Ignorance Hurts

Ten steps to avoid the communications vacuum during M&A.

The uncertainties and constraints around a deal will conspire to keep you quiet when what you really need to do is talk. A lack of attention to communications pre-close – while seeming sensible – can seriously undermine your ability to deliver the promise of the deal once it's all signed and sealed.

You are about to set off on a journey that will radically change your business – a merger or acquisition. It's a daunting prospect and for managers and employees alike, the uncertainty leading up to the deal and the integration afterwards is worrying and uncomfortable. During this time, setting out to reassure employees and other stakeholders will not only build trust and credibility but will create lasting engagement for your new business. What's more, communicating both honestly and transparently with your stakeholders, managing your message and the timing as well as handling speculation will give you the upper hand, ensure your employees are not distracted and help key talent have faith in your future. So, building a strong and clear approach to communications during a merger seems sensible. And keeping close to stakeholders can give you a direct link to understanding what isn't working and why.

But it doesn't always happen. Good communications can be one of the most challenging elements of any M&A as the uncertainties and constraints around a deal will conspire to keep you quiet when what you really need to do is talk. Like so much in this activity, the actions taken pre-close – while seeming sensible – can seriously undermine your ability to succeed in delivering the promise of the deal once it's all signed and sealed.

In this paper developed jointly by Beyond the Deal and Connectwell, we highlight ten 'communication myths' in M&A, explain the danger in following them and provide some simple ways to ensure that in planning your communications before, during and after the deal you give your acquisition – and the integration that follows it – the best start.

MYTH 1: WE CAN'T TALK ABOUT A POTENTIAL DEAL AS WE ARE CONSTRAINED BY LEGAL AND REGULATORY REQUIREMENTS

In any dynamic business environment, it can be hard to know when to communicate, even internally, and when to maintain silence. And with a merger or acquisition the legal process presents further challenges. In our experience, it can seem far too easy to assume that these challenges rule out any communication whatsoever, but the result often is that crucial stakeholders don't receive the reassurances that will help them support you. This is exactly how rumour and conjecture can arise to scupper your attempts to keep your plans under wraps.

One of the great myths about post-deal integration is that the process begins when the deal is closed. Identify key stakeholders and work out what you should (or should not) tell them and how they can help you – or hinder – before the deal is finalised.

Preparing a communication plan around your pre-deal activity means that you take a proactive approach to owning and controlling your message. In understanding your market and environment and defining how communicating (or not) can help you achieve your overall objectives, you take a strategic approach to managing your market presence and your reputation. Taking a planned approach means understanding which stakeholders should know what and when. That is, when embarking on a merger you absolutely must be in control of both message and timing. So thinking through at which points in the process you should be proactive and what to say in response to market interest is key. There will be critical points in the whole process at which it will be essential to adhere to the plans you have made, the strategic communications and decisions you have taken and the process you have defined - even in the face of conflicts, uncertainties and constraints. Don't underestimate the challenges and avoid the natural inclination to keep quiet.

Plan your communications and build your key messages before due diligence so that those involved in the pre-deal process will understand and support your efforts.

MYTH 2: IT'S ONLY ONCE THE DEAL IS DONE THAT WE'LL HAVE SOMETHING TO TALK ABOUT

One of the great myths about post-deal integration is that the process begins when the deal is closed. Of course the conclusion of the deal is a significant point in the whole process but there is much work that should be done beforehand, not least to ensure that you are prepared for all the work that needs to be undertaken afterwards. Any research, analysis and planning relating to your overall environment and marketplace will help in understanding what you may need to do and when. In the lead up to the conclusion of the deal, you will need to identify key stakeholders and work out what you should (or should not) tell them and how they can help you – or hinder – before the deal is finalised.

If you demonstrate trust amongst your stakeholders, you will receive it in return.

