



ANDREW HEDLEY, DIRECTOR, HEDLEY CONSULTING

Management opportunities and challenges in a merged law firm

Firms won't become more commercially successful by being better at the law but, rather, by running a better legal services business. More proficient strategic thinking and better management, team working and communication are vital to ensuring sustainable performance enhancements, improved efficiency and increased revenues and profits.

It should be clear to everyone in the management team and wider firm that, while incremental improvements in technical expertise are important (since these capacities sit at the very core of any proposition), they will not significantly influence the success trajectory of the business in the short to medium term. Strategic, structural, technological, operational and client service improvements can, however, be transformative and have the potential to quickly deliver a step-change in performance.

At a time of merger, there is a confluence of opportunities and challenges with which the management team must grapple. One of the most significant of these is the potential restructuring of the management team itself and a clarification of the operating model and business processes to be adopted by the new firm.

Management approach

When planning for a merger, consider first the nature of the management team and the many challenges with which it must grapple. Some will be transitory, requiring nimble navigation of the hurdles of merger integration – both emotional and logistical. This can place a huge strain on an already over-committed senior team. External assistance may be sought at this point to manage the integration process.

Another approach, often adopted by serial acquirers, is to create a project methodology and, in some cases, a standing implementation team headed by a nominated integration partner. This group is tasked with achieving integration

while other parts of the firm continue with 'business as usual'. By minimising disruption and ensuring that client revenue generating activities can continue unabated, such an approach maintains momentum for the new firm.

Other management challenges will be longer standing and focus on the efficient and effective operation of the larger business, perhaps across an increased number of locations and with a level of complexity which places additional demands on both practice group and business support resources.

Addressing such issues may require a restructured senior management team, new practice group profit centres, a different approach to business support and revisions to governance (as the distance between line partner owners and those charged with running the business increases).

In many mergers and all acquisitions, these operational aspects are based predominantly on the *modus operandi* of the senior party to the deal. That is not to say that the firm will always have the best approach or that the junior party is not, in some respects, more advanced in its management practices. However, practical considerations weigh heavily in any merger implementation planning. Creating a position in which at least half of the new firm is able to maintain business-as-usual from an operational perspective, while others are brought on board and trained over time, will be vital in the months that immediately follow a deal.

There may also be, from a theoretical and emotional perspective, a desire to find a 'third way' that takes the best from each antecedent firm and also looks to industry best practice. However, the commercial reality is that, in the heat of a merger, there will not be time to design and implement wholly new practices across the entire business. The time to reshape business practices more radically is likely to come later, once initial integration has been

completed and while the new firm is still change ready. By building on the momentum created by the merger, a thoughtful management team will be able to introduce approaches that are new to both firms as catalysts to create additional upside.

Planning ahead

None of this can be left to serendipity. Structuring and planning for the longer-term management model should start at the earliest possible opportunity. It should certainly be a central part of pre-merger discussions and negotiations. There must be clarity as to how the merged firm will be shaped, managed and operated – these are not matters that can be consigned to the 'to be sorted out later' basket. Ducking the detail of these issues and their implications at the negotiation stage simply stores up the potential for misunderstanding, disagreement and conflicts later in the process. If there are any difficult discussions to be had, they are best held early.

Often too much of the merger negotiation centres on the financial details of the transaction and the mechanics of the deal; this is especially true among smaller firms. These are, of course, important and will be meat-and-drink to any corporate lawyer party to the discussions. The risk is that, on such familiar territory, sight is lost of the wider strategy and plan for the future. The negotiations become concerned simply with getting the deal done, not how the new firm will compete better in an increasingly hostile legal services market.

The success of the combined business will be determined by how effectively it manages opportunities and deals with risks going forward, far beyond the moment-in-time represented by the transaction itself. ^{mp}

Andrew Hedley has been advising law firm leaders on strategy and change management for more than 15 years (www.hedleyconsulting.com)