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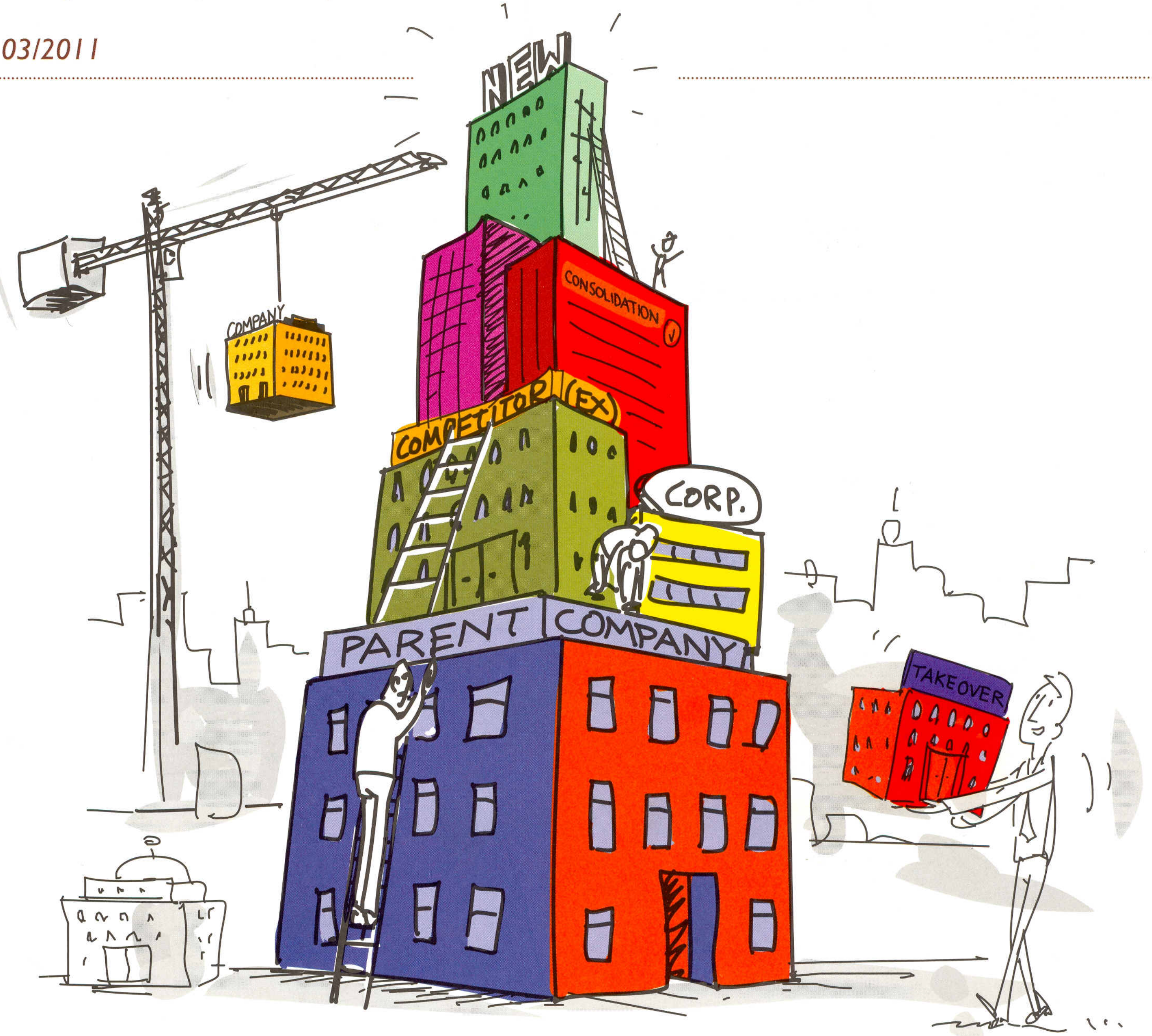

