

## *The Importance of Integrating Associates in Firm Mergers*

Long before most mergers are put to a vote, merger committees define and analyze the new firm's financial prospects, practice opportunities, governance structure, technology needs, marketing plan, and a host of related issues. Unfortunately, some firms thoroughly analyze the merger; agree to merge; but then stumble through the integration process.

Regardless of industry, organizations face a number of hurdles when integrating after a merger. Periodically, public companies point to their failure to integrate with a merger partner as the underlying reason for a decrease in earnings, a loss of market share, and an inability to retain key talent.

Law firms that merge, but fail to integrate, can suffer the same way--synergies fail to materialize, morale suffers, and lawyers resign. [For a newly merged law firm, integration priorities include ensuring clients understand how the merger benefits them; creating a sound practice management structure; developing a united marketing effort; coordinating technology infrastructure; managing multiple offices; and the list goes on.](#)

Another hurdle, and one that is often overlooked, is how the new firm will combine the associate ranks and coordinate the associate policies of the predecessor firms.

Successfully integrating associates in a merged firm starts with communication, usually long before the merger is voted upon. Since associates are rarely involved in the merger negotiations, communicating with them during the negotiation process can help reduce their concern about merging and gain their support during the actual integration.

Timing the communication is critical. Normally, the best policy is to involve associates when it appears more likely than not that the firms will combine. [Early communication usually involves identifying the merger partner, key reasons why the firm is considering merging, and how the merger enhances the firm and opportunities for the lawyers.](#) As the negotiation process continues, communication should focus on [how the firm will handle associate integration](#). Important integration issues that should be discussed include performance evaluation and compensation, partnership prospects, training, and practice management.

### **Compensation**

As part of the financial analysis, merging firms usually review their associate compensation structures to project salary costs in the combined firm. Frequently, the development of associate performance standards occurs after the merger. Ideally, the standards should be set within three months of the merger effective date and incorporate the best characteristics of the predecessor firm structures.

The merger also provides an opportunity to create a new system that is significantly better than the system of either predecessor firm. The best systems, whether in a merged firm or not, ensure that associates know what is expected of them, the basis on which they will be evaluated, and whether or not they can make the jump to the partner level.

In many combinations, partners from each of the predecessor firms evaluate only the associates from "their" firm during a transition period. The benefit of this approach, which usually lasts only one year, is that associates can be comfortable that their performance is being assessed and compensation set by the partners who best know their work. By the second year, the associates should be working with partners from both of the original firms, making the separate evaluation process unnecessary.

As for associate compensation, the system that works for one firm may fail at another firm. It is common for

merging firms to compensate associates differently.

For example, one firm may use a lockstep system; the other may have eliminated its associate track, and pays based on performance. In other combinations, one firm may pay bonuses while the other pays associates a percentage of their origination.

Before merging, associate compensation (in terms of gross dollars) may differ widely between the two firms. Most merging firms try to equalize associate pay scales unless the cost of living in the firms' various markets are significantly different.

When coordinating associate compensation, the combined firm needs to identify what it wants to accomplish through compensation, and then to develop a system around those goals. As with partner compensation, the firm will get what it rewards. The merged firm's associate compensation system should be announced and in place within three months of the merger effective date.

Again, the new firm's system will likely incorporate components of both firms' existing systems; communicating any system modifications to the associate groups is critically important.

Rumored changes to a firm's partnership standards always trigger a reaction from associates. Usually, senior associates are quite willing to speak out if they believe their prospects for partnership will be diminished by the combination. If management ignores their concern, they often head for the door. To ease the integration, in most cases, the firms' merger committees will identify those associates who are expected to become partners during the first one to two years of the combined firm's operations. In most mergers, the partners of the predecessor firms vote on whether "their" associates reach partner level during this initial period. This is particularly true of large mergers where not all partners will have the opportunity to work with associates under consideration. In smaller mergers, all partners often have the opportunity to work with all associates and, consequently, all partners determine whether the associates being considered reach the partner level.

Due to the prevalence of multi-tier partnership structures, it is possible that one of the merging firms will have a two-tier structure, while the other has a single tier or a different approach to the two-tier structure. Clearly, the combined firm needs one unified structure. More than likely, the merged firm will opt for a two-tier structure since it may be difficult to "place" the lawyers already occupying an income partner status in the one firm. As you might expect, associates working in the single-tier firm may balk at the idea of working their way through an income partner level before becoming equity partners. Unfortunately, there is no easy answer to this problem. Quite simply, the merged firm needs to have uniform standards for promotion to the equity tier. This may require all but the most outstanding associates to work their way through the income partner tier.

## Training

[Lawyer training varies significantly from firm to firm.](#) Smaller firms often have somewhat informal, hands-on training that may disappear in the course of a merger. On top of this, when merged into a larger firm, small firm associates frequently become lost in the maze of departments and formal assignments of lawyers. To ensure that these associates embrace the large firm environment, it may be necessary to designate several partners to help the associates learn where to turn for training and practice help.

Should both firms have training programs, the programs will need to be integrated. Integration can be placed in the hands of a committee that is responsible for consolidating the two systems and eliminating unnecessary duplication. After the training systems are consolidated (and expanded, if necessary), the firm needs to ensure that all associates go through the entire training program. For some associates, this may mean that they have to go back and pick up parts of the revised training regimen that did not exist in the past.

Should both firms' training programs be sorely lacking, it may take well over a year to develop a formal

training program. In the interim, the combined firm needs to have partners delegate work to associates and supervise them closely as the firm's form of training. If not already in place, the firm may want to implement a mentor program in which partners or senior associates are assigned to new associates to provide better integration into the firm, to improve training, and to enhance professional development. The mentor system can provide some training until a formal training program is in place.

Work assignment to associates after the merger may be quite different from the process followed in either predecessor firm. In the merged firm, the practice group leaders or department heads should develop guidelines for work assignment. The goals for the guidelines are straightforward--work should be allocated to ensure that client needs are met, partners get the associate support they need, associate workloads are manageable <(i.e., avoid associate burn-out), and associates get the exposure and experience they need to develop their skills.

In most firms, partners assign work directly to associates without approval from a practice group leader or department head, though there may be some firm specific limitations.

Given that partners tend to stick with the associates they know and trust, most will stick with the associates from their predecessor firm when handing out work assignments. Clearly, this is not in the best interests of the integrated firm, the clients or the associates.

In the combined firm, the practice group leaders should encourage partners to assign work to associates from both predecessor firms. It is easier to accomplish this goal in a practice management structure, which divides the practice into small practice groups within each department rather than having dozens of lawyers in one department. In addition to practice group designations, use of an expertise chart, which indicates associates talents and abilities in various areas, is another useful work assignment tool.

Precious few law firms merge without some glitches during integration. Planning and patience helps hold the glitches to a minimum. This also holds true when integrating associate groups. Advance planning for the integration before consummating the deal helps insure that the benefits anticipated in the merger are achieved. Given that associates play such a critical role in the success of any law firm, it follows that the new firm should spend the time necessary to insure that the integration goes as smoothly as possible for this important group.

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