

# INTRODUCTION

Why do some professional service firms consider a merger? After all, by training most professionals are risk identifiers, not risk takers.

A select few Managing Partners have had the courage, determination and vision to lead their firms into the future through the strategy of a merger. They have come to realize that for a merger to be successful, the synergy must make the whole truly greater than the sum of its parts; or more efficient; or more beneficial to clients. They have appreciated the fact that the market demands a great deal more from their firm than it ever has in the past.

This handbook is intended to be a **catalyst to stimulate the thinking** of you and your partners and to be a **reference source** detailing what is involved in such a complex business strategy as a merger.

We hope you find some thought provoking suggestions that will help you to determine if a merger this is a viable course of action for your firm and whether or not you have the commitment required to make the vision a successful reality.

The goals of a successful merger are simple. To become more efficient. To become more diversified in the services you can offer your clients. To become more able to attract BETTER business (not just more work). To provide the challenges needed to stimulate continued growth among your professionals. To open new markets for your services. And finally, to increase profitability.

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# MERGERS

## A PRACTICAL HANDBOOK

Mergers are like marriages. There is the courting, the going steady, the marriage and the realities of day-to-day sharing to make the marriage work. As in life, most merger discussions go through the first two stages without the marriage as the result. More merger dialogues are abandoned than are consummated. That is not necessarily a bad thing. In order to even consider a merger, a firm must first examine its own long term goals, its culture, its methods of operating, and its own strengths and weaknesses. This exercise alone is worth the effort. Far too many firms still are operating without a detailed strategic plan and consideration of a merger should cause them to examine every facet of their firm.

Mergers can be a gut wrenching exercise that will consume vast amounts of time and, even if unsuccessful, will have an emotional and psychological impact on all of the people involved.

### ALTERNATIVES TO A MERGER

Before running off in search of a merger candidate, professional firms should first review the alternatives to a merger. Some of the alternatives may be more appropriate to their circumstances.

#### 1. Lateral Hires:

If you are considering a merger to add new specialties, create greater diversification or improve marketing you may wish to consider lateral hires first. The greatest advantage of lateral hiring to a strong, happy firm is that there is no melding of two different cultures required. You can retain your firm culture and expect the laterals to adopt it as their own. Many mergers fail because the cultural styles of the two firms involved never properly mesh.

An added advantage is that you only acquire those people that you want and need (rather than those you want and some you don't really want or need). It is also a lot easier to handle one step in the growth process at a time and to re-evaluate the success of your policy after each step.

If major growth is one of your goals, lateral hiring will probably be too slow a process for you. Even when it is combined with bottom end growth, it is much slower and often more time consuming, than a merger.

#### 2. Boutique Firm

Some firms would be better not to grow. Firm's having a strong practice area expertise with a matching reputation, may be better advised to

consider becoming or remaining a boutique firm. In most cases this will allow it to earn more, on a per partner basis, than a full service firm which must handle many areas that have a lower profitability factor due to the nature of the profession, the competition in those areas or the lower demand for those services.

It should also be noted that some firms are trying to be both larger, full service firms, and boutiques at the same time. They develop strong departments with high profiles within their firm and cross sell the practice areas like one would market a boutique firm. This isn't easy but, if a firm can pull this off, they may realize the best of both worlds.

### **3. Dissolution**

Too often a weak firm will look for another weak firm to merge with in the hope that the synergy will create one strong firm. This almost never works. A better approach is to dissolve the firm and let each member market himself/herself on his/her individual strengths to those firms seeking lateral hires. While it may be painful to contemplate dissolution, it may be in the best long term interest of everyone to go their separate ways.

### **4. Association**

For some firms geographical expansion can be accomplished on a more limited scale by developing and association with firms in other locales. Some of these arrangements are quite a loose confederation, while others have developed rules that govern how they operate. Creating or joining an existing association will be less costly but will also probably be less profitable than a full fledged merger.

Well, if you are still reading and still think that a merger is what your firm wants and needs, let's look at the reasons why you might consider a merger.

## **WHY CONSIDER A MERGER?**

### **1. Growth**

Many knowledgeable people believe that only the larger firms will survive the next ten years with reasonable profits intact. The most profitable part of the market will then be comprised of small boutique firms and larger firms. The medium sized firms that do hang on will see their profits attacked severely, to the point where their partners will earn considerably less.

