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A Famous Big Law Combination, 20 Years Later—And Its Lessons For Today's Merger Market

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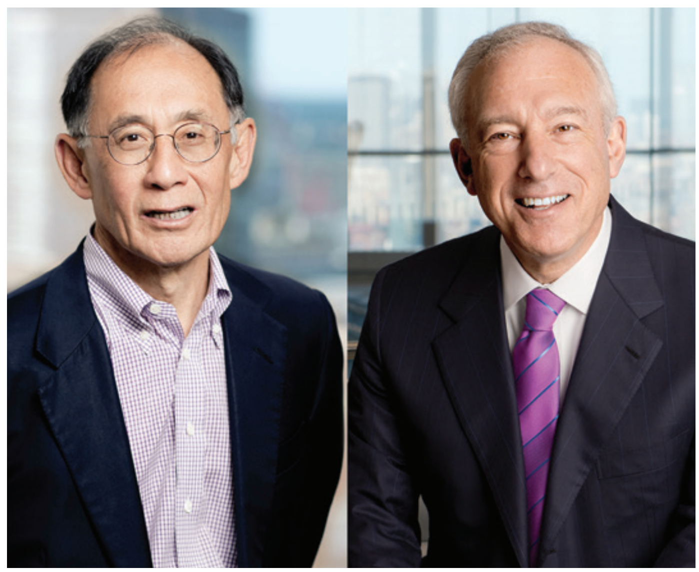
As merger interest in the legal industry runs rampant, several Big Law firms are in merger talks or in the process of integrating from a merger. But an untold number of law firms have left merger discussions in recent years, halted by differences over culture, financials or leadership.

A look back at one of Big Law's most famous mergers—the combination of Boston-founded Hale and Dorr with Washington, D.C.-founded Wilmer, Cutler & Pickering in 2004—provides some clues to firms currently in talks about navigating the merger process and what worked. With the merged firm, informally known as WilmerHale, now in its 20th anniversary, firm leaders spoke with Law.com about some culture clashes at the beginning but also how and why the firms successfully integrated.

One decision firm leaders must make now during merger talks is how to inform the rest of the partnership of the discussions, without a news leak potentially disrupting the talks. Just last year, many lawyers at Shearman & Sterling and Allen & Overy learned only hours before the two firms publicly released a joint announcement on their merger, Law.com earlier reported.


Courtesy photos

Bill Lee (left) and Bill Perlstein.

But Bill Lee and Bill Perlstein, who both served as co-managing partners after the Wilmer merger until the end of 2012, said they decided, during their firms' merger discussions more than 20 years ago, that it was imperative to loop the entire partnership and

50 key staffers in on the talks. They said, at the time, this decision was imperative to the merger's success, but they both surmised this move would likely not be possible in today's legal environment.

"The thing that to me personally indicated that the merger was going to work was not any brilliant strategic analysis but the fact that we brought all these people into the loop in October and it never leaked until we made it public on May 31," Lee said, which "said to me that it was going to work."

The Wilmer and Hale firms still had some differences to resolve more than 20 years ago. Lee, who was the managing partner of Hale and Dorr at the time of the merger, noted that, at the time of the merger, the firms were "85% culturally compatible, 15% not culturally compatible."

"The culture at Wilmer was brilliant lawyers who are in their offices, but they often work with their doors shut. The culture at Hale and Dorr was lawyers who always had their doors open, who walked around in the office without shoes on sometimes and just wandered in each other's offices," said Lee. "Bill [Perlstein] and I decided that we wanted a culture where everybody wandered into everybody's offices."

The firm addressed other issues through keeping an open line of communication and putting in place key leaders to guide the transition, Lee added.

Shared Values, Few Conflicts

Even if law firms have some cultural differences, a look at Wilmer and Hale's merger decision highlights how a combination can still work if firms have some shared values and interests—as well as limited client conflicts.

The idea of the Wilmer merger, which sprang from an informal meeting in New York between a couple of attorneys from both firms, first took off due to shared values, former firm leaders said.

"We were different. We had different histories. But at the end of the day, the quality of lawyers, the quality of practice, the commitment to public service, the commitment to pro bono and the community were very common values of the two firms," Lee said.

Perlstein, who was managing partner of Wilmer Cutler & Pickering at the time of the merger, said what they had "tried to do was to build a firm that had the full suite of what we thought the key practices were."

At the time, the merger was one that "wasn't expected" as both firms were in a "position of strength," although the mixture of practices was complementary, noted Steve Nelson, an executive consultant at The McCormick Group.

"From a practice standpoint. It made a lot of sense because Wilmer was very strong in the typical Washington regulatory-related litigation, all of the Washington sort of practices… Whereas Hale and Dorr was a player in the technology space, known for their corporate practice," said Nelson in an interview.

That distinctive practice mix from both legacy firms meant there were fewer conflict issues — a potential learning point for law firms currently considering mergers.

"A lot of mergers, basically, hit the rocks, because you have a conflict and the conflict is one that is just irreconcilable," Lee said. "Our practices really were complimentary, rather than sort of identical or overlapping, and I think that helped."

Merger Skepticism

The Wilmer merger wasn't a total match-up, highlighting that no merger can be 100% perfect.

At the time of the merger, legal observers expressed skepticism about whether the merger would succeed on a business level and if the merged firm would be able to truly establish a national platform, according to interviews with The American Lawyer in 2004. For instance, at the time of the merger, neither legacy firm had a California office. But today, Wilmer has offices in Los Angeles, Palo Alto and San Francisco.

Lee said that, at the time of the merger, both firms realized that they "needed to do something that made us more substantial nationally."

"We were both in transition; we both knew that we needed to change and to grow. But we wanted to do it in a way where the most fundamental values of the institution stayed the same. And that's why it was an easy decision for everybody," Lee said.

A look at Wilmer today highlights how the merger served to boost the combined firm into the national scene and grab market share away from regional players and even other national firms.

Wilmer ranked No. 31 in the latest Am Law revenue rankings over total gross revenue. In the year before their 2004 merger, the legacy firms were ranked No. 62 and No. 60.

In the two decades since the merger, Wilmer has steadily increased its revenue and consistently grabbed a top 50 spot in gross revenue. Last year, the firm reported $1.49 billion in gross revenue and $3.1 million in average profits per equity partner.

"Overall, WilmerHale is widely perceived as one of the most successful law firm mergers of all time. Drivers that shape the market's perception include a reputation for consistently excellent quality and market leadership in chosen areas of focus," said legal consultant Kent Zimmermann.

Current managing partner Anjan Sahni said that the merger "inculcated a sense of innovation, that we can adapt, we can innovate, we can do difficult things."

But the work is never over. One of the current focuses at the firm is investing in its transactional and corporate practices, along with its government-facing practices and its trial practice.

"We have an exceptionally strong corporate practice but we would like to scale that up," Sahni said.