at least in terms of conditions identified in theory and by practitioners to be causal of successful outcomes. As a foundation for further theorising, it is robust.

The conditions necessary for successful mergers might be different in smaller law firm mergers, or mergers between other kinds of business. That is not to say that the findings of the study cannot be so extrapolated. It means that the extrapolation needs to be thoughtful, with due regard for relevant theory and other factors that might influence the specifics of the context to which it is applied.

It should also be remembered that the definitions of the conditions are multi-dimensional in nature and their application in other contexts requires mindfulness of the underlying components of each.

7.5 Theoretical implications

7.5.1 Implications for theory concerning strategy in the context of mergers

The overwhelming importance of a multidimensional strategic opportunity for a successful merger between the large law firms in the sample introduces a new dimension to theory explaining causality in merger success.

Birger Wernefelt (one of the originators of the RBV) describes how arguments that rely on comparatively simpler and more direct forces offer simplicity that often has the effect of turning received wisdom on its head (Wernefelt 2013). This study suggests that in large law firm mergers that survive the process of pre-merger discussions and negotiations, business case consideration and due diligence, the single condition of a multidimensional strategic opportunity might be such a simpler and more direct force in driving a subsequent successful outcome.

In the same ways that transaction cost economics has long shown bargaining costs to be 'frictions' in the workings of an economy (Williamson 1981), so too do these create friction in mergers. Bargaining processes and their costs impact the ability of the combining firms to organise in such a way as to be able to exploit their new-found resources, which can ultimately influence whether a merger is successful. The tensions presented by phenomena idiosyncratic to classical or pure PSFs such as law firms, such as cat-herding and an elevated need for consensus-building, probably exacerbate that. Much of the merger literature focuses on the nature of those frictions, how they manifest during the merger process and how they might be overcome. It is largely silent on how the quality of the strategy upon which the merger is premised can influence such frictions. This study suggests that better strategy, of itself, likely moderates (reduces) them. Understanding the mechanics of this moderative effect would require more specific research.

The rationale for a merger is frequently expressed in terms such as: "*We will merge with another firm so that we can together pursue more ambitious strategy.*" Following Wernefelt, a better expression (or approach) might be: "*We have a strategy and will merge with another firm to acquire resources that we need in order to execute that strategy*."

Few would contest that mergers should be a means to execute a pre-defined strategy, not the other way around. However, the frequency with which both literature and practitioner sources warn against simple assumptions that enhanced scale will inevitably deliver emergent opportunities, suggests that this logic is frequently missed. This study shows that, amongst the 73 cases in the sample at any rate, configurations sufficient for a successful outcome in large law firm mergers that do not involve a multidimensional strategic opportunity, are in the clear minority and apply only under specific circumstances.

Following the logic of a law firm's VRIO resources being talent, relationships and reputation, it is easy to see how the more multidimensional the strategy, the greater the opportunity to enhance the firm's existing VRIO resources and acquire new ones. A merger that offers the opportunity to deepen existing core service lines and client relationships AND diversify services by adding new service lines AND significantly greater scale AND diversify into new geographies AND secure new technologies and innovations would clearly be more additive to VRIO resources than a merger that delivered a few or just one of these.

Contrary to theory that mergers should be predicated upon simple strategies so as to allow easier post-merger integration, those offering a multi-dimensional strategic opportunity might actually be easier to implement. Partners and other internal stakeholders are likely to be more enthusiastic about mergers that deliver more rather than fewer benefits. Also, applying the logic that where bargaining costs are sub-additive and parties can reduce those costs by pooling several bargains into one and Wernefelt's observation on the economies of scale involved in bargaining once, comprehensively, as opposed to piecemeal for individual transactions and given that bargaining is "*unpleasant, takes time, and is subject to strategic inefficiencies*," a multidimensional strategic opportunity offers the merging firms' partners multiple lenses through which to consider and negotiate the value that the merger will add to their firms and their own practices.

Is this conjecture though, or is it actually reflected in the results of this study? The conditions identified and articulated in the propositions tested relate directly to bargaining costs. Yet these conditions are shown by this research to be necessary only in configuration with others – especially a multidimensional strategic opportunity. A strong acquiror firm logically is able to exert its influence to reduce bargaining cost and enhance the efficiency of (for instance) the post-merger integration process. Logic would suggest this to be particularly so when that firm is merging with another that has a high level of necessity for the merger. Yet that configuration of conditions is not shown to be consistent with successful merger outcomes except when joined with a multidimensional strategic opportunity.

7.5.1.1 Relatedness as a causal factor in driving successful outcomes

In their paper defining relatedness in the context of mergers, Yasser Alhenawi and Martha Stilwell state that the interrelation between different sources of relatedness in M&A

transactions had at that time been largely overlooked in extant literature (Alhenawi and Stilwell 2019). Subsequent literature posits that:

> *"Despite intuitive appeal, empirical evidence supporting the relatedness hypothesis has been scant, as it has not been established that related acquisitions generally outperform unrelated acquisitions."* (Clougherty and Duso 2023).

This study establishes that mergers between law firms that have a high level of relatedness between them tend to outperform those between firms with low levels of relatedness, in the way in which the study defines relatedness. Key to that definition is its multidimensionality, and the notion that the condition expresses its effect when configured with others. That the study sample comprises in the second analysis of iteration 100 percent of the in-scope mergers is almost certainly adequate to extrapolate causality to similarly scaled law firm combinations in other contexts, and perhaps also to other kinds of classical or pure PSFs of similar scale - but certainly not to mergers in general. The study's adoption of a configurational approach to relatedness builds in some respects on previous work that adopted that approach in assessing conditions related to post merger integration (Fischer, Rodwell and Pickering 2021), but using very different methods.

This study also builds on previous research that applied configurational approaches to analyse drivers of merger success, but using stock market metrics and hence analysing mergers amongst publicly listed companies (Gigante and Rubinacci 2023). Again, while superficially similar, it would be dangerous to draw too strong parallels between that research and this study, which focuses tightly on law firms, as a subset of classical or pure PSFs specifically and using a more nuanced definition of success that is bespoke to the idiosyncrasies of such businesses.

The only configurations identified in this study in which a high level of relatedness is demonstrated to be necessary in the absence of a multidimensional strategic opportunity, are those leapfrog mergers. Applying the logic that a smaller firm that did not need to merge would choose to do so with a larger firm only for very clear strategic reasons suggests that in these cases, the ambitions of the smaller firm create a different set of dynamics that reduce frictions and enhance the likelihood of a successful combination.

7.6 Wider implications of this study

7.6.1 Introduction

Despite the contributions of this study, drivers of performance in large law firm and other classic or pure PSF mergers remain a largely unploughed field. Current market indications (in mid-2023) suggest that we are very likely on the cusp of another merger wave amongst large law firms, perhaps one that will rival in scale and implications the merger wave that followed the global financial crisis of 2007-09. Which makes our understanding of how to optimise the outcomes of these mergers all the more important at this juncture.

Simultaneously, the legal profession is also undergoing disruption of Christensenian proportions[3], as human inputs and outputs are supplemented and enhanced by generative AI, large language models and other potentially radically transformational technologies. If legal advisory businesses follow the patterns observed in other industries (and there seems little reason to believe that they will not) then that disruption will also give rise to mergers – perhaps of a scale that significantly outweighs that of the mergers researched in this study. The literature is also clear about the catalysing effect that industry disruption tends to have on emergence of merger waves.

The digital transformation of legal practice will likely also give rise to new and different conditions associated with successful outcomes in future mergers – perhaps making research into mergers between more digitalised PSFs (such as engineering and architectural practices) and even technology companies, more relevant. Also perhaps to mergers at scale between legal advisory businesses and businesses in other sectors, perhaps technology companies.

While there are no shortage of possible research questions to exercise scholarly minds about why and how law and other PSFs combine, and what drives success, future research directions suggested specifically by this research project and its result are as follows.

In short, this attention to the topic could not be more timely.

[3] Referring to Christensen's Theory of Disruptive Innovation. (Christensen, C. M. (1997). The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail. Boston, Harvard Business School Press, Christensen, C. M., M. Raynor and R. McDonald (2015). "What is Disruptive Innovation?" Harvard Business Review **93**(12): 44–53.)

7.7 Directions for future research

7.7.1 Introduction

This study highlights a number of promising areas for future research. Despite the contributions of this study, much remains unknown or poorly understood about the drivers of success in law firm mergers, or mergers between classic or pure PSFs, or between other kinds of PSF, to say nothing of between businesses in other industry sectors more generally. A temporal aspect also exists that disruption of law firm business models, as previously discussed, is introducing new merger motives and modifying the factors causal of success. A study that seeks to explore the next cohort of large law firm mergers, should the merger wave this study speculates to be imminent transpire, might well find it necessary to design the conditions differently and modify the practitioner-led propositions to a degree, too.

From the perspective of this researcher, the next frontier to be tackled will likely be to explore more deeply the impact of relatedness on merger performance, perhaps more broadly across a sample that includes other kinds of classic or pure PFSs rather than being limited to large law firms. To the extent that theory is transferable across professional boundaries, this will broaden the findings of this and subsequent theorising and enhance its inter-contextual applicability. Given the importance of cultural distance in cross-border mergers and Boussebaa's highlighting of the dangers of invoking western neo-liberal theory to explain phenomena in PSFs in other kinds of markets (Boussebaa 2022), benefit would exist in expanding the sample studies to include mergers other than those involving U.K. and U.S. law firms and including culture-related variables more overtly.

Opportunities also exist to build on this study to explore the conditions used in it more thoroughly, perhaps but not necessarily using the paired opposites approach used in this study. That these conditions are derived not only from the scholarly literature but also from practitioner publications and grey literature clothes them with dual relevance, to both scholarly and practitioner audiences. Besides the multidimensionality of the strategy and the degree of relatedness, the most promising other condition to this researcher would be further testing of Maister's one-firm-firm theory and its relevance to the governance systems designed by merging firms for the combined business.

7.7.1.1 Unitary versus dispersed governance systems

As has been discussed, dispersed governance systems embrace a very diverse range of characteristics. The structure most commonly adopted by law firms, the Swiss verein, is an exceptionally flexible construct. So too its closest alterative, the English (usually) private company limited by guarantee. The business models range from firms that use the dispersed governance structure simply to mitigate inter-jurisdictional regulatory requirements and mitigate risk and otherwise striving to emulate Maister's 'one-firm-firm' model as much as possible, to firms that allow a great deal of latitude amongst the firms practicing under their brands, to implement their own strategies and operate their own (sometimes radically diverse) business models.

Exploring which models of dispersed governance systems are the most important in mergers between such businesses, and why, would be a potentially valuable topic for future research.

7.7.1.2 Deeper exploration of some of the cases

It is entirely plausible that configurations excluded from analysis because they were represented by <5 cases might include some which exhibit high consistency with SUCCESS and which might be better represented in a larger sample. The purpose with this research was to identify solutions that are consistent with SUCCESS and that are reasonably widely represented across the sample. Not to identify and analyse every conceivable solution. A more qualitative, case study approach would likely reveal more intra-case detail that enriches our understanding of merger success and its causal factors.

7.7.1.3 Other kinds of VRIO resources

This research looks back over a period in which drivers of law firm growth were likely different to those that will apply over the next decade, and beyond. There is no reason to believe that the RBV and VRIO resources will be supplanted as a very valid lens through which to explore mergers as a basis for growing a law firm's sustainable competitive advantage. However, it is likely that technology resources will almost certainly become more important. Perhaps in future firms will merge as much to gain access to new, better technology, as to grow the human talent base.

8 Concluding remarks

This study has made a seminal impact on my understanding of law firm mergers and what drives their success. Blending scholarly and practitioner perspectives has been a feature of my professional practice for decades but this has been by far my deepest application of this principle.

The study findings will encourage law firm leaders, I hope, to be more ambitious in the strategic objectives that they set, and the results that they expect their mergers to deliver. The analysis and its results and conclusions go far further than simply re-affirming the need for a sound underlying strategy. They show that in the presence of a multidimensional strategic opportunity, especially if accompanied by a high degree of relatedness, a host of other factors perceived by practitioners to be causal to a merger's success, such as power asymmetry and the degree to which one or both firms are driven by economic necessity or not, become less important to the outcome.

It must also be emphasised, once again, that the conditions analysed are not the only factors causal of outcome of large law firm mergers, and the effects themselves are heavily context-dependent. Notwithstanding, the preeminence of multidimensionality of the strategic opportunity is clear. With that properly conceived and articulated, how the other factors should be approached falls into place.

Finally, this study shows also that law firm merger failure is a far less common occurrence that is commonly believed. Anecdotal memes like "*most mergers fail*" that may perhaps have credibility when assessing merger success in listed companies and using stock market metrics is simply wrong in the context of PSFs and the manner in which success is defined in this study. Where mergers are perceived to have failed, it is worth exploring whether that failure was indeed a failure of the merger itself, or caused by subsequent poor decision-making or external factors, or both.