Eventually, even the larger firms will not be safe from the emergence of national and international firms who are able to steal their best clients by servicing them on a continental or global basis. (Later we'll discuss how the larger firm can out perform the medium sized firm).

## **2. Diversification and Specialization**

Larger clients are now less than satisfied with firms that can only do some of their work. There is a demand for firms to be able to handle all aspects of their legal requirements. Firms will have to have expertise over a much broader range of practice areas. If the boutiques don't get you with their specialization, the larger firms will get you with their depth, ability to market and more advanced technology.

Mergers allow firms to broaden their client bases as well as broaden areas of practice which, in turn, allows them to compete more efficiently by offering more comprehensive services and greater expertise to current and prospective clients.

## **3. Marketing**

The more professionals a firm has means that more people are out in the market place selling the advantages of their firm. A firm that has 500 professionals acting as rainmakers will easily outperform a firm of 100 professionals. Clients always seem to know who the largest firms are. There is the added "IBM Factor" – no manager ever was fired for choosing to buy from IBM. Some clients, rightly or wrongly, see security in size.

The larger firm can also afford to have specialists in the marketing area. If a firm has 200 partners they can better handle the lost billings from having some of them concentrate substantial hours to marketing in the hope that they will generate even more billings while the smaller firm cannot take that same risk.

## **4. Technology**

On a cost per partner basis, larger firms can usually afford more and better technology. With cutting edge technology a firm can stand out from its competition. Up to date technology will be one of the keys to gaining new clients and retaining current clients, by efficiently and effectively meeting their demands. Because larger firms can more easily afford this technology, they will continue to widen the gap between themselves and smaller firms, or firms who resist upgrading their technology.

## **5. Strategic Planning**

Even if the merger exercise doesn't work out for your firm you should have gained a long range plan and analyzed your strengths and weaknesses. As noted earlier, too many firms operate on a day-to-day basis with little attention to where they are going over the long haul. Often these firms wake up too late to save themselves. To be the best that you can be, you must first decide what it is you want to be.

Firms that plan ahead often find themselves re-evaluating many of the facets that make up their current firm. Before going into a merger, every firm should have discarded their deadwood. If you haven't, merger candidates may reject

you as a suitor or, even worse, you will take your problems into the new firm where they can jeopardize the entire merger. Mergers are expensive and difficult to put together, but they are even tougher and more costly to unravel.

The only constant in these times is that everything is and will continue to change. Firms must be prepared to ramp up, ramp down, diversify, re-align practice areas and practitioners and market in new and creative ways. The World Wide Web is an example of marketing and research that none of us would have thought of fifteen years ago.

## **6. Financial**

Financial considerations have purposely been left until last because too many people have the mistaken impression that the financial rewards from a merger are vast and immediate. That just isn't the case.

First, let's repeat that two poorly performing firms seldom meld into one good performer. Secondly, while there is a reduction in risk for each partner, there are fewer economies of scale than most people expect from a merger and almost none of them will be realized immediately. In fact, in order to get a merged firm off the ground, more expenses are incurred than are reduced. The initial costs of data and word processing conversion, tax advice, consulting fees, possible leasehold and premises expenses all contribute to a greater first year cost.

Having said that, let's also add that a merger can save a firm with fiscal problems. If a firm that is being caught in today's economic squeeze of rising costs and stagnant billing rates merges with a stronger firm, the resulting synergy can add a new dimension to the new firm that will allow them both to prosper and grow. One of the best results of this type of merger is that the weak firm, which usually is weak due to poor management and planning, gains considerable viability from the imposition of the stronger firm's good management practices.

## **WHY SOME MERGERS FAIL**

Don't for one moment think that a merger is an easy exercise. If you ever get into one you'll ask yourself countless times why you decided to merge. In the long term it can be a very gratifying process and may have been an absolute necessity for your firm, but you will have to overcome many hurdles before you reach the finish line.

