

# Firm mergers or splits

## A checklist

By Law Firm Consultant Karyn Close



Going through a firm merger or split can be stressful, and its important that nothing slips through the cracks.

This checklist will help give you peace of mind and make sure everything is dealt with.

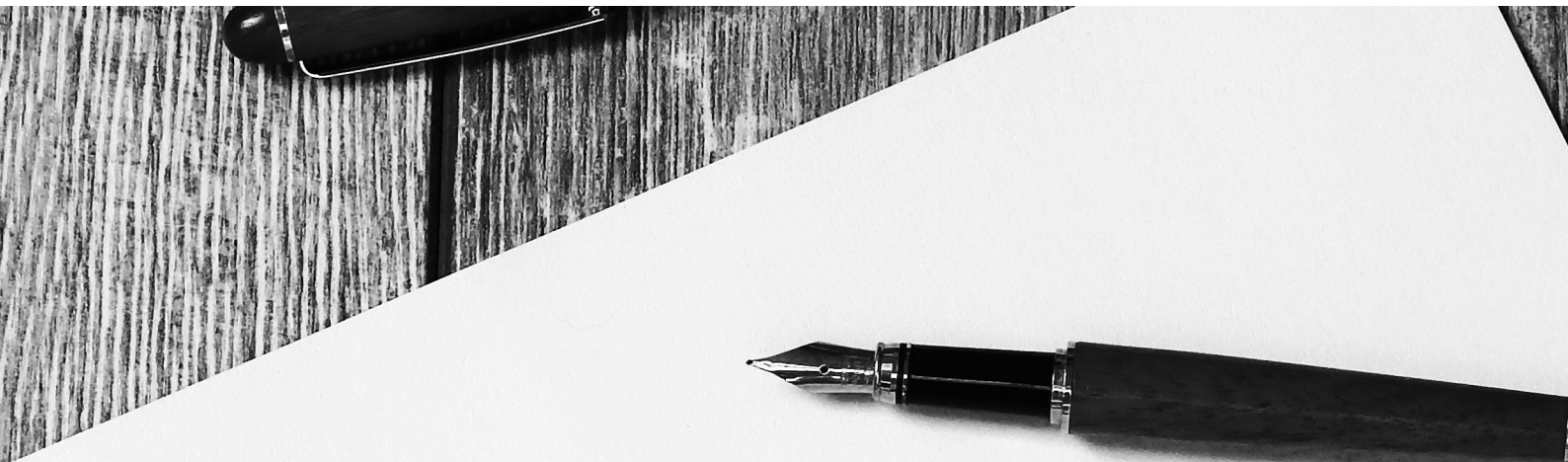


*I have worked through many a law firm merge and split in my years assisting firms, so I am aware there is a lot to think about.*

*I have compiled everything I consider important to look at into this checklist, I hope you find it helpful - Karyn*

This checklist is something you can print off, save to your computer and refer back to when going through a firm merger or split. It is organised into areas of responsibility, as follows:

1. Financial
2. Human resources
3. Information Technology
4. Communication, marketing, branding and profile
5. Production and legal resources
6. Administrative systems
7. Premises and building



| 1. Financial tasks  | Led by | Date completed |
|---|--------|----------------|
| Partnership agreement   |        |                |
| IRD<br>New entities or changes to existing?<br>GST<br>Payroll<br>Balance date   |        |                |
| Budget, cashflow and balance sheet  |        |                |
| Bank arrangements <ul style="list-style-type: none"> <li>• Decide whether to use existing trust account or set up new one</li> <li>• Client call and term deposit arrangements</li> <li>• Set up of new partnership bank accounts</li> <li>• Set up of new electronic banking arrangements</li> <li>• Refinancing arrangements</li> </ul> |        |                |
| Completion of financial statements for existing practice  |        |                |
| Tax consequences of WIP etc in pre and post firms   |        |                |
| Review and confirm all brought forward balance sheet items in the financial statements <ul style="list-style-type: none"> <li>• WIP</li> <li>• Accounts Receivable</li> <li>• Unbilled debit balances</li> <li>• Float balances</li> <li>• Float account</li> <li>• Creditors</li> </ul>  |        |                |
| Service or administrative company   |        |                |
| Determine drawings/salary arrangements for partners   |        |                |
| Partner benefits <ul style="list-style-type: none"> <li>• Entertainment</li> <li>• Phones</li> <li>• Cellphones</li> <li>• Memberships</li> <li>• Sabbaticals</li> </ul>  |        |                |
| Motor vehicles  |        |                |
| Superannuations or Kiwisaver - Partner and staff arrangements   |        |                |
| Life insurance - partners   |        |                |
| Monthly financial reporting <ul style="list-style-type: none"> <li>• New firm reporting arrangements</li> </ul>   |        |                |
| Firms nominee company for trusts?   |        |                |