APPENDIX A: Mergers in-scope for this study

Table 1: Breakdown of in-scope mergers and the year in which occurred

CASE ID		MERGER	YEAR
1	2		
A1	A	Arnold & Porter + Kaye Scholer → Arnold & Porter Kaye Scholer	2017
B1	B	Ashurst + Blake Dawson → Ashurst	2013
C1	C	Bryan Cave + Powell Goldstein → Bryan Cave	2009
D1	D	Blake Lapthorn + Morgan Cole → Blake Morgan	2014
E1	E	Charles Russell + Speechly Bircham → Charles Russell Speechlys	2014
F1	F	Clyde & Co + Barlow Lyde & Gilbert → Clyde & Co	2011
G1	G	CMS Cameron McKenna + Dundas & Wilson → CMS Cameron McKenna	2014
G2	H	CMS Cameron McKenna + Nabarro + Olswang → CMS	2017
H1	I	Beachcroft + Davies Arnold Cooper → DAC Beachcroft	2011
I1	J	Denton Wilde Sapte + Sonnenschein Nath & Rosenthal → SNR Denton	2010
I2	K	SNR Denton + Fraser Milner Casgrain + Salans → Denton	2012
I3	L	McKenna Long & Aldridge + Luce Forward Hamilton & Scripps → McKenna Long & Aldridge	2011
I4	M	Dentons + McKenna Long & Aldridge → Dentons	2014
I5	N	Dentons + Dacheng (大成) Law Offices → Dentons	2014
I6	O	Dentons + Rodyk & Davidson → Dentons	2015
I7	P	Dentons + Gadens → Dentons	2015
I8	Q	Dentons + Maclay Murray & Spens → Dentons	2017
J1	R	Dewey Ballantine + LeBoeuf, Lamb, Greene & MacRae → Dewey LeBoeuf	2007
K1	S	DLA + Piper Rudnick + Gray Carey → DLA Piper Rudnick Gray Carey	2005
K2	T	DLA Piper + DLA Phillips Fox → DLA Piper	2010
K3	U	DLA Piper + Davis LLP → DLA Piper	2014
K4	V	DLA Piper + LETT → DLA Piper	2016
L1	W	DWF + Biggart Baillie → DWF	2011
L2	X	DWF + Fishburns → DWF	2012
L3	Y	DWF + Cobbetts → DWF	2012
L4	Z	DWF + Triton Global → DWF	2016
M1	AA	Eversheds + Juridia Butzow → Eversheds	2013
M2	AB	Eversheds + Sutherland Asbill & Brennan → Eversheds Sutherland	2016
N1	AC	Faegre & Benson + Baker & Daniels → Faegre Baker Daniels	2011
O1	AD	Fieldfisher + Studio Associato Servizi Professionali Integrati (SASPI) → Fieldfisher	2016
P1	AE	Wragge & Co + Lawrence Graham → Wragge Lawrence Graham & Co / WLG	2014
P2	AF	Gowlings + WLG → Gowlings WLG	2016
Q1	AG	Herbert Smith + Freehills → Herbert Smith Freehills	2012
R1	AH	Lovells + Hogan & Hartson → Hogan Lovells	2010
R2	AI	Hogan Lovells + Routledge Modise → Hogan Lovells	2013
S1	AJ	Blackwell Sanders + Husch & Eppenberger → Husch Blackwell	2007
T1	AK	Thomas Eggar + Irwin Mitchell → Irwin Mitchell	2015
U1	AL	Kirkpatrick & Lockhart + Nicholson Graham & Jones → Kirkpatrick & Lockhart NG&J	2004

CASE ID		MERGER	YEAR
1	2		
U2	AM	Kirkpatrick & Lockhart NG&J + Preston Gates & Ellis → K&L Gates	2006
U3	AN	K&L Gates + Bell, Boyd & Lloyd → K&L Gates	2008
U4	AO	K&L Gates + Middletons → K&L Gates	2012
V1	AP	King & Wood + Mallesons Stephen Jacques → King & Wood Mallesons	2011
V2	AQ	King & Wood Mallesons + SJ Berwin → King & Wood Mallesons	2013
W1	AR	Edwards & Angell + Palmer & Dodge → Edwards Angell Palmer & Dodge	2004
W2	AS	Locke Liddell & Sapp + Lord, Bissell & Brook → Locke Lord Bissell & Liddell / Locke Lord	2007
W3	AT	Edwards Angell Palmer & Dodge + Kendall Freeman → Edwards Angell Palmer & Dodge	2007
W4	AU	Edwards Angell Palmer & Dodge + Wildman, Harrold, Allen & Dixon → Edwards Wildman Palmer	2010
W5	AV	Locke Lord + Edwards Wildman Palmer → Locke Lord	2014
X1	AW	Mayer, Brown & Platt + Rowe & Maw → Mayer Brown Rowe & Maw	2002
X2	AX	Mayer Brown Rowe & Maw + Johnson Stokes & Master → Mayer Brown	2006
Y1	AY	Norton Rose + Deacons → Norton Rose	2009
Y2	AZ	Norton Rose + Ogilvy Renault + Deneys Reitz → Norton Rose	2010
Y3	BA	Norton Rose + Macleod Dixon → Norton Rose	2011
Y4	BB	Norton Rose + Fulbright Jaworski → Norton Rose Fulbright	2012
Y5	BC	Norton Rose Fulbright + Chadbourne & Parke → Norton Rose Fulbright	2016
Y6	BD	Norton Rose Fulbright + Henry Davis York → Norton Rose Fulbright	2017
Z1	BE	Pinsent Masons + McGrigors → Pinsent Masons	2011
AA1	BF	Plexus Law / Parabis + Greenwoods → Plexus Law / Parabis / Greenwoods	2012
AB1	BG	Reed Smith + Richards Butler → Reed Smith	2006
AB2	BH	Reed Smith + Richards Butler Hong Kong → Reed Smith	2007
AC1	BI	Shakespeares + Harvey Ingram → Shakespeares	2011
AC2	BJ	Shakespeares + SGH Martineau → Shakespeare Martineau	2015
AD1	BK	Slater & Gordon + Russell Jones & Walker → Slater & Gordon	2012
AD2	BL	Slater & Gordon + Fentons Solicitors → Slater & Gordon	2012
AD3	BM	Slater & Gordon + Leo Abse & Cohen → Slater & Gordon	2014
AE1	BN	Squire, Sanders & Dempsey + Hammonds → Squire Sanders Hammonds	2010
AE2	BO	Squire Sanders + Patton Boggs → Squire Patton Boggs	2013
AF1	BP	Stinson Morrison Hecker + Leonard, Street & Deinard → Stinson Leonard Street	2013
AG1	BQ	Weightmans + Mace & Jones → Weightmans	2010
AH1	BR	Hale & Dorr + Wilmer Cutler Pickering → Wilmer Cutler Pickering Hale and Dorr (WilmerHale)	2004
AI1	BS	Bond Pearce + Dickinson Dees → Bond Dickinson	2014
AI2	BT	Bond Dickinson + Womble Carlyle Sandridge & Rice → Womble Bond Dickinson	2017
AJ1	BU	Kennedys + Carroll McNulty & Kull → Kennedys	2017

Note: The name of the merged firm is as it was at the time of the merger. Some names have changed since then. Case ID 1 applies to analysis iteration 1 and case ID 2 to analysis iteration 2.

APPENDIX B: Practitioner sources

No	Source
216	Accountancy Age. (2019). New business models in accountancy & legal. MarktoMarket Insights. Accessed at https://marktomarket.io/how-new-business-models-are-driving-change-in-the-accountancy-and-legal-professions/
137	Acohido, B. (1990). The Route To Megafirm Status Has Its Pitfalls. The Seattle Times. 22 July 1990. Accessed at https://archive.seattletimes.com/archive/
176	Aderant. (2019). Four essential phases of law firm business intelligence before, during and after M&A. Aderant Think Tank blog. Accessed at https://www.aderant.com/think-tank/law-firm-business-intelligence-merger/
26	ALM (2014). Successful law firm mergers need early CIO participation, law technology news finds. ALM Law Technology News. Accessed at https://www.alm.com/press_release/successful-law-firm-mergers-need-early-cio-participation-law-technology-news-finds/
185	Anand, B. and Bhatia, N. (2019). Focusing on intangibles: Why law firm mergers often fail. India Business Law Journal. Vantage Asia. Accessed at https://www.vantageasia.com/focusing-on-intangibles/
214	Andril, J. (2020). DC law firm consolidation will continue amid crisis. Avison Young Local Market Perspectives. 30 April 2020. Accessed at https://blog.avisonyoung.com/2020/04/dc-law-firm-consolidation-will-continue.html
1	Aquila, A. and Grissom, A. (2013). To merge or not to merge? Accounting Today. Vol. 27, Issue 8.
237	Bagamery, A. (2020). Chiomenti absorbs local Italian firm to create EU practice. Law.com. 5 March 2020. Accessed at https://www.law.com/international-edition/2020/03/05/chiomenti-absorbs-local-italianfirm-to-create-eu-practice/
226	Baker, T. and Mayers, M. (2022) History of mergers: State of the union. Legal Business. 26 August 2022. Accessed at https://www.legalbusiness.co.uk/analysis/history-of-mergers-state-of-the-union/
15	Baksi, C. (2011). Law firm mergers trend 'to accelerate'. Law Society Gazette. Accessed at https://www.lawgazette.co.uk/61693.article
171	Bantz, P. (2020). The rise of the mega firm: Legal departments face diffiult questions amid law firm mergers. Law.com. 20 April 2020. Accessed at https://www.law.com/corpcounsel/2020/04/20/the-rise-of-the-mega-firm-legal-departments-face-difficult-questions-amid-law-firm-mergers/
92	Baxter, B. (2012). Urge to merge continues: McKenna Long, Herbert Smith eye new nuptials. AmLaw Daily blog. Accessed at https://amlawdaily.typepad.com/amlawdaily/2012/01/more-2012-mergers.html
122	Baxter, B. (2016). Marketing partner forum recap: Law firm mergers — the keys to getting It right. Legal Executive Institute. Accessed at https://www.legalexecutiveinstitute.com/law-firm-mergers-the-keys-to-getting-it-right/
198	bbp Media (2019). Consolidation prediction for West Midlands law firms/ bbp Media Weekly Newsletter. 25 March 2019. Accessed at https://www.bbpmedia.co.uk/news/financial-legal/consolidation-prediction-for-west-midlands-law-firms.html
383	Bennett, R. (2018). Eversheds Sutherland to merge with Czech and Slovak Republic firm. Law.com 4 December 2018. Accessed at https://www.law.com/international-edition/2018/12/04/eversheds-sutherland-to-merge-with-czech-and-slovak-republic-firm/
281	Bennett, R. (2019). Brexit factor prompts Ireland merger interest as global firms move in. Law.com. 10 January 2019. Accessed at https://www.law.com/international-edition/2019/01/10/eyes-on-ireland-brexit-factor-prompts-merger-interest-as-global-firms-move-in/

No	Source
280	Bennett, R. (2019). Eversheds Sutherland boosts global revenue by 10%. Law.com. 7 February 2019. Accessed at https://www.law.com/international-edition/2019/02/07/eversheds-sutherland-boosts-global-revenue-by-10/
278	Bennett, R. (2019). Three-way merger creates new Spanish law firm. Law.com. 20 February 2019. Accessed at https://www.law.com/international-edition/2019/02/20/three-way-merger-creates-new-spanish-law-firm/
380	Bernal, N. (2014). Addleshaws advising Morgan Lewis as raided Bingham set to fold. The Lawyer. Accessed at https://www.thelawyer.com/issues/online-november-2014/addleshaws-advising-morgan-lewis-as-raided-bingham-set-to-fold/
7	Binham, C. (2014). Mergers create LatAm's first cross-border law firm. Financial Times. 9 September 2014. Accessed at https://www.ft.com/content/b7d7ae02-383d-11e4-a687-00144feabdc0
203	Binham, C. and Waldmeir, P. (2011). Australian law firm votes for Chinese merger. Financial Times. 23 November 2011. Accessed at https://www.ft.com/content/cc8a7576-15ec-11e1-a691-00144feabdc0
117	Blumenthal, J. (2010). Close look at trends. Philadelphia Business Journal. 16 October 2010. https://www.bizjournals.com/philadelphia/blogs/law/2009/07/close_look_at_trends.html
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APPENDIX C: Data tables

Table 2: Defining success: Real revenue growth

(REVENUE GROWTH > RATE OF INFLATION)

CASE ID	Revenues, year M	Revenues, year M+2	Inflation-adjusted M+2 revenues[1]	Score	CASE ID	Revenues, year M	Revenues, year M+2	Inflation-adjusted M+2 revenues[1]	Score
A1	704.7	717.5	737.3	0.66	U1	272.6	380.2	291	1
B1	586.0	505.0	618.1	0	U2	380.2	639.8	406.1	1
C1	343.2	359.1	347.6	1	U3	639.8	683.8	647.9	1
D1	71.9	74.5	73.1	1	U4	699.3	721.4	721	1
E1	134.5	144.0	136.7	1	V1	No data		-	-
F1	287.0	365.1	308.3	1	V2	640.0	667.4	666.5	1
G1	753.3	826.9	765.4	1	W1	161.9	161.4	172.8	0
G2	1,142.7	1,243.0	1202.9	1	W2	274.4	254.0	293	0
H1	163.2	199.2	175.3	1	W3	215.5	190.9	223	0
I1	442.5	807.3	464	1	W4	227.1	187.9	239.1	0
I2	829.7	796.0	855.5	0	W5	404.4	373.5	410	0
I3	212.2	195.7	219.7	0	X1	437.9	475.5	455	1
I4	1,387.1	1,830.9	1406.2	1	X2	885.4	709.2	916.1	0
I5	1,387.1	1,830.9	1406.2	1	Y1	488.0	845.3	511.7	1
I6	No data		-	-	Y2	822.3	1,152.0	883.4	1
I7	No data		-	-	Y3	845.3	1,118.0	891.6	1
I8	1,830.9	2,271.0	1915.5	1	Y4	1,152.0	1,156.0	1199.7	0.66
J1	705.1	583.0	752.5	0	Y5	1,514.0	1,493.0	1593.7	0
K1	No data		-	-	Y6	1,514.0	1493.00	1593.7	0
K2	1,400.4	1,566.3	1504.5	1	Z1	309.2	362.4	326.1	1
K3	1,586.0	1,799.5	1598.7	1	AA1	No data		-	-
K4	1,675.2	1,946.8	1763.4	1	AB1	449.2	582.6	479.8	1
L1	188.2	191.0	198.5	0.66	AB2	670.2	613.7	693.4	0
L2	188.2	191.0	198.5	0.66	AC1	45.4	49.0	47.9	0.66
L3	188.2	191.0	198.5	0.66	AC2	71.0	73.8	74.9	0.66
L4	201.3	272.4	211.9	1	AD1	43.2	103.1	45.6	1
M1	405.5	782.2	412	1	AD2	No data		-	-
M2	782.2	942.7	823.4	1	AD3	No data		-	-
N1	272.5	292.9	282.2	1	AE1	462.5	485.0	487	0.66
O1	207.0	275.0	214.1	1	AE2	544.0	740.6	553.5	1
P1	180.4	390.1	183.3	1	AF1	166.2	199.5	169.1	1
P2	390.1	461.7	403.4	1	AG1	77.1	87.0	82.8	1
Q1	796.0	815.0	839.6	0.66	AH1	391.7	457.9	415.9	1
R1	1,078.0	1,420.0	1130.3	1	AI1	99.1	104.0	103.2	0.66
R2	No data		-	-	AI2	368.5	372.5	387.9	0.66
S1	196.0	181.0	198.5	0	AJ1	196.0	238.0	206.3	1
T1	221.3	241.8	223.1	1					

