

# Culture and HR Integration of Combination — Case Study of Squire Sanders & Dempsey (SSD) and Hammonds\*

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**Abstract**—Project management is a systematic and methodical approach to planning, implementing and guiding project from the beginning to end. According to project management institute the process are done through five stages: initiation, planning, executing, controlling and closing. The review of combination of Hammonds and Squire Sanders & Dempsey (SSD) was based on the consideration of time, quality and cost approaches of project management. SSD are two well known law firms combined in 2010. All mergers are big project for the corporates around globe. The potential issues in the case of merger are Human resource and culture issues. The possible fall out that may result if these issues are not properly handled which includes conflicting leadership styles, corporate governance problems, communication breakdown, altered business processes and performance management and reward problems. The success of combination really depends on the successful integration of both law firm culture and personnel. In this essay, we will analyze the crucial issues with respect to the HR and Culture and give some potential solutions with a perception of Project Management Approach.

**Keywords**—project management; culture and HR integration; Squire Sanders & Dempsey (SSD) and Hammonds

## I. INTRODUCTION

Squire Sanders & Dempsey (SSD) was founded in 1890 in the USA and has lawyers in 32 offices and 15 countries. Turnover of the company was £353m in 2009. Hammonds is a leading law firm in the UK and has more than 10 offices in 6 countries and its turnover was £117.8m in 2009 (Legal Week, 2010). These two law firms began the combination project in August 2010. Before the combination, both firms focused on strategic geographic growth to meets multinational clients' needs, and provide value to clients. Squire Sanders was a global law firm but it has planned to enhance strength in Central and Eastern Europe with its

combination; although Hammonds had a good platform in Europe, the company had focused on expansion in Asia.

In January 2011, SSD merged with Hammonds to form Squire Sanders Hammonds. After the combination, both firms could use all their resources of to expand their markets and enhance their strength. Drez Jennings who was a Media Relations Manager in Squire Sanders said: "the combined firm has more than 1200 lawyers in 37 offices and 17 countries". Currently, Squire Sanders chairman Jim Maiwurm is global chairman of the merged firm, while Hammonds managing partner Peter Crossley is the merged firm managing partner for Europe. Squire Sanders Hammonds established a 13-person board, 8 persons from Squire Sanders and 5 persons from Hammonds. Hammonds managing partner Peter Crossley said that operating as „one firm“ around the world is a foundation of the Hammonds culture that is shared by Squire Sanders.

## II. THE POTENTIAL ISSUES: SOCIO CULTURAL AND HR FACTORS — THE HEART OF COMBINATION

Numerous studies show culture conflict and human resource issues as important potential factors of merger failure. Tetenhau (1999) states culture as the heart of a merger integration. "According to a survey published by KPMG in 2008, culture remains one of the top post deal challenges with companies continuing to link post deal HR challenges with cultural complexity" (Turnaround Management Society, 2010). A famous example is the failure of Daimler-Chryslers' merger. DaimlerChrysler simply believed two company cultures could be put into together as a whole, they ignored the culture gap between two companies, neither realized the cultural differences may impact post-merger. Finally Daimler's chief of passenger cars, Juergen Hubbert says: one company, one vision, one chairman, but two cultures, a prophetic statement considering the company's failure. According to DaimlerChrysler's case, they went through culture conflict and human resource issues more than two years after the merger completed (Turnaround Management Society, 2010).

\*Fund project: 1. Humanities and Social Sciences Research and Planning Project of Chongqing Education Commission (18SKGH133);  
2. Key Project of Research Center for Development and Utility of Unique Resources in the Wulingshan Region (WLYF2016004).

### A. Socio Cultural Factors

Culture refers to a system of belief, values, customs and behaviors prevalent in a society or organization which is transmitted from generation to generation or employee to employee. Levels of culture can include national, industrial and organizational aspects. Research shows those styles of leadership, motivation and decision making vary among different countries (French, 2008). Culture affects attitudes of employee to work it also affects loyalty, personal initiative and collective responsibility

Hofstede's theory of cultural dimensions is based on research on national culture (French, 2008). Hofstede explained five dimensions of culture which are: power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, long term vs. short term orientation. (French, 2008). And Trompenaars theory of relational dimensions helps to explain concept of relationship with people, attitude to time, and attitude to environment. Hofstede's framework and Trompenaars theory explains why cultural norms are powerful in a workplace. It clarifies why successful management in one culture is not guarantee for success in another culture. Wal-Mart could not succeed in Germany despite its success in the US. It may be necessary for business to adopt a different managerial approach when acquiring business in another country (Hofstede, 1996).

### B. Possible Impact of Socio Cultural Factors

Cultural differences may appear subjective and difficult to measure, but it is possible to systematically identify and analyze them. There are five key areas of potential cultural incompatibility in SquireSandersHammonds that may create business risks for organizations merging or forming new partnerships. These five key areas of concern are: leadership, governance, communication, business processes, performance management and reward systems.

Failure may arise as a result of leadership incompatibility. This may be due to variation in leadership preferences. Most companies are unique in their leadership styles. Leadership conflict can also create segregation, in which case different leaders in the company have their own followership. This may lead to breakup of the newly formed company (French et al, 2008).

