

# Don't Forget the Employees— Effective Internal Communication is a Must in a Merger

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*Over 50 percent of Mergers & Acquisitions (M&A) fail to achieve goals set prior to the deal. People issues are cited as the top integration failure. A merger is all about change, leading and supporting people through this vital process, and preventing a company from severe financial loss. Communication is one of the top drivers of merger success. Yet, instead of acknowledging this, priority is still given to hard factors. Admittedly it is much easier to manage the hard factors than to deal with emotions and people's concerns. But, in order to have a competitive advantage one has to manage both sides: the hard and the soft factors. This article focuses mainly on post-merger integration which is central to merger success, illustrated by examples from the writer's own experience.*

**KEYWORDS:** Communication, mergers & acquisitions, change management

**B**ringing two companies together alters not only the composition and organisation of units, but creates all kinds of anxieties and fears in people. Post-merger integration is a complex change process. People—not only employees, but also managers—are afraid of losing their jobs, afraid of changes in their work relationships or afraid of being moved to another place of work. As a result, people are distracted and feel insecure as the environment they are used to changes suddenly. They feel as if they have lost control over important aspects of their lives. Consequently there is job dissatisfaction and loss of motivation. This uncertainty, combined with the likelihood of change, produces stress. As a result, productivity drops.

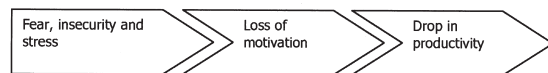
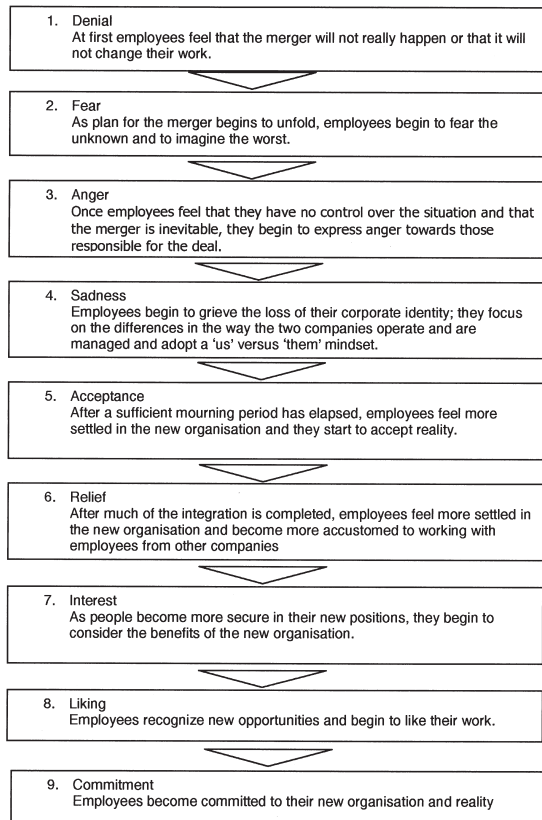


Figure 1

## How do employees react while their environment is changing?

A nine-stage sequential model describes what employee's emotional reactions are during M&A in general (see Figure 2).

There is an important point to pay attention to during the whole process: There is no workforce which acts as an entity and over which generalisations can be made. Each and every person will experience the change differently, reacting differently at different times and not going linearly through these stages. People are



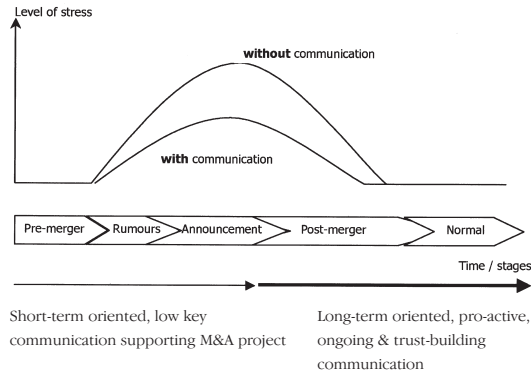
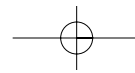
Source: Hansaker, P.L. and Coombs, M.W. in Anderson, J (1988)

**Figure 2: Employee's emotional reactions during M&A**

not creatures of the moment. They do not change their emotions, values or skills over night – a fact which is not taken into consideration enough in today's short-term and fact-oriented management world.

### The importance of communication for a change process

People are one of the most important issues of a M&A if the integration is to be successful and lead to creating value for the new combined company. Valuing employees is crucial! Communication can help to maintain employee's motivation, reduce stress and change resistance. It supports the building of the necessary trust and commitment to the new organisation. But this requires a long-term ongoing communication process. The adaptability



Adapted from M.F. Strohmer, Integration nach Merger + Acquisition: Erfolgskonzeption für das Post-Deal-Management, Deutscher Universitätsverlag, Wiesbaden 2001, pg. 93

**Figure 3: Communication and levels of stress in M&A**

and flexibility that will be important to the process comes with people who feel committed to the organisation. This needs time.