Notes:
(1) Inflation-adjusted revenues are year M revenues escalated at rates as per Appendix F, to yield what the revenues would have been had year 1 revenues grown at the same rate as the rate of inflation that prevailed in the country in which the firm was based
(2) No data means no/inadequate data because not published, or the firm merged previously within two years before
(3) Figures are in GBP converted where necessary from USD at exchange rate on 31 December in applicable year

Table 3: Defining success: Profit margin

CASE ID	F1 PM in year M-1	Combined firm PM in year M+2	Δ	Fuzzy-set score
A1	43.0%	39.0%	-4.00%	0.33
C1	24.0%	28.0%	4.00%	1
D1	18.0%	12.0%	-6.00%	0
E1	19.0%	23.0%	4.00%	1
F1	29.1%	25.4%	-3.70%	0.33
G1	34.0%	32.0%	-2.00%	0.66
G2	32.0%	29.0%	-3.00%	0.33
H1	19.0%	19.0%	0.03%	1
I1	25.5%	19.0%	-6.52%	0
I3	28.0%	19.0%	-9.00%	0
J1	31.0%	36.0%	5.00%	1
L3	14.2%	11.0%	-3.20%	0.33
M2	19.0%	19.0%	0.00%	0
N1	42.0%	40.0%	-2.00%	0.66
P1	34.0%	43.0%	9.00%	1
R1	27.6%	34.5%	6.94%	1
S1	34.0%	33.5%	-0.49%	0.66
T1	20.0%	19.0%	-1.00%	0.66
U1	29.0%	26.0%	-2.99%	0.33
W1	32.0%	27.0%	-5.00%	0
W2	27.0%	35.0%	8.00%	1
X1	33.0%	40.6%	7.61%	0
Y4	31.0%	30.9%	-0.07%	0.66
Y5	31.0%	31.0%	0.00%	1
AB1	31.0%	34.0%	3.00%	1
AC2	21.0%	17.0%	-4.00%	0.33
AE1	22.0%	14.0%	-8.01%	0
AE2	14.0%	17.0%	3.00%	1
AH1	32.0%	36.0%	4.00%	1
AI1	15.0%	18.3%	3.25%	1
AI2	16.0%	25.0%	9.00%	1

Table 4: Defining success: Change in Chambers Global G ranked practices

CASE ID	Practices ranked, year M	Practices ranked, year M+2	Δ (%)	Score
A1	14	15	7.1%	1
C1	2	1	-50.0%	0
D1	N/A	N/A	-	-
E1	5	3	-40.0%	0
F1	10	10	0.0%	0.66
G1	26	26	0.0%	0.66
G2	28	32	14.3%	1
H1	0	2	>100%	1
I1	15	13	-13.3%	0
I3	1	1	0.0%	0.66
J1	16	17	6.3%	1
L3	N/A	N/A	-	-
M2	16	24	50.0%	1
N1	1	1	0.0%	0.66
P1	4	12	200.0%	1
R1	72	82	13.9%	1
S1	N/A	N/A	-	-
T1	N/A	N/A	-	-
U1		2	>100%	1
W1	N/A	N/A	-	-
W2	0	1	>100%	1
X1		6	>100%	1
Y4	109	122	11.9%	1
Y5	123	136	10.6%	1
AB1	5	9	80.0%	1
AC2	N/A	N/A	-	-
AE1	4	2	-50.0%	0
AE2	N/A	N/A	-	-
AH1	6	8	33.3%	1
AI1	1	2	100.0%	1
AI2	2	2	0.0%-	0.66

Table 5: Defining success: Change in average Chambers Global rank

CASE ID	Average rank score year M	Average rank score, year M+2	Δ (%)	Score
A1	3.07	3.00	2.3%	1
C1	2.50	3.00	-20.0%	0
D1	N/A	N/A	-	-
E1	2.40	3.00	-25.0%	0
F1	2.60	2.30	11.5%	1
G1	3.42	3.27	4.5%	1
G2	3.18	2.94	7.6%	1
H1	N/A	2.50	>100%	1
I1	3.07	3.00	2.2%	1
I3	5.00	5.00	0.0%	0.66
J1	2.88	3.29	-14.6%	0
L3	N/A	N/A	-	-
M2	3.31	3.75	-13.2%	0
N1	3.00	3.00	0.0%	0.66
P1	2.75	3.17	-15.2%	0
R1	2.79	2.61	6.5%	1
S1	N/A	N/A	-	-
T1	N/A	N/A	-	-
U1	N/A	4.00	>100%	1
W1	N/A	N/A	-	-
W2	N/A	4.00		
X1	N/A	3.17	>100%	1
Y4	2.67	2.78	-4.1%	0.33
Y5	2.63	2.93	-11.7%	0
AB1	3.40	2.56	24.8%	1
AC2	N/A	N/A	-	-
AE1	3.75	3.00	20.0%	1
AE2	N/A	N/A	-	-
AH1	3.00	2.63	12.5%	1
AI1	3.00	3.00	0.0%	0.66
AI2	3.50	4.00	-14.3%	0

Table 6: Defining success: Criteria summary and fuzzy-set scores

CASE ID	OUTPM	OUTREV	OUTCB	OUTCS	FUZZY SCORE
A1	0.33	0.66	1	1	0.75
C1	1	1	0	0	0.51
D1	0	1	-	-	0.25
E1	1	1	0	0	0.51
F1	0.33	1	0.66	1	0.75
G1	0.66	1	0.66	1	0.83
G2	0.33	1	1	1	0.83
H1	1	1	1	1	1.00
I1	0	1	0	1	0.51
I3	0	0	0.66	0.66	0.33
J1	1	0	1	0	0.51
L3	0.33	0.66	-	-	0.25
M2	0	1	1	0	0.51
N1	0.66	1	0.66	0.66	0.75
P1	1	1	1	0	0.75
R1	1	1	1	1	1.00
S1	0.66	0	-	-	0.17
T1	0.66	1	-	-	0.42
U1	0.33	1	1	1	0.83
W1	0	0	-	-	0.00
W2	1	0	1		0.51
X1	0	1	1	1	0.75
Y4	0.66	0.66	1	0.33	0.66
Y5	1	0	1	0	0.51
AB1	1	1	1	1	1.00
AC2	0.33	0.66	-	-	0.25
AE1	0	0.66	0	1	0.42
AE2	1	1	-	-	0.50
AH1	1	1	1	1	1.00
AI1	1	0.66	1	0.66	0.83
AI2	1	0.66	0.66	0	0.58

Table 7: Determining fuzzy set membership - pre-merger performance of the acquiror firm (F1HIPER)

CASE ID	Year M-3	F1 revenue growth, M-3 to M-1				F1 change in PM, M-3 to M-1			F1 Change in EPs, M-3 to M-1			F1 change in number of CG-ranked practices, M-3 to M-1			FUZZY SCORE
		REV M-3 (GBP)	REV M-1 (GBP)	Inflation-adjusted REV M1 (Projection)	Result	PM M-3 (%)	PM M-1 (%)	Result	EP M-3 (number)	EP M-1 (number)	Result	CPB M-3 (number)	CPB M-1 (number)	Result	
A1	2014	445.6	506.4	453.4	1	47%	43.0%	0	233	233	0.666	12	12	0.666	**0.56**
C1	2006	209.8	343.8	219.6	1	27%	24.0%	0	181	182	1	0	1	1.000	**0.67**
D1	2011	45.7	47.5	49.1	0.666	16.40%	18.0%	1	45	41	0	0	0	N/A	**0.67**
E1	2011	57.6	56.8	61.9	0	18.5%	19.0%	1	45	42	0	3	5	1.000	**0.67**
F1	2008	86.9	95.5	92	1	33.7%	34.0%	1	88	102	1	10	7	0.000	**1.00**
G1	2011	692.0	710.4	743.4	0.666	33.0%	34.0%	1	503	503	0.666	22	23	0.666	**0.94**
G2	2014	753.3	826.9	765.4	1	32%	32.0%	0.666	514	516	1	26	26	0.666	**0.94**
H1	2008	121.0	134.0	128.1	1	20.9%	19.0%	0	84	75	0	0	0	N/A	**0.40**
I1	2007	336.6	291.2	359.52	0	22.0%	25.5%	1	132	140	1	2	5	1.000	**0.83**
I3	2009	167	180	169.1	1	27%	28.0%	1	88	81	0	0	0	N/A	**0.80**
J1	2004	228.1	217.1	242.2	0	39.0%	34.0%	0	110	85	0	0	8	1.000	**0.17**
L3	2010	43.8	45.4	47.3	0.666	12.4%	14.2%	1	26	36	1	0	0	N/A	**0.87**
M2	2014	192.8	247.3	195.9	1	19%	19%	0.666	116	116	0.666	8	7	0.000	**0.78**
N1	2009	89.1	113.1	90.2	1	41.9%	42.0%	1	235	199	0	1	2	1.000	**1.00**
P1	2011	56.0	50.8	60.2	0	32.2%	34.0%	1	115	113	0	1	2	1.000	**0.67**
R1	2007	443.2	534.6	473.3	1	32.5%	27.6%	0	235	237	1	41	40	0.333	**0.56**
S1	2005	72.1	64.5	77	0	32.0%	34.0%	1	90	90	0.666	0	0	N/A	**0.53**
T1	2012	200.2	210.6	207.3	1	20.7%	20.0%	0.333	67	71	1	0	0	N/A	**0.73**
U1	2002	27.7	26.5	28.8	0	29.6%	29.0%	1	171	163	0	0	0	N/A	**0.40**
W1	2002	80.7	88.2	83.9	1	33.0%	35.0%	1	85	99	1	0	0	N/A	**1.00**
W2	2004	120.9	123.1	128.5	0.666	31.0%	32.0%	1	91	85	0	0	0	N/A	**0.67**
X1	1999	40.6	55.6	42.9	1	45.6%	41.0%	0	306	339	1	68	58	0.000	**0.49**
Y4	2010	400.7	360.1	432.6	0		46.2%	0.666		697	1	316	314	0.330	**0.55**
Y5	2014	163.3	188.5	166.1	1	33.0%	31.0%	0	934	813	0	-	-	-	**0.25**
AB1	2004	86.0	90.0	91.3	0.666	28.0%	31.0%	1	213	213	0.666	0	0	N/A	**0.80**
AC2	2012	45.4	49.0	47.9	1	23.1%	21.0%	0	48	45	0	0	0	N/A	**0.40**
AE1	2008	125.4	118.0	129.7	0	22.0%	22.0%	0.66	160	149	0	0	0	N/A	**0.26**
AE2	2011	218.7	167.7	230.3	0	17.8%	14.0%	0	165	132	0	5	2	0.000	**0.00**
AH1	2001	204.2	182.0	213.3	0	32.0%	32.0%	0.66	120	136	1	0	0	N/A	**0.46**
AI1	2010	45.5	48.0	49.1	0.66	15.3%	15.0%	0.33	32	28	0	0	1	1.000	**0.55**
AI2	2014	196.4	214.3	199.6	1	18.3%	16.0%	0	69	64	0	1	2	1.000	**0.49**

Table 8: Determining fuzzy set membership - pre-merger performance of the target firm/s (F2LOPER)

CASE ID	**Year M-3**	**F2 revenue growth M-3 to M-1**				**F2 change in PM, M-3 to M-1**			**F2 change in EPs M-3 to M-1**			**F2 change in number of CG-ranked practices, , M-3 to M-1**			**FUZZY SCORE**
		REV M-3 (GBP)	REV M-1 (GBP)	Inflation-adjusted REV M1 (Projection)	Result	PM M-3 (GBP)	PM M-1 (GBP)	Result	EP M-3 (number)	EP M-1 (number)	Result	CPB M-3 (number)	CPB M-1 (number)	Result	
A1	2014	240.6	259.5	244.8	0	37%	28.0%	1	99	87	1	4	3	0	**0.49**
C1	2006	65.6	80.7	69.6	0		24.0%	1	65	54	1	0	0	N/A	**0.60**
D1	2011	36.6	28.0	39.3	1	21.6%	16.0%	1	32	16	1	0	0	N/A	**1.00**
E1	2011	57.6	56.8	61.9	0	19.6%	21.0%	0	38	37	0.66	2	4	0	**0.11**
F1	2008	86.9	95.5	92	0	29.8%	23.1%	1	77	67	1	7	4	1	**0.67**
G1	2011	54.5	46.9	59.5	1	29.7%	26.0%	1	80	69	1	7	4	1	**1.00**
G2	2014	126.1	131.0	128.1	0		32.0%	1	68	70	0	3	2	0	**0.33**
H1	2008	45.0	43.0	47.6	1	23.9%	17.9%	1	30	29	1	0	0	N/A	**1.00**
I1	2007	169.8	154.4	180	1		12.8%	1	90	85	1	10	6	1	**1.00**
I3	2009	60.6	53.8	61.4	1	25.7%	Less*	1	61	Less*	1	1	0	1	**1.00**
J1	2004	255.8	290.8	271.5	0	39%	29.5%	1	129	125	1	0	8	0	**0.39**
L3	2010	43.8	45.4	47.3%	0	-	-	-	31	26	1	0	0	N/A	**1.00**
M2	2014	192.8	247.3	196.2	0	30%	31.0%	0	90	91	1	3	3	0.33	**0.22**
N1	2009	89.1	113.1	90.2	0	35.07%	41.0%	0	100	106	0	0	0	N/A	**0.00**
P1	2011	56.0	50.8	60.2	1	-	-	-	29	26	1	3	3	0.5	**0.67**
R1	2007	443.2	534.6	459.7	0	32.68	36.9%	0	296	287	1	13	19	0	**0.25**
S1	2005	60.2	66.0	64.2	0	31%	34.0%	0	90	90	0.33	0	0	N/A	**0.07**
T1	2012	36.6	41.1	38.6	0	16.9%	14.0%	1	21	22	0	0	0	N/A	**0.40**
U1	2002	27.7	26.5	28.8	0.33	26.4%	25.4%	1	27	28	0	0	0	N/A	**0.53**
W1	2002	52.5	46.5	54.5	1	33%	35.0%	0	85	99	0	0	0	N/A	**0.40**
W2	2004	90.4	79.1	95.5	1	38%	28.0%	1	96	90	1	0	0	N/A	**1.00**
X1	1999	40.6	55.6	41.5	0	25.3%	32.0%	0	41	45	0	8	0	N/A	**0.00**
Y4	2010	400.7	360.1	420.2	1	44.3%	42.0%	1	316	314	1	17	15	1	**0.67**
Y5	2014	163.3	188.5	166.1	0	30%	29.0%	1	68	58	1	10	12	0	**0.49**
AB1	2004	69.0				26.5%	31.14	0	55			0	0	N/A	**0.00**
AC2	2012	28.6	26.6	30.2	1	>13%	13.0%	1	20	17	1	0	0	N/A	**1.00**
AE1	2008	125.4	118.0	129.7	1	73	16.5%	0	73	56	1	1	1	0.33	**1.00**
AE2	2011	218.7	167.7	230.3	1	20.8%	Bankrupt	1	104	83	1	0	1	0	**0.83**
AH1	2001	204.2	182.0	216.2	0.33	36%	35.0%	1	141	141	0.66	0	0	N/A	**0.66**
AI1	2010	45.5	48.0	47.5	0	17.5%	19.5%	0	36	39	0	0	0	N/A	**0.00**
AI2	2014	196.4	214.3	212	0	34.0%	34.0%	0.55	164	158	1	0	0	N/A	**0.42**

