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Small Firm Mergers Piling Up in New Jersey

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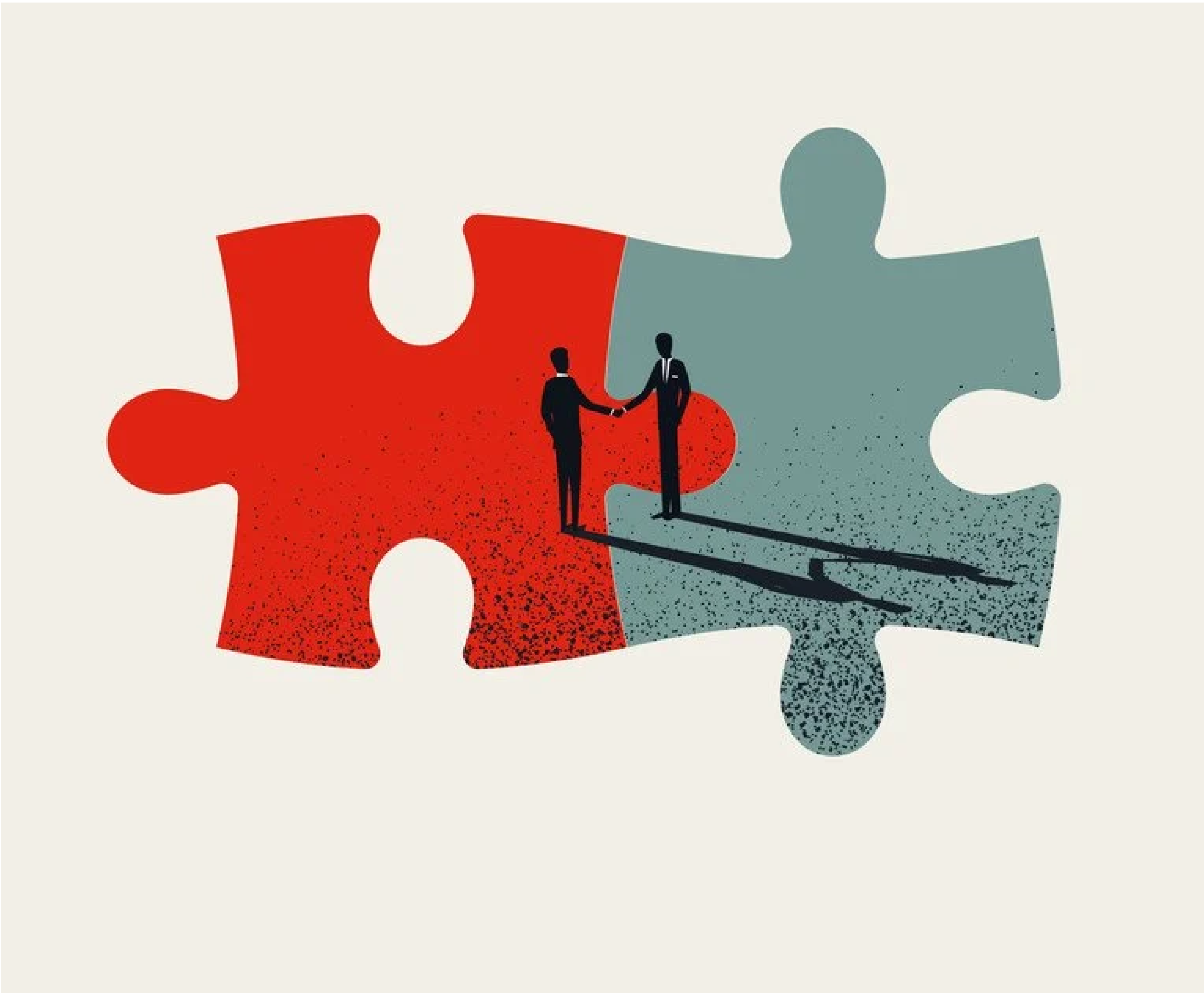
By David Gialanella | February 02, 2022



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There have been a number of notable mergers in recent months involving small law firms in New Jersey. Do these moves have anything to do with the peculiarities of the legal industry during COVID-19? The answer, as with many things, is "it depends."

Law Journal reports going back to the latter part of 2021 document at least seven small firms being involved in mergers—often with firms larger than themselves, if not large firms, per se.

Among the moves are: Coughlin Midlige & Garland's absorption (https://www.law.com/njlawjournal/2021/12/28/coughlin-midlige-garland-adds-5-to-its-estate-trust-and-taxation-group/) of Cestone & Thompson; the hire (https://www.law.com/njlawjournal/2021/12/07/decotiis-gains-9-from-dissolving-boutique/) of nine Kaufman, Semeraro & Leibman lawyers by DeCotiis FitzPatrick Cole & Giblin, with others from the dissolved 14-lawyer firm heading to Goldberg Segalla, Post Polak and Chiesa Shahinian & Giantomasi; Rawle & Henderson's hiring back (https://www.law.com/njlawjournal/2021/11/17/philadelphia-defense-firm-reunites-with-partner-pair-that-spun-off-26-years-ago-399-71069/) of the partners making up spinoff firm Wright & O'Donnell; and Holden Legal Group's merging into (https://www.law.com/njlawjournal/2021/09/09/on-the-move-a-y-strauss-holden-legal-group-wong-fleming-sills-cummis/) A.Y. Strauss.

More recently, in a move announced Tuesday, elder law firms Archer Law Office and Brogan Law Group merged to form 18-lawyer Archer Brogan in Hamilton.