And it's important to be thorough – whilst shareholders may be the first stakeholder group that comes to mind, employees, business partners, suppliers, collaborators, competitors and customers will all be interested in how the deal works out and what it might mean for them. Take time to segment those groups further – for example suppliers will include those who provide critical goods or services without which the business cannot operate and whose nervousness could result in them downgrading the quality of your support; it may include relationships that are more collaborative and that require special handling – all your relationships must be handled appropriately. Considering in detail the various stakeholder groups, their concerns, priorities and perspectives will help you take control of your own reputation and your relationships: each stakeholder group will have unique information needs and each will require a different approach.

If you demonstrate trust amongst your stakeholders, you will receive it in return; they will expect confidentiality around a potential deal and will respect honesty around this. Discuss the uncertainties with your employees and be honest about what can or cannot be disclosed and why. Honesty and transparency will ensure that half-truths or untruths about the deal have little currency. Whereas a communication vacuum can stimulate the grapevine; even creating the conditions for it to work in harmony with the rumour mill, each fuelling the other, creating increasingly dodgy synergies from inaccurate sources of information. And this works both in the market place and inside the organisation, increasing anxiety rather than allaying it.

Being prepared to handle information leakage is also a crucial part of your communications planning; understanding the stages at which leakage may damage the process and require a response means understanding your risks and preparing mitigating action to address those risks.

Concluding the deal is just another stage which brings new audiences, messaging and actions into play in a continuing story. It's not the beginning, but neither is it the end.

Conduct a full stakeholder analysis during due diligence so that the perspectives and needs of all interested parties are understood. Include a contingency communications approach as part of your overall planning in case you need to respond to an early leak.

Your brand is about your promise to your customers; your employees are the ones to deliver on this promise, so they need to believe in it and embrace it wholeheartedly.

MYTH 3: IN REALITY WE'RE JUST BUYING THEIR CUSTOMER BASE – THERE'S NO NEED TO COMMUNICATE!

In creating a new organisation, you have an opportunity to take and extend the best of both organisations and your communications should demonstrate these at all levels – from the language you use to the sorts of channels you employ as well as your readiness to demonstrate honesty and transparency.

Employees will quickly spot a misalignment between words and actions, so saying one thing and doing another immediately signals a hidden agenda. This will start to breed distrust in old and new management and give the grapevine the opportunity to generate any number of half-truths about other elements of the old organisation that you might dispose of – including the people. Planning your communication will give you the opportunity to consider your approach in depth and focus on how to move employees towards a new environment; being honest about what you wish to leave behind you may help. Employees will know what hasn't been working in the organisation and will be relieved to hear some honest discussion about

it, as well as keen to contribute to building the new one; explaining what you like about the new organisation will give them hope that things are going to get better. This is also an area where you have the opportunity to invite your employees to be involved in determining what the new organisation might look like; engaging them in some part of the process that they can truly contribute to will ensure their continued commitment to the new merged business. And in our experience it's important that such opportunities are sincere; honesty around this and all communication during a merger disperses mistrust and cuts the opportunity for rumour to take root and grow.

Never tell people something you don't believe or intend to do. Work hard to build trust and credibility by demonstrating regularly that you do what you say, and say what you will do.

Engaging employees in your new, refreshed brand will connect them to your new business more deeply and drive commitment as well as loyalty.

MYTH 4: WE CAN ONLY REALISTICALLY THINK ABOUT THE MARKETING AND COMMUNICATIONS ONCE THE PURCHASE AGREEMENT IS SIGNED

In deciding to explore a possible merger or acquisition, you have identified something that your business needs; something that a target organisation can introduce and probably more quickly than developing that capability organically. Your vision for the new organisation will need to be captured and refined; an element of this should include your brand.

Your brand is about your promise to your customers; your employees are the ones to deliver on this promise, so they need to believe in it and embrace it wholeheartedly. Your brand needs to reflect the same values and ethos both outwardly to your marketplace and inwardly to your employees.

The proposition behind both brands involved in the deal should be compatible; one should be complementing the other in some way. With a potential M&A deal, you have an outstanding opportunity to refresh your brand and introduce some new element in the promise to your customers – something that will help them remember your products, services or organisation – and to reaffirm their belief in what is unique about it. The new brand (or co-brand) should underpin everything your business is and does, from your visual identity, to your ability to retain or recruit talented staff and the results on your bottom line.