Table 9: Determining fuzzy set membership – power asymmetry in favour of acquirer (F1POWER)

CASE ID	F2 revenues > F2 in M-1				F1 PEP > F2 in M-1				F1 RPL > F2 in M-1				F1 EPs > F2 in M-1				F1 PM > F2 in M-1				F1 CG-ranked practices > F2 in M-1				F1 average CG rank > F2 in M-1				FUZZY SCORE
	F1 REV M-1 (GBP)	F2 REV M-1 (GBP)	Δ (%)	Result	F1 PEP M-1 (GBP)	F2 PEP M-1 (GBP)	Δ (%)	Result	F1 RPL M-1	F2 RPL M-1	Δ (%)	Result	F1 EPs M-1 (#)	F2 EPs M-1 (#)	Δ (%)	Result	F1 PM M-1 (#)	F2 PM M-1 (#)	Δ (%)	Result	F1 CG-ranked practices M-1 (#)	F1 CG-ranked practices M-1 (#)	Δ (%)	Result	F1 average CG rank M-1	F1 average CG rank M-1	Δ (%)	Result	
A1	506.4	259.5	49%	1	936.6	835.2	11%	1	770.3	737.9	4%	0.66	233	87	63%	1	43.0%	28.0%	35%	1	12	3	75%	1	2.8	3.7	0.33	0.66	**0.94**
C1	343.8	80.7	77%	1	451.6	294.2	35%	1	400.3	393.4	2%	0.66	182	54	70%	1	24.0%	20.0%	17%	1	1	0	>100	1	3.0	N/A	-	1	**0.93**
D1	47.5	28.0	41%	1	210.0	281.0	-34%	0	183.0	204.0	-11%	0	41	16	61%	1	18%	16%	11%	0	0	0	N/A	-	N/A	N/A	-	-	**0.49**
E1	73.4	56.8	23%	1	336.0	319.0	5%	0.66	224.0	261.0	-17%	0	42.0	37.0	12%	1	19.0%	21.0%	-11%	0	5	4	20%	1	2.4	3.0	0.25	0	**0.53**
F1	211.8	95.5	55%	1	605.0	329.0	46%	1	281.0	237.0	16%	1	102	67	34%	1	29.1%	23.1%	21%	1	23	0	>100	1	2.9	4.0	0.40	0.66	**1.00**
G1	710.4	46.9	93%	1	484.0	180.0	63%	1	277.0	161.0	42%	1	503	69	86%	1	26.0%	?	?	0.5	26	2	92%	1	3.7	N/A	-	0.33	**1.00**
G2	826.9	131.0	84%	1	509.0	606.0	-19%	0	276.0	312.0	-13%	0	516	70	86%	1	32.0%	32.0%	0%	0.5	0	0	N/A		3.3	4.5	0.38	1	**0.49**
H1	134.0	43.0	68%	1	338.0	268.0	21%	1	179.0	210.0	-17%	0	75	29	61%	1	19.0%	17.9%	5%	0.66	5	6	-20%	0	N/A	N/A	-	1	**0.73**
I1	291.2	154.4	47%	1	528.5	233.0	56%	1	485.3	224.0	54%	1	140	85	39%	1	25.5%	12.8%	50%	1	13	13	0%	0.5	2.8	3.2	-	0	**1.00**
I3	180.0	53.8	70%	1	621.6	344.6	45%	0.66	425.2	431.6	-2%	0.33	81	50	38%	0.66	28.0%	Far less	?	1	33	0	>100	1	N/A	N/A	-	1	**0.73**
J1	217.1	290.8	-34%	0	785.6	795.7	-1%	0.33	433.1	407.9	6%	0.66	85	125	-47%	0	31.0%	34.0%	-10%	0	5	8	-60%	0	3.2	3.4	0.05	1	**0.17**
L3	102.0	45.4	55%	1	408.0	373.1	9%	0.66	209.0	164.0	22%	1	36	26	28%	1	14.2%	21.4%	-50%	0	0	0	N/A	0.5	N/A	N/A	-	1	**0.69**
M2	438.6	247.3	44%	1	725.0	847.4	-17%	0	234.0	669.0	-186%	0	116	91	22%	1	19.0%	31.0%	-63%	0	13	3	77%	1	3.1	3.7	0.19	1	**0.49**
N1	163.9	113.1	31%	1	347.9	438.0	-26%	0	386.5	412.3	-7%	0.33	199	106	47%	1	42.0%	41.0%	2%	0.66	2	0	>100	1	3.0	N/A	-	1	**0.67**
P1	121.2	50.8	58%	1	367.0	419.0	-14%	0	252.0	259.0	-3%	0.33	113	26	77%	1	34.0%	21.0%	38%	1	2	3	-50%	0	2.0	3.3	0.67	0.66	**0.56**
R1	541.8	534.6	1%	0.66	630.0	686.5	-9%	0.66	331.0	476.9	-44%	0	237	287	-21%	0	27.6%	36.9%	-34%	0	40	13	68%	1	2.9	3.2	0.10	0	**0.39**
S1	64.5	66.0	-2%	0.33	241.7	279.5	-16%	0	231.7	239.2	-3%	0.33	90	81	10%	1	34.0%	34.0%	0%	0.5	0	0	N/A	0.5	N/A	N/A	-	0.33	**0.44**
T1	210.6	41.1	80%	1	600.0	259.0	57%	1	304.0	236.0	22%	1	71	22	69%	1	20%	14%	30%	1.00	0	0	N/A	-	N/A	N/A	-	-	**0.71**
U1	194.4	26.5	86%	1	347.1	240.0	31%	1	279.2	208.7	25%	1	163	28	83%	1	29.0%	25.4%	13%	1	0	0	N/A	-	N/A	N/A	-	-	**0.71**
W1	88.2	46.5	47%	1	321.0	271.4	15%	1	276.6	300.1	-8%	0.66	99	60	39%	1	36.0%	35.0%	3%	0.66	0	0	N/A	-		N/A	-		**0.52**
W2	123.1	79.1	36%	1	460.8	249.3	46%	1	372.7	294.6	21%	1	85	90	-6%	0	32.0%	28.0%	13%	1	0	0	N/A	-	N/A	N/A	-		**0.71**
X1	394.0	55.6	86%	1	477.9	395.1	17%	1	440.1	202.9	54%	1	339	45	87%	1	41.0%	32.0%	22%	1	0	0	N/A	-	N/A	N/A	-		**0.71**
Y4	845.3	360.1	57%	1	559.0	479.7	14%	1	319.0	455.1	-43%	0	697	314	55%	1	46.2%	42.0%	9%	0.66	89	15	83%	1	2.6	3.2	0.25		**0.78**
Y5	1,243.3	188.5	85%	1	472.0	944.7	-100%	0	355.0	652.8	-84%	0	813	58	93%	1	31.0%	29.0%	6%	0.66	122	12	90%	1	2.7	2.7	-0.03		**0.61**
AB1	328.8	90.0	73%	1	479.9	519.0	-8%	0.33	331.8	243.0	27%	1	213	54	75%	1	31.0%	31.1%	0%	0.5	0	8	-	0.5	N/A	4.1	-	0	**0.72**
AC2	49.0	26.6	46%	1	227.0	200.0	12%	1	226.0	222.0	2%	0.66	45	17	62%	1	21.0%	13.0%	38%	1	0	0	-	0.5	N/A	N/A	-	0.50	**0.86**
AE1	331.9	118.0	64%	1	490.1	348.0	29%	1	422.7	192.0	55%	1	149	56	62%	1	22.0%	16.5%	25%	1	0	1	-	0.5	N/A	3.0	-		**0.92**
AE2	485.0	167.7	65%	1	508.0	434.4	14%	1	395.0	386.1	2%	0.66	132	83	37%	1	14.0%	22.0%	-57%	0	2	1	50%	1	4.0	3.0	-0.25		**0.78**
AH1	187.0	182.0	3%	0.66	436.8	453.6	-4%	0.33	394.8	358.4	9%	0.66	136	141	-4%	0.33	32.0%	35.0%	-9%	0.33			-	0.5		N/A	-		**0.47**
AI1	50.3	48.0	5%	0.66	270.0	240.0	11%	1	186.0	194.0	-4%	0.33	28	39	-39%	0	15.0%	19.5%	-30%	0	1	0	-	1	3.0	N/A	-		**0.49**
AI2	105.0	214.3	-104%	0	266.0	458.4	-72%	0	245.0	458.4	-87%	0	64	158	-147%	0	16.0%		-113%	0	2	0	-	1	3.0	N/A	-	0.50	**0.17**

Table 10: Determining fuzzy set membership - relatedness of the merging firms (RELATED)

CASE ID	F1 PEP similar to F2				F1 RPL similar to F2				F1 PM similar to F2				F1 partnership model similar to F2			Same country			FUZZY SCORE
	F1 PEP M-1 (GBP)	F2 PEP M-1 (GBP)	Δ (%)	Result	F1 RPL M-1 (GBP)	F2 RPL M-1 (GBP)	Δ (%)	Result	F1 PM M-1 (%)	F2 PM M-1 (%)	Δ (%)	Result	F1 partner model	F1 partner model	Result	F1 HQ	F2 HQ	Result	
A1	936.6	835.2	11%	0.66	770.3	737.9	4%	1	43.0%	28.0%	35%	0	All EPs	Mix	0	US	US	1	0.53
C1	451.6	294.2	35%	0	400.3	393.4	2%	1	24.0%	20.0%	17%	0.66	Mix	Mix	1	US	US	1	0.73
D1	210.0	281.0	-34%	0	183.0	204.0	-11%	0.66	18%	16%	11%	0.4	Mix	Mix	1	UK	UK	1	0.49
E1	336.0	319.0	5%	1	224.0	261.0	-17%	0.66	19.0%	21.0%	-11%	0.66	Mix	Mix	1	UK	UK	1	0.86
F1	605.0	329.0	46%	0	281.0	237.0	16%	0.66	29.1%	23.1%	21%	0.33	Mix	Mix	1	UK	UK	1	0.60
G1	484.0	180.0	63%	0	277.0	161.0	42%	0	26.0%	?	?	0.50	Mix	All EPs	0	UK	UK	1	0.30
G2	509.0	606.0	-19%	0.66	276.0	312.0	-13%	0.66	32.0%	32.0%	0%	1	Mix	Mix	1	UK	UK	1	0.86
H1	338.0	268.0	21%	0.33	179.0	210.0	-17%	0.66	19.0%	17.9%	5%	1	Mix	Mix	1	UK	UK	1	0.80
I1	528.5	233.0	56%	0	485.3	224.0	54%	0	25.5%	12.8%	50%	0	Mix	All EPs	0	US	UK	0	0.00
I3	621.6	344.6	45%	0	425.2	431.6	-2%	1	28.0%	Far less	?	0	Mix	Mix	1	US	US	1	0.60
J1	785.6	795.7	-1%	1	433.1	407.9	6%	1	31.0%	34.0%	-10%	1	Mix	Mix	1	US	US	1	1.00
L3	408.0	373.1	9%	1	209.0	164.0	22%	0.33	14.2%	21.4%	-50%	0	Mix	Mix	1	UK	UK	1	0.67
M2	725.0	847.4	-17%	0.66	234.0	669.0	-186%	0	19.0%	31.0%	-63%	0	Mix	Mix	1	UK	US	1	0.53
N1	347.9	438.0	-26%	0.33	386.5	412.3	-7%	1	42.0%	41.0%	2%	1	All EPs	Mix	0	US	US	1	0.67
P1	367.0	419.0	-14%	0.66	252.0	259.0	-3%	1	34.0%	21.0%	38%	0	All EPs	Mix	1	UK	UK	1	0.73
R1	630.0	686.5	-9%	1	331.0	476.9	-44%	0	27.6%	36.9%	-34%	0	Mix	Mix	1	US	UK	0	0.40
S1	241.7	279.5	-16%	0.66	231.7	239.2	-3%	1	34.0%	34.0%	0%	1	Mix	Mix	1	US	US	1	0.93
T1	600.0	259.0	57%	0	304.0	236.0	22%	0.33	20%	14%	30%	0.00	Mix	Mix	1	UK	UK	1	0.47
U1	347.1	240.0	31%	0	279.2	208.7	25%	0.33	29.0%	25.4%	13%	0.66	Mix	Mix	1	US	UK	0	0.40
W1	321.0	271.4	15%	0.33	276.6	300.1	-8%	0	36.0%	35.0%	3%	1	Mix	All EPs	0	US	US	1	0.46
W2	460.8	249.3	46%	0	372.7	294.6	21%	0.33	32.0%	28.0%	13%	0.66	Mix	Mix	1	US	US	1	0.60
X1	477.9	395.1	17%	0.66	440.1	202.9	54%	0	41.0%	32.0%	22%	0.33	All EPs	All EPs	1	US	UK	0	0.40
Y4	559.0	479.7	14%	0.66	319.0	455.1	-43%	0	46.2%	42.0%	9%	1	Mix	Mix	1	UK	US	0	0.53
Y5	472.0	944.7	-100%	0	355.0	652.8	-84%	0	31.0%	29.0%	6%	1	Mix	Mix	1	US	US	1	0.60
AB1	479.9	519.0	-8%	1	331.8	243.0	27%	0.33	31.0%	31.1%	0%	1	Mix	Mix	1	US	UK	0	0.67
AC2	227.0	200.0	12%	0.66	226.0	222.0	2%	1	21.0%	13.0%	38%	0	Mix	Mix	1	UK	UK	1	0.73
AE1	490.1	348.0	29%	0.33	422.7	192.0	55%	0	22.0%	16.5%	25%	0	Mix	Mix	1	US	UK	0	0.27
AE2	508.0	434.4	14%	0.66	395.0	386.1	2%	1	14.0%	22.0%	-57%	0	Mix	Mix	1	US	US	1	0.73
AH1	436.8	453.6	-4%	1	394.8	358.4	9%	1	32.0%	35.0%	-9%	1	All EPs	Mix	0	US	US	1	0.80
AI1	270.0	240.0	11%	0.66	186.0	194.0	-4%	1	15.0%	19.5%	-30%	0	Mix	Mix	1	UK	UK	1	0.73
AI2	266.0	458.4	-72%	0	245.0	458.4	-87%	0	16.0%	34.0%	-113%	0	Mix	Mix	1	UK	US	0	0.20

