M&A Communications

Communicating to engage and motivate people throughout the deal

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At a glance

The need for effective communication is often overlooked or underestimated in the flurry of activity surrounding a deal.

Executing a strong and clear communication strategy is critical to successful integration.

Dealmakers have a choice; they can communicate honestly and transparently to manage speculation surrounding the transaction, or they can ignore the speculation and watch it turn into fear and confusion.

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Introduction

In the flurry of activity surrounding an M&A transaction, the critical importance of communications is often overlooked or underestimated. Too often, organizations fail to establish a cadence of communication with their people during the difficult deal transition period. Not communicating during this time is—itself—communication. It sends a message of uncertainty.

We live in a time when information and communication is available instantly—across social media, internet, and broadcast in addition to more conventional channels. As a result, people hold organizations to a high standard of communications. When the standard is not met, success is at risk.

Integration teams should lead the development and execution of an enterprise change management strategy with communication as the voice of the Change Management Program.[1] Communication is a stabilizer. It keeps people focused and energized rather than confused and perplexed. It builds critical support for change, including new leadership, new business positioning, new ways of working, and any other changes on the horizon.

Strategic use of communication is an imperative for any deal. It plays a significant role during the transaction announcement, the 100 days that follow, and over the longer term as the combined organization accomplishes its integration objectives.

Communication helps to mitigate risks by proactively addressing the fears and concerns experienced by the people of both organizations involved in the deal. It provides the careful and strategic alignment of key messages with a plan for consistently communicating those messages to all stakeholders, particularly those people most impacted by the deal.

Companies that implement an effective communication plan concurrent with the announcement of an M&A transaction can significantly improve customer focus, employee commitment and productivity, speed at which decisions are made, and confidence in the direction of the integrated business.[2]

[1] PwC's Change Management in M&A Integration
[2] PwC's M&A Integration Survey Reports 2017

The issues our clients face, the actions we help them take

An effective integration process emphasizes the importance of getting the fundamentals of integration in place as quickly as possible during a deal to help minimize disruptions and achieve synergies. Rapidly launching integration efforts to Set the Course, Plan for and Execute Day One, and Design and Maximize Future-State Operations is a critical success factor. Figure 1 illustrates the integration process.

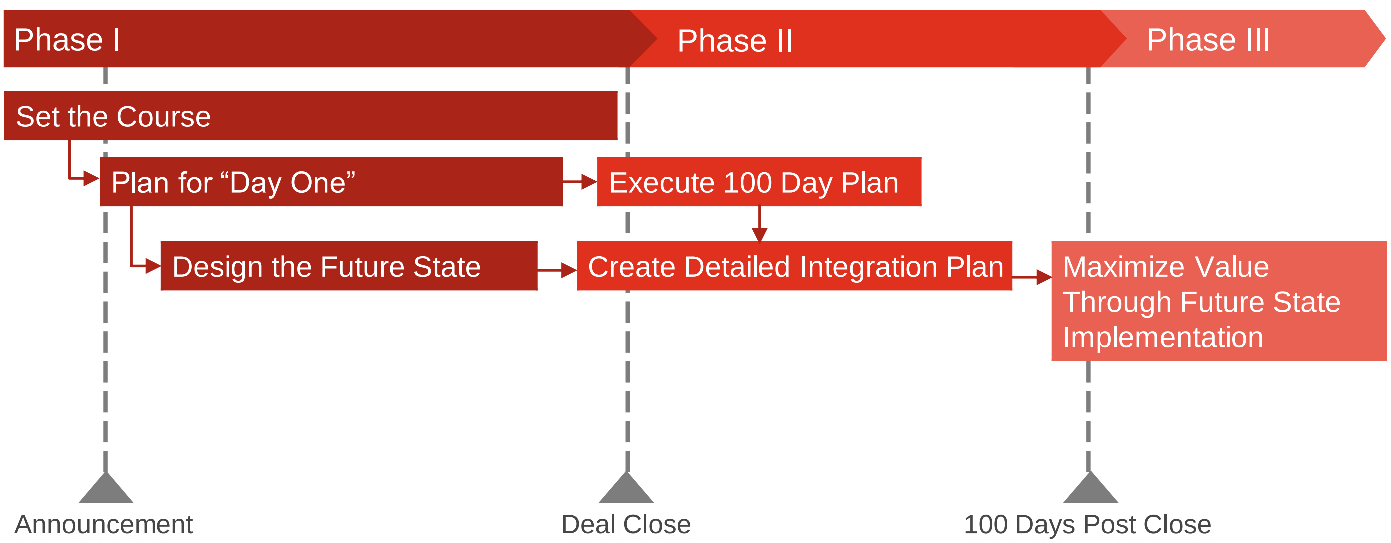

Figure 1. The PwC integration process follows a sequence of coordinated steps to focus resources and capital on the right activities at the right times.

