Masterclass
Raising the stakes

Effective communication with all the interested parties in a merger can help overcome cultural obstacles to successful synergy, but different stakeholders may require subtly different approaches

When law firms get involved in mergers and acquisitions (M&A) those managing the activity often focus on the mechanics of the deal and forget the people involved. When deals fall apart it is nearly always because of people problems. These problems could largely have been avoided if the people involved had been considered. Anyone who has an interest in M&A is a stakeholder in the final outcome. These stakeholders must be engaged right from the start of the deal. Their needs must be identified, and a structured plan for participation produced.

Stakeholder management

The first step in stakeholder analysis is to identify the stakeholders! The second is to work out their power, influence and interest. The third is to develop a good understanding of the stakeholders, so as to be able to predict how they are likely to respond. The final step is producing a stakeholder-management plan, which provides a complete process for managing, and communicating with, the stakeholders.

Think of all the people who are affected by your merger or acquisition initiative, those who have influence or power over it, and those that have an interest in its successful or unsuccessful conclusion.

By Jeff Gillingham, director, SSG Legal

In no particular order, such people might include:

- The managing partner;
- Partners;
- Heads of departments;
- Practice managers;
- Staff managers;
- Clients;
- Alliance partners;
- Suppliers’
- The HR department;
- Analysts;
- Employees’ families;
- Media;
- The Law Society;
- Interest groups;
- The public;
- Accountants
- The government.

Stakeholders can be organisations as well as people, but ultimately the communication is with people. Identify the correct individual stakeholders within a stakeholder organisation.

Prioritise the stakeholders

There will be a long list of people and organisations that are affected by an M&A initiative. Some of these may

Keep satisfied	Monitor (minimum effort)
Manage closely	Keep informed

Figure 1. A stakeholder map.

Top ten barriers to M&A projects (% effect)	
Culture	51
Functional boundaries	44
Change skills	42
Middle management	38
Competing resources	35
Long IT lead times	35
Communication	34
Employee opposition	33
People issues	32
Unrealistic timetables	31

Note: Percentages are an interpretation drawing on work performed in change (including M&A) projects.

have the power either to block or advance. Some may be interested; others may not care.

Map out the stakeholders using the ‘Power/Interest’ grid (Figure 1), and then classify them by their influence and interest in the project.

For example, the practice manager is likely to have high power and influence over the projects and high interest. Family may have high interest, but are unlikely to have power. Someone’s position on the grid shows the actions to be taken:

- **High power, interested people.** These are the people who must be fully engaged and given the greatest focus. If the staff belongs to an employee group, then their representatives will be in this group.

The families of key staff being asked to relocate are another example;

- **High power, less interested people.** It is advisable to put enough work in with these people to keep them satisfied, but not so much that they become bored with the message. The HR department are very important to successful M&A activities. They are very important, but their interest is in providing services to the M&A team and safeguarding the employees. Other examples could include the press and analysts;
- **Low power, interested people.** Keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of your project. In an M&A environment they might include suppliers, who could be affected by rationalisation. If their trading terms allow discounts for early payment, and the new firm's practice is to take advantage of such offers, the supplier is an interested party but can do little to change such intent;
- **Low power, less interested people.** Again, monitor these people, but do not bore them with excessive communication. The most common group that fits into this category is the public. They see change occurring, wonder how it might affect them and need to be kept informed.

Understanding the key stakeholders

It is necessary to know more about the key stakeholders; how they are likely to feel about, and react to, the project, how best to engage them and how best to communicate with them.

Questions that can help to understand stakeholder issues include:

- What financial or emotional interest do they have in the outcome of the initiative? Is it positive or negative?
- What motivates them most of all?
- What information do they want?
- How do they want to receive information? What is the best way of communicating the message to them?
- What is their current opinion of the initiative? Is it based on good information?
- Who influences their opinions generally, and who influences their opinion of the initiative? Do some of these influencers therefore become important stakeholders in their own right?
- If they are not likely to be positive, what will win them around to support the project?
- If they can't be won around, how will their opposition be managed?

Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

A very good way of answering these questions is to talk to the stakeholders directly. People are often quite open about their views, and asking people's opinions is often the first step in building a successful relationship. You can summarise the understanding you have gained on the stakeholder map, so it is easy to see which stakeholders are expected to be blockers or critics, and which are likely to be advocates and supporters of the initiative. A good way of doing this is by colour coding, showing advocates and supporters in green, blockers and critics in red, and others, who are neutral, in orange.

Encountering barriers

All change projects have barriers. Together with stakeholder issues these barriers need to be recognised, and methods adopted to provide solutions. Of course, some of these barriers will be difficult to overcome and some enterprises will find it painful to implement such initiatives. This is usually a cultural problem compounded by several other factors.

As with stakeholder management the barriers to M&A activities need to be identified, analysed and rated according to possible effect and plotted on to a grid for prioritisation.

In determining ways of tackling and resolving the barriers it is well to consider the factors that help the most successful merger and acquisition implementations. Most managers would be able to draw up a generic list from their experience of business. It will be no surprise then to find that the experienced managers of Shared Service initiatives rated communications as being the top of the list.

Factors that helped the most successful M&A projects (% effect)	
Good communication	100
Strong mandate by senior partners	95
Setting up intermediate goals and deadlines	95
Having a business plan	91
Having access to adequate resources	86
Demonstrating urgency of change	86
Setting up performance measures	81
Delivering early, tangible results	76
Involving stakeholders early	62
Business plan tracker system	62

Note: Percentages are an interpretation drawing on work performed in change (including M&A) projects.

Early wins and no delays

The twin critical success factors of early wins and no delays is not about spin, but maintaining momentum and giving the stakeholders confidence.

There is no doubt that early wins, or quick hits, are possible. There is the potential to affect the early achievement of the breakeven point substantially. Some M&A projects have funded the transaction investment by an aggressive campaign to find and implement quick hits.

Incurring no delays is also about money, with the added impact on confidence and morale. An M&A initiative is normally accompanied by considerable 'noise'. Such activities usually have their critics. Delays fuel concern and encourage critics. The likelihood of a perfect project completion isn't guaranteed 100 per cent, but there should be no surprises. Good communications and stakeholder management play a big part in ensuring minimum disruption.

Delays do cost money. The risk-management plan will have considered likely causes of delays and have detailed risk-mitigation plans.

Communications

The essential aspect of change programmes like M&A initiatives is to recognise that they affect people in many different ways. The creation of a merged firm can be traumatic to partners and staff alike. It can change their lives and have long-term effects on other stakeholders. Bearing this in mind, the first rule of communications is to ensure that everyone involved knows what is happening. They should be told as soon as possible. The communications should be truthful and straightforward, with no potential for misinterpretation.

In a significant project like merging two firms, a communications role is a time-consuming job, and the person appointed to deal with such matters should be intimately involved with the team running the project. The work should be focused on designing and leading communication programmes that carry the team's message. The person should also act as a sounding board to anticipate and deflect people issues before they become a problem and help the team understand stakeholder needs and concerns.

The communication plan must be in place at the start of the initiative; perhaps even before the project team starts work.

The plan should be a roadmap for how the communications will occur – who will do what, with whom and in what way! It should be in writing, and signed off by the change team and management and executive of the company. This is very important, as everyone needs to be on the same page of the book.

The communications plan must have defined objectives, recognised stakeholders, time schedules, media to be used, nominated spokespersons, feedback process, expected outcomes and, most importantly, a way of measuring effectiveness. This can often be done through conducting regular employee satisfaction surveys.

Finally, experienced change teams know that they must surface issues quickly and deal with them in the open. Forums must be established with complete openness being a jealously guarded right of those involved. ■

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