Table 11: Determining fuzzy set membership – multidimensional strategic opportunity (STRATEGY)

CASE ID	Diversify high-quality service offerings				Enhance existing high-quality service offerings				Diversify geographically			Build significant new scale				Enhance efficiencies (economies of scale)				FUZZY SCORE
	F1 CG-ranked practices, M-1	Combined CG-ranked practices, M	Δ (%)	Result	F1 average CG rank, M-1	Combined average CG rank, M	Δ (%)	Result	New national market (city)	New international Market (country)	Result	F1 revenues, M-1	Combined revenues, M	Δ (%)	Result	F1 PM, M-1	Combined PM, M+2	Δ (%)	Result	
A1	12	14	17%	0.66	2.8	3.07	-12%	0	1	0	1	506.4	704.7	39%	1	43.0%	39.0%	-9.3%	0	0.532
C1	1	2	100%	1	3.0	2.50	17%	1	1	0	1	343.8	343.2	0%	0	24.0%	28.0%	16.7%	1	0.8
D1	N/A	N/A	-	0	N/A	N/A	-	0	0	0	0	47.5	71.9	51%	1	18.0%	12.0%	-33.3%	0	0.2
E1	5	5	0%	0	2.4	2.40	0%	0	0	0	0	73.4	134.5	83%	1	19.0%	23.0%	21.1%	1	0.4
F1	7	10	43%	1	2.9	2.60	9%	1	0	0	0	211.8	287.0	35%	1	29.1%	25.4%	-12.7%	0	0.6
G1	23	26	13%	0.66	3.7	3.42	7%	1	1	0	0	710.4	753.3	6%	0.33	34.0%	32.0%	-5.9%	0	0.398
G2	26	28	8%	0.33	3.3	3.18	3%	1	1	1	1	826.9	1,142.7	38%	1	32.0%	29.0%	-9.4%	0	0.666
H1	N/A	N/A	-	0	N/A	N/A	-	1	1	0	1	134.0	163.2	22%	1	19.0%	19.0%	0.2%	0.33	0.666
I1	5	15	200%	1	2.8	3.07	-10%	0	1	1	1	291.2	442.5	52%	1	25.5%	19.0%	-25.6%	0	0.6
I3	N/A	1	-		N/A	5.00	-	1	1	0	1	180.0	212.2	18%	0.66	28.0%	19.0%	-32.1%	0	0.532
J1	5	16	220%	1	3.2	2.88	10%	1	1	0	1	217.1	705.1	225%	1	31.0%	36.0%	16.1%	1	1
L3	N/A	N/A	-	0	N/A	N/A	-	0	0	0	0	102.0	188.2	85%	1	14.2%	11.0%	-22.5%	0	0.2
M2	13	16	23%	1	3.1	3.31	-8%	0	1	1	1	438.6	782.2	78%	1	19.0%	19.0%	0.0%	0	0.6
N1	2	1	-50%	0	3.0	3.00	0%	0	1	0	1	163.9	272.5	66%	1	42.0%	40.0%	-4.8%	0	0.4
P1	2	4	100%	1	2.0	2.75	-38%	0	1	1	1	121.2	180.4	49%	1	34.0%	43.0%	26.5%	1	0.8
R1	40	72	80%	1	2.9	2.79	5%	1	1	1	1	541.8	1,078.0	99%	1	27.6%	34.5%	25.2%	1	1
S1	N/A	N/A	-	0	N/A	N/A	-	0	1	0	1	64.5	206.6	221%	1	34.0%	33.5%	-1.4%	0	0.4
T1	N/A	N/A	-	0	N/A	N/A	-	0	0	0	0	210.6	221.3	5%	0.33	20.0%	19.0%	-5.0%	0	0.066
U1	N/A	N/A	-	0	N/A	N/A	-	0	1	1	1	194.4	272.6	40%	1	29.0%	26.0%	-10.3%	0	0.4
W1	N/A	N/A	-	0	N/A	N/A	-	0	1	0	1	88.2	161.9	84%	1	36.0%	27.0%	-25.0%	0	0.4
W2	N/A	N/A	-	0	N/A	N/A	-	0	1	0	1	123.1	274.4	123%	1	32.0%	35.0%	9.4%	0.66	0.532
X1	N/A	N/A	-	0	N/A	N/A	-	0	1	1	1	394.0	437.9	11%	0.66	41.0%	40.6%	-1.0%	0	0.332
Y4	89	109	22%	1	2.6	2.67	-4%	0	1	1	1	845.3	1,152.0	36%	1	46.2%	30.9%	-33.1%	0	0.6
Y5	122	123	1%	0.33	2.7	2.63	4%	1	1	0	1	1,243.3	1,514.0	22%	1	31.0%	31.0%	0.0%	0	0.666
AB1	0	5	-	1	N/A	3.40	-	1	1	1	1	328.8	449.2	37%	1	31.0%	34.0%	9.7%	0.66	0.932
AC2	N/A	N/A	-	0	N/A	N/A	-	0	0	0	0	49.0	71.0	45%	1	21.0%	17.0%	-19.0%	0	0.2
AE1	N/A	1.0	-	1	N/A	3.75	-	1	1	1	1	331.9	462.5	39%	1	22.0%	14.0%	-36.4%	0	0.8
AE2	2	N/A	-	0	4.0	N/A	-	0	0	0	0	485.0	544.0	12%	66%	14.0%	17.0%	21.4%	1	0.332
AH1	N/A	6	-	1	N/A	3.00	-	1	1	0	1	187.0	391.7	109%	1	32.0%	36.0%	12.5%	1	1
AI1	1	1	0%	0	3.0	3.00	0%	0	1	0	1	50.3	99.1	97%	1	15.0%	18.3%	21.7%	1	0.6
AI2	2	2	0%	0	3.0	3.50	-17%	0	1	1	1	105.0	368.5	251%	1	16.0%	25.0%	56.3%	1	0.6

Table 12: Determining set membership - one-firm-firm versus dispersed governance model (ONEFIRM)

CASE ID	Governance model	FUZZY SCORE	CASE ID	Governance model	FUZZY SCORE	CASE ID	Governance model	FUZZY SCORE	CASE ID	Governance model	FUZZY SCORE
A1	One-firm-firm	1	I1	Dispersed governance	0	S1	One-firm-firm	1	AB1	One-firm-firm	1
C1	One-firm-firm	1	I3	Dispersed governance	0	T1	One-firm-firm	1	AC2	One-firm-firm	1
D1	One-firm-firm	1	J1	One-firm-firm	1	U1	One-firm-firm	1	AE1	Dispersed governance	0
E1	One-firm-firm	1	L3	One-firm-firm	1	W1	One-firm-firm	1	AE2	Dispersed governance	0
F1	One-firm-firm	1	M2	Dispersed governance	0	W2	One-firm-firm	1	AH1	One-firm-firm	1
G1	One-firm-firm	1	N1	One-firm-firm	1	X1	One-firm-firm	1	AI1	One-firm-firm	1
G2	One-firm-firm	1	P1	One-firm-firm	1	Y4	Dispersed governance	0	AI2	Dispersed governance	0
H1	One-firm-firm	1	R1	Dispersed governance	0	Y5	Dispersed governance	0			

Table 13: First iteration data table prior to resolving counterfactuals

CASE ID	F1HIPER	F2LOPER	F1POWER	SIMILAR	STRATEGY	ONEFIRM	OUTCOME
A1	0.56	0.50	0.94	0.53	0.53	1.00	0.75
C1	0.67	0.60	0.93	0.73	0.80	1.00	0.50
D1	0.67	1.00	0.60	0.66	0.20	1.00	0.25
E1	0.67	0.11	0.53	0.86	0.40	1.00	0.50
F1	1.00	0.67	1.00	0.60	0.60	1.00	0.75
G1	0.94	1.00	1.00	0.30	0.40	1.00	0.83
G2	0.94	0.50	0.50	0.86	0.67	1.00	0.83
H1	0.40	1.00	0.73	0.80	0.67	1.00	1.00
I1	0.83	1.00	1.00	0.00	0.60	0.00	0.50
I3	0.80	1.00	0.73	0.60	0.53	0.00	0.33
J1	0.17	0.39	0.17	1.00	1.00	1.00	0.50
L3	0.87	1.00	0.69	0.67	0.20	1.00	0.25
M2	0.78	0.22	0.50	0.53	0.60	0.00	0.50
N1	1.00	0.00	0.67	0.67	0.40	1.00	0.75
P1	0.67	0.50	0.56	0.73	0.80	1.00	0.75
R1	0.56	0.50	0.39	0.40	1.00	0.00	1.00
S1	0.53	0.07	0.44	0.93	0.40	1.00	0.17
T1	0.73	0.40	0.92	0.47	0.07	1.00	0.42
U1	0.40	0.53	0.92	0.40	0.40	1.00	0.83
W1	1.00	0.40	0.64	0.73	0.40	1.00	0.00
W2	0.67	1.00	0.75	0.60	0.53	1.00	0.50
X1	0.50	0.00	0.75	0.40	0.33	1.00	0.75
Y4	0.55	0.67	0.78	0.53	0.60	0.00	0.66
Y5		0.50	0.61	0.60	0.67	0.00	0.50
AB1	0.80	0.00	0.72	0.67	0.93	1.00	1.00
AC2	0.40	1.00	0.86	0.73	0.20	1.00	0.25
AE1	0.26	1.00	0.92	0.27	0.80	0.00	0.42
AE2	0.00	0.83	0.78	0.73	0.33	0.00	0.50
AH1	0.46	0.66	0.47	0.80	1.00	1.00	1.00
AI1	0.55	0.00	0.50	0.73	0.60	1.00	0.83
AI2	0.50	0.42	0.17	0.20	0.60	0.00	0.58

Table 14: First iteration truth table prior to resolving counterfactuals

CONDITIONS						OUTCOME	CASES	CONSISTENCY WITH SUCCESS
F1HIPER	F2LOPER	F1POWER	RELATED	STRATEGY	ONEFIRM			
1	0	1	1	0	1	3	E1, N1, W1	0.83
1	1	1	1	1	1	3	C1, F1, W2	0.91
1	1	1	1	1	0	2	I3, Y4	0.90
1	1	1	1	0	1	2	D1, L3	0.77
0	1	1	1	0	0	1	AE2	0.91
0	1	1	0	1	0	1	AE1	0.88
1	1	1	0	1	0	1	I1	0.93
1	0	1	0	0	1	1	T1	0.90
0	1	1	0	0	1	1	U1	0.97
1	1	1	0	0	1	1	G1	0.90
1	0	0	1	0	1	1	S1	0.78
0	1	1	1	0	1	1	AC2	0.88
0	0	0	1	1	1	1	J1	0.90
0	1	0	1	1	1	1	AH1	1
1	0	1	1	1	1	1	AB1	0.90
0	1	1	1	1	1	1	H1	1
0	0	0	0	0	0	0		
1	0	0	0	0	0	0		
0	1	0	0	0	0	0		
1	1	0	0	0	0	0		
0	0	1	0	0	0	0		
1	0	1	0	0	0	0		
0	1	1	0	0	0	0		
1	1	1	0	0	0	0		
0	0	0	1	0	0	0		
1	0	0	1	0	0	0		
0	1	0	1	0	0	0		
1	1	0	1	0	0	0		
0	0	1	1	0	0	0		
1	0	1	1	0	0	0		
1	1	1	1	0	0	0		
0	0	0	0	1	0	0		
1	0	0	0	1	0	0		
0	1	0	0	1	0	0		
1	1	0	0	1	0	0		
0	0	1	0	1	0	0		
1	0	1	0	1	0	0		
0	0	0	1	1	0	0		
1	0	0	1	1	0	0		
0	1	0	1	1	0	0		
1	1	0	1	1	0	0		
0	0	1	1	1	0	0		
1	0	1	1	1	0	0		
0	1	1	1	1	0	0		
0	0	0	0	0	1	0		
1	0	0	0	0	1	0		
0	1	0	0	0	1	0		
1	1	0	0	0	1	0		
0	0	1	0	0	1	0		
0	0	0	1	0	1	0		
0	1	0	1	0	1	0		
1	1	0	1	0	1	0		
0	0	1	1	0	1	0		
0	0	0	0	1	1	0		
1	0	0	0	1	1	0		
0	1	0	0	1	1	0		
1	1	0	0	1	1	0		
0	0	1	0	1	1	0		
1	0	1	0	1	1	0		
0	1	1	0	1	1	0		
1	1	1	0	1	1	0		
1	0	0	1	1	1	0		
1	1	0	1	1	1	0		
0	0	1	1	1	1	0		