Set the course

An acquisition, like other large scale corporate change, is an excellent opportunity to set a new course, both operationally and across the various support functions of the newly combined business. Setting the course involves defining clear objectives and establishing clear leadership and role clarity during the transition. This empowers members of the integration team to communicate effectively and take decisive action.

No two deals are the same, so there is no absolute "right" or "wrong" way to communicate in times of significant change and transition. But some approaches are better than others. These very specific actions—as a part of your strategic communications plan—will go a long way to alleviate fear, worry, and confusion among stakeholders.

- **Assemble a communications taskforce.** Gather representatives from external and internal communications functions at the Buyer and Target to work as one team under focused leadership. Together, the team can establish a protocol for planning, developing messages, reviewing and approving, distributing, and measuring.
- **Identify your stakeholders and stakeholder groups.** Assess the unique concerns and questions held by each stakeholder and stakeholder group, and from that assessment determine the unique information needs of each stakeholder.
- **Prepare the announcement.** Create a plan for the announcement of your intent to complete a transaction. Develop messages and determine timing, sequence, and method of distribution for each communication based on needs, sensitivities, working styles and culture. Consider the order in which you release each communication, addressing internal and external stakeholders.
- **Make your announcement.** Announce to the public your intent to complete a transaction. Each communication should touch on concerns and issues identified during the stakeholder assessment. Pay particular attention to those stakeholders determined to be highly impacted by the transaction. Set up formal and informal channels to monitor engagement and feedback across internal and external audiences.

The integration team should work quickly to establish early priorities. Among these priorities, replace employees' negative feelings about the deal with the ability to focus on what employees do best—buying, selling, producing, investing, and supporting the organization's goals. Strong, proactive, and honest communications will contribute toward a smooth transition and will go a long way toward creating deal value.

Effective integration communication: Defining success, getting results

Setting the course requires a plan that defines action steps and success criteria that aligns with integration strategy, organization vision and mission, and employee values and behaviors.

Success criteria

- Key stakeholders are identified and engaged in the transition
- Success measures are linked to behavioral change and tangible outcomes
- Communication approach is consistent with the employment brand-behaviors, culture, and values are aligned
- Two-way communication channels are established
- Dialogue and communication is consistent and substantive across the organization, independent of role and level
- Employees understand and support the deal drivers, enablers, and critical success factors
- Crisis and contingency process is in place

What should be done

- Identify and analyze internal stakeholders
- Develop and agree on key messages to support the deal; link decisions to deal rationale to reinforce understanding of "why" in addition to "what"
- Anticipate employee questions and provide answers
- Establish a communication strategy and plan
- Establish core communication processes, channels, frequency and timelines, and define communication roles and responsibilities
- Establish quality assurance and risk management procedures
- Prepare and deliver communication materials
- Identify change agents and through them establish a feedback network
- Review and agree upon "touch points" with external communicators and market analysts

Plan for and execute Day One

Even if the best decisions are made as you Set the Course, much can go wrong at deal close without proper planning and execution. While Day One is a milestone for celebration, it is also the time for a smooth transition of essential operations. Effective communications during this critical time of transition serves as a stabilizer.

While planning for Day One, dealmakers have a choice: they can communicate honestly and transparently to manage speculation surrounding the transaction, or they can ignore the speculation and watch it turn into fear and confusion. The stakeholder analysis is your first step toward taking control of such speculation.

Even the most experienced and savvy acquirers are challenged to anticipate the volume and variety of stakeholder questions. The stakeholder analysis is the instrument to gain an understanding of the unique concerns held by each stakeholder. It is the communicator's role to uncover the question, find the answer, and respond to the concern. For every question asked there is a range of answers that address the concerns, cover the possibilities, and move the issue forward. Following are key steps you might take to understand your stakeholders and their concerns:

- **Listen to your stakeholders.** Anticipate their information needs. Conduct interviews and focus groups with key stakeholders and analyze your findings. The stakeholder analysis anticipates their information needs today and in the future post-close environment.
- **Report your findings and plan your response.** Prepare a summary of findings and share relevant portions of the report with select stakeholders. This way you can confirm your analysis and demonstrate your awareness and concern for the issues raised by stakeholders. The report back to stakeholders is your opportunity to quickly build trust, show that you listened, and introduce the plan that is in place to address these concerns.
- **Respond to the information needs of your stakeholders at frequent intervals.** Establish a cadence for communications that provides critical information to stakeholders in a timely manner. Also consider the most effective channels to reach your stakeholders. When you are asked a question for which you don't yet have an answer, acknowledge that fact, and provide a time frame for when the answer will be available.
- **Prepare a communication plan for Day One and post-close.** Use your stakeholder analysis to produce a communication strategy and a detailed action plan. Confirm that people with Day One responsibilities understand their role, responsibilities, and expectations of them.