Corporate governance is not only about checks and balances to protect stakeholder interest, it is about people and the way individual leaders make and carry out decisions. When two organisations come together, there will be differences in corporate perspective to corporate governance. When two organisations merge together, the dominant culture prevails. The corporate practice within the dominant culture will surely influence the corporate attitudes of the resulting organization.

Attitudes about confidentiality, preferences for formal versus informal confidentiality methods may be the initial area of conflict. More conflict may arise if the two companies primary language is not the same. A good example is the Wal-Mart acquisition in Germany. Wal-Mart entered the German market to further its global expansion initiative by acquiring Wertkauf GmbH, 21 hypermarkets

stores and 74 Interspar stores of Spar AG. After five 5 years of operation in Germany, Wal-Mart failed to make impact the German market (Hollensen, 2011). The reasons were due to strong cultural mismatches between the American company and the German cultural environment. This resulted in problems with workers, culture on the German workers.

Companies in the throes of a merger invariably seek ways to realize new efficiencies through integrated functions and procedures. They may consolidate plants, branches or offices, centralize purchasing to leverage their buying power or consolidate back-office functions. No matter how necessary these changes, however, they almost always entail the adoption of new business processes that may themselves become sources of contention.

The overall performance of an organization hinges substantially on organisational citizenship behavior. The organisational citizenship behavior has been defined as the behavior „that contributes to the maintenance and enhancement of the social and psychological contexts that support task performance“ during merger and acquisition, employees are usually worried of how the outcome of the merger or acquisition will influence or affect them. Merger and acquisition also terminate any previously existing psychological contracts between the employees and their old company.

Hence, it is important that: an acquiring organization pay importance to the evaluation and management of any pre-existing psychological contracts that might exist between the employees and organization they are trying to acquire or merge with, as this will affect the success of the acquisition significantly.

## III. HR MATTERS

Human resources are not only managing people, but also adding value. Employers and employees both need to know the importance of human resources in the different merger stages: pre-merger, integration and post-merger. The merged company needs to solve a number of HR issues to guarantee its success.

SquireSandersHammonds is a high diversity law firm, they employ staff with varied cultures, backgrounds, and ideas all around the world. Although employees from these two firms speak English, there are culture conflicts and human resource issues in the merged firm. The merged firm is struggling to let staff receive equal treatment and reduce culture conflict in the following areas: recruitment, retention, remuneration, work- life balance, promotion and leadership. The policy of the recruitment is all employees and applicants shall receive fair and equal treatment (Squire Sanders, 2011). The retention aim is to keep valued members, and supply training. And the merged firm announced the firm will create a joint global bonus pot, and lawyer remuneration is expected to be based primarily on merit by 2012 (Legal Week, 2010). Robert Weekes also suggests the merged firm will focus on healthy work/life balance as well. In fact, the retention efforts lead to promotion and leadership, if SquireSandersHammonds only focuses on mentioned areas;

it is not enough to guarantee the successful operations of post-merger.

#### IV. POSSIBLE ISSUES

Law Mergers are multifaceted and key dimensions always comprise resolving issues about law practice strategy, practice group integration, disagreement checking, financial systems, document management systems, IT networks and various other issues. The specific goals in the combination are improvement in cross selling revenues, practice profitability, revenue per partner, cost goals, client satisfaction. According to Alan R. Olson (2004) of Altman Weil, Inc to be successful a merger of two law firms must reach a functional and ideally optimal alignment of a single firm culture. Organizational Culture can be defined as a cluster of values, beliefs and behavior styles that makes the core uniqueness of an organization and which guides and constrain that human capital within it. (Ellen Weisberg et al 1995). Some mergers have failed almost exclusively due to culture, in spite of the merger's strategic fit, financial fit and other added values. Though culture is a mysterious topic, the expression of culture is identifiable, often tangible, and can be meaningfully assessed. Also, note that when a much larger law firm is combining with a smaller entity, the larger firm's culture and cultural manifestations are likely to dominate and it can cause problems in the long run. Briefly there are two mechanisms really governing the issue of failure of merger — Internal and External, an internal factor includes: incompatible goals, leadership failure, succession planning and compensation philosophy, and external factors includes: inability to recruit, lack of access to new clients/work, inability to service existing clients. These mechanisms can be well managed through the development of new governance compensation structure, proper internal communication and efficient training.

#### V. SOLUTIONS

##### A. A New Governance Structure & Administration

Build a new governance structure, which includes general counsel, global operations group, management committee, partnership council, audit committee and partner selection group. General Counsel consists of a team responsible for compliance, risk management, insurance and legal issues affecting the firm. It also administers firm's conflict clearance processes. Global Operations Group chaired by Chief Operating Officer. It is responsible for the firm's support services and oversees the excellent management of internal projects including technology innovations. Management Committee chaired by the Managing Partner, it is responsible for the overall management of the new merger, including strategy, finances, profitability, growth and development of competitive position. Partnership Council chaired by seniors one each from Hammonds and SS monitors the performance of the Management Committee, which ensures the organization is managed in a way that is just to all partners. It also protects the reputation and coordinates the votes and elections required under the Partnership Agreement. Audit Committee

reports to the Partnership Council. It decides which audit firm will conduct the audit of accounts. It also monitors the firm's risk management processes. Partner Selection Group reports to the Partnership council. It assesses the qualities for the future partners or other possible firm for merger.