There are almost as many reasons why mergers fail as there are reasons to merge. Among them are:

### **1. Culture**

Probably the most common reason that a merger doesn't work is that the two cultures cannot blend into one stronger unit. A firm with one-on-one, or even one-on-two secretaries will find it difficult to coalesce with a firm that uses secretarial groupings. Similarly, firms that have tight financial

controls will resent firms with a laissez faire approach. A firm with strong practice groups will have a problem with a firm where everyone tries to be everything to all clients. A democracy will have a problem with an autocracy, and a team styled firm will not tolerate mavericks. Always look before you leap. Discuss as many of the policy items that often define a firm's culture before getting into bed with each other.

## **2. Leadership**

If neither of the firms have a strong leader or, if both of the firms have a strong leader, there will probably be problems down the road unless they are addressed and understood before any merger takes place. Wandering aimlessly or having a power struggle has destroyed many a merger before it has had a chance to get off the ground.

## **3. Commitment**

There is no point in proceeding with a merger if there is not near total commitment by all participants right from the start. If they're indicating that they'll go along for the short haul and then decide whether this is right for them, you will almost certainly be in trouble. We'll deal with the signals of commitment later, so that you'll have a way of measuring the various parties involved at the various stages.

## **4. Client Conflicts**

There is no point in proceeding if one of the firms will have to relinquish some valued clients because of conflicts of interest. This can only generate resentment. One of the firms or some of the partners will be starting off with a portion of their client and billing base missing.

## **5. Planning**

The new firm must have a strategic plan in place. Among the considerations are a pro forma budget of what the financial impact of the merger will be, marketing goals, future growth, compensation, manpower and general firm policies. Without these, you are doomed.

## **6. Communications**

Many firms fail to realize that they can hurt their chances of success by failing to communicate their plans and goals to non-partners and staff so that they can buy into the whole process. Lack of communication can result in the creation of a negative attitude that can eventually permeate the entire firm. There are as many fears and egos in a merger as there are people involved. Address them up front and continue to address them throughout or they will start to pull your firm down.

Each and every professional will be concerned about ego factors, like "who will head the departments", "who will form the firm management", "what is their own status within the new firm", "how much of their

independence will they have to surrender”, “do their new partners respect them”, “will they have to become more specialized and, if so, is it in an area that they want” and “how much will they have to change the way they practice to fit into the new firm”? Just to complicate it even further, many of their concerns will be tied, either directly or indirectly, to how the compensation matters will be handled.

## **STARTING THE MERGER PROCESS**

As stated previously, the strategic planning must be in place before you start the merger process. Have you asked yourself the following questions:

How do we want our clients to perceive us and how do they perceive us now?

How does the profession view us and how do we want them to view us?

How do our non-partners and our staff perceive us and how do we want them to perceive us?

What are the things that we don't like about our current firm and how can we change them?

What are the things we value about our current firm and how can we protect them?

What clients do we wish to attract and how will we go about attracting them?

How do we view our management structure?

Once you know the answers to these questions you can begin the search for a merger prospect. Develop a profile of the perfect candidate which might include; firm size; geographical location; relative ages of their professionals; areas of practice; estimated compensation of the partners and firm attitudes and culture. With the profile and your long range goals in mind the search can begin.

Perhaps the easiest way to find a merger partner is to simply ask. You can discretely talk to friends in prospective firms by relating the results of your strategic planning exercise to see if they have had a similar experience. If a firm indicates that they too have drawn the same conclusions, then mention can be made of your interest in merging. Most firms will respect the confidence of any of these discussions.

Before you get very far along with your discussions with a potential merger candidate, you should be creating a list of possible deal breakers to which you add new items as they arise and delete items as they are resolved. Wherever possible these items should be dealt with as soon as possible. Some pitfalls that you may encounter are:

### **1. Firm Name**

You may be tempted to leave this until later because you do not see it as a potential deal breaker. It can be. The new firm name will be very

important to some people because it reflects their own and their firm's history, ego and potential marketing. **This should be dealt with first.** Obviously, if you can't agree on something as basic as what you will call yourselves, you have real problems. Since you have not exchanged financial information, this can be a good point to discontinue discussions.

Because you will want to market the new firm extensively, a one or two name firm name, like Smith & Jones is recommended. The more names you have, the tougher the name recognition will be for clients and potential clients.