Defining which aspects of both brands could successfully work together or combine to create a new, on-target proposition must be an early piece of work and it is critical to the follow-on marketing and employee engagement work that you will need to undertake. Your vision for the combined business is the foundation for this work and understanding the core promise that both sides bring to the market will help you see where your values coincide, where they complement each other and where there is potential conflict. Investigating these aspects early on will give you a strong foundation to hit the ground running when you finalise the deal. You will be equipped to demonstrate to employees the whole, improved picture and to use this in your planning and development to underpin your customer promise as well your employee proposition.

Engaging employees in your new, refreshed brand will connect them to your new business more deeply and drive commitment as well as loyalty. Through your employees, you are connected to your market – whether this is customers, suppliers or other business partners. What's more, such a connection will stimulate commitment and loyalty as well as confirming your credibility as an employer of the future.

One of the fundamental trip-ups to successful deals is that leaders consistently underestimate the scale of the change.

Think through brand implications and decisions internally, externally, and pre-close: Getting the right message out on Announcement Day will be critical to gaining your customers' and employees' support for the deal; without this support, your deal will not succeed.

MYTH 5: COMMUNICATING IN UNCERTAIN CONDITIONS MAY ALERT THE MARKET TO SOME INSTABILITY – WE DON'T WANT TO ALERT OUR COMPETITORS TO THE POSSIBILITY OF A DEAL OR MAKE OUR CUSTOMERS NERVOUS ABOUT OUR FUTURE. WE ALSO DON'T WANT TO WORRY SUPPLIERS; THIS COULD MEAN THAT WE WON'T GET THE SERVICE WE NEED AND COULD ENDANGER ANY SUPPLIER AGREEMENTS WE ARE NEGOTIATING. BEST TO STAY QUIET FOR NOW.

Keeping quiet in the interests of safeguarding your new market proposition is one thing but if you keep your key business partners in the dark they could hear your news first through the rumour mill. This might be misleading and could also make them question the nature of your relationship – which is no doubt exactly what you want to avoid. Dealing with this proactively can keep those key contacts calm and appreciating your plans for the future without you needing to divulge confidential or legally restricted information.

At this point you should already be able to identify those organisations with which your company has a strategic relationship or partnership. Include these organisations in your stakeholder analysis and explore the spirit of the relationship – the nature of the contract, non-disclosure clauses, and levels of communication and confidentiality expectations. In planning your approach, understand what you may tell them and when; take account of the constraints you must observe and the rules that you must adhere to.

Again it's about planning your communication and this includes understanding what you can or can't say. At certain points in the process you may wish to forewarn business partners of an impending action without disclosing the details: this also allows you to take the opportunity to set an expectation of a full briefing once you are at liberty to discuss the matter. This pro-active approach will give them reassurance of your relationship and demonstrate trust in the association as well as belief in its future. Planning your approach to these crucial stakeholders and being ready for the real possibility of leakages puts you in control.

Speak to your critical customers and suppliers as soon as you can to understand their reaction to the deal; don't leave them to hear about it on announcement.

Employees need to be able to see what's in it for them in order to be on-board for the journey.

MYTH 6: NOTHING IS REALLY GOING TO CHANGE, SO WHY MAKE A BIG DEAL ABOUT IT?

One of the fundamental trip-ups to successful deals is that leaders consistently underestimate the scale of the change. Things like managing brand, changing signage, and signposting new leadership are not given enough weight and priority by those making the calls. This can often signal a discrepancy between how the change is perceived by the decision makers and how employees experience it. It's a mismatch that creates an uneven footing right from the word go and as a result, employees' emotional needs are not sufficiently met. Resistance and uncertainty start to build and you end up with a workforce that is moving slowly and reluctantly, if at all.

