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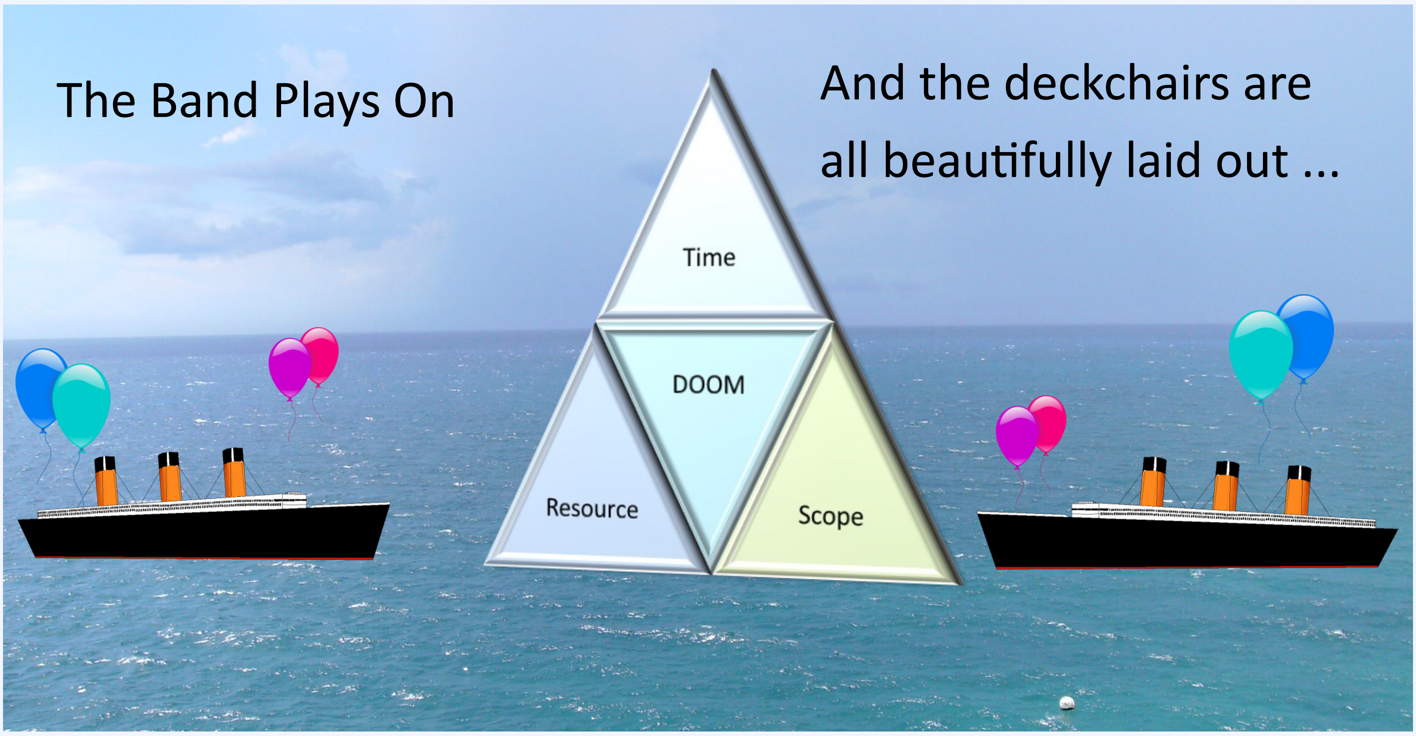
A Perfect Storm.

Why law firm mergers flounder on the iceberg of system conversions



A recent commentary by Todd Gerstein (CEO of Smart Time Apps) referred to slicing up large PMS projects like a salami, and made reference to the magic triangle of project management: Time + Resources + Money.

I have to say that I though that Todd was talking a lot of sense, as he always does, although it did make me think more about some thoughts I've been having regarding project triangles and law firm mergers (see http://ow.ly/ZED53) especially when it comes to practice management, and indeed other, system merger projects.