## **2. Financial Information**

Do not exchange financial histories directly. This can only lead to presumptions, biases and misinformation. Some professionals have a great deal of difficulty analyzing financial statements and this becomes even more pronounced when they must only consider those income and expense items that will be carried forward to the new firm. Sometimes a problem in one of the firms will be removed by the merger, but the knowledge of that past problem may take on an unwarranted importance in the minds of some of the partners of the other firm if they become aware of it. Each firm should give three year's financial history to the chosen Executive Director or Administrator, an accountant or a consultant to develop a pro forma budget (of where the new firm can expect to go financially). This process should reveal any major financial hurdles that you will have to deal with before successfully completing a merger.

## **3. Location (local mergers only)**

If at all possible, avoid having multiple locations. This can lead to retaining old firm practices and cliques in the new firm where they will not be appropriate. Communications will be a vital part of making the merger work and that becomes a lot easier when everyone is in one place. There may be a cost involved in avoiding multiple locations but it will be a lot less expensive, in the long run, than if the merger doesn't take hold.

Also, if possible, a new location is better than either of the old ones. It is better to have "our" (the new firm) offices rather than "their" (either of the old firms) offices.

## **4. Compatibility**

If there appears to be any lack of professional respect, personal respect or a severe clash of personalities you must stop and evaluate the situation. Resolution of this problem can be best handled through discussions with the professionals involved. This may result in them just requiring a better understanding of each other or, at its most severe, result in one or more partners leaving before the merger. It is imperative to identify any possible compatibility conflicts immediately since, if they fester, the negativism generated can bring down the entire merger process.

## **5. Compensation**

If one group of partners or non-partners are in the position of making considerably more money than another peer group, this inequity must be resolved. Sometimes it can be done by simply making everyone aware of the rationale behind those incomes, but more likely, it will require some adjustments to compensation. Since no one likes to have their earnings reduced, the obvious solution is to raise the incomes of those who have fallen behind. That's easier said than done until you know what kind of profit the new firm can expect to make. If the gap is too wide, the discussions will be in serious jeopardy and probably are not worth saving because the resentment will linger for years to come and almost surely destroy the merger from the inside.

Partner compensation systems can also be a serious problem when firms merge. For example, if one firm has a mainly subjective system while the other has a more objective system you have a dilemma. How will partner compensation be handled in the new firm? In addition to how compensation is calculated, many firms differ in how they get there. Some have a Compensation Committee, others rely on the Executive Committee and still others have total democracy. Be sure that you know the answers to the compensation system questions early in the process.

## **6. Administrative Staffing**

The various members of the administrative staffs will be responsible for vast amounts of the merger process and are therefore an integral part of the merger plans. A professional firm should never use billable professional time when salaried staff can do the work cheaper and often better by virtue of being more devoted to the task at hand.

If there is a duplication of administrative staff, the first decision will have to deal with who will be doing what through the merger process and what roles each will play in the merged firm. To create a position for a member of the administrative staff that is less than what they desire or feel they should have would be a mistake that will cost everyone. It may sound ruthless but you are better off to "free up their future" by letting the unnecessary staff go as soon as possible. This may save you some money, will remove a person who is bound to be a negative influence on the merger and will show support to the person you have retained.

## **7. Commitment**

You must constantly review everyone's commitment to the merger process since this can change as things develop. Someone who remains uncommitted can have a devastating effect on the other members of both firms by instilling doubt in other people's minds. There are some obvious stages where it is possible to analyze and re-affirm commitment levels. They are:

a) Long Term Goals - Is there a genuine belief that the long term goals agreed to by the firm are in both the firms' best interests and the various partners' best interests? It is one thing to go along with a set of firm goals and quite another to believe that they can really be helpful on an individual level. Each partner will have varying levels of commitment to these goals. Be on the look out for those who only give lip service to this procedure. Their hidden agendas can harm you if they emerge later.

b) Firm Policies - When you get into a discussion of firm policies, beware the partner who says they are fine for the firm, but who you know intends to go on doing things the way he/she always has, regardless of the policies. If they cannot buy in to the importance and purpose of these policies, they probably cannot buy in to the whole merger concept.

c) Merger Agreement - This is where you should be able to separate those who really think things will succeed from those who are having serious doubts.

d) Partnership Agreement - Again, a good place to see who is committed to the merger and who is more concerned with protecting themselves if the merger fails. Many firms require a "lock in" period to highlight the commitment that all partners must make to the merger.

