You Are Merging! A Survival Guide For Administrators

Presented by
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You Are Merging!
A Survival Guide for Administrators

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SB² Consultants
Experience Matters

AGENDA

• Merger Dangers for Administrators and Administrative Functions
• Administrative Integration
• Short Term Plans
• Longer Term Plans
• Free Advise
50% of all Mergers Fail Primarily Because of a Lack of:

- Effective visioning, strategizing and execution
- Cultural Integration: both organizationally and geographically
- Incomplete or poor internal and/or external communication planning and execution
- Customer focus and dialogue
- Managing Talent: recruitment, retention and workforce planning
- Change Management

If 50% Fail, Why Merge?

A merger should:

- Create new market opportunities for the combined firm (clients and administrators)
- Enhance and expand the services offered by the combined firm
- Position the merged firm to becoming a Market Leading law firm (global, national, regional or local)
Market Leadership

Benefits of Market Leadership:

- Increased share of the market/client wallet
- Enhanced Intellectual Capital
- Higher competitive pricing models
- Leveragability in the marketplace
- Increased likelihood of being considered a preferred provider and valued advisor

Market Leadership

Benefits of Market Leadership:

- Increased “win/loss” ratio
- Attract and retain the highest caliber attorneys
- Exposure into new markets
- Considered best in class partner for clients
- Freedom of client selectivity and segmentation
Achieving Administrative Market Leadership

**Consolidation**

Definition: Target firm totally disappears; Absorption strategy.

Issues:
- This is a Ganges Kahn or conquering army strategy
- Very poor strategy for professional services, intellectual capital, or relationship business

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**Best of Either**

Definition: Split the difference and build off past practices of two firms.

Issues:
- Builds upon strengths but is distracted by past practices
- Sometimes “to be fair” the best practice is not adopted

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**Shared Vision of Success**

Definition: Marketplace orientation, emphasis is changes in the business environment and Intellectual Capital

Issues:
- Maintaining joint strategy orientation
- Minimizes past practices

Strategy Choice: Wrong

Some Advantages

Best Choice

After the Merger Agreement

Administrative Integration Choices

**Merger of Equals**

- Past practice oriented
- Internal focus
- Cultural values dominate
- Prior business models
- Historic approach to costs
- Negotiated “split the difference”
- Entitlement justification
- Values stability
- Inflexible – “relocks” the organization
- OK when everyone’s making money

**Takeover Merger**

- Future success oriented
- Competitive market focus
- Merger goals dominate
- “Leapfrog” business models
- Market approach to costs
- Market driven decisions
- Can be disruptive
- Values flexibility & creativity
- Needed when competitive markets demand new solutions

Can’t Be Both
Administrative Integration Plan: Challenges & Issues

1. Create and Execute a Single Integration Strategy that Meets Current and Future Needs
2. Stabilize Administrative Leadership
3. Create an Employment Strategy for Workforce Transition and Retention of Staff
4. Confirm and Communicate Firm’s Identity and Strategy Internally
5. Stabilize Administrative Infrastructure During the Transition Period and Beyond

Executing the Administrative Integration Plan:

Pre-Close to Day One
- Minimal Disruption
- Speed and Simplicity
- Optimal Cost Structure
- Competitive Strength
- Client Communication

Ongoing Operations
- Competitive Strength
- Optimal Cost Structure
- Speed and Simplicity
- Minimal Disruption
- Client Retention

Managing Merger Requirements and Goals
Executing the Administrative Integration Plan: First Steps

1. Create and Execute A Single Integration Strategy that Meets Current and Future Needs

➢ Select and confirm an integration strategy that can be used in current merger and future transitions
➢ Create a shared, long-term vision of success building on the best practices of leading law firms in terms of clients, partners, attorneys, administrative employees and administrative excellence, pricing and profitability
➢ Communicate the strategy relentlessly! Meetings, townhalls, written documents and the firm portal.

Executing the Administrative Integration Plan: First Steps

2. Stabilize Administrative Leadership

➢ Quickly finalize and communicate the combined firm’s new administrative leadership structure and strategy to the firm
➢ Minimize the chance of distraction and delay that could undermine any of the merger priorities
➢ Maintain administrative focus and full productivity during consolidation period with clear, direct and unambiguous communications
3. Create an Employment Retention and Transition Strategy for Administrative Workforce

- Integrate unequal employment benefits, retirement, etc. and rewards programs
- Capture and rapidly leverage intellectual capital, business practices, processes, and vendor relationships
  - Going beyond continued employment
- Manage the “ricochet” of high-talent/high-value people joining through acquisition and leaving before their value has been retained

4. Confirm and Communicate Firm’s Identity, Culture and Strategy Internally

- Establish one face internally
- Consistent messaging focused around the core strategy
- Reiterate the core strategy messages frequently and in different ways
Executing the Administrative Integration Plan: First Steps

5. Stabilize Infrastructure Throughout the Transition and Beyond

- Target and transfer intellectual capital, knowledge sharing and related networks to central repository
- Stabilize IT, finance, HR, telecom, and facilities
  - Quickly identify "survivor" software and transition data
- Stabilize provider/vendor relationships

Executing the Administrative Integration Plan: Next Steps

Administrative Asset Allocation

- 25 – 35 Percent of all firm expenses are administrative in nature

  - Administrative Salary & Benefits (15 – 20%)
  - Rent / Occupancy (5 – 9%)
  - Everything Else (6 – 9%)
Executing the Administrative Integration Plan: Next Steps

Average Law Firm:
- Secretarial Compensation $69,600
- Benefit Load 17,400
- Allocated Overhead 5,220
- Total Cost per Secretary $92,220

- Average Attorney / Secretarial Ratio 2.79 to 1
- Average Allocated Cost per Attorney $33,054

Executing the Administrative Integration Plan: Next Steps

- Cost per Attorney Hour $20

- Is that the Best and Highest Use of Secretaries?

- Secretaries spend 30 – 40% of their time on non-secretarial activities.

- Secretarial Realignment can Reduce Secretarial Costs 15 to 30%
What Does that Look Like

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Estimated Cost and Savings Achieved Through Improved Secretarial Ratios

Executing the Administrative Integration Plan: Next Steps

➢ How Do You Realign Secretarial Ratios to 5/6 (or more) to 1?
  ➢ Julius Cesare Approach
    ➢ Decimate the Staff
  ➢ Edward Deming Approach
    “A goal without a method is nonsense”
  ➢ Collect Data
  ➢ Analyze the Data
  ➢ Design a Solution
  ➢ Pilot Solution
  ➢ Modify Solution and Roll Out
Executing the Administrative Integration Plan: Next Steps

➢ Other High Value Add Administrative Employees
  ➢ Why are they on Main Street?
    ➢ Higher everything costs
    ➢ More competition for talent
    ➢ Higher turnover
  ➢ Outsource them to a lower cost geographic area
    ➢ 15 of the top 20 AMLaw firms have built captive administrative centers in the last 15 years
    ➢ Higher quality and more services
    ➢ Estimated savings 20 to 35%

Consulting Wisdom: for Free!

A merger is all about choices. You must be able to:

➢ Articulate your strengths, knowledge and eagerness to make the integration succeed.
➢ Identify the administrative opportunities and strengths of your firm that will benefit the merger, be able to quantify them.
➢ Participate on the integration team as a leader not someone “going through the motions”
Evaluations!!

Session OM21

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Your opinion matters!

Please take a moment now to complete the evaluation.

Thank You!