

GIBBS & SOELL

# Insight

FOR MARKETING AND COMMUNICATIONS PROFESSIONALS

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## After the Wedding: M&A Communications that Engage Customers and Employees

The upcoming nuptials of Prince William and Catherine Middleton aren't the only high profile union making headlines these days. Recent merger and acquisition (M&A) activity, including AOL's purchase of *The Huffington Post* and talks between the New York Stock Exchange and Deutsche Boerse, has sparked discussions about corporate wedding bells.

As with many weddings, there's often much fanfare surrounding the actual ceremony. But what happens after the bouquet has been tossed? As C-suite leaders stay on the hunt for strategic deals, renewed emphasis is being placed on the role of corporate communications in managing growth and change.

### Regrets, I've Had A Few

According to industry analysts, global companies are seeking ways to grow and deploy record cash piles, which have accumulated to the tune of \$4 trillion. After the global financial crisis spurred more than two years of steep decline, annual M&A activity in 2010 rose back to pre-recession levels – potentially marking the start of a new, multi-year cycle.

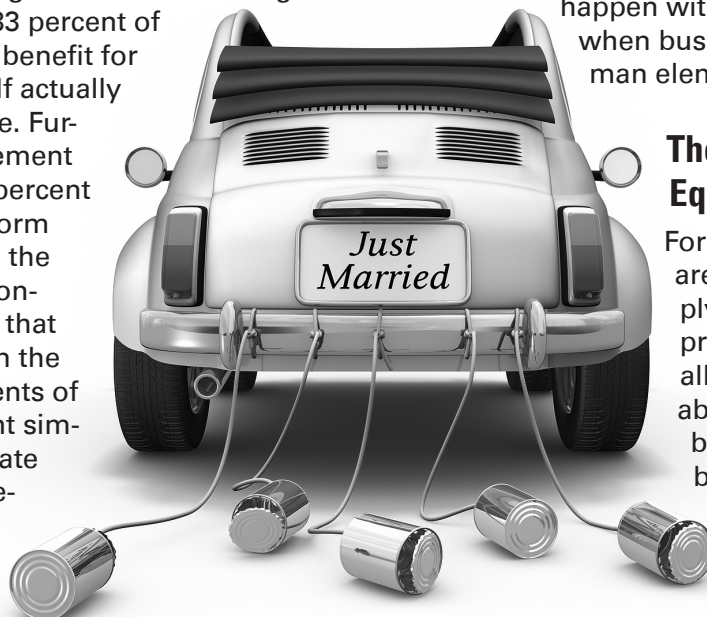
Often, increasing shareholder value through financial or market share gains is management's number one consideration for doing the deal. According to a KPMG study, however, 83 percent of M&As fail to produce any benefit for shareholders and over half actually deteriorated investor value. Furthermore, Mercer Management Consulting found that 48 percent of mergers still underperform three years after finalizing the deal. The overwhelming conclusion of these studies is that too little focus is placed on the human and cultural elements of the business. Management simply neglects to communicate the value among the stakeholders that matter most.

According to a Mercer study, 75 percent of executives surveyed said that "communicating with employees and harmonizing corporate culture were the most important factors for post-merger integration." Furthermore, a study conducted by the International Association of Business Communicators and Mercer showed that CEOs' top response to a question about what they would do differently in a merger was "the way they communicate with employees."

### The Human Element

When two organizations come together to create value, the result is often a set of unprecedented "people issues" that compound the challenge. Many forget that successful corporate unions depend upon the active participation and allegiance of both employees and customers. Loss of key talent or customers due to diminished customer service or a lack of confidence in leadership will undermine even the most strategic of corporate partnerships.

In one example of a national building products manufacturer, where deals are often initiated with a handshake, the company's largest distributor threatened to pull its business until management guaranteed that its sales manager and the acquired brand remained intact. Such departures from protocol can happen with brands of any size or scale when business leaders ignore the human element in a transaction.



### The Customer-Employee Equation

For customers, initial concerns are more likely to focus on supply and quality issues than new products or services. Additionally, they may be concerned about the people who have been providing value to their business.

Internally, the focus is placed on changing roles, responsibilities and reporting structures versus managing the business. Power struggles may erupt over which functions and people can be eliminated or how responsibilities, territories and distribution networks should be consolidated. Human nature sets in and the “*what does it mean to me*” quickly takes hold.

Well before a formal merger or acquisition is announced, employees often become aware that change is on the horizon. Little signals like an increase in “closed door meetings” or abnormal requests for cost reports, for example, become noticed. If employees feel management is hiding something from them, quite understandably they begin to lose trust and feel anxious.

## Accelerating Change


The employee experience during the post-M&A period is often quite different from that of senior management. Because of management’s access to information and involvement in the decision-making process, executives acclimate early and understand the opportunities inherent in the deal. By the time employees hear the news, management is ready to implement the plan. The broader employee population is not there yet and is confused and fearful – anxious about job cuts, loss of stature and new bosses. Getting out in front of this can accelerate the rate of change among employees, making them part of the solution rather than the problem.

In developing the corporate communications plan, be clear from the beginning about management decisions and about the parameters of what the deal means to key stakeholders. Outlining employee roles takes the guesswork out of the process and ensures messages are consistently communicated.

Answers to these key questions should be included in every plan:

- ***Is this a merger, acquisition, joint venture or divestiture?*** Communicate early and often about the anticipated level of integration and what it means to employees, customers and other stakeholders.
- ***Will leadership change?*** Outline the new management team and the individual roles of each group; as responsibilities change, ensure employees understand the reporting structure and where they fit in.
- ***How will this change affect customers, vendors and other partners? What should employees say to them?*** Develop a set of key messages for consistently communicating value across the organization. Build trust by demonstrating that you have thought through the details that matter most to all stakeholder groups.
- ***Which systems, policies or processes will change?*** Help employees, vendors and customers understand the new norm. Communicate efficiencies and the benefits of change.
- ***When may employees talk about the transition?*** Ensure everyone understands the timeline. Going out too early or too late can jeopardize the deal.
- ***What is my role in the integration?*** If it is business as usual for employees, say so. If not, communicate expectations early and often. The investment in communication will pay off in significantly higher levels of employee engagement.
- ***How will success be measured?*** Help employees and partners understand how success will be measured and the short- and long-term goals for getting there.

## Make or Break

Effective communication strategies can make or break any deal. Whether it is a merger of equals, a strategic acquisition to fill gaps in the supply chain, or a divestiture of a brand or business, it is important to communicate with employees and customers along the way. Peter Drucker said, “Executives should spend more time on managing people and making people decisions than anything else. No decisions are so long lasting in their consequences or so difficult to unmake.” Such wise words would be well placed at the entrances of both the boardroom and the local marriage bureau. 

### G&S Contact Information

*Cos Mallozzi*  
CEO  
+1 212 697 2600  
cmallozzi@gibbs-soell.com

*Luke Lambert*  
President  
+1 212 697 2600  
llambert@gibbs-soell.com

*New York*  
Audra Hession +1 212 697 2600  
ahession@gibbs-soell.com

*Chicago*  
Doug Hampel +1 847 519 9150  
dhampel@gibbs-soell.com

*Raleigh*  
Kerry Henderson +1 919 870 5718  
khenderson@gibbs-soell.com

*Zurich*  
Kevin Horsley +41 (0) 44 205 5565  
khorsley@gibbs-soell.com

*Beijing and Shanghai*  
Amanda Zhao +8610 6530 7783  
amanda\_zhao@inhere.com.cn

*Tokyo*  
Daniel Simon +81 3 5561 2915  
simond@cosmopr.co.jp



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www.gibbs-soell.com