Research shows that communication not only speeds up the process, but also provides orientation during a change. As a result, employees identification with the company and the target it sets increases, people know where they stand and feel treated fairly. A positive attitude towards the company increases which has the potential to create sustainable competitive advantages. (see Figure 3)

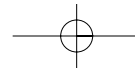
### 15 rules for successful communication:

1. *What to consider when communicating to employees in a change.*

Employee communication needs clear focus and information management. The art of communication is to elaborate the right mix and to tailor it to the situation concerned. In a post-merger situation there is only one thing to do: pro-actively communicate, communicate, communicate.

2. *Develop a communication strategy and a communication plan.*

In general, the overall goal of communication is to manage the reputation of a company and to build trust and credibility. A non-managed com-



munication can lead to rumours and a split image and as a consequence this may lead to a negative financial impact derived from a loss of reputation. Successful communication is based on a communication strategy which supports the business strategy and a communication plan which covers:

- The main stakeholders (who).
- The messages to be given (what).
- The timing (when).
- The communication tool (how), e.g. newsletter, meeting, intranet etc.

In a M&A a special strategy and communication plan is needed. Managing the M&A project should be separated from daily communication work. Ideally, the project team also includes a communication specialist from the very beginning. Despite being in charge of communication, I was not at first involved in one on-going M&A project. Towards the end of the project, the project leader called me, asking me to write a press release. This was an unfortunate situation. As a communication manager you need to be in the full picture from the very beginning in order to be able to provide full, professional services and to avoid pitfalls and miscommunication.

3. *Take into consideration all stakeholders—know your internal audiences.*

In order to be effective, one has to take into consideration all internal audiences. There is no single 'employee public', instead it is made up of numerous subgroups; e.g. workers, senior managers, per diem employees etc. All of them need to be addressed properly and to be guided through the post-merger integration. In some countries, e.g. Germany, 'works councils' represent the employees. Never forget to address them, too.

4. *Establish the key messages to be communicated.*

In order to achieve the image and information needed, it is advisable to define no more than

three overall key messages. These messages have to be included in all information, adapted to the target group's specific needs and repeated again and again and again.

5. *Be clear about timing when information is communicated.*

A key point in communication is the right timing. Communication is not only about giving information, it's about giving the information at the right time. For example, one day one of our subsidiaries called, to inform me they were about to publish a press release concerning an acquisition. I asked them if the deal was legally and formally approved. They said no. Both parties had signed the contract, but the deal was not yet formally closed. If they had communicated the deal at this moment, it would have been illegal and would have caused a lot of problems.

And when thinking about internal communication: always inform your employees first. The worse thing for them is to read the news about your company in the newspapers!

6. *Address employees questions and concerns.*

Of course, all employees need to know and understand the basic facts and figures of the M&A, but first and foremost, employees are human beings. They have to be treated with respect and not as interchangeable commodities. They need to be given the feeling that they are taken seriously and that management cares for them. They need a vision and a plan for the future.

The main question for employees at the beginning of the post-merger integration is: "What is going to happen to me?" For a M&A to be successful, employee considerations are essential. Concerns, fears and anxiety need to be addressed; questions need to be answered.

The focus of communication must rest on the human side. Managers often tend to ignore this, and instead overload their staff with facts and figures, strategic explanations, praising how great this deal is from a financial point of view.

They do not considering the perspective of their employees and their needs. Honestly: who wants to hear a big strategic explanation when his or her job is on the line?

As a example: due to a merger a whole division was to be dissolved. Instead of addressing the employees' concerns and fears during an employee information meeting, the head of the division gave a strategic explanation with facts and figures of the deal for nearly one hour. He closed with the remark: "You see nobody, including me, will have a job any more". As a consequence, people were distracted, they were shocked, they did not know what was going to happen and where they could get support. An atmosphere of mistrust and fear had been created which could have been avoided by open communication which addressed the employees' needs.

*7. Remember to communicate regularly, consistently and openly.*

Giving information only a few times is insufficient. Communication is a continuous process which supports the whole integration process. Anything that can be communicated should be communicated, because people find it easier to face the known than the unknown.

Managers tend to want to 'protect' employees from negative information and only talk about positive things. Wrong! Never underestimate employees. They generally know what's going on and when management is being honest with them. It is essential to keep employees informed about everything—both the bad and good news. Employees need to know where they stand at any given time. When employees are fully aware of what to expect, they are less likely to suffer from stress and less likely to resist change. It's all a question of credibility. Well-informed employees are the organisation's best goodwill ambassadors. They talk positively about their company and therefore influence its

reputation. On the other hand, uninformed people are not only de-motivated and less productive, but they may also talk negatively about their company to their families, neighbours, sport clubs etc. which influences the reputation of the company—never underestimate that fact.

*8. Underline the positive side of the merger.*

People need security, need to see their future way. In order to give them perspectives, underline the similarities and the positive side of the merger, show the advantages and the new opportunities for the employees.