With the development of a governance structure, action plans for integrating the administrative functions of both firms have to be formulated. For this, the supportive requirements of attorneys in both firms have to be analyzed. In order to facilitate this process, a position description should be drafted and reviewed for each position that comprises the duties, responsibilities, reporting relationships and character profile for every position. This type of integration project plan will help to identify the appropriate staffing ratios and employees most likely to fit the new company profile/culture. This can be considered as due diligence for the new organization.

Law firms have paralegal staff in areas like general management, accountancy, IT and human resources and they offer support to the firm. Time and billing and litigation/practice support technology, intranet systems and the communications systems should be integrated. Hardware and software of both firms to be assessed to decide whether the present systems are compatible and if either system has the capability to manage the quantity of surplus work required for the merger firm. If not, new systems have to be purchased from an apt vendor who can provide long term supporting services and merger's growing demands. Both companies' IT skills should be reviewed and an appropriate supervisory IT staff committee has to be developed for the technological needs of the merger. Human resources recruiting, training and evaluation activities are to be planned and executed. Operational and human resource manuals have to be revised and given to attorneys and support staff. Training and development programmes should be implemented among attorneys as well as supporting staff.

##### B. New Employee Compensation Structure: Combination of Set Lock-step and Pure Merit

Usually, most of the law firms are using the set lock-step system of compensation for their associates, where associates in each seniority level take the same base salary. Other law firms pay just on the associate's performance and it is called the pure merit system. Both have dis/advantages and therefore a blend of lock-step system and pure merit will be apt for the SSH.

The set lock-step system may mitigate the competitiveness but it does not reward excellent performance. Even if, the merit system compensates the star performances, it may cause pressure to meet or exceed performance targets at each level.

In the combination pay structure factors like number of hours billed quality of work, pro bono hours, overall contribution of the firm through activities such as recruiting and involvement of committees and businesses. Also, the equity partners have to make a renew terms of profit-sharing.

### C. Internal Communications

A project manager working towards the integration of two combined firms must factor in a number of issues. The project manager must make sure that a checklist of potential deterrents to success is removed. The project manager has a number of tools available to him to ensure effectiveness at each mission critical stage. Firstly, leadership commitment is cited as common reason for failure and if both Squires Sanders Dempsey and Hammond "two managerial boards are diametrically opposed to combination then the company will risk the consistency of vision for the new firm (Denis, LaMothe, & Langley, 2001). This is especially true for Squire Sanders Hammonds who as a legal practice have a pluralistic management/owner structure and if the merger is to succeed then all managers/owners must be satisfied with the combination. The project management team can resist any dissent by making sure internal communication is frequent. This will reduce anxiety and decrease the likelihood of rumour, it is especially important as rumour will often focus on the negative aspects of business strategy.

Internal communication must be a central pillar to any approach taken by a project manager wishing to initiate acculturation. Hildebrandt notes that during any integration it is best practice to give people more information rather than less as this will allay fears and make the partner(s) more comfortable about his/her role in the newly formed organization (Hildebrandt International, 2004). The project team may wish to assign practice group leaders to disseminate information in face to face meetings with partners; practice meetings will ease the possible transition of workloads between Squire Sanders Dempsey and Hammonds and will promote synergy between the two teams. As culture is subjective and develops over time the project team should enforce the sharing of workloads and communicate the need to do so with the aid of an electronic medium such as email, this information can be quickly proliferate. The shared recognition of symbols and experiences and will be invaluable for the promotion of a single company wide culture (Larsson & Lubatkin, 2001).

### D. Training Programmes

As a large law firm has to conduct a variety of initiatives for new lawyers. A training programme should include In-house Training, External firm paid seminars, and Continuing legal education organized formal mentor programmes, trivial advocacy training and retreats.

Attorney review process is also an essential part of the development and SSH can conduct annual and half yearly performance reviews. That will help to harmonize standards and behaviors across the organization. A New compensation structure should be deployed to the attorneys and supporting staff. When the new company is formed the integration team must employ training techniques that are designed to integrate the social aspects of working in a new organization. Social gatherings described by Robert Weekes as a key aspect of the courting and marriage of Squire Sanders Dempsey and Hammonds should be spread to lower tiers in an effort to allow employees to create a culture of their own volition. New employees would benefit from being inducted

this way as well as an induction program for the new organisations culture. This means there will be gradual change of culture through natural replacement of human resources.

## VI. CONCLUSION

Through the analysis of SSD combination, we emphasize on that human resource and culture conflict are issues. The possible fall out that may result if these issues are not properly handled which includes conflicting leadership styles, corporate governance problems, communication breakdown, altered business processes and performance management and reward problems. The success of combination really depends on the successful integration of both culture and personnel.

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