Instead, leaders who face change head-on are more likely to stay proactive and in better control of what and how things change compared to those who underestimate the nature and magnitude of it. This comes down to messaging; how you frame the merger and the character of the change that comes with it. Using (and meaning) words like 'opportunity' rather than 'challenge' is a start. If you cultivate a positive perspective about the merger with employees from the onset, then their actions and behaviours become more enabling and supporting rather than disabling and resistant. This begins right from the beginning with messaging and communications.

It is equally important to clearly communicate the ambitions of the company, your vision for the future, and what this means for people. Using one of our favourite models from William Bridges[1], leaders must focus on, and be ready to talk about, four key questions, allowing them to communicate confidently and consistently ahead of the change:

- **Purpose:** What was the objective of this deal, and what integration objectives have been set to achieve this?
- **Picture:** What will the combined business look like, and how will it be run?
- **Plan:** How are we going to get there?
- **Part:** What will it mean for me?

The last question is especially important and often ignored. Employees need to be able to see what's in it for them in order to be on-board for the journey. Senior leaders who re-iterate why they are doing what they're doing (it's assumed that it would generate greater growth and opportunity over the long run!) are more likely to have a positive impact on the employees because it helps them take in and absorb more meaning from the change, and helps them see and understand how they fit and belong in the transition.

Ensure all your communications incorporate your '4 Ps', and test to ensure your different stakeholders understand and accept them.

[1] Managing Transitions; *William Bridges*, 2003

A merger provides a prime opportunity for organisations – and people – to check themselves; to take a good, hard, and objectively clean look at the benefits (personal and business).

MYTH 7: WE DON'T WANT TO WORRY OUR EMPLOYEES – IF WE DO, THE BEST ONES WILL LEAVE. WHAT IF THE DEAL DOESN'T GO AHEAD BUT WE STILL LOSE OUR BEST PEOPLE? AND ANYWAY, THE DEAL MIGHT NOT GO AHEAD. LET'S JUST KEEP QUIET FOR NOW.

If you say nothing, then it's implied that your retention strategy is also simply to keep quiet. This is relatively passive rather than proactive. Your top talent, especially, will feel safer and more secure if they know that their senior leaders are thinking about them, and want a dialogue to understand their best interests, their development needs and their future. Employees that feel abandoned will simply look out for themselves. If the merger is framed in the right way (i.e. to highlight medium and long-term growth opportunities) then it is likely to appeal to employees rather than scare them away.

With strong and constructive relationships between employees and managers, there is a greater sense of trust and assumed good intention; people will feel more 'looked after' by their employer. This in turn will usually make them that much more loyal to stick it out even if there is uncertainty. They are more likely to bear the risk if they feel a stronger connection to their manager, team, or organisation in general.

Additionally, if your best people are at risk of leaving even after a mere sniff of a merger then there might be another reason. Maybe the merger is just the tipping point of frustration as opposed to the main driver of any underlying dissatisfaction. What else might be going on in the organisation or culture that might drive your top talent out the door and onto pastures new? Is it poor leadership or management, poor culture, or ineffective systems and processes that get in the way? A merger provides a prime opportunity for organisations – and people – to check themselves; to take a good, hard, and objectively clean look at the benefits (personal and business), to future-proof the success of the deal as well as retain top talent during the process. Many companies or organisations prefer to turn a blind eye to underlying problems or sweep things under the carpet, and while many (quite rightly) see acquisitions as distracting, they also act as a focus or amplifier for problems already facing the business. When thinking about retention be sure to adopt a broad scope and look at retention in the context of the whole organisation's practices and culture, so that retention, talent and people management are reviewed and delivered within a wider frame of reference.

Do you know what engages your people, makes them want to stay, and keeps them performing? If not, find out!

If the managers are on board, then no matter what happens, they'll find a way through it. If the managers aren't, then no amount of quality planning or execution will make it work, no matter how simple the deal or integration.

