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Communications in mergers: The glue that holds everything together

Structured communications are vital to clarify what comes next in a merger, separate fact from fiction, and forge success for newly combined organizations.

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Structured communications play a critical role in mergers by preventing the distractions that often accompany them and could even damage the existing businesses. In addition, the communications plan lays a foundation for the combined organization's future success. It is one of the few merger workstreams that go "live" immediately, as soon as merger conversations begin. The communications team announces the deal and then helps to develop, engage, and manage integration planning and execution.

A strong communications strategy and plan promote business continuity by ensuring that the right messages are communicated and reinforced to minimize the anxiety of employees, boost morale, and retain talent. They also convey the combined organization's future vision and strategy to key stakeholders—both internal and external, including customers, regulators, vendors, and employees. In this way, the plan builds momentum and enthusiasm for the merger and corrects any misinformation and myths that might arise about it.

The communications plan is a vital tool to inform and influence stakeholders before transactions close, so it is critical to start early and get the message right, both before and after the close.

The role of communications across the merger time line

The work and focus of the communications effort ebb and flow throughout the merger process, reaching critical peaks at the announcement of the deal, at the transaction's close, and on Day 1. Each phase in the merger time line has its own unique communications focus (Exhibit 1).

Design and ramp-up

In the design and ramp-up phase, the key is to have the right people and infrastructure in place. Because time is usually short, the goal is to get the basics right to land the merger announcement. After the announcement, the team will have time to refine the governance process and to add members.

A ramp-up plan should also include one specific bit of preparation: controlling merger news and responding to leaks. We often see companies struggle with this not infrequent event. Although a merger is a confidential process, the story may well leak, given the number of parties involved. Being prepared with approved responses in the event of leaks saves time and angst in what would otherwise be a mad scramble to get messages coordinated on both sides and approved quickly.

Announcement

This is the first opportunity to tell all stakeholders the strategy and vision behind the merger. How well this stage is executed can go a long way to extend the merger's honeymoon period. Crisp articulation of the strategic rationale forms the basis of multiple communications tailored to employees, vendors, regulators, and others. These all reflect the main goal: to ensure that the right message about the merger is communicated consistently.

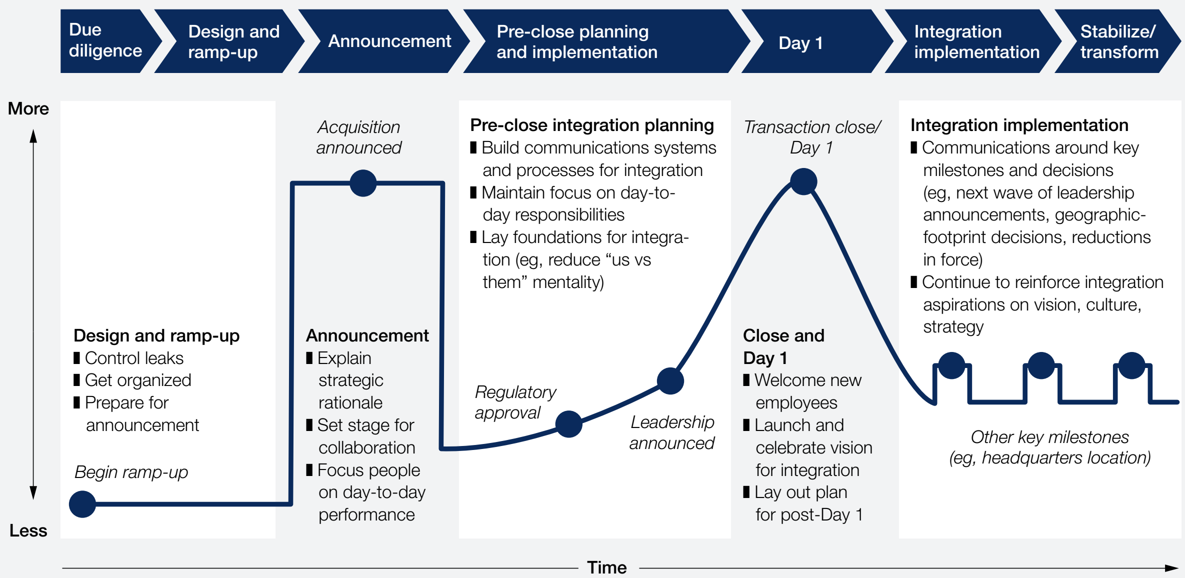
Pre-close integration planning

The pre-close period, after the merger announcement, requires special attention. This is a time when competitors go after your customers and when top talent is most likely considering whether to leave the company; some may go for interviews but wait until the close to depart.