*9. Only communicate facts, not assumptions.*

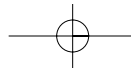
Within the framework given, one can always communicate. However, it is important to stick to the facts. As soon as assumptions are made, rumours increase and management of the information flow becomes more difficult. This can lead to insecurity and miscommunication.

*10. Think ahead and in scenarios.*

The unexpected always happens. To be prepared and to be able to communicate effectively, one must think in scenarios—from the best to the worst case. The art of communication is to think ahead at least 24 hours, to be prepared for all possibilities and to be able to push the right button in the right moment.

*11. In cross-cultural operations—be aware of cultural differences and let go of your own communication rules—they might not work in another country.*

Managing the information effectively during a M&A in a local context is already a complex challenge, however in a cross-border business there is another layer—the intercultural aspect. Issues such as language, geographic distance and different cultural values and attitudes create additional challenges. In order to communicate effectively across cultures, one needs to take into consideration all the aforementioned



aspects. Cross-cultural communication continually creates misunderstanding caused by misperception, misinterpretation and misevaluation. For instance, if you formulate your messages in a very targeted and result-oriented manner for a collectivist culture like Asia instead of focusing on the group and relationship building, your communication won't have the required impact.

There is another side to be watched in an international setting: technology, e.g. incompatible e-mail, time zones, national holidays and vacations.

#### 12. *Check expectations in each country.*

In order to be able to communicate effectively and to support employees in the best way, be sure to know their needs. It is advisable to check them in each country as concerns can differ because of different cultural backgrounds. For example, in a merger between a German and an American company the German employees were most concerned about the loss of jobs, while the U.S. employees worried about the loss of a unique culture in which employees were kept aware of senior management's thinking on most issues.

#### 13. *Co-operate with local communication experts.*

People tend to assume that the world functions the same way they are used to in their local culture. Unfortunately, that is a wrong assumption. Due to the cultural differences that exist, and also to political, legal and economical differences, it is advisable to co-operate with local people whether it is a communication agency or local internal experts. They can alert you to cultural taboos and to sensitive issues at their specific locations.

During a due diligence in Poland I was co-operating with a Polish media specialist. One day we wrote a press release to be published the next day which I had to send to the head office in Switzerland for approval. The response was:

'We do not write press releases in that way in Switzerland, please edit it.' In this situation we had two possibilities, one was to publish the press release in the Polish way, the other was to send it out in the Swiss format which could have led to a damaged image and as a consequence, a financial loss. Fortunately, after a discussion it was decided to publish it the Polish way.

#### 14. *Don't translate, adapt.*

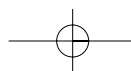
Based on their cultural values and attitudes, people perceive things differently. A simple translation from one language into another is therefore not enough. An example from the advertising world underlines the danger of simple translation: Pepsi's "Come alive with the Pepsi generation" was translated into Chinese as "Pepsi brings your ancestors back from the grave".

Information given needs to be culturally specific, adapted to address the specific realities and concerns of each culture. This means that not only words, but sometimes key messages have to be changed, created or dropped to be appropriate for a particular audience. However, the key messages need to be consistent in all markets concerned. Only then will the communication have the correct impact and help management to capture the full value of the deal. When handled effectively, those local differences can actually enhance company performance.

#### 15. *Monitor communication effectiveness continually and make modification whenever necessary.*

Continuous monitoring and control is needed to measure the impact and to adjust the communication plan as necessary. This prevents miscommunication which can lead to financial losses.

In a merger in Poland the communication plan was checked every day after the meeting with all parties involved. Every day the impact that the latest information had on the communication plan was discussed and adjustments made if needed. This prevented miscommunication.



## SUMMARY

Can communication make M&A life easier? Yes, it can! As shown, communication can support the M&A process and add value if used strategically, taking into consideration all of the aspects described. Communication helps to reduce stress, to motivate and to build up trust and commitment. Trust and commitment need time to be built up, but can be destroyed within seconds—one can win or lose.

With an effective communication strategy employees can be supported and guided through the post-merger integration. A successful and smooth transition means that people perceive the change as desirable and not as threatening.

Unfortunately, communication is still, in most cases, the most badly managed issue in a M&A, even though a high value is placed on communication for a successful integration process. It is interesting to note that while all companies understand that communication is essential to a successful merger, the vast majority never implement a communication plan. However, companies that take communication and intercultural issues seriously add value and create a competitive advantage in today's global business world.

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Dr. Christa Uehlinger is an independent consultant in communication and intercultural management. She worked for more than ten years in well-known international companies, living and working abroad. Originally a lawyer, she has long-standing international experiences in corporate communications and training as well as in coaching of executives. She successfully built up the European communication department of an insurance company and was in charge of 12 countries, including Central and Eastern Europe. and was involved in international M&As, start-ups and reorganisations. She is a lecturer for intercultural communication at the University of Applied Sciences, Winterthur, Switzerland and a lecturer for corporate communication at the University of Applied Sciences, Chur, Switzerland. She is a member of SIETAR (Society for Intercultural Education, Training und Research) and of the International Coach Federation.