The value of timely, proactive, and honest communication

- **Communication fills the void.** A work environment that lacks meaningful and substantive information creates a void that needs to be filled. You have a choice —fill the void with the best knowledge you have at any given moment in time, or allow those that are concerned and worried to fill it with rumor and half truths. These are situations where trivial events can become monumental in scale and importance. Organizations that communicate promptly and transparently instill employee confidence in leadership. This is evidenced by their patience; distractions are minimized and business continues as usual.
- **Communication enables progress.** Effective communication transforms plans into action. It reduces distraction, stabilizes uncertainty, builds consensus, and generates support.
- **Communication reduces the cost of uncertainty.** When stakeholders are confused and worried, they aren't buying, supplying, designing, manufacturing, selling, or investing. Effective communication is less about announcing big events and more about establishing a connection with people and providing information, building trust, and helping them to focus.
- **Communication is a stabilizer.** Deal value is lost more precipitously during a period of transition than any other stage in an organization's lifecycle. An organization can overcome challenges based solely on the trust and confidence level your stakeholders have in the leadership team. Good communication in the mind of a stakeholder provides honest answers to tough questions asked by good people when they're confused and in the dark. Responding to these questions promptly, directly, and honestly builds trust and confidence.

Design and maximize future state operations

When it comes to delivering effective communication, the period before announcement through Day One is just the beginning. After that, operational integration begins in earnest as the significant components of the combined organizations are integrated.

Continue to align your communication strategy around the key deal milestones by reviewing cross-functional changes post-Day One and creating a targeted, well-sequenced communication plan. Common post-Day One milestones include:

- **Business Process and Systems Integration:** Aligning business processes and systems can change the way people work on a day-to-day basis and cause significant anxiety because of the "unknown". For example, moving to a new email platform or changing HR or Finance systems and the associated workflows. Provide employees with advanced notice of any changes and combine communications wherever possible to avoid bombarding employees with dozens of one-off emails. Help them see the "big picture" changes, how the changes impact them, and what actions they need to take.
- **Organization Design and Workforce Management:** Working closely with HR, create a communication timeline for organization planning activities and notification of changes. If the workforce is subject to Work Councils or a labor bargaining unit, build in additional time for communications planning. You may need to engage a specialist to ensure appropriate communications are in place and address labor requirements.
- **External Brand and Messaging:** Once you have decided on how the external brand will look and feel, ensure the new brand and messaging have been disseminated through external channels and stakeholders. This would commonly include go-to-market channels, partners, distributors, vendors, and recruiting channels.
- **Combined Go-to-Market Approach or Deal-Specific Product Launches:** Prior to announcing your company's combined go-to-market strategy or deal-specific product launches, make sure you have prepared communication to enable your salesforce to cross-sell and speak to the merits of the combined company's products and services. This often includes training as part of your enterprise-wide change management program, as well as talking points and FAQs.

Planning for the transition to "business as usual"

As you move to future state operations, plan for a deliberate and appropriate pivot point when communication moves from being managed by the integration team's communications taskforce to "business as usual."

Measure and modify

- Measuring progress along the way is critical. Use key metrics such as click through rates on key documents, employee retention rates, employee engagement numbers, and social listening data to understand the success of the communications strategy, and adjust as necessary.
- As you progress in the deal, consider modifying communication channels. For example, while a deal-specific integration site may have worked well early in the deal, there may be an appropriate time to fully use "business as usual" channels such as the company intranet.

The right pivot point

- It is important to plan for a deliberate communication transition – where communications move from being centrally managed by the integration team's communications taskforce to "business as usual" operations (e.g., communications managed by business units).
- Wait until significant enterprise-wide changes are complete, such as those mentioned above; otherwise, the communication may appear disjointed or inconsistent across teams.
- Determining longer-term accountability and ownership of communication prepares you – and all of your stakeholders – for a smooth transition.

Conclusion

It is imperative to have a strategic approach to communicate throughout the entire transaction and integration cycle—from deal announcement to deal close, through the first 100 days post-close and beyond—until significant integration of both organizations has been achieved. It is not enough to simply announce the highlights of a transaction to employees. Communications should anticipate the concerns and issues of key stakeholders and directly address these concerns before, during, and long after the deal has closed.

How an organization builds and maintains trust among key stakeholders from both organizations during a constantly changing, sometimes chaotic integration process is the primary challenge for communication leaders when facing M&A activity. Communications plays a critical and powerful role in fostering deal success. Being aware of the questions, concerns, and fears that employees might have, and proactively communicating answers—with transparency—builds trust.

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