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FIRMS MUST BE INTEGRATED FOR MERGERS TO BE SUCCESSFUL

As discussed in our September, 2013 Communique, many mergers fail because there were red flag issues evident beforehand which the firms either ignored or failed to resolve. However, even when the firms resolve these issues beforehand, some mergers still fail. Why? Because management did not address the integration of the firms after they were officially merged. Here is what management should do in order to integrate the firms so that the merger is successful.

- **Give priority to human due diligence.** People issues are often at the root of failed mergers. The best way to address these issues – and to prevent a “we” and “they” attitude – is to . . .
- **Communicate, communicate, communicate.** During pre-merger due diligence, both firms generally take great pains to communicate to their partners – and eventually everyone in the firm – the status of the possible merger. After they merge, however, there is often a big drop-off in communication. This is the opposite of what should happen. More communication is needed after the merger than before. Firms that have successfully integrated do some or all of the following to maintain communication throughout the merged firm.
 - One of the most important steps is for the Managing Partner/CEO and others in senior management to be visible and available. They should walk the halls, talk to the people – staff as well as lawyers – and visit the offices, particularly if they are located in other parts of the country or even in other countries. The objective is to answer questions and provide information.
 - Publish frequent newsletters with updates on what’s going on and what will be going on.
 - Set up a merger “hot line” to answer questions and obtain feedback. This is often best handled by senior members of the administrative staff.
 - Promptly publish a directory of all personnel, administrative and support staff as well as lawyers. Include position or title if appropriate, practice group, office location, phone number and e mail address. Plan to update the directory after a few months.
 - Draft a temporary Procedures Guide and distribute it to everyone, lawyers and staff.
- **Form an Integration Task Force.** This is a group comprised of lawyers, administrative personnel and support staff from various practice areas and offices. Their charter is to provide feedback on how integration is progressing. This task force can also serve as a sounding board to test potential announcements, policies and plans.
- **Hold a partners’ retreat three or four months after the merger.** Include senior administrative personnel. The objectives of the retreat should be:
 - To enable all the partners from each prior firm to get to know each other
 - To begin to get them working together
 - To develop or confirm the direction or focus for the firm.

Agenda items could include:

- Define or reaffirm the firm’s Vision.
- Develop or confirm principles about matters such as governance, client relations, internal communications and community involvement.
- Cross-marketing.
- Begin development of a Strategic Plan if none exists.

- **Schedule a separate meeting or retreat for key administrative personnel.** This should occur shortly after the partners' retreat.
- **Communicate with clients.** Everyone's focus and action must be client-driven. Major clients (largest fees) and key clients (potential for large fees or referrals) must see the benefits of the merger if it is to be successful.
- **Initiate cross-marketing.** Begin scheduling meetings of partners, associates and key firm managers, in-person or by conference call. Agenda items should include:
 - Presentations by each practice group
 - Presentations on industry expertise including specific clients
 - Identification of target clients who could use services from the "other" firm
 - Development of action plans to initiate cross-marketing opportunities
 - Setting dates to review progress and to track new work resulting from cross-marketing
- **Hold a firm retreat for all lawyers.** This should be scheduled for a year after the merger.
- **Establish criteria to measure the success of the merger – and track them.** These should include more than just increased revenues and profits/partner (PPP). Also include:
 - Progress in understanding and fulfilling the firm's Vision
 - Improvement in providing value to clients as measured by client feedback
 - Improvement in other key areas including:
 - case and project management
 - internal communications
 - development of practice and industry groups
 - additional work from existing clients
 - new clients
 - client retention
 - community involvement
 - reduced lawyer and staff turnover

Successfully integrating the firms after a merger requires considerable extra work and can take as long as two years. But the only alternative – a merger that subsequently fails – is not acceptable.

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