The match maker

Communicating mergers and acquisitions

Streamlining acquisitions from 100 brands to one

Using communications to relieve M&A hangovers

Closer together through a communication of proximity

How one company devised a winning formula for its post-merger strategy

Integrating your mission, vision and values

Fitting merging messages to bring two companies together

LAYING FOUNDATIONS FOR THE FUTURE

A merger between two companies results in a new organisation with a fresh identity, vision and values – an ideal opportunity to bring out the best in strategic corporate communications

by Elena Gutiérrez García

Neither a merger nor an acquisition could be described as an easy-going period in a corporate lifetime. Looking at the results of several studies of mergers and acquisitions, one could be forgiven for believing that several company executives and their communication directors are failing at their job. Why? A recent study by the Wharton Business School at the University of Pennsylvania states that 83 per cent of mergers and acquisitions failed to produce any benefit, especially to shareholders, and over a half ended up reducing financial value instead of increasing it. In 2001, research conducted by Dr Patricia Whalen for the International Association of Business Communicators found that, although mergers have been growing particularly since the 1980s, they have not met their expectations. According to the experts, among the reasons for not succeeding are deficient planning, poor management of talent, cultural clashes or an inadequate tackling of environmental changes.

A COMPLEX GRID Financial and management problems shed light on the relationship between mergers and acquisitions and communication professionals. The success of this type of corporate deal seems to be focused on the way executives handle culture clashes, investor expectations, and the involvement of regulators. However, in the entire business environment, with its diverse external constituencies, communicators should establish an exhaustive roadmap that would drive success in an inherently difficult process. While executives keep their mind on the financial and legal aspects, communicators pay close attention to other aspects and arguments. They know that any corporate process is accomplished due to a complex grid of arguments and sensitivities that go beyond the merely financial.

A QUESTION OF PERSPECTIVE According to several academic studies, common arguments used in a merger or acquisition are rooted in a financial perspective: "it is necessary for growth", "it will provide more wealth for our shareholders", "it will provide us with an extraordinary opportunity in the face of current economic challenges", "it is a good deal that will create synergies, diversify risks, and provide a cost-saving framework." Although these arguments reflect the necessary ground that sustains the agreement between the involved companies' board of directors, as well as the necessity of convincing investors, they fail to reflect a more complex reality. The narrative of the news cannot only pivot on financial data. Of course, it is key, but one should think of a more holistic approach. As Rudi Palmieri of the University of Lugano states in his research into argumentative interactions in mergers and acquisitions, the commonly-shared perspective is the one that stresses communication with the financial community and, at best, with employees. In other words, specific communication programmes for a merger process tend to exclusively highlight these arguments, even in their relation with other stakeholders (journalists, providers, public authorities, unions, etc.)

UNDERSTANDING THE POLITICAL FRAMEWORK Certainly, this vital corporate event requires a specific communication programme that stresses concrete messages to specific publics – the financial community, such as investors and analysts, and financial journalists (this is especially true in the case of listed companies). But managers are already conscious that any given external climate can determine the success or failure of the merger or acquisition, and it is often not only reliant on solely financial aspects. In recent decades, many European countries have witnessed failed mergers due to issues not directly related to the corporate and financial aspects of the mergers, but rather to do with the political framework that surrounds any big corporate event. How can we forget controversial deals beset by the fears of political or regulatory national bodies and the national press? Politicians or the national media are frequently afraid of losing control of national and strategic industries: think of Ferrovial and the acquisition of British BAA airports, Santander Group and Abbey National Bank, British Airways and Iberia, Kraft's hostile takeover of Cadbury, and so on.

ELITE COMMUNICATIONS CIRCLE Nonetheless, any merger or acquisition represents a great transformation that will result in a new and different company. The reality of the company that will emerge after the process needs to be communicated from the very beginning in an integrative and innovative manner. A different approach should be taken into account in the case of a hostile bid, but if the merger is a friendly one, the communicative process requires a strategic mentality. Any number of external circumstances can affect the way mergers are carried out and, in the current economic and financial climate, strategic communication is more crucial than before. Present conditions demand consistency if companies are to maintain the trust of stakeholders. As I will argue in the following paragraphs, strategy can be translated as consistency. And consistency is not only a matter of well-designed messages tactically delivered through the right choice of newspapers. From this prespective, strategic communication is often equated with sophisticated publicity gained in the financial media. Aeron Davis of the University of London calls it the "elite communication" circle, in which companies communicate with specific stakeholders – regulators, analysts and investors - through the financial media. Consequently, what seems to be public communication is in fact narrow communication; a practice that focuses on specific groups and forgets the whole picture.