Regularly communicating with customers and employees in the pre-close period is critical to limit damage to the organization. One mistake we see companies make frequently is "going dark"—communicating little or nothing between the announcement and Day 1. Another typical mistake is avoiding substantive topics and instead offering up "happy talk" or corporate prattle that is meant to comfort but that no one believes, except maybe the leaders. Communications should be genuine

Exhibit 1 The intensity and focus of communications evolves through the integration life cycle, with different priorities at each phase.

Level of communication during integration time line



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and transparent. Employees value having difficult messages communicated in a direct way.

This is also an important time for the leadership team to look for and listen to feedback, reinforce what's going well, and take corrective action when necessary.

Day 1

Day 1 is a time not only to celebrate the coming together of two organizations but also to give key stakeholders clarity and guidance. First and foremost is telling employees what's changing and what's not. Too often, we hear of employees who don't know, on Day 1, who their new bosses will be or what processes to follow. A structured communications plan plays a critical role in ensuring that employees are well informed and equipped to operate seamlessly from the beginning.

The communications team should not only ensure that the right leaders are in the right locations during Day 1 and week one but also coordinate town halls and webcasts to facilitate the transition. This is also an opportune time to mount a road show for top customers and to address communications to the broader base of customers, reiterating the new company's commitment to them. In addition, to maintain continuity of supply, it's essential to make vendors aware of key changes and to keep them up to date even if there aren't any.

Integration implementation

The work of the communications team doesn't end when a transaction closes. In fact, more frequent communications usually come afterward. In addition to a regular cadence of integration communications, specific messages about important decisions (such as the location of headquarters or additional organizational moves) are essential to ensure that changes are understood and accepted. Many key changes often occur weeks and months after the legal Day 1, so it's essential to tell stakeholders, including customers and vendors, when these changes will take place; for example, customers should be informed of any alterations to product portfolios and systems, as well as process changes (such as a single ordering system). Likewise, vendors should be informed of any changes to payment terms.

Six steps to building and executing effective merger communications

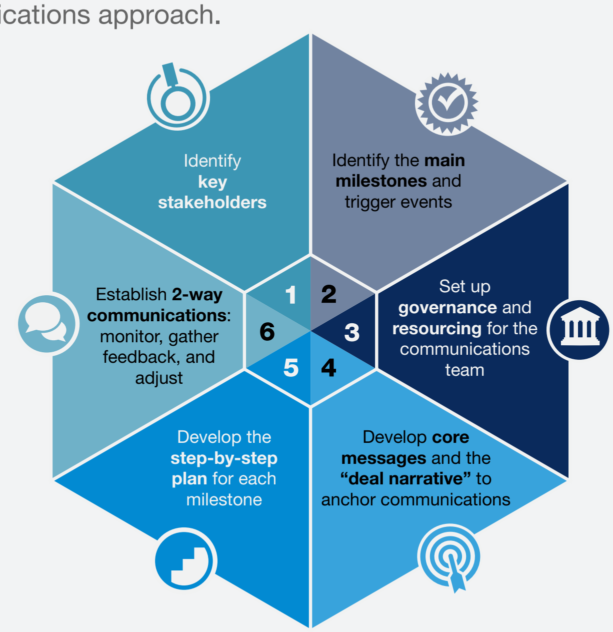
A six-step process is essential to build, execute, and constantly monitor and improve merger communications (Exhibit 2). These steps aren't meant to be "one and done." They are usually iterative and often require refining as the communications and leadership teams learn lessons during the phases of the merger and get feedback on the initial communications—and as communications needs evolve. While a company can never be 100 percent prepared, this systematic approach greatly improves its operational rigor.