e) Compensation - All mergers have a great deal of compromise built in. Since compensation is one of the most important factors to each individual partner, both in terms of money and status within the new firm, those who find it difficult to bend on their own compensation or on the compensation of other partners, are signaling a problem with the merger.

f) Pro Forma Budget - Since this will include projected hourly rates, time commitments and billing expectations, as well as expenses and profit, a lack of commitment may develop with some partners. If the firm's expectations differ from the individual's goals, you'd better sit down and come up with numbers that are agreeable to everyone. Over estimating projected profit can have a serious negative effective on whether the merger, once consummated, will succeed. Be very conservative in your financial planning and ensure that everyone can live with the resulting pro forma.

g) Firm Management - Do any of the partners have problems with either the style of management proposed or the individuals who will be responsible for the firm's management? The management, as important as it is to the success of the merger, cannot be effective if it doesn't have the support of all the partners. This must include their agreements to not second guess the management in spite of their own fears.

h) Staffing Arrangements - As mentioned earlier, a merger will not succeed if the styles of staffing are vastly different. For example, a firm that uses secretarial groupings will have problems with a firm that uses one-on-one secretarial alignments. If you are asking professionals to change the way they work with their secretary you have to be sure that they really are prepared to make the new system work or they will sabotage it. That can, in turn, sabotage the pro forma budget and eventually may sabotage the whole merger.

## **8. Communications**

With the possible exception of culture, nothing is more important to a merger than communications. Everyone involved, from the file clerk to the senior partner, has fears about how they will be treated by the new firm. Efforts to communicate what is happening with the merger discussions become vital to allaying these fears. Some of the ways you may wish to do this are:

a) Social Gatherings - Separate and combined social gatherings for the partners, non-partners and staff are vital. Let them get to know each other on a personal level and they will feel a lot better about their future. It can also point out any problems you may have.

b) Policy Development - As the Merger Committee develops firm policies, meetings with all partners for ratification are advisable. This allows every partner to feel that they are part of the merger process. Obviously, when the Merger Agreement and the Partnership Agreement are developed, all partners should be involved by way of input and approval.

c) Departmental Meetings - Meetings of all partners, non-partners and support staff in a given department group will help them to get a sense of their role in the new firm, as well as helping to define the firm and its practice areas.

d) Staff Meetings - The people most concerned with the status quo are your staff. A merger is a very upsetting prospect for many of these people but, without their support, the entire merger can be in peril.

e) Clients - Every effort should be made to have your clients feel that the merger is being done in their best interests and that their support of it is important. Make them a part of the process. Introductions of professionals that they have not met, outlines of expanded services available and an emphasis on client service become vital. Special cocktail parties, luncheons, dinners and an open house are all ways to handle clients that will make them feel special. If a major client or clients are unhappy with the merger,

the entire project should be re-evaluated to see if they can be brought onside or whether the new firm can function in a profitable manner without them. Also beware the partners who stand to lose one of their major clients - they can't be too happy about the merger at that point.

## **THE USE OF CONSULTANTS**

Now that mergers are becoming much more numerous, consultants have become the experts. Very few professionals will go through more than one or two mergers while consultants may go through many of them on behalf of various clients. There is no point in re-inventing the wheel. It makes eminent sense to draw on the expertise that already exists.

There are seven main areas where consultants can be used to the maximum advantage. They are:

### **1. Interviews**

By having a third party interview each and every partner you will probably get a better feeling for who has problems with the merger and what their fears are. This is especially true if the results of the interviews are given to the Merger Committee without reference to the individuals who expressed the concerns. The purpose is to resolve potential problems, not assign blame for them.

### **2. Pro Forma Budget**

Again, a third party may be desirable for the task of reviewing past firm financial information and generating a pro forma budget for the new firm. If the numbers do not work, then members of the firms have not had access to the financial information of the other firm. By generating the pro forma the consultant can also review all other aspects of how the old firms, and consequently the new firm, will operate. This will give them a greater insight into potential problems and should allow them to make recommendations regarding how to solve them.

