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Communications Play an Increasingly Strategic Role in M&A Integration

By any standard, activity in Mergers and Acquisitions (M&A) is booming and few market experts anticipate an end to the fervor anytime soon.

Globally, the number and size of deals is hitting new record levels every day, as companies take advantage of low-cost financing to pursue their expansive M&A strategies. A recent market survey by Thomson Financial showed that global M&A transactions topped \$3.8 trillion in 2006, a jump of nearly 38 percent over the previous year.

This staggering growth creates significant challenges and opportunities for marketing communications leaders and their teams involved on both sides of M&A activity. Whether a company is pursuing growth or using M&A to conquer additional market share, effective communication with key stakeholders is imperative to make target audiences more receptive to and supportive of the transaction.

In today's sizzling M&A market, it is critical for a company to have a comprehensive communications program to clearly communicate the value and structure of a deal in a compelling fashion to all key stakeholders, including investors, customers, partners, employees, analysts and the media.

As a result, communications has begun to play an increasingly strategic decision-making role similar to that played by finance, legal, IT and other vital corporate functions to ensure the credibility and success of M&A integrations.

A Critical Element to Success

M&A frequently do not achieve their true value, even when the underlying fundamentals of the deal are promising. In many instances, this is due in part to the fact that companies fail to establish well-defined communications strategies that clearly convey to all key constituencies the "nature and value" of a deal.

The involvement of communications professionals from an early stage continues to prove instrumental in helping achieve two strategic goals:

1) proactively and successfully communicate the M&A objectives; and 2) help avoid the potential costs and loss of credibility often associated with a failed merger.

For decades, dealmakers have regarded communication strategies as an ancillary component of the M&A process. However, a 2006 Global M&A Survey conducted by Accenture and the Economist Intelligence Unit revealed that nearly 30 percent of respondents cited having a "robust communication strategy" as one of the three most critical elements to the success of M&A integrations (the others being "clear organizational structure and accountability" and "commitment and leadership from top management").

Effective communication does not focus solely on supporting a company's short-term chief priority – the rapid closing of the deal – but also addresses long-term concerns like the issues that can result from the merger of different corporate and, in many cases, national cultures into a new entity.



Gaining External Credibility

To keep a transaction on track and greatly increase its chances for success, it is imperative to have strong leadership and communication among all key internal and external audiences. In particular, third-party credibility during an M&A transaction is crucial.

Traditionally, target audiences tend to react more positively when news related to an M&A deal is relayed by respected industry sources rather than directly from a company. Positive statements from industry analysts, respected association executives and the media lend significant validation to M&A activities.

Core messages conveyed to these key constituencies must focus


ties law that restricts the amount of information that a company can release to the public.

An Antidote to Reduce Uncertainty

While external communication is vital throughout the M&A process, internal communication deserves a high priority. One of the ongoing challenges with M&A deals is reducing uncertainty about the future and enabling employees of both organizations to think and view their business opportunities in the same way.

Typically, efforts tend to concentrate on maintaining an open dialogue with the market during a merger or acquisition, often neglecting to familiarize internal audiences with the transaction's

publicly repeat the company's merger and post-merger strategies. By that time, he thought that his employees were tired of hearing his mantra over and over. Actually, he learned they were just beginning to hear and appreciate the message and that he needed to continue repeating it.

Many organizations have the potential to improve their decision making and management process when involved in a merger or acquisition. The final proof of this optimization hinges on their ability to communicate to stakeholders and the capital markets a clear picture of the M&A transaction and its capacity to create value. 

This absence of communication leads the workforce to fabricate news.

on the transaction's growth and synergy potential, emphasize management's ability to maximize such potential and, ultimately, validate the deal's holistic value. Gaining credibility through these third-party channels inevitably leads to the creation of an environment that helps companies facilitate the accomplishment of their corporate goals.

Ongoing communication is instrumental to the success of an M&A integration. However, throughout the process there are times when the dissemination of information to the external world is restricted to a bare minimum.

This takes place when a company enters its "quiet period" – the window of time spanning from the filing of a registration statement to its approval. During this phase, communications leaders must ensure that management strictly adheres to federal securi-

ties law that restricts the amount of information that a company can release to the public. When this happens, organizational behavior inevitably becomes driven by rumor and anxiety. This absence of communication leads the workforce to fabricate news.

In fact, a study by the Institute of Mergers, Acquisitions and Alliances points out that at least two hours of productive work per employee per day is lost during an acquisition stage if a company fails to proactively inform and convey its merger plans to the workforce. Therefore, establishing open and ongoing communication – in person, via intranet, e-mail, or online – becomes the best and most effective antidote to reduce uncertainty.

During a media interview, Novartis' CEO Daniel Vasella stated that when Ciba-Geigy and Sandoz merged to create Novartis, for six consecutive months he purposely did not miss an opportunity to

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