1. Identify key stakeholders

Every merger has a wide range of stakeholders, and each kind of stakeholder requires a customized approach and targeted messaging. Broadly speaking, stakeholders can be classified into two groups: external and internal.

Exhibit 2

Six essentials help build and execute a robust integration-communications approach.



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External stakeholders include investors, who must be persuaded of the merits of a deal, and analysts, who expect management to make the strategic and financial case for it. Customers need to be retained and reassured about continuity of service. Vendors anxiously await information on what the merger would mean for them. Regulatory bodies and government officials are concerned about anticompetitive behavior and job losses. Finally, the general public will quickly form opinions about whether the merger is good or bad.

Internal stakeholders are primarily employees of the two merging companies, but distinct groups within them have different needs. A well-thought-out plan distinguishes between (and tailors messages for) employees in general, high potentials, and employees at risk of leaving. In particular, communications with unions or workers' councils require careful preparation and often legal counsel. The retiree population is especially interested in any potential changes to benefits.

Employees are critically important stakeholders. They must be excited about the new company's vision and buy into it. Before they can get there, however, they need to understand what will happen to them. They are wrestling with many questions. "Do I have job now?" "Will I have a job in the future?" "Whom will I be reporting to?" "Do I belong here?" Communicating with employees solely about the greater good, before addressing their personal situation, will probably be ineffective.

The communications plan must absolutely address high potentials and critical employees. In a recent merger, targeted communications and leadership time spent cultivating the high performers—including one-on-one discussions between them and the leadership on future career paths—let them know how greatly they were valued. The resulting attrition for this group of employees, who are often the first to flee, was much lower than expected.

2. Identify the main milestones and trigger events

The communications workstream springs into action very early in the merger process, and the pace rarely lets up much. An effective communications plan identifies milestones, such as Day 1, and trigger events, including the announcement of leadership appointments. The goal is to spend the majority of time and energy on the material events, while making sure that regular updates continue to flow.

All key decision makers should be aligned on what the communications focus is—and isn't. This helps to ensure that leaders buy into the vision of the merger and commit themselves to execute it well. Alignment also sets up and clarifies the conversation about who will be doing what, and when.

In a recent merger, the communications team and the integration-management office (IMO) reviewed a checklist of all possible merger milestones and quickly identified the most relevant ones. A substantial focus was placed on organizational announcements, for instance the top-level structure and leadership appointments—the areas that most concerned employees. Syndicating and getting alignment on these issues gave the team much-needed focus and direction and helped it execute the plan successfully.

3. Set up governance and resourcing for the communications team

In addition to resourcing, the communications team and integration leadership should establish a clear governance process and clarify roles and responsibilities. We typically see four roles:

- The integration steering committee reviews and approves the overall approach to merger communications, as well as messaging to core stakeholders, and serves as the final decision maker on issues that can't be settled elsewhere.

- The integration leader reviews the overall communications-activity plan and approves the dissemination of materials.

- The communications leader manages the communications workstream, working closely with the integration leader to develop, syndicate, and execute the plan. The communications leader also finds the right resources—internal and external—to guide content development.

- The communications team develops and disseminates content suggested by the communications-activity plan, working closely with functional leaders and external partners.

Effective and timely execution requires well-defined governance—a process for approving and disseminating communications. In a recent transcontinental merger, the two communications teams worked closely to define the process. The communications teams prepared draft content for dissemination at least a week in advance. They committed themselves to share content for review and approval with the communications leaders, the integration leader, the appropriate functional leaders, and, finally, the legal team. The process was set up for speed of execution, defining clear deadlines and ensuring that only the right people—and only a small number of people—were involved in the approval process.