MISSION, VISION AND VALUES However, as management academics remind us, the whole picture is one in which strategic thinking must be applied. Communicators can provide a holistic angle from which several stakeholders and ideas can be presented to the C-Suite. From this perspective, we could fill this article with ideas commonly shared, or perhaps it is more interesting to take another standpoint that presents a comprehensive and strategic communication point of departure. For this purpose, mergers and acquisitions are paradigmatic cases.

Firstly, they involve all the dimensions of a company's nature: a merger and acquisition process results in a new company with a new identity, vision and values. It involves thinking of a new communication strategy, but the facts must be above all clear. The vision cannot be sustained only by numbers: incomes, cash-flow, or EBIDTA data. Mission, vision and values are the heart of a company and need to be understood, shared, and legitimised by its stakeholders. The deal has to be fully explained. The following mantra should inspire the entire communication programme: honesty, consistency, frequency and management reliability.

In general, stakeholders do not trust companies that fail to clearly state the reasons for their decisions, and this is particularly true in turbulent business environments. Financial data is not enough for convincing the company's publics. The market and society as a whole are flooded with those kind of arguments, which unfortunately have on occasion, proven to be false, misleading or deceptive. The public's distrust of business is not only rooted in certain financial scandals. The lack of credibility could be traced back to communication practices focused on the commercial side of the firm, on advertising campaigns that stress – when not exaggerating

EXECUTIVE SUMMARY

Making the case for a merger

- Mergers and acquisitions are paradigmatic cases of strategic communications and require a holistic approach
- Mergers and acquisitions involve all dimensions of a company, and result in a new entity
- The financial perspective is important, but only one among many needed to convince the public
- Communicators can give context and present several stakeholder groups and ideas to the C-Suite

> *"Mergers and acquisitions involve all of the dimensions of a company's nature... the process results in a new company with a new identity, vision and values."*

– the company's virtues, or on a one-way communication style in which the company speaks too much and listens too little. When executives find that their firm has a bad image among stakeholders, they frequently blame it on the way in which the message was disseminated: "The problem is that we didn't know how to explain ourselves properly". But instead of shooting the messenger, they should ask themselves: "Do we have clear ideas and/or strategy? Do we know what is going on with our stakeholders, their expectations, attitudes, reactions?" These questions are a way of scanning the external environment for any conflicting issues. As public relations and corporate communication literature reminds us, continuous and systematic research is the intelligence function that sustains any flourishing strategy.

> *"Companies need to be managed with a philosophy that stresses an open dialogue and stakeholder engagement."*

GAINING SUPPORT Another example of the paradigmatic nature of mergers and acquisitions is that they involve many stakeholders with many different interests. Clearly, it is important to engage and convince them and gain their support. Attracting interest and credibility for the new company is not easy. Employees face uncertain times and need to feel part of a new project because they will have to work in a new place, with a different culture, management leadership and objectives. At the same time, investors and shareholders put pressure on companies because they want maximum profitability, while regulators and public entities watch over the consumer interests and the transparency of information. Consumers, providers, trade unions, civic associations, and journalists, on the other hand, behave like watchdogs, keeping an eye on the company's movements. The described myriad of stakeholders' demands is a challenge for real strategic communication. It demands a rich perspective on different publics in which executives have to handle different expectations and demands, even contradictory and simultaneously. The challenge is to draw up a wide-ranging communication programme that involves specific plans that adapt different messages to specific publics' needs. If well coordinated, it will ultimately accomplish a consistent message.

APPLYING THE FIVE WS To sum up, all the circumstances listed above cannot be effectively faced without clear and open messaging. In other words, without clear ideas that respond to what journalists call the Five Ws of their work: what, who, why, where, and when. Perhaps a merger or acquisition fiasco should not be considered as a communication failure ("they did not understand us"); sometimes it is not a matter of delivering insufficient messages and a lack of understanding by the public, but rather a lack of clear vision. Managers and communicators need to be attentive, firstly and foremost, to the 'whys', in order to discuss with the executive suite if the 'whats', the 'wheres' and the 'whens' are appropriate for the company and for the stakeholders. Once again, communication is not a simple question of spreading information in order to convince.

At the present time, companies need to be managed with a philosophy that stresses an open dialogue and stakeholder engagement. The public is no longer content to be passive: they want to get involved because they are consumers, investors, employees, providers, regulators. They have a stake in companies and information helps them to decide whether they are satisfied with an organisation in which they are involved, and which contributes to their happiness or quality of life.

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