MYTH 8: IT'S IMPORTANT TO FOCUS FIRST ON THE ISSUES OF INTEGRATING SYSTEMS AND PROCESSES TO ENSURE THAT WE KNOW HOW TO MAKE THE NEW BUSINESS WORK ONCE THE DEAL IS DONE. WE'LL COMMUNICATE MORE WHEN THE 'PEOPLE' CHANGES TAKE PLACE.

What comes first, the chicken or the egg? Many times acquirers focus on the 'critical' items of financial reporting/consolidation, or compliance as a priority, leaving organisational changes until later. Retention of an acquired manager can also accompany a delay to changes to people, roles and responsibilities.

An understandable approach, but usually the wrong one, despite what the business case or your Finance Director might say. If we get the people, roles & relationships integration right first, then the systems and processes integration can be done far more effectively. This is because concern about technical issues of merging systems, processes and ways of working can result in a lot of 'turf guarding' and be counter-productive. Without feelings of trust and security, it is human nature for employees to want to stick to what they know and be resistant to change. As a result, you end up with integrated systems and processes that are foreign to many, and a negative impact on business performance. A client once said it perfectly: If the managers are on board, then no matter what happens, they'll find a way through it. If the managers aren't, then no amount of quality planning or execution will make it work, no matter how simple the deal or integration.

Furthermore, as any experienced systems implementer will tell you, introducing new systems and ways of working without engaging employee expertise, experience, and knowledge is a recipe for disaster. Who are the ones really making the calls here and are they objective and unattached? Would they be willing to let go of what they know best to innovate and find new ways of working that serve to extract the most value from the merger? Only when employees' basic needs are met (safety and security in their role, at minimum) then they will be willing to go the extra mile to do what's best for the new world's ways of working. The focus starts to shift from 'my' best interests to 'our', and the conditions for creativity, collaboration, and innovation are created to enable better thinking, planning, and execution around system and process integration.

Get people settled in their new roles first, then implement systems to support them. As people come first, so does the communications needed to support them.

People need time and space to think about the new situation and work it out for themselves. Give them due process: opportunities to ask questions, to revisit both questions and answers, to probe, explore and challenge.

MYTH 9: THERE'S NO NEED TO WORRY OUR STAFF, WE'RE THE ONES DOING THE ACQUIRING. WE'LL JUST TELL THEM ONCE THE DEAL IS DONE.

While there might be positive intent with this line of thinking, paternalistic business cultures (we don't want to worry them) do not engender trust, nor do they foster the levels of engagement typically needed for high-performing businesses. In fact, keeping quiet or even worse, avoidance or misconstruing information can have worse effects when the deal is done. People will feel mistrust in their leadership and potentially 'done to' in the end, which is a dangerous foundation for resentment. Rather than keeping quiet for fear of worrying, senior leaders are better off finding ways to proactively alleviate nervousness through clear communication and expectation-setting; filling the void on purpose before it fills itself.

In the same vein, how do employees of the acquiring company feel? Do they feel threatened too? They will also need reassuring in the face of uncertainty. The link between communications and engagement couldn't be clearer when you think about language. Words like 'takeover' are loaded with assumptions, connotations, feelings, maybe even images that can leave acquired employees feeling powerless and overwhelmed; no better than a commodity. Even worse, if you say nothing until after the 'takeover, the acquired employees can end up feeling invaded and threatened. The ghosts stick around and show up in the new world if not addressed – we've seen many cases in which the acquired company feels diminished. This has negative implications on integration, engagement, and performance going forward.

In both situations, the long-term cost of keeping quiet far outweighs any benefit that might have initially perceived. Attitudes and beliefs are hard to shift once formed and become ingrained in a company's culture. By engaging employees early through communications, story-telling and expectation-setting, you build a level of trust, assumed good intentions, and strengthened employee loyalty and good will that inevitably contributes to a merger's success and ongoing company performance.

Pay attention to employees in both organisations. Make them all equally important and communicate with them accordingly.

Through communications, story-telling and expectation-setting, you build a level of trust, assumed good intentions, and strengthened employee loyalty will that inevitably contributes to a merger's success and ongoing company performance.