Table 15: First iteration data table with contradictory configurations resolved

CASE ID	F1HIPER	F2LOPER	F1POWER	RELATED	STRATEGY	ONEFIRM	OUTCOME
A1	0.56	0.50	0.94	0.53	0.53	1.00	1.00
C1	0.67	0.60	0.93	0.73	0.80	1.00	1.00
D1	0.67	1.00	0.60	0.66	0.20	1.00	0.25
E1	0.67	0.11	0.53	0.86	0.40	1.00	1.00
F1	1.00	0.67	1.00	0.60	0.60	1.00	0.75
G1	0.94	1.00	1.00	0.30	0.40	1.00	0.75
G2	0.94	0.50	0.50	0.86	0.67	1.00	0.75
H1	0.40	1.00	0.73	0.80	0.67	1.00	1.00
I1	0.83	1.00	1.00	0.00	0.60	0.00	0.75
I3	0.80	1.00	0.73	0.60	0.53	0.00	0.00
J1	0.17	0.39	0.17	1.00	1.00	1.00	0.75
L3	0.87	1.00	0.69	0.67	0.20	1.00	1.00
M2	0.78	0.22	0.50	0.53	0.60	0.00	0.75
N1	1.00	0.00	0.67	0.67	0.40	1.00	0.75
P1	0.67	0.50	0.56	0.73	0.80	1.00	1.00
R1	0.56	0.50	0.39	0.40	1.00	0.00	1.00
S1	0.53	0.07	0.44	0.93	0.40	1.00	0.25
T1	0.73	0.40	0.92	0.47	0.07	1.00	0.42
U1	0.40	0.53	0.92	0.40	0.40	1.00	0.83
W1	1.00	0.40	0.64	0.46	0.40	1.00	0.00
W2	0.67	1.00	0.75	0.60	0.53	1.00	0.50
X1	0.50	0.00	0.75	0.40	0.33	1.00	0.75
Y4	0.55	0.67	0.78	0.53	0.60	0.00	0.66
Y5		0.50	0.61	0.60	0.67	0.00	0.50
AB1	0.80	0.00	0.72	0.67	0.93	1.00	1.00
AC2	0.40	1.00	0.86	0.73	0.20	1.00	0.25
AE1	0.26	1.00	0.92	0.27	0.80	0.00	0.42
AE2	0.00	0.83	0.78	0.73	0.33	0.00	0.50
AH1	0.46	0.66	0.47	0.80	1.00	1.00	1.00
AI1	0.55	0.00	0.50	0.73	0.60	1.00	0.83
AI2	0.50	0.42	0.17	0.20	0.60	0.00	0.58

Table 16: First iteration truth table with contradictory configurations resolved

CONDITIONS						OUTCOME	CASES	CONSISTENCY WITH SUCCESS
F1HIPER	F2LOPER	F1POWER	RELATED	STRATEGY	ONEFIRM			
1	1	1	1	1	1	1	C1, F1, W2	0.93
1	1	1	1	1	1	1	AB1	0.93
1	1	1	1	1	0	0	C1, F1, W2	0.76
1	0	1	0	0	1	0	I3, Y4	0.84
1	0	1	1	0	1	1	T1, W1	0.87
1	1	0	1	0	1	1	E1, N1	0.84
1	0	0	1	1	1	1	D1, L3	0.88
0	1	0	1	0	0	0	G2, AI1	0.83
0	0	0	0	1	0	0	AE2	1
1	0	1	0	1	0	1	AI2	1
0	1	1	0	1	0	0	R1	0.83
1	1	0	0	1	0	1	AE1	0.86
1	0	1	1	1	0	1	I1	1
0	0	1	1	1	0	0	M2	0.99
0	0	1	0	0	1	1	Y5	1
0	1	1	0	0	1	1	X1	0.97
1	1	0	0	0	1	1	U1	0.89
1	0	0	1	0	1	0	G1	0.80
0	1	1	1	0	1	0	S1	0.88
0	0	0	1	1	1	1	AC1	0.95
0	1	0	1	1	1	1	J1	1
0	1	1	1	1	1	1	AH1	1

Table 17: Resolving the contradictory configuration for case AE2.

F1HIPER	F2LOPER	F1POWER	RELATED	STRATEGY	ONEFIRM	SUCCESS		~SUCCESS	
						Consistency	*Coverage*	*Consistency*	*Coverage*
Original complex configuration									
0	1	1	0	1	0	0.90	0.15	0.90	0.19
Adjusted complex configuration									
0	1	0	0	1	0	1.00	0.12	0.80	0.14

Table 18: Second iteration data table, following expansion of the cases

CASE ID	F1STR	F2NEC	RELAT	STRAT	ONEFI	OUTCOME
A	0.4	0.4	0.6	0.6	1	0.8
B	0.6	0.6	0.4	0.4	1	0.4
C	0.6	0.8	0.6	0.6	1	1
D	0.6	0.6	0.8	0.4	1	0.4
E	0.4	0.6	1	0.2	1	0.6
F	0.6	0.8	0.6	0.4	1	0.6
G	1	0.8	0.6	0.4	1	0.6
H	0.4	0.8	0.6	0.8	1	0.8
I	0.6	0.8	0.8	0.6	1	1
J	0.6	1	0.6	0.6	0	0.6
K	0.8	0.4	0.6	0.4	0	0.6
L	0.4	0.4	0.4	0.4	1	0
M	0.8	1	0.6	0.4	0	0.4
N	0.4	0.2	0.2	0.4	0	0.6
O	0.8	0.6	0.4	0.4	0	0.6
P	0.8	0.6	0.4	0.4	0	0.4
Q	0.8	0.8	0.8	0.4	0	0.6
R	0.6	0.6	0.4	0.6	1	0.6
S	0.6	0.4	0.6	0.8	0.6	0.6
T	0.4	0.6	0.6	0.8	0.4	0.8
U	0.4	0.6	0.6	0.8	0.4	0.6
V	0.8	0.8	0.6	0.6	0.4	0.6
W	0.8	0.6	0.4	0.4	1	0.4
X	0.8	0.6	0.4	0.4	1	0.4
Y	1	1	0.4	0.2	1	0.4
Z	1	1	0.4	0.2	1	0.4
AA	0.8	0.4	0.6	0.6	0.8	0.6
AB	0.4	0.6	0.6	0.8	0.8	0.8
AC	0.6	0.6	0.6	0.6	1	0.6
AD	0.6	0.6	0.6	0.6	1	0.6
AE	0.6	0.8	0.8	0.6	1	1
AF	0.6	0.6	0.4	0.6	0.6	0.6
AG	0.4	0.6	0.6	0.8	0.8	1
AH	0.4	0.6	0.6	0.8	0.8	0.8
AI	0.8	0.6	0.4	0.6	0.6	1
AJ	0.6	0.6	0.8	0.4	1	0.2
AK	0.6	0.6	0.4	0.4	1	0.4
AL	0.8	0.4	0.6	0.6	1	0.6
AM	0.6	0.8	0.8	0.4	1	0.4
AN	0.8	0.6	0.8	0.4	1	0.6
AO	0.6	0.6	0.6	0.6	1	0.6
AP	0.6	0.8	0.2	0.6	0.4	0.8
AQ	0.6	0.6	0.6	0.2	1	0.2
AR	0.6	0.6	0.6	0.6	1	1
AS	0.6	0.6	0.4	0.8	1	0.6
AT	0.8	0.6	0.6	0.4	1	0.4
AU	0.6	0.6	0.8	0.4	1	0.4
AV	0.8	0.4	0.6	0.6	1	0.8
AW	0.6	0.6	0.4	0.4	1	0.4
AX	0.6	0.6	0.6	0.8	0.6	1
AY	0.8	0.8	0.6	0.8	0.6	1
AZ	0.8	0.6	0.6	0.8	0.6	0.8
BA	0.6	0.4	0.6	0.8	0.6	0.6

CASE ID	F1STR	F2NEC	RELAT	STRAT	ONEFI	OUTCOME
BB	0.8	0.8	0.6	0.4	0.6	0.8
BC	0.4	0.6	0.6	0.6	0.6	1
BD	0.4	0.8	0.6	0.4	1	1
BE	0.6	0.8	0.4	0.4	1	0.4
BF	0.4	0.4	0.6	0.8	1	1
BG	0.6	0.4	0.2	0.6	1	0.8
BH	0.8	0.6	0.8	0.4	1	0.6
BI	0.8	0.6	0.8	0.6	1	0.6
BJ	0.8	0.6	0.6	0.4	1	0.4
BK	0.8	0.6	0.6	0.4	1	0.4
BL	0.8	0.6	0.6	0.4	1	0.4
BM	1	1	0.6	0.4	1	0.2
BN	0.8	0.6	0.8	0.6	1	0.6
BO	0.6	0.6	0.8	0.6	1	0.6
BP	0.8	0.8	0.6	0.6	1	0.6
BQ	0.4	0.6	0.6	0.6	1	0.8
BR	0.6	0.8	0.8	0.6	1	1
BS	0.6	0.6	0.4	0.6	0.6	0.4
BT	0.6	0.6	0.6	0.6	1	1

Table 19: Second iteration truth table following expansion of cases.

	CONDITIONS				OUTCOME	CASES	CONSISTENCY WITH SUCCESS
F1STR	F2NEC	RELAT	STRAT	ONEFI			
1	1	1	1	1	1	16	0.97
1	1	1	0	1	1	15	0.88
1	1	0	0	1	1	8	0.89
0	1	1	1	1	1	6	0.97
1	0	1	1	1	1	5	0.97
1	1	0	1	1	1	5	0.97
0	1	1	1	0	0	2	1
1	1	1	1	0	0	2	1
1	1	0	0	0	0	2	0.97
1	1	1	0	0	0	2	0.97
0	0	1	1	1	0	2	0.97
0	1	1	0	1		2	0.96
0	0	0	0	0		1	1
1	0	1	0	0		1	1
1	1	0	1	0		1	1
1	0	0	1	1		1	0.98
0	0	0	0	1		1	0.95
1	0	0	0	0			
0	1	0	0	0			
0	0	1	0	0			
0	1	1	0	0			
0	0	0	1	0			
1	0	0	1	0			
0	1	0	1	0			
0	0	1	1	0			
1	0	1	1	0			
1	0	0	0	1			
0	1	0	0	1			
0	0	1	0	1			
1	0	1	0	1			
0	0	0	1	1			
0	1	0	1	1			

Table 20: First analysis iteration: Consistency and coverage scores for single conditions consistencies against successful merger outcomes SUCCESS

Condition	Outcome SUCCESS (successful merger)	
	Consistency	Coverage
F1HIPER ~F1HIPER	0.78 0.83	0.72 0.47
F2LOPER ~F2LOPER	0.71 0.84	0.60 0.55
F1POWER ~F1POWER	0.75 **0.86**	0.76 0.40
RELATED ~RELATED	0.81 **0.85**	0.72 0.51
STRATEGY ~STRATEGY	**0.88** 0.77	0.73 0.51
ONEFIRM ~ONEFIRM	0.72 0.55	0.76 0.24

Note: Bold indicates consistency ≥0.85, implying causality

Table 21: First analysis iteration: Consistency and coverage scores for single conditions consistencies against not-successful merger outcomes ~SUCCESS

Condition	Outcome: ~SUCCESS (not successful merger)	
	Consistency	Coverage
F1HIPER ~F1HIPER	0.43 0.51	0.80 0.59
F2LOPER ~F2LOPER	0.46 0.38	0.79 0.51
F1POWER ~F1POWER	0.42 0.50	0.86 0.48
RELATED ~RELATED	0.45 0.53	0.81 0.65
STRATEGY ~STRATEGY	0.40 0.59	0.69 0.80
ONEFIRM ~ONEFIRM	0.28 0.48	0.60 0.40

Note: Bold indicates consistency ≥0.85, implying causality

Table 22: Second analysis iteration: Consistency and coverage scores for single condition necessity tests against outcome: SUCCESS

Condition	Outcome SUCCESS (successful merger)	
	Consistency	Coverage
F1STR ~F1STR	0.80 0.53	0.77 0.96
F2NEC ~F2NEC	0.83 0.55	0.81 0.95
RELAT ~RELAT	0.80 0.60	0.87 0.89
STRAT ~STRAT	0.81 0.61	0.95 0.82
ONEFI ~ONEFI	0.84 0.24	0.67 0.77

Note: Bold indicates consistency ≥0.85, implying causality

Table 23: Second analysis iteration: Consistency and coverage scores for single condition necessity tests against outcome: ~SUCCESS

Condition	Outcome: ~SUCCESS (not successful merger)	
	Consistency	Coverage
F1STR ~F1STR	**0.96** 0.60	0.55 0.64
F2NEC ~F2NEC	**0.96** 0.68	0.56 0.70
RELAT ~RELAT	**0.88** 0.79	0.56 0.70
STRAT ~STRAT	0.77 **0.93**	0.53 0.75
ONEFI ~ONEFI	**0.88** 0.26	0.40 0.90

