

## **Making Law Firms Mergers Work: Six Ingredients to Happy Marriage** **By Donald E. Robinson and Dan Safran**

In *Pride and Prejudice*, English novelist Jane Austen writes “happiness in marriage is entirely a matter of chance.” Anyone who has ventured into the world of law firm mergers might agree. However, in our view there are steps you can take to help ensure “merger happiness” is not left to chance. These steps are even more critical today, when more firms are exploring mergers as a path to growth and the backdrop of a slower economy serves to highlight any missteps.

If your firm is pursuing the merger path as a growth recipe for your firm, consider these five ingredients to success which are especially relevant in today’s trying economic times.

Before we dig into the Top 6 ingredients, we should caveat the list by recognizing that it is not a complete recipe. Mergers are complex and key dimensions always include resolving questions about law practice strategy, practice group integration, conflicts checking, financial systems, document management systems, IT networks and applications, and many other issues. But in our experience, the six listed below are the ingredients that can make the recipe palatable, if not tastefully delicious. Merger happiness is the key measure of success.

- **Ingredient 1. A clearly articulated strategy.** Why do you want to merge? How will it add value for the capital partners in the firm? What will we look like once completely integrated? Certainly, many aspects of these questions are typically addressed through

diligence and the courting process. But articulating the answers and carrying them into the integration process will help fuel eventual success. Answers need to be much more than the typical “party-lines” inevitably end up as a part of the deal press release. Instead, ask “what specific evidence of success will we look to 3 years from now to indicate the deal we are contemplating was a good one (assuming we choose to do it).”

- **Ingredient 2. Careful diligence.** In 2008, the U.S. and Global economies turned on a dime. One impact is that at no other time has past performance (e.g., 2008 billings in particular) been a poorer indicator of future performance than today. With any contemplated deals, it is more important than ever to get under the covers with an eye on what lies ahead for your potential merger partner (not what they’ve done in the past). Trends, pipeline, practice focus and the health of longstanding clients all become important requests in any due diligence effort.

- **Ingredient 3. Candor on culture.** When times are difficult, the nerve endings of organizational culture get exposed. Differences (which are always present) are magnified and can balloon in to full-fledged retention issues and business distractions. These need to be addressed head on and overtly. How? Identify the key cultural attributes that are a part of the DNA of both firms (is it billing hours expectations? Fee structures and billing practices? Reward systems? Client ownership? Secretarial ratios?) and then make decisions on what the new firm wants to be, remembering all the way through that cultures are not “right or wrong” but they just “are.”

### **Why This Deal?**

*Answers need to [go beyond] the deal press release. Instead, ask “what specific evidence of success will we look [for] 3 years from now to indicate the deal was a good one?”*

- Ingredient 4. Coordinated Cross-selling.** The cost side of deals is easy. Finding synergies in Practice management and Administration management (i.e, HR, Finance, Information Technology, Marketing, and Facilities) typically bears fruit – if firm leaders have the fortitude to make the hard decisions. The growth side of the merger equation, however, is always harder. Achieving hypothetical synergies that are envisioned to come from cross-selling are elusive and many hurdles before they can be truly realized. So how do you increase the chances of success on this front? In our experience, focused discussions through thoughtful, prepared sessions and facilitated conversations that are later supported by good reporting (i.e., measurements and dashboards), are what makes cross selling a reality. With one client, PLA’s consultants spent a day with over 40 partners in the two corporate departments of merging firms and identified cross-selling activities through structured breakout sessions for each practice area (litigation, transactions, bankruptcy, patent and trademark). The result? New, trust-based relationships among previously skeptical partners and identification of over 30 cross-selling opportunities that could be monitored for progress on a single dashboard.
- Ingredient 5: Quick Decisions on Organization Structure.** One universal lesson learned from our law-firm merger and corporate deal experience is straightforward, but exceedingly difficult in practice: Co-Leader arrangements don’t work. Whether it is co-CEOs, Co-Practice or Department heads, or Co-Executive Directors, the structure inevitably ends up impeding progress (at best) and more likely damages the value of the combined firm. In a merger situation, it is better to simply choose. Sure there are dynamics that must be considered. And many firms should take the opportunity to upgrade talent by looking outside for a key role they need to fill when neither incumbent is suited for a role that may be bigger and more strategic after a combination. However, we’ve found that speed and the fast removal of uncertainty around roles are paramount to merger success.
- Ingredient 6: Define goals and Measure, Measure, Measure.** Without discrete goals defined, how to you measure success? If you don’t measure, how will you know that the merger was a success? One of the keys to creating value in any deal is having the discipline to step back and answer two key questions: 1) 3 years from now, what evidence will we lean on to prove the merger was a success? and, 2) What are the 6 to 10 things that have to be finished before we can call the integration complete? These critical questions need to be asked early in the process, long before the noise-level of integration begins to impair your ability to think clearly. Is it cross selling revenues, practice profitability, revenue per partner, cost goals, client satisfaction – all of the above? Are we done with integration once financial systems, practice groups, networks and facilities and the brands are integrated? Once set, progress against goals and the integration finish line need to be reviewed at least monthly. Similar to tasting the combined ingredients as

#### Cross-Selling Must Be Engineered

Cross-Selling is an oft promised benefit that typically yields few results. Attorneys do not cross sell naturally and it won’t happen by sheer osmosis. Instead, firms need to engineer specific discussions and follow-up to:

- 1) Identify the priority cross-sell opportunities and relationships
- 2) Solicit commitment and buy-in to the process
- 3) Introduce tracking tools and the reporting process to manage progress until it becomes cultural

Only then can firms hope to realize results.

they are mixed and begin to cook, measuring progress toward goals can help ensure results are realized as planned.

As mentioned at the onset, mergers are always complex opportunities for law firm management to navigate. The ability to manage through challenges, see beyond the political and emotional dimensions of any deal, and make decisions quickly is important. If you are able to stir in the above 6 ingredients on your next deal, chances are you have a recipe for a successful and fulfilling marriage.

---

*Donald E. Robinson is an Executive Vice President at Project Leadership Associates ([www.projectleadership.net](http://www.projectleadership.net)). Project Leadership has focused on helping companies successfully execute and get results from mergers and acquisitions for nearly a decade. Representative clients have ranged from mid-cap companies to Fortune 50 organizations in a variety of sectors. Representative clients include Chicago Mercantile Exchange and the Chicago Board of Trade, Andrew Corporation, Pfizer, London Life Insurance, Mars Inc., RR Donnelley, and 3M. Don is the co-author of *After the Merger: The Authoritative Guide to Integration Success* published through McGraw Hill in 1997. He has written several articles for publications that include *Merger and Acquisitions – A Journal for Dealmakers*, *HR Magazine*, *Executive Excellence*, and *M&A Chicago* and has been quoted in publications including *CIO* and *Fortune Magazines*. He is a frequent speaker on the topics of mergers, acquisitions and strategy.*

*Dan Safran is an Executive Vice President at Project Leadership Associates (PLA) and focuses on the Legal Industry. Dan works with many of PLA's 350 Law Firm and Corporate legal clients providing business strategy/execution direction, operational excellence, software application and overall technology solutions to our legal clients through PLA's mix of legal industry experts and PLA practice and client expertise. He has spoken at numerous industry conferences and authored wide ranging articles around legal industry issues and solutions. Dan has held public and private corporate (and law firm) positions as CIO, COO and President and brings practical, actionable expertise through his direct and deep PLA knowledge base.*