### **3. Organization and Direction**

A consultant should be able to keep the Merger Committee on track by organizing the matters that need to be resolved and setting their priority in the discussions. Developing a time line is a must in any merger and something that most consultants deal with on a daily basis. Also, their experience will often allow them to offer several options on most issues put before the Merger Committee.

#### **4. Agreements**

It is important to develop a Merger Agreement as quickly as possible, before the news leaks out that talks are under way. This will also provide the base for the Partners' Agreement. A consultant can be very important in defining what should be and what should not be in these agreements. While the drafting of the agreements should be left to the professionals, the consultant can provide the framework.

#### **5. Technology**

There will be a myriad of technological concerns in a merger that a consultant should be well versed in. With the size of the firm changing so dramatically, it will be necessary to review data processing hardware, accounting software, word processing equipment, telephone systems, copiers, facsimile devices, optical character readers, telecommunications networks, copier monitors, secretarial computers and the compatibility of all these things. In conjunction with your administrative staff, they should be able to help design the day to day systems to back up this equipment with the least amount of upheaval in the way the professionals function.

#### **6. Marketing**

A merger provides one of the greatest opportunities to market a professional firm. In fact, it is imperative that the new firm be marketed strongly at the beginning if it is to have the credibility from clients and the profession. Getting the new firm's name and its greater diversification and specialization known can be a key to whether the merger succeeds at the level desired. A marketing consultant or public relations firm may end up being your greatest asset in the merger process.

#### **7. Partner Compensation**

Often, when partner compensation systems differ, a consultant can help to facilitate a new, custom made compensation systems that combine the best of both worlds and develops partner buy in.

The use of consultants is optional but their value will probably far exceed their cost. It may be in the firm's best interest to use different consultants for different aspects of the merger (for example an accounting firm might do the pro forma while a public relations firm might do the marketing) and it may be possible for the administrative staff to do much of the work otherwise done by the consultants.

### **THE MERGER CHECKLIST**

The following is a checklist of the various things firms will have to consider when trying to put together the actual merger:

## **The Merger Committee**

If this group has the respect and confidence of all of the partners, prospects will be good. If not, look out. The smaller the committee, the more decisive they will be and less billable time will be consumed. They must have the ability to make decisions that bind their partners without further consultation but they must also be aware that they will have to bend over backwards to communicate with everyone and get them involved in the process.

## **Long Term Goals**

As soon as possible, the Merger Committee should enunciate a set of new firm goals and measure all their actions back to that set of goals. Of course, partnership concurrence on these goals is absolutely necessary.

## **Organizational Style**

How will the firm be governed? Who will do that governing? A suggestion is that the Merger Committee become the Management or Executive Committee for at least one year after the merger, since it is an ongoing process that lasts longer than the day the firms join forces.

## **Firm Policies**

As these are developed by the Merger Committee, they should be discussed and ratified by all partners. Among the policies you may wish to consider are:

- lines of authority for the Executive Committee, the partnership as a whole and the Executive Director.
- who the firm auditors should be.
- the policy regarding adding or dismissing professionals.
- which bank(s) the firm will use.
- allowable business development expenses
- memberships
- the use of clients as suppliers.
- guidelines for the acceptance of contingency files.
- guidelines for the acceptance of pro bono work.
- hours, billings, hourly rates, and accounts receivable expectations.
- insuring partnership interests.
- format and frequency of partnership meetings.
- sabbatical leaves.
- vacation entitlements for partners, non-partners and staff.
- Practice Group makeup and leadership.

## **Pro Forma Budget**

A necessity if you are to know where you are going and how you intend to get there. (See previous comments.)

## **Merger Agreement**

This should be kept simple but address matters such as the effective date of the merger, the firm name, the form of the merger, who will be the partners, what their percentage ownership will be, how the capital accounts will be structured, who the Merger Committee shall be, the form of firm management, who will be the non-partners with the new firm, how conflicts will be dealt with, the use of committees, liabilities from before and after the merger, a lock-in provision and a statement of the principals affecting a partner's percentage share in the firm.

## **Partnership Agreement**

This should be a continuation of and expansion of the matters dealt with in the Merger Agreement. This would address other matters such as withdrawal, retirement, expulsion, resolutions, an amending formula, fiscal year end, duty to practice, admission to the partnership, partner's disability, death of a partner, disclosure, benefits payable to partners, voting rights, arbitration, and its relationship to the Merger Agreement.