| 2.Human resources  | Led by | Date completed |
|--|--------|----------------|
| Communication of split/merger to staff   |        |                |
| Ongoing communication with staff   |        |                |
| Agree legal team structures <ul style="list-style-type: none"> <li>• Identify key staff</li> <li>• Swap map of office</li> <li>• Swap legal team structures</li> <li>• Physical location of staff</li> <li>• Meeting to discuss</li> <li>• Communicate to all staff</li> </ul> |        |                |
| Allocate support staff to legal teams  |        |                |
| Review administration team structure   |        |                |
| Are there any immediate excess staffing requirements?  |        |                |
| What are the possibly excess requirements when located in one premises?  |        |                |
| HR consultants - choose if this is necessary at this stage. Could be used for selection procedure, testing for duplicate positions and out placement counselling   |        |                |
| New employment agreements for all staff combining existing benefits and arrangements   |        |                |
| Comparing agreements and pay parity  |        |                |
| Merging of payroll systems and dates   |        |                |
| Team building <ul style="list-style-type: none"> <li>• Social functions in each of the premises</li> </ul>   |        |                |
| Staff policies to be integrated into combined staff manual <ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Sexual harassment</li> <li>• Smoking</li> <li>• Email and internet</li> <li>• Others</li> </ul>   |        |                |
| Leave arrangements - carried forward to new firm?  |        |                |

| 3. Information technology  | Led by | Date completed |
|--|--------|----------------|
| Objective: To establish one network including the practice management system, exchange and documents as soon as possible. Take into consideration that you may be operating from several locations |        |                |
| Practice management system<br>Are the firms on different systems?<br>See separate notes on PM integration<br>[insert file name here]   |        |                |
| Domain name<br>• Choose<br>• Register  |        |                |
| Report from IT consultant<br>• Link between existing locations<br>• Merge all IT systems<br>• Report on merging trust databases  |        |                |
| Telephone, internet and mobile<br>• Interim requirements<br>• Long term requirements   |        |                |
| Review all equipment leases for copiers and the like   |        |                |
| Website<br>• Change name and link all existing links to one site<br>• Add staff and profiles to website<br>• Once marketing team have established style, change graphics accordingly               |        |                |
| Email<br>• Agree on style and consistent address<br>• Change all firm email addresses<br>• Email disclaimer  |        |                |
| Document templates/precedents<br>• Implement changes from style agreed<br>• Merge and change document templates<br>• Printing  |        |                |
| Payroll software   |        |                |
| Library licences and software  |        |                |
| Tax return preparation software  |        |                |
| Any other sundry software programs   |        |                |
| Cabling - addition to accommodate expansion  |        |                |



| 4. Marketing and communication  | Led by | Date completed |
|---|--------|----------------|
| Notification to Law Society and discuss issues with inspector <ul style="list-style-type: none"> <li>• Advise new partners of trust account details</li> <li>• Ensure you have a qualified trust account partner</li> </ul> |        |                |
| Brainstorm everything that could go wrong in the transition   |        |                |
| Personal phone calls to major/key clients   |        |                |
| Press release for announcement  |        |                |
| Spokesperson appointed for all media enquiries  |        |                |
| Receptionist briefing and front desk policies   |        |                |
| Mailout to clients  |        |                |
| Mailouts to suppliers - new name, bank account details and the like   |        |                |
| Notify the solicitors you regularly deal with regarding bank account details (update your settlement precedents with new bank account details)  |        |                |
| Newsletter and mailout to clients   |        |                |
| Referrers of work <ul style="list-style-type: none"> <li>• Identify key referrers</li> <li>• Communicate with them</li> </ul>   |        |                |
| Style - obtain professional input into the style of all printed material and advertising  |        |                |
| Address, phone and fax numbers <ul style="list-style-type: none"> <li>• For letterhead and the like</li> </ul>  |        |                |
| Once the style has been agreed finalise design of: <ul style="list-style-type: none"> <li>• Letterhead</li> <li>• Business cards</li> <li>• Other branded stationary</li> </ul>   |        |                |
| <ul style="list-style-type: none"> <li>• The style will be communicated to the technical team for use in web page precedents, templates, electronic invoices, statements and receipts</li> </ul>                            |        |                |



