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How to win partners' hearts and minds for a proposed merger

An interesting point is reached in any merger discussion, at which the negotiating teams must set aside issues of market dynamics, strategy and positioning. Plans for operational change, efficiency improvements and rationalisation must also be sidelined. Even the development of compelling propositions to attract new clients and expand existing relationships must pause in order to answer one question. This question is, when looked at through the eyes of the common or garden partner, "what's in it for me?"

For many in the rank and file, the attraction of any merger is not tied up in vision, strategy or opportunity in the 'brave new world'. It is more concerned with a simpler question, which is rarely expressed straightforwardly but often evidenced by behaviours and hinted at in questions that circle the core issue: "Will I be better or worse off, in both the short and longer term, by voting for this move?"

Given the high levels of consent required by many partnership deeds and LLP agreements, it doesn't require a significant proportion of those with votes not to be convinced of the security of their own tenure to scupper the deal. For partners of both firms, any merger represents a significant and potentially risky life change. In this mindset, one should forget about strategy and business cases. This is personal for partners – it is about them and their loved ones, and no decision is more important.

Change management

Extensive research has been conducted into change and the factors that motivate it; numerous algorithms exist that explore the components influencing the propensity to change. However, stated simply, the stark fact is that people will only sign up to change if they believe that the pain

of change will be less than the pain of staying where they are.

Of course these are relative states: the pain of the status quo can change significantly in the face of market conditions, firm performance and personal career stages, while the challenge of change can be softened by the processes that are adopted to realise it and the promised benefits at the end of the journey.

Fundamentally, there is a risk-reward judgement to be made by each partner. The shrewd management team appreciates this and manages its process and communications accordingly.

An approach that I have developed over the years, termed the 'five reasons' model, is useful in setting a benefits framework for those wishing to 'sell' a merger to their fellow partners.

The first of these five reasons centres on a direct benefit – will this deal help me make more money? The second is concerned with efficiency – how might the move help to save money? The third and fourth factors look at each side of the risk-reward equation – will this deal increase my opportunities or reduce my risks? The final factor considers whether the move will provide for an easier life. In the context of a merger, this will often mean an improvement in business support, a reduction in non-client facing administration and an easier route to satisfying the increased burden of regulation and compliance.

The aim should be to tick all five boxes in the minds of partners. Any proposal that does not do so should be supported with an explanation as to why the firm may need to accept some temporary downside, or increased risk, in order to achieve greater returns in the longer term.

In addition to the five reasons, there are also, of course, emotional factors to consider – the most common of which

relates to social status and how partners perceive their own firm in relation to their prospective merger candidate.

The short and long term impact of a merger on profit and, by extension, profit per equity partner (with all other things being equal) means that those at different career stages will have quite different perspectives on the deal's attractiveness.

A merger will generally be profit diluting for at least the first year as restructuring costs are incurred and investment to align systems and processes made. The uptick will come later, in year two or, possibly, three. For partners at mid-career, this is an investment in their future prosperity, while for those in the last few years of their tenure, such a move may not be quite so attractive as they seek to maximise their provisions for retirement.

Strong leadership

Lest we forget, any strategy is a bet on the future in terms of both market opportunities and the firm's ability to exploit them. While risks can be managed and the realisation of opportunity planned through good management, the partners must believe in their leaders' ability to take the firm on this journey. Both the left and right hemispheres of the brain must be convinced in order for a merger to be consummated.

We do not talk about 'winning minds', but rather 'winning hearts and minds'. Logic, in itself, is not enough to carry the day. There must also be belief and emotional commitment. Leaders need to create a narrative that builds this emotional commitment and runs alongside robust analysis and ambitious planning. ■■

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