Note: Bold indicates consistency ≥0.85, implying causality

APPENDIX D: Second analysis iteration - robustness testing of conditions

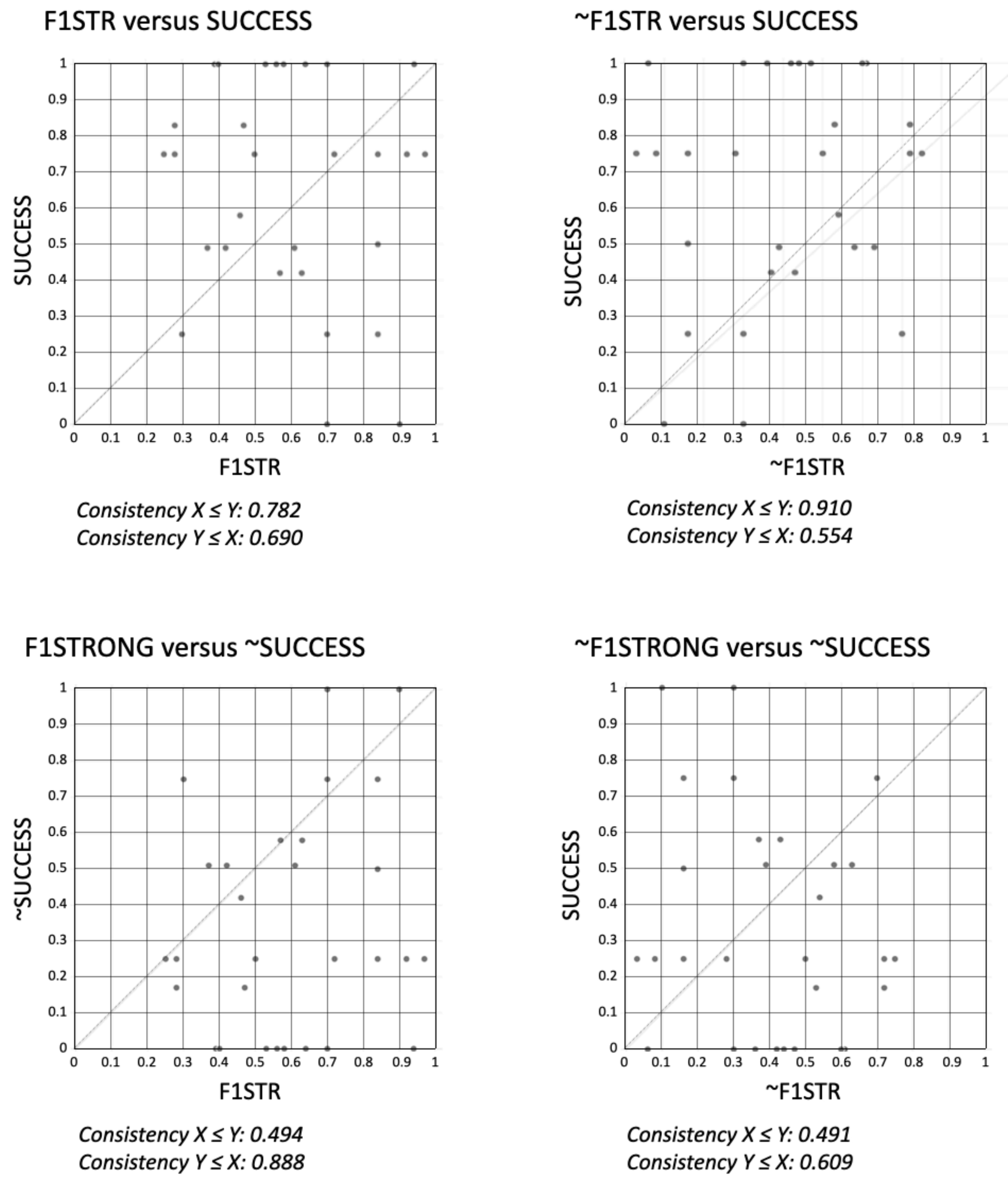

Figure 11: *Robustness tests of* F1STR *to* SUCCESS*, and their negations*

The presence of the condition ~F1STR is consistent with the outcome SUCCESS, but none of the other three configurations are consistent with either SUCCESS or ~SUCCESS. This means that in the sample studied, large acquiror law firms that were not performing well in the years preceding the merger were more likely to have successful large-scale mergers than such firms that were performing well.

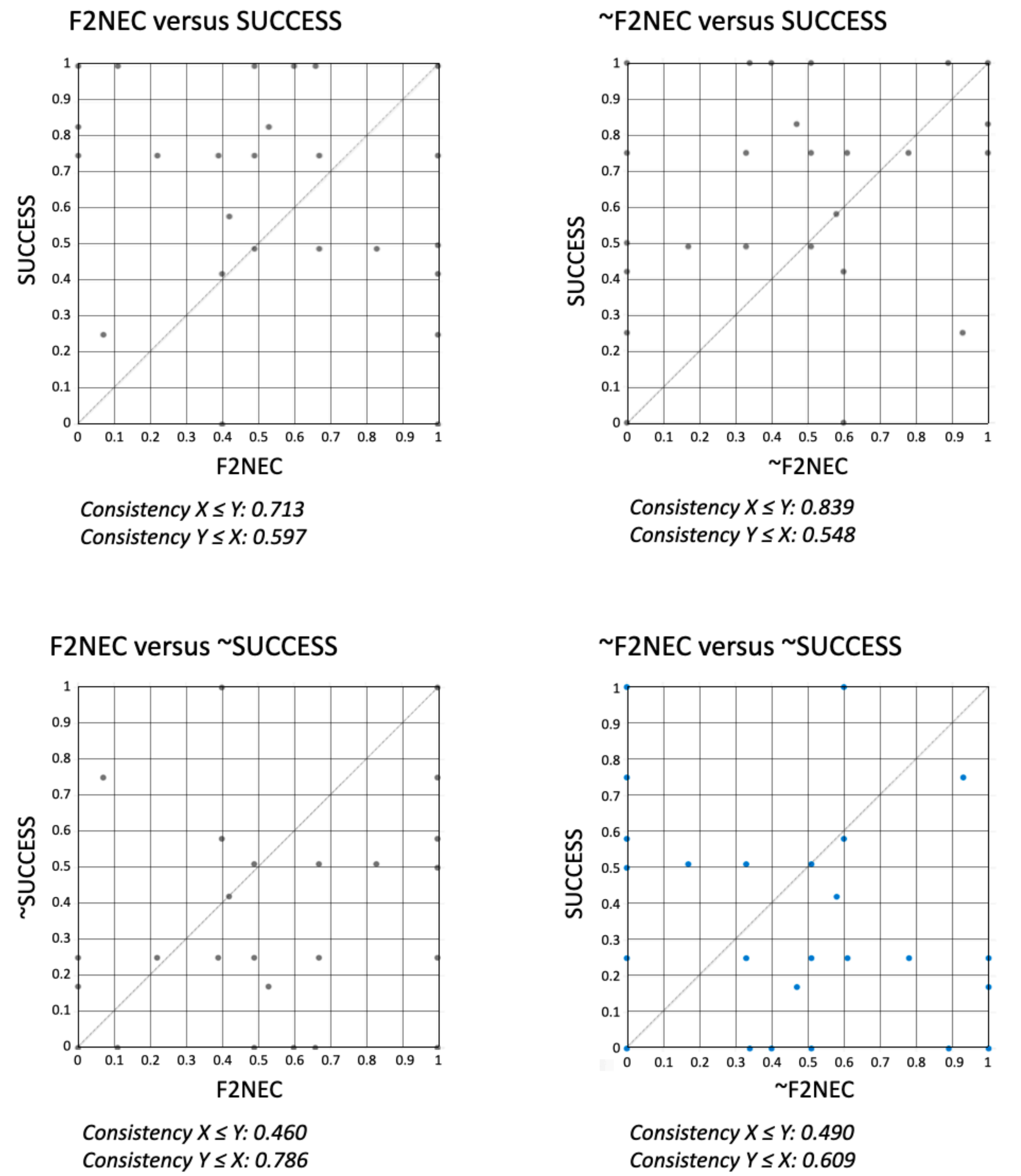

Figure 12: *Robustness tests of* F2NEC *to* SUCCESS*, and their negations*

The presence of the condition ~F2NEC is somewhat consistent with the outcome SUCCESS, but none of the other three configurations are consistent with either SUCCESS or ~SUCCESS. This means that a target firm that performed well in the years immediately preceding the merger is more likely to deliver a successful merger than one which is performing poorly.

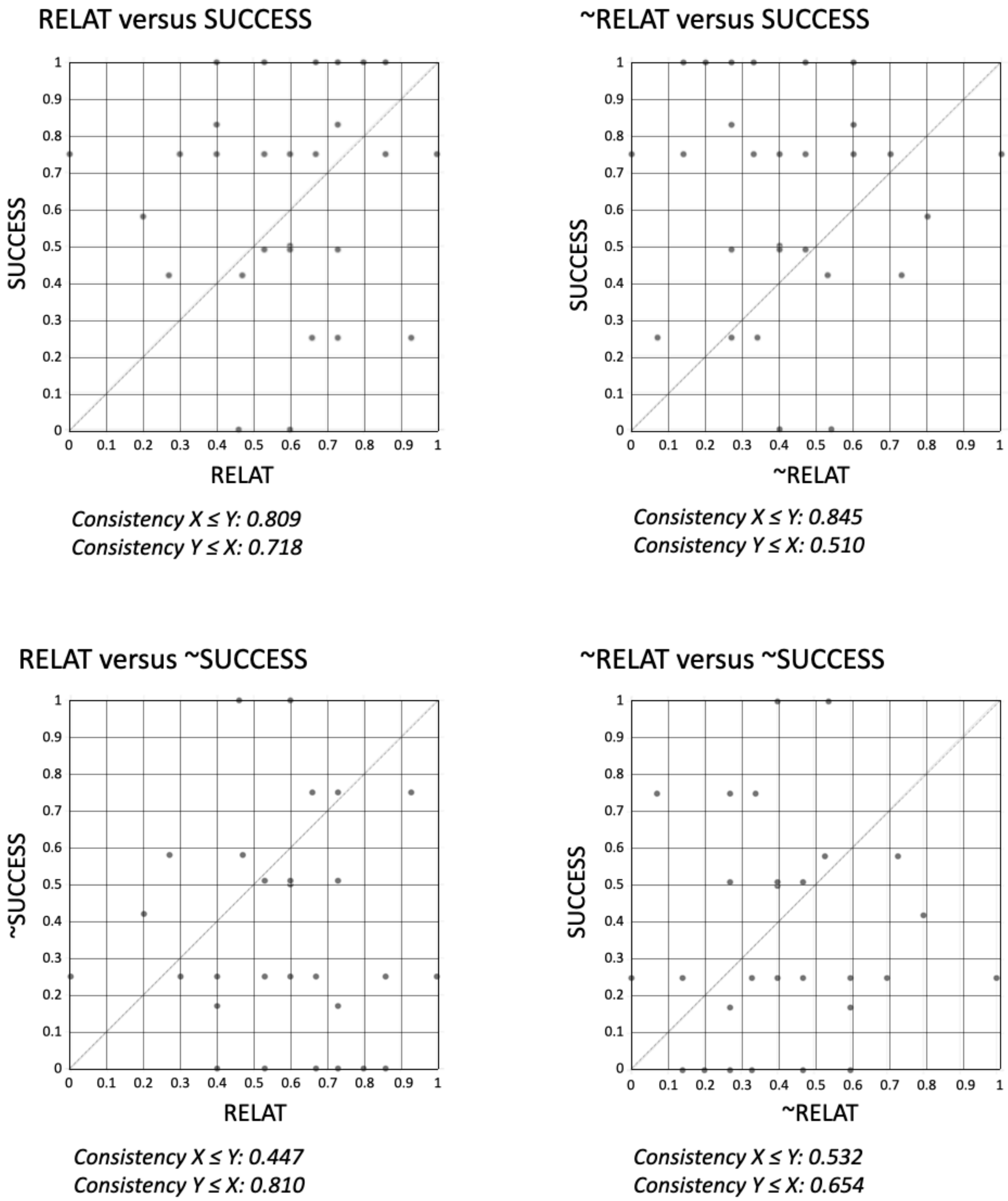

Figure 13: *Robustness tests of* RELAT *to SUCCESS, and their negations*

The presence of both the conditions RELAT and ~RELAT are consistent with the outcome SUCCESS, but neither of them are consistent with ~SUCCESS. The paths by which RELAT and ~RELAT arrive at the outcome SUCCESS are different, though.