With respect to this however I'd say that Resources and Money are the same thing; after all cash money is just another resource, and all resources have a cost. So I'd combine them both into the resource category, which does of course leave us with a missing third of the triangle. This missing piece is of course Scope, so I'd restate the magic triangle of project management as; Time, Resources and Scope.

It it's on these three aspects that law firm mergers with respect to systems often ... let's not say fail, but rather let's say 'not go quite as expected'. We all know how often this happens. So, why is this?

Well, having some experience of such things and been involved in project de-briefs I think we have to start with a few simple facts.

- Regardless of their stated aims, no merging law firm is doing so with the expectation of making less profit for the partnership.
- None of the people actually agreeing the merger will have to merge any of the data, and will have minimal, if any, knowledge of what is involved.

And these simple facts are where things start to go wrong. Let's take the first point; not only is the intension to not make less profit, it's actually to make more. And in particular there is an expectation that in the first year 'things must be seen to be getting better' – and yes I've discussed this short termism before too (http://ow.ly/ZEDPr). One way to achieve this is of course to make economy of scale savings in support teams.

A laudable aim from a strategic medium term business perspective, but remember that in the short term these are the very teams who are the resource required to combine systems, who will not only have to carry on doing the day job, but also take on the newly announced merger project. However, short termism prevails and immediately there is tendency to 'need' to reduce the resource side of the project triangle.

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Secondly, we come to the time factor. I have seen many PMS merger projects go over 'timescale'. Why? Because quite simply the timescale set is highly unrealistic.

Timescales are set arbitrarily to be 'the date of the merger', or 'three/six months after merger'. Often this timescale is set, by people who have no knowledge of such things, before any detailed due diligence can even be carried out on the systems involved because of compliance and security concerns.

And even when it becomes obvious that initial timescales are unrealistic and need to be re-set, often the re-set is unrealistic too, because it is being driven by the 'need' to get rid of the dual overheads. So not only is the time element of the project triangle initially unrealistic, it's also getting continually squeezed by the 'need' to reduce the resource (cost) element too.

Now as anyone with project experience knows, the triangle is inter-related. So with limited resource and time, then as long as the scope is reduced accordingly then the project can still be OK. But as I mentioned, when timescales are set, it is often before due diligence on the systems can or has happened. And it's only when you get down to the details that the full scope becomes apparent. And all too often it grows; all sets of application functionality from both firms 'must' be reproduced, nothing can ever be taken away - because 'things have to be better in the first year'. Data codes have to be combined or changed, decisions have to be made which affect how the combined business will run after the merger. And many of these business decisions are beyond the remit of the technical project resource, so have to be referred outside the teams. And such referral and decision making takes time, and sometimes the people with the knowledge you need are the people who are under threat because of the 'need' to reduce the resource element.

So, we're faced with shrinking resource for a project with unrealistic timescales and with an ever increasing scope, that itself may require the resource that is being reduced and which will take ever more time. Even George Clooney never faced such a perfect storm as this!

But all this is nothing new. I know of firms who plan a merger and, to assist with planning, the support and technical functions gather sage advice from people in other firms who have done the same, and who all say "It's unrealistic", 'Double your estimate' and "you're having a laugh"... And then the advice is listened too, but ignored as the same old unrealistic plans get set by people with no experience of such things anyway.

Now there are some exceptions, and I do know of some firms who have done so many mergers that the partnership genuinely know what to expect or who reduce scope and expectations.

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But with these few exceptions, until law firms are managed differently, without the short termism of the 'things must be seen to be getting better in the first year' mode of thinking, then these things will not change. All we can do is to do the best we can in the face of ignorance and avarice, have a pre-prepared game plan and document the reasons why things didn't go as planned.

Or to the salami mentioned by Todd Gerstein, we can add lemonade. Because when life give you lemons ...

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