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# Midyear Outlook



# When it Comes to M&A in Wealth Management, Culture Must be Top of Mind

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**Wealth management executives** always stress the importance of culture when it comes to acquisitions, but, too often, they wait until after a deal is closed to do the hard work of communicating the mission, vision, and values behind why the transaction is happening. This is a mistake, one that seems to be happening with increasing frequency as M&A activity accelerates.

It's no secret that consolidation is the dominant force in financial advisory. Nor is it a secret that this trend has caused a tremendous level of worry, usually by the advisors that find themselves on the receiving end of a buyout offer. Clients, too, feel that concern, often asking their advisors how their relationships will change under the new owner.

Consolidators try to calm this trepidation by touting their culture and alignment of values. The acquisition, they say, will either improve culture or preserve it at the acquired firm. Yet, in reality, the way acquiring firms communicate makes them seem less like angels and more like the Visigoths sacking Rome.

Why are messages around culture so mangled during acquisitions? Acquirers tend to rush the process and often fail to include some of their most critical stakeholders in the messaging process. Crucially, there are two simple considerations executives should take to ensure that promoting culture becomes an effective tool and allows for a successful integration.

First, it starts with the “why” behind an acquisition.

When deals are announced, a lot of time and effort goes into trying to communicate the rationale to the media and internal constituents. But then all that rhetoric is lost, replaced by legalistic internal communications that focus only on the mechanics of the transition: how technology will be replaced, the role of compliance, what forms clients must complete. All of that is necessary, but usually, these are completed without the involvement of communications teams, leading to soulless statements. That can be counterproductive since it sets a tone that is often devoid of the cultural outcomes the participants want to achieve.

To avoid this situation, firms should include communications leaders from both organizations or even hire an outside firm. This will help to ensure that culture is strengthened across every communication throughout the integration process.



Secondly, acquiring companies often take the lead in managing technology integration, human resources transition and other needs, but that ignores the insight and experience of the team being acquired—those who know the advisors and clients the best, yet, at most, are given lip service. That is why it's so important to have a joint communications team and/or outside firm to help with all the moving parts and ensure everyone is speaking the same language.

Ultimately, acquisitions are a lot like marriages. You wouldn't invite your loved ones to a wedding without first introducing your intended to one another's families. Like happy marriages, successful mergers are about cultivating a shared alignment of values, not simply looking at the bottom line. When planning an acquisition, wealth management firms should carefully consider the long-term ramifications, bringing both teams together and investing in a communications process that will set the stage for a bright and successful future. ■

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