## **Timetables**

A timetable listing all matters to be dealt with before, during and after the merger should be generated, constantly revised and followed as closely as possible. Be sure to allow enough time for all the things that will come up that you haven't thought about or allowed sufficient time to handle properly. Once the merger gets rolling there will be a temptation to get it done quickly. While you should take advantage of this momentum, it should not force you into making the final moves until you are ready.

## **Outside Advice**

You will have to decide how much outside advice you wish to seek. Some areas you might consider seeking help for are strategic planning; tax considerations; the valuation of assets; marketing and public relations.

## **Valuations**

You will need valuations for assets, accounts receivable (including bad debts and the possible future recovery of them) and work in progress. Consultation with your accountants is recommended so that your decision includes all the tax considerations applicable.

## **Technology**

A review of the compatibility and expandability of the various pieces of equipment currently on hand are required. This would include word processing, data processing, other computer hardware and software, telephone equipment and photocopy equipment.

## **Staff**

It is unlikely that you will be able to reduce the compliment of staff very much in the beginning. It is better to have too much staff service at the start, until the professionals are comfortable with how the new firm works. Nevertheless, there may be some duplication of personnel. It is suggested that as many of the duplicates be found other jobs or take up the attrition slack rather than be let go immediately. Mass dismissals will only leave the staff looking over their shoulders and wondering who will be next. This cannot help the transition.

## **Systems**

The day-to-day systems of the firm will have to be examined, adjusted to fit the new firm and conveyed to all professionals and staff. This includes: billing procedures; the various forms to use; the type of filing system (centralized or decentralized); disbursement recovery procedures and payroll.

## **Manuals**

The creation of a policy and procedures manual so that everyone will know what is expected of them and how to go about doing almost anything from how to operate the phones to how to draw a cheque.

## **Committees**

As a means of getting other professionals (not just partners) involved in the merger process, you may wish to create committees to study the various aspects of the merger and have them report their recommendations to the Merger Committee. Some committees that you might consider would be the library committee; the future space or space design committee; the social committee; the Partnership Agreement Committee; the marketing committee; the precedent and style manual committee; the technology committee; the finance committee (this is usually a function of the Merger Committee) and a human resources committee.

## **INTERNALLY REINFORCING THE MERGER**

Communicate, Communicate and Communicate some more. Celebrate your new firm every chance you get. A new firm champagne party after the first day together is a good start. Some firms create a memento of this glorious occasion. An example would be T-

shirts or sweat shirts announcing the merger on the front and the first day letterhead listing of professionals on the back.

Firm luncheons should continue after the merger takes effect and regular staff meetings should be scheduled. These can be used to get feedback and gripes so that they can be dealt with quickly before they start to permeate the firm. Some firms also use a "good news memo or e-mail" to trumpet accomplishments and cement the concept of a new, vital firm.

## **MARKETING THE MERGER**

Of paramount importance to the success or failure of the merger will be how it is perceived by clients, prospective clients and the profession. The best way to be sure the right message is getting out is the development of a "song sheet" where all professionals and staff are committed to saying the same positive things about how the merger is progressing and how they see nothing but great things in store for the new entity.

A public relations consultant can be most helpful in developing the "song sheet" as well as preparing press releases concerning the merger - before, during and after. If handled properly, positive word of the merger can have great and long lasting effect. On the other hand, poor P.R. could have the competition saying that it was just a merger of two bad firms into one that is even worse.

Announcements should be prepared and mailed to all clients, prospective clients and firms outside of your general geographic area. Your competitors will already know and they won't be sending you any business regardless. Wherever possible, highlight the new strengths acquired by the merger - specialization and diversification might be examples to promote.

In advance of the merger arrange as many small client receptions with your major clients as possible. This lets them get to know the new faces and can impress them with your concern for their blessing. Once the merger has taken effect, you should organize a firm open house reception for all of the new firm's clients, so that they can all feel as good about the merger as the major clients who have already been consulted and entertained.

Immediately create a firm web site telling the story of your merger, your new depth, specializations and commitment to client service. A printed version can then be used by every professional in the firm as an introduction to potential new clients and as a cross selling device to current clients.