*Marketing and communication, continued*

|  |  |  |
|--|--|--|
| <p>Style manual</p> <ul style="list-style-type: none"> <li>• Document layout and fonts</li> <li>• Letter layout and fonts</li> <li>• Signoffs</li> </ul> |  |  |
| Review all existing sponsorship  |  |  |
| Review all existing marketing  |  |  |
| <p>Plan for ongoing advertising requirements</p> <ul style="list-style-type: none"> <li>• Update firm details in any directories you use</li> </ul>      |  |  |
| <p>Signage for all premises (both interim and permanent)</p> <ul style="list-style-type: none"> <li>• Inside</li> <li>• Outside</li> </ul>               |  |  |
| Signage elsewhere ie sponsorship signs?  |  |  |
| Mobile signage ie banners  |  |  |

| <b>5. Production and legal resources</b>  | <b>Led by</b> | <b>Date completed</b> |
|---|---------------|-----------------------|
| <p>Merger of precedent systems</p> <ul style="list-style-type: none"> <li>• Both sets of precedents to be transferred. Over a period of time these can be reviewed and transferred to a new precedent area</li> <li>• Logos and layout to be reviewed after style is determined</li> <li>• Macros can be written to change everything without manual duplication</li> </ul> |               |                       |
| Review of library resources   |               |                       |
| Review of subscriptions   |               |                       |
| PR insurance and risk management - combined policy  |               |                       |
| <p>Client conflict management</p> <ul style="list-style-type: none"> <li>• Daily reports emailed around both firms</li> <li>• Staff to notify conflicts to team partner</li> </ul>  |               |                       |
| Identify clients at risk  |               |                       |
| Cross selling opportunities   |               |                       |
| Cross training  |               |                       |

| <b>6. Administrative systems</b>   | <b>Led by</b> | <b>Date completed</b> |
|--|---------------|-----------------------|
| Cheque signatures  |               |                       |
| Electronic banking procedures  |               |                       |
| Merging of bank accounts <ul style="list-style-type: none"> <li>• Direct debits</li> <li>• Direct credits</li> <li>• Creditors system</li> </ul>   |               |                       |
| Procedure on billing, from approval to processing  |               |                       |
| Disbursements and office expenses <ul style="list-style-type: none"> <li>• Consistent recovery rates</li> <li>• Method of input</li> <li>• Rules on level and immediate recovery from clients</li> <li>• Approval level for write off and authorisation</li> </ul> |               |                       |
| Merging all office systems related to the trust account including <ul style="list-style-type: none"> <li>• Requisitions for receipts, cheques and journals</li> </ul>  |               |                       |
| Establish combined credit control system   |               |                       |
| Bill/fee layout - Design to be agreed on with an interim bill template used to avoid billing delays  |               |                       |
| Delivery system between branches   |               |                       |
| Searching requirements   |               |                       |
| Deeds and wills management   |               |                       |
| Mail   |               |                       |
| Telephone answering  |               |                       |
| System clean ups <ul style="list-style-type: none"> <li>• Trust system</li> <li>• Email folders</li> <li>• Any unnecessary data</li> </ul>   |               |                       |

| <b>7. Premises and building</b> | <b>Led by</b> | <b>Date completed</b> |
|---------------------------------|---------------|-----------------------|
| Leases                          |               |                       |
| Signage                         |               |                       |

## **Karyn Close**

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**More than (number) years experience working as an accountant, law firm CEO and adviser to firms**

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