MYTH 10: DESPITE REGULAR BRIEFING SESSIONS OVER THE PAST WEEKS, PEOPLE JUST DON'T SEEM TO GET IT. THEY MISINTERPRET EVERYTHING AND WE MIGHT JUST AS WELL NOT BOTHER. WE'RE GETTING NOWHERE.

So you want to get your employees on-side and have been as open as you feel you can but don't seem to be making any progress? The challenge with any change is that people need to talk about it. So while it's great to start off the process and be as transparent as you can, your staff will have a lot of questions and will need the chance to ask them. Furthermore, you won't have all the answers and this will keep them unsettled for some while until you do. And it's always possible that once you have the answers, they will need to test and explore those answers further. People need time and space to think about the new situation and work it out for themselves. That is why your style of communication is a key consideration. Give people due process: opportunities to ask questions, to revisit both questions and answers, to probe, explore and challenge. This means that a broadcast style is not going to achieve what you need.

Set up regular two-way communication channels, keep those channels open, and ensure that managers in the front line of those channels are comfortable with their role – they will need to feel at ease repeating the same message, reinforcing the same information, be comfortable not having all the answers, and most importantly – listening.

Do your people understand, agree with and support what you're telling them? If you don't know, find out: Use surveys, local change agents, group feedback sessions and other mechanisms to ensure you understand where their thinking, beliefs and emotions are.

It's tempting to keep things under wraps before the deal is officially signed, but there are numerous reasons why being proactive and strategic with planned communication pre-merger will help you achieve higher deal success. Having a clear vision and strategy that you communicate effectively offers insight into the why behind the merger, making employees more likely to remain engaged and on-board throughout the process.

Managing expectations through effective messaging, and listening to their feedback and views is crucial to fill in the void (before employees and external stakeholders do), retain top talent, and alleviate resistance to change throughout the integration phase.

While there is good intention in keeping quiet and not saying anything before the deal is signed, getting ahead of the game is essential to remain in control and actively manage one of the most important levers of a deal's success.

UNCONVENTIONAL WISDOM: TEN BETTER PRACTICES FOR COMMUNICATING DURING M&A

1. **Plan your communications and build your key messages before due diligence.**
2. **Conduct a full stakeholder analysis during due diligence.**
3. **Never tell people something you don't believe or intend to do. Build trust and credibility.**
4. **Think through brand implications and decisions internally, externally, and pre-close.**
5. **Speak to your critical customers and suppliers understand their reaction to the deal.**
6. **Ensure all your communications incorporate your '4 Ps', and test to ensure your stakeholders understand and accept them.**
7. **Make sure you understand what engages your people, makes them want to stay, and keeps them performing.**
8. **Get people settled in their new roles first, then implement systems to support them.**
9. **Pay attention to employees in both organisations. Make them all equally important.**
10. **Check that your people understand, agree with and support what you're telling them.**

ABOUT THE AUTHORS

Angela Gostling is a freelance communications specialist. She has extensive experience across a range of industry sectors, from small start-up businesses and SMEs to large global organisations. Angela has worked on acquisitions, mergers, sales, business transformation and improvement programmes as well as new company and product launches. From advising C-suite, supporting senior leaders and managing tactical delivery, as an individual practitioner or as part of a consultancy team. Angela has worked extensively on largescale cross-border international projects as well as in-country projects in Germany, Japan, Netherlands, Spain, Sri Lanka, Turkey and UK. She is an accredited practitioner of the Chartered Institute of Public Relations
E:angela.gostling@btinternet.com

Tiffany Missiha is an Organisational Development Consultant at Connectwell and a behaviour change specialist. She consults at Board-level down to the front line to design and deliver bespoke programmes around leadership, team, and wider organisational development. Tiffany advises senior leaders on topics such as performance improvement, vision & strategy, change management, and engagement to help them better bridge the gap between people and profit. Tiffany works across industries in both public and private sectors.
E: tiffany@connectwell.co.uk

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