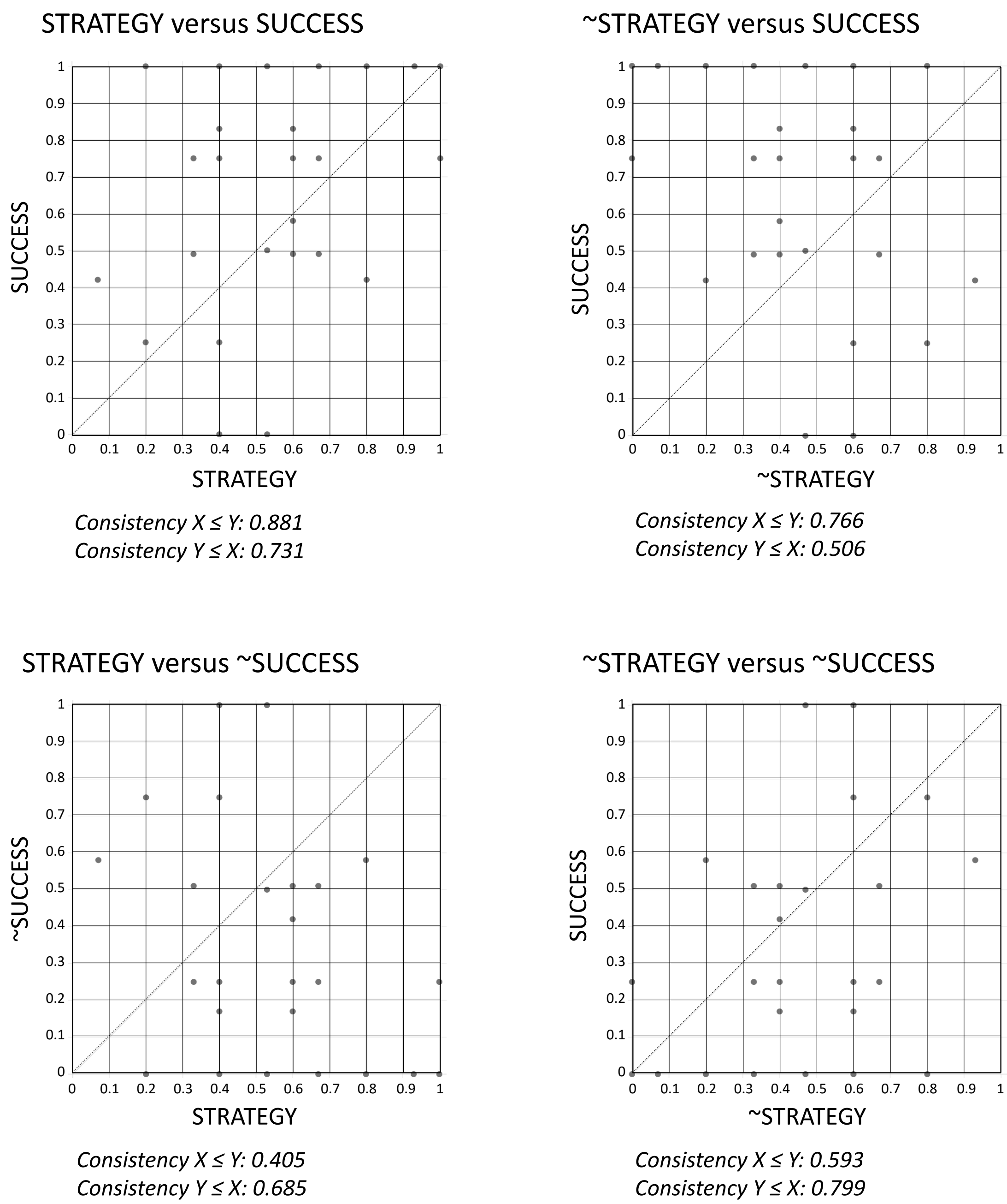

Figure 14: *Robustness tests of* STRATEGY *to* SUCCESS*, and their negations*

The presence of the condition STRATEGY is consistent with the outcome SUCCESS, but none of the other three configurations are consistent with either SUCCESS or ~SUCCESS.

APPENDIX E: Descriptive statistics

Table 24: Descriptive statistics of conditions and outcome SUCCESS, first iteration of analysis

Variable	Mean	Standard deviation	Minimum	Maximum	Number of cases	Missing cases
F1HIPER	0.59	0.21	0.25	0.97	31	0
F1LOPER	0.56	0.35	0	1	31	0
RELATED	0.60	0.22	0	1	31	0
STRATEGY	0.56	0.24	0.07	1	31	0
SUCCESS	0.67	0.30	0	1	31	0

Table 25: Descriptive statistics of conditions and outcome SUCCESS, second iteration of analysis

Variable	Mean	Standard deviation	Minimum	Maximum	Number of cases	Missing cases
F1STR	0.65	0.17	0.4	1	72	0
F2NEC	0.64	0.16	0.2	1	72	0
RELAT	0.58	0.16	0.2	1	72	0
STRAT	0.54	0.17	0.2	0.8	72	0
SUCCESS	0.63	0.24	0	1	72	0

APPENDIX F: Historical interest and exchange rates

Table 26: Historical U.S. and U.K. interest and exchange rates used in this study

United Kingdom

Year	Inflation (%)	Revenue Year M-3	Projected Year M-2	Projected Year M-1
2017	2.70%	1.0	1.027	1.053
2016	0.70%	1.0	1.007	1.034
2015	0.10%	1.0	1.001	1.008
2014	1.50%	1.0	1.015	1.016
2013	2.60%	1.0	1.026	1.041
2012	2.80%	1.0	1.028	1.055
2011	4.50%	1.0	1.045	1.074
2010	3.30%	1.0	1.033	1.079
2009	2.20%	1.0	1.022	1.056
2008	3.60%	1.0	1.036	1.059
2007	2.30%	1.0	1.023	1.060
2006	2.30%	1.0	1.023	1.047
2005	2.00%	1.0	1.020	1.043
2004	1.30%	1.0	1.013	1.033
2003	1.40%	1.0	1.014	1.027
2002	1.20%	1.0	1.012	1.026
2001	1.20%	1.0	1.012	1.024
2000	0.80%	1.0	1.008	1.020
1999	1.30%	1.0	1.013	1.021
1998	1.60%	1.0	1.016	1.029

United States

Year	Inflation (%)	F1 Rev Year M-3	Projected Year M-2	Projected Year M-1	Exchange rate USD:GBP (on 31 December of applicable year)
2017	2.13%	1.0	1.0213	1.0462	0.783735
2016	1.26%	1.0	1.0126	1.0342	0.810435
2015	0.12%	1.0	1.0012	1.0138	0.674100
2014	1.62%	1.0	1.0162	1.0174	0.642375
2013	1.46%	1.0	1.0146	1.0310	0.605510
2012	2.07%	1.0	1.0207	1.0356	0.618410
2011	3.16%	1.0	1.0316	1.0530	0.643380
2010	1.64%	1.0	1.0164	1.0485	0.649980
2009	-0.36%	1.0	0.9964	1.0127	0.622970
2008	3.84%	1.0	1.0384	1.0347	0.693525
2007	2.85%	1.0	1.0285	1.0680	0.500826
2006	3.23%	1.0	1.0323	1.0617	0.510530
2005	3.39%	1.0	1.0339	1.0673	0.579895
2004	2.68%	1.0	1.0268	1.0616	0.521349
2003	2.27%	1.0	1.0227	1.0501	0.563873
2002	1.59%	1.0	1.0159	1.0390	0.623675
2001	2.83%	1.0	1.0283	1.0446	0.689703
2000	3.38%	1.0	1.0338	1.0631	0.670128
1999	2.19%	1.0	1.0219	1.0564	0.618884
1998	1.55%	1.0	1.0155	1.0377	0.601395

Sources:

Historical inflation rates (UK): https://www.rateinflation.com/inflation-rate/uk-historical-inflation-rate/

Historical inflation rates (USA): https://www.rateinflation.com/inflation-rate/usa-historical-inflation-rate/

USD:GBP historical exchange rates: https://www.ofx.com/en-gb/forex-news/historical-exchange-rates/usd/gbp/

APPENDIX G: Rubrics used in the second iteration of analysis

SUCCESS vs ~SUCCESS

1 (fully successful)	• Profit margin (PM), revenue per lawyer (RPL) and real revenues all improve significantly in years M to M+2, and are higher in M+2 than was the case for acquirer firm in M-1 • Chambers Global rankings increase significantly in number and rank scores in years M to M+2 • No significant defections evident in years M to M+2 • Contemporaneous media coverage is highly positive
0.8 (mostly successful)	• Profit margin, RPL and real revenues in year M+2 constant or slightly improved over those in year M and no poorer than that of the acquirer firm in year M-1 • Chambers Global rankings remain constant or increase slightly in number and rank scores in M+2, relative to M • Significant defections not evident in years M+1 and M+2 • Contemporaneous media coverage is generally positive
0.6 (marginally successful)	• Firm's performance in year M+2 similar to but slightly poorer than on year M and not poorer than that of F1 in year M-1
0.4 (marginally unsuccessful)	• Firm's performance in year M+2 generally similar to that on year M and poorer than that of F1 in year M-1
0.2 (mostly unsuccessful)	• Profit margin, RPL and real revenues in year M+2 similar to those in year M, and RPL and real revenues might have declined slightly • Chambers Global rankings have remained constant in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative about the merger outcome
0 (fully unsuccessful)	• Profit margin, RPL and real revenues in year M+2 lower than those in year M • Chambers Global rankings decline in number and the rank scores in M+2, compared to year M • Significant talent defections evident in years M+1 and M+2 • Contemporaneous media coverage negative about the merger outcome

F1STR vs ~F1STR

1 (full set membership)	• Profit margin improved in years M-3 to M-1, or remained constant while RPL and real revenues improved • Chambers Global rankings increased in number and rank scores in year M-1 compared to year M-3 • Significant defections not evident in years M-1 to M-3 • Number of equity partners grew in years M-3 to M-1 • Real revenues increased in years M-3 to M-1 • Highly positive coverage in contemporaneous media
0.67 (mostly in-set)	• Profit margin improved in years M-3 to M-1, or remained constant while RPL and real revenues improved • Chambers Global rankings increased in either number or rank scores in year M-1 compared to year M-3 • A few defections evident in years M-1 to M-3 • Number of equity partners constant in years M-3 to M-1 • Revenues increased in years M-3 to M-1 but <inflation • Generally positive coverage in contemporaneous media
0.33 (mostly out-of-set)	• Profit margin, RPL and real revenues in year M+2 similar to those in year M, and RPL and real revenues might have declined slightly • Chambers Global rankings have remained constant in number and the rank scores in M+2, compared to M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative
0 (fully out of set)	• Profit margin, RPL and real revenues in year M+2 lower than those in year M • Chambers Global rankings decline in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is negative

F2NEC vs ~F2NEC

1 (full set membership)	• F2 and/or F3 rescued either from insolvency, or to avoid it • Profit margin and one or both of RPL and real revenues declined for F1 (and F3) from year M-3 to M-1 • Chambers Global rankings increase significantly in number and rank scores in year M+2, compared to year M • Significant defections not evident in years M+1 and M+2 • Contemporaneous media coverage of the firm is negative in years M-3, M-2 and/or M-1 • Significant key client losses in M-3 to M-1
0.67 (mostly in-set)	• Profit margin declined in M-3 to M-1 without increase in RPL and/or real revenues (that would indicate strategic investments) or remained constant and/or real revenues slightly declined over those years • Chambers Global rankings decreased in number and rank scores from M-3 to M-1, and/or significant talent defections occurred in those years • Contemporaneous media coverage is generally positive
0.33 (mostly out-of-set)	• Profit margin, RPL and real revenues in year M+2 similar to those in year M, and RPL and real revenues might have declined slightly • Chambers Global rankings have remained constant in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative about the merger outcome
0 (fully out of set)	• Profit margin, RPL and real revenues in year M+2 lower than those in year M • Chambers Global rankings decline in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative about the merger outcome

RELAT vs ~RELAT

1 (full set membership)	• Profit margin, RPL and real revenues in year M+2 significantly improved, relative to M • Chambers Global rankings increase significantly in number and rank scores in year M+2, compared to M • Significant defections not evident in years M+1 and M+2 • Contemporaneous media coverage is highly positive
0.67 (mostly in-set)	• Profit margin, RPL and real revenues in year M+2 constant or slightly improved over those in year M AND that of acquiror firm in year M-1 • Chambers Global rankings remain constant or increase slightly in number and rank scores in M+2, relative to M • Significant defections not evident in years M+1 and M+2 • Contemporaneous media coverage is generally positive
0.33 (mostly out-of-set)	• Profit margin, RPL and real revenues in year M+2 similar to those in year M, and RPL and real revenues might have declined slightly • Chambers Global rankings have remained constant in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative about the merger outcome
0 (fully out of set)	• Profit margin, RPL and real revenues in year M+2 lower than those in year M • Chambers Global rankings decline in number and the rank scores in M+2, compared to year M • Some significant defections evident in years M+1 and M+2 • Contemporaneous media coverage is ambivalent or slightly negative about the merger outcome

STRAT vs ~STRAT

1 (full set membership)	• Merger will strengthen existing key practices or otherwise enhance existing VRIO resources, AND • Diversify practices offered to clients or otherwise build new VRIO resources, AND • Significantly increase critical mass in key markets and/or achieve economies of scale, AND • Enter multiple new markets, AND • Introduce significant innovations or other performance-enhancing resources
0.67 (mostly in-set)	• Merger will introduce most of the above
0.33 (mostly out-of-set)	• Merger will introduce a few of the above
0 (fully out of set)	• The merger is predicated on only one strategic objective, or is purely defensive, or not clear strategic imperative is discernible

Further scoring guidelines:

1. If changes in Chambers Global ranking deliver ambiguous conclusions, apply greater weighting to the most important practices for the firm - for instance the core corporate M&A, litigation, and commercial practices for full service firms – than for peripheral practices or those supportive of the core business of the firm.

2. If the combined firm's practices are ranked in no or very few areas, focus on how other relevant criteria inform score selection, including the presence of factors the negation of which are consistent with ~SUCCESS.

3. Real revenue growth means growth that exceeds the rate of inflation in the market in which the acquirer firm is located (for escalators applied, see Appendix F.)

4. Apply greater weighting to financial criteria generally and where available (especially profit margin and real revenue growth).

5. In case of real revenue growth, consider whether that resulted from further merger activity and whether such subsequent mergers are strategically aligned.

6. Avoid commentary on the mergers success or otherwise that were published more than three years following the merger.

7. In case of each partner departure in the two years following the merger, consider whether that was due to reasons of conflict or that partner being eased out because of underperformance or strategic misalignment, or whether the departure represented a regrettable, avoidable loss to the combined firm.

8. Consider whether a combined firm that converted from an all-equity partnership to one that included non-equity/salaried partners in years M-1 to M-3 and, if so, whether this was for legitimate strategic reasons or a tactic to enhance *profit per equity partner* (PEP) while masking lack of growth in the firm's performance.

9. Use personal knowledge of cases as available unless precluded from doing so (e.g. by NDA).

ONEFI vs ~ONEFI

1 (full set membership)	• Firm uses a unitary governance model, with common profit pool and single firm-wide strategic decision-making process
0.67 (mostly in-set)	• Firm operates separate profit pools across different offices or groups of offices but in all other respects operates as a one-firm-firm
0.33 (mostly out-of-set)	• Firm operates a dispersed governance system with separate profit pools and devolved strategic authority, but a reasonable amount of collaboration across offices.
0 (fully out of set)	• Firm operates a highly dispersed governance system with separate profit pools and devolved strategic authority, with little or no collaboration across offices beyond work referral and common brand

Further scoring guidelines:

1. Consider practitioner publications and grey media commentary on the degree of governance dispersion in mergers utilising verein or similar constructs.
2. Use personal knowledge of cases as available unless precluded from doing so (e.g. by NDA).

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