

Post-merger Faegre beats goals

BY JIM HAMMERAND
 STAFF WRITER

One year after Minneapolis-based law firm Faegre & Benson merged with Indianapolis-based Baker & Daniels, the integration is still a work in progress.

Still, the rebranded Faegre Baker Daniels posted strong financial performance in year one and will soon open a new office, said Managing Partner Andrew Humphrey.

The firm increased revenue and profitability over the pre-merger firms' combined performance, Humphrey said. He declined to provide preliminary financials, but said Faegre Baker "solidly outperformed our budget and all of our key metrics."

"The financials are one thing, but what [the performance] represents is much more important," Humphrey said. "People worked really hard and clients responded really well to the combination. We had a lot of change people had to go through."

Humphrey didn't say which new market Faegre Baker will expand into, but said it is west of the Twin Cities.

Law firms that go through mergers usually benefit more from increased revenue than reduced expenses, at least at first, said Ward Bower, a principal at Newtown Square, Pa.-based legal consulting firm



Bower

Altman Weil Inc.

Faegre's first-year performance is a good sign and in line with a survey of law firm combinations between 2004 and 2007, he said.

In that survey, 77 percent of law firms reported better performance after merging.

"It appears that mergers energize people," Bower said. "The end result is that firms do better."

Faegre & Benson and Baker & Daniels, which had similar practice groups and cultures but little geographical overlap, launched Jan. 1, 2012. Humphrey and Tom Froehle, the former Baker & Daniels chief executive who is now chief operating partner, said the 770-lawyer firm would expand the scope of services

FAEGRE BAKER DANIELS

Business: Full-service law firm
Managing partner: Andrew Humphrey
Minneapolis lawyers: 288 (144 partners)
Minneapolis employees: 715
2012 revenue: \$442.9 million
Web: faegrebld.com

and depth of expertise for clients beyond what either could offer alone.

By the end of 2012, Faegre Baker Daniels' roster of lawyers dropped to 740. Key departures to other firms include former international practice co-chair Kathy Ruhland, pharmaceutical and medical-device partner Peter Goss, labor and employment partner John Polley, eminent domain partner Mark Savin and litigation partner Will Stute.

Goss considered himself a Faegre lifer, but left for Minneapolis law firm Blackwell Burke because his practice would fare better in a smaller firm. "The prospects for my practice didn't seem to improve much with the merger," he said.

Savin, who left due to a client conflict, called the merger a terrific move. "Faegre is being very shrewd about consolidating its strongest practices."

Mergers can change lawyers' roles and hierarchical order as well as create conflicts in client representation, but Humphrey said they lost fewer lawyers and clients than expected.

Faegre Baker doesn't have specific lawyer-retention initiatives in place, but added flexibility to its partnership structure. It also tweaked its compensation practices, long a chief complaint of Faegre lawyers, to give them more information about the subjective, nonformulaic decisions behind their pay, which is confidential.

Open books work for other firms, but Humphrey said transparency "tends to sharpen elbows, and it's hard to encourage partner-like behavior when you really want to encourage collaboration and teamwork."

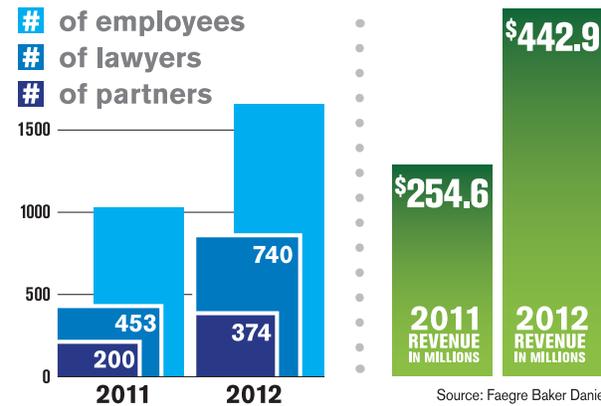
The larger of the two firms, Faegre was the dominant player in the merger. Despite that, leaders are promoting a "one-firm" mindset to



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Andrew Humphrey, managing partner of Faegre Baker Daniels, said the firm's first year after the merger beat financial goals.

FAEGRE BAKER DANIELS BEFORE AND AFTER MERGER



Source: Faegre Baker Daniels

encourage cultural integration and position the organization for growth.

"People are starting to get to know each other and establish these bonds across the legacy firms," Humphrey said. "They're really starting to think of it as one name."

A two-year merger timeline hangs in Humphrey's office in downtown Minneapolis' Wells Fargo Center. On it are key dates and dozens of ongoing integration initiatives, a re-

minder of the work ahead every time Humphrey reaches for his suit coat.

"I'm sure we haven't done it perfectly, but we've done it well," Humphrey said. "We've laid the foundation. It's really an opportunity now to reach outward even further and to focus even more strongly on our clients."

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