"Most firms should be and most firms are looking out for opportunities," said Linda Berthold, vice president of the attorney search group at Haley Stuart Group. There has been a growing emphasis on the business of law over the past decade-plus, and some firms are struggling to generate business and manage operations, she said. As partners at some firms approach retirement, "It's almost a natural occurrence" to seek a merger partner, she said.

Linda Berthold of Haley Stuart

As for COVID, Berthold said she doesn't believe it's a particularly big driver of mergers involving small firms. "I don't think it's a major reason for this. I think it's just business as usual, [with] firms being a lot more business savvy in terms of acquisitions."

For a firm involved in one recent move, though, COVID proved to be a big factor.

In a move announced Jan. 3, Lawrenceville-based Szaferman, Lakind, Blumstein & Blader brought on five of the six attorneys making up Gaylord Popp of Trenton, which handles workers' compensation, Social Security disability claims and disability pension appeals. The sixth lawyer, name partner Lawrence Popp, handles personal injury law and headed to Hamilton firm Kalavruzos, Mumola, Hartman, Lento & Duff.

The Szaferman move meant expanding practice areas for lawyers on both sides.

"It just didn't seem to me that we had enough diversity in what we offer to clients," Sam Gaylord, managing partner of Gaylord Popp and now a partner at Szaferman Lakind, said in an interview, citing, at this former firm, "a decline in being able to get for our clients the benefits, the awards they should be entitled to."

Before the pandemic, the firm, which works on contingency fees, had hired a second full-time personal injury attorney, there had been year-over-year growth in business for several years running, and the firm in July 2019 moved into a building the partners bought, Gaylord said. Since COVID began, though, insurers have

Sam Gaylord of Szaferman, Lakind, Blumstein & Blader in Lawrenceville, New Jersey. Courtesy photo

been willing to settle, but for lower sums, according to Gaylord. “We would stand pat.”

“When you have less settlements, you have less cash flow. So, not seeing an end to the virtual world any time soon—that was one of the big prompters of trying to find a bigger home,” Gaylord said.

Gaylord Popp began looking at ways to bring hourly practices, such as matrimonial and bankruptcy, into the firm, and that’s when they connected with Szaferman Lakind, whose lawyers they’ve known for many years.

Gaylord said he wasn’t looking for ways to quit law firm management. “I actually enjoy all that,” particularly marketing, which he’ll now get to do on behalf of the Szaferman firm, he said. “That to me is going to be the fun part.”

He did acknowledge, though, that having others in firm leadership with whom to consult makes the business side of law more enjoyable and less fretful. ”And not having to worry about the 800 administrative task at the beginning of the year wasn’t the worst thing in the world,” he quipped.

“I think it’s very difficult to run any size law firm. … And then when you add on top of that this period of time in our lives that was so disruptive, I think it made it even more difficult. Smarter attorneys are going to find ways to connect with, if not merge into, other firms to either share resources or find creative ways to be partners,” Gaylord said. “It’s going to be very difficult going forward to be the solo attorney as it historically has been … unless you have really specific niche which really allows you to differentiate yourself from what other people are doing.”

‘No Intention of Retiring’

Another acquisition, agreed to in August 2021 but made public later in the year, was Javerbaum Wurgaft Hicks Kahn Wikstrom & Sinins’ addition of 13 attorneys from Kraemer Burns. For Javergaum Wurgaft, the new group brought new capabilities in trusts and estates, bankruptcy, and commercial litigation.

COVID didn’t play a role in prompting this move, though succession did, according to Douglas Burns, who, along with some of his partners, began practicing law in the early 1970s, he said in an interview.

“It was nothing to do with COVID … because both firms were operating well,” Burns said. The driver was finding a situation where the Kraemer Burns group could have a bigger platform, and Burns himself could move out of the managing partner role to focus on the practice, he said.

“I’m not a youngster, but I have no intention of retiring,” Burns added, and ”it made sense to start talking about” a possible merger with the Javerbaum Wurgaft camp, with whom the Kramer Burns group had long had a referral and personal relationship.

Douglas Burns, attorney at Javerbaum Wurgaft. Courtesy photo

While ”the immediacy of closing the doors wasn’t the issue,” there was no concrete in-house succession plan, he said. “If we could have brought in a few people, we would have considered that,” but “most clients are looking for a partner relationship … so it didn’t make sense to leverage” more junior attorneys, Burns said. “It would’ve meant a more direct effort to bring in several individuals or combine with another smaller group to maintain what we had … But over the years we have not really focused on that, and we felt that the way we service clients is—it’s a partner on the client.”

Of succession, overall, Burns said: “It’s a hard thing. I talk about it with firms all the time … You want to plan for the future, but your firm doesn’t necessarily lend itself to that.”

As for Kraemer Burns no longer existing as an entity, he said that is not a bother to him or his partners. ”The legacy itself wasn’t important. … none of us really had that type of ego. It’s more important to service our clients,” Burns said.

‘Not Always So Easy’

There are, according to Berthold, small firm leaders who have the view, ”when I’m done, I’m done,” and the firm will turn off the lights. But forgoing a merger is not always a matter of preserving autonomy or lack of a willing partner.

At a small firm, with few partners, compensation can be greater, if costs are managed effectively, Berthold said.

At a bigger firm, “you would think there’d be an ability to cross-sell clients … but it’s not always so easy,” she said.

“When you go to a bigger firm, you’re not controlling the expenses like you were at your old firm. Some smaller firms are run incredibly profitably,” Berthold added.

Many small firm leaders ”keep things in good form and find themselves making really good money,” she said. “But you also have those who aren’t very good businesspeople and find it such a relief” to go to a place where the business is managed for them, she added.