4. Develop core messages and a 'deal narrative' to anchor all communications

All communications during the integration period should be anchored in a set of core messages arising from the deal's rationale, the employee value proposition (EVP), and the associated change story. The rationale is an articulation of the core reasoning for a deal and its drivers of value. The EVP describes why the future is bright and what the deal means for employees. The change story—a clear and compelling picture of what must be done to unlock the deal's value, and why—signals that the merger departs from "business as usual." The core messages are personalized further for each group of stakeholders. All communications should reinforce and build from these core messages.

Developing a compelling set of core messages grounded in a deal's rationale is one of the most important moves for a CEO and the C-suite. The communications team can start the process of creating the core messages by conducting a deep structured interview with the CEO (to articulate the vision and value) or by organizing a workshop with the executive team to create a single aligned story for the organization. No matter how companies generate the first draft, the core messages must be tested and refined across the organization to ensure that they appeal to various stakeholders.

5. Develop the step-by-step plan for each milestone

During a recent merger in which the communications team was highly regarded by C-level executives in both organizations, the team worked closely with the IMO to build a detailed communications plan (the merger's "who, what, when, why, where, and how"). The team used the same approach and project-management tools that the merger's other workstreams (such as IT) did. The plan brought together all merger communications, across all stakeholders, and included the key milestones and target events, as well as regular updates to different groups. It also detailed all deliverables, listing the audiences, the owners, the deadlines, the required preparation times, the content-approval processes, and the interdependencies.

Communications teams should use a wide variety of channels to reach their intended audiences and to ensure that messages sink in and get reinforced. Deciding which channels to use for each deliverable is a critical component of building the communications-activity plan. Social media plays an increasingly key role here, especially for engaging employees, customers, and the general public.

6. Establish two-way communications—monitor, gather feedback, and adjust

Creating two-way feedback channels is critical to ensure that messages are received as intended and that gaps are flagged and addressed appropriately. Often, communications efforts fall flat in this area. Either there is no effort to gather feedback, and employees in particular feel that they are being talked at, or nothing is done with the feedback—which may be even worse. A good feedback-collection process uses a number of tools, such as pulse surveys, integration barometers, town halls, focus groups, and website or email feedback. Once all this has been gathered, the communications team and the IMO analyze the feedback and take corrective action.

People we call "fire spotters"—well-respected employees who play the influencer role within organizations—can aid the feedback process. Recruiting these employees up front and using their support to gather feedback is quite helpful. They also serve as a credible way to address the feedback. In a recent merger, a couple of fire spotters quickly identified an impending wave of attrition. Given the heads up, the integration leader and senior leadership could take emergency action: a combination of nonfinancial and financial levers. While the wave wasn't stopped, the company significantly mitigated the barrier to integration.

Putting a structured merger communications plan in place

In our work with companies, we have found that several best practices are critical to develop a structured merger-communications strategy.

- *Focus on business objectives.* Energy should be directed to protect and build business value.
- *Start early and tailor.* Messages should address the stakeholders' evolving needs. If you cannot communicate decisions yet, explain the process.
- *Govern tightly.* Executives should be directly engaged through clearly defined roles and processes.
- *Be conscious of culture.* If, for example, bottom-up thinking is part of the core culture, top-down messaging may not land as well.
- *Be consistent and compelling.* All communication should be of high quality and repeatedly reinforced in multiple channels. Communicate five times more than you think you need to.
- *Humanize the message.* Address what people really care about, in a tone that is responsive to the mood and situation, not overly formal and legalistic.
- *Animate your leaders.* Actively align leaders, middle managers, and customer-facing staff so that they communicate effectively and consistently. Do not outsource this work to the communications function.
- *Stay up to date.* Keep the IMO and the deal team and major workstreams connected, so that information is up to date and that communications are as proactive and effective as possible.
- *Be responsive.* Collect and respond to feedback regularly and quickly.

Companies often make the merger-communications plan a low priority because of other pressing needs. Some outsource the work entirely to the HR and communications functions—a missed opportunity for the integration team and executive leadership. A structured focus on and investments in communications, with the support of senior leadership, have been shown to yield great benefits: a motivated employee base and engaged vendors, partners, and other stakeholders, all supporting the newly formed company's success.

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