

# Communications

## How to complete the M&A integration process, minimize disruptions, and achieve desired synergies.\*

In the flurry of activity that surrounds an M&A transaction, often overlooked or underestimated is the critical importance of communications—for the immediate need during the transaction announcement and the 100 days that follow, and over the long-term as significant components of the combined organizations are integrated.

M&A transactions carry huge opportunity costs: business is disrupted, employees are distracted, and performance is diminished. So it's no surprise that distraction, disruption, and uncertainty can drive the economics of a transaction, potentially resulting in:

- *Productivity declines* as anxious and distracted employees—confused about today's priorities and tomorrow's direction—spend inordinate amounts of time speculating.
- *Workforce exit* as employees rapidly lose confidence in management that fails to communicate a clear direction early on. The first to go are usually the best and brightest who don't want to put their career on hold while their leaders tread water.
- *Market share shrinkage* as competitors go after customers and employees—capitalizing on external concerns, internal problems, and often a general sense of neglect.

Executing on a strong and clear communications strategy is a necessary element in combating the distractions resulting from a deal announcement, and a key component in support of a successful M&A integration.

Companies who implement an effective communications strategy while simultaneously announcing an M&A transaction can achieve significantly better results in the areas of customer focus, employee commitment, clarity of company direction, speed of decision making, and productivity versus those who delay or ignore communication altogether.

# The Issues Our Clients Face, The Actions We Help Them Take

At PwC, we understand the importance of getting the fundamentals of integration in place as quickly as possible during a deal to minimize disruptions and achieve synergies. We support our clients by rapidly launching integration efforts to Set the Course, Plan for and Execute Day One, and Design and Maximize Future State Operations. This is the approach PwC delivers in managing the integration as an enterprise-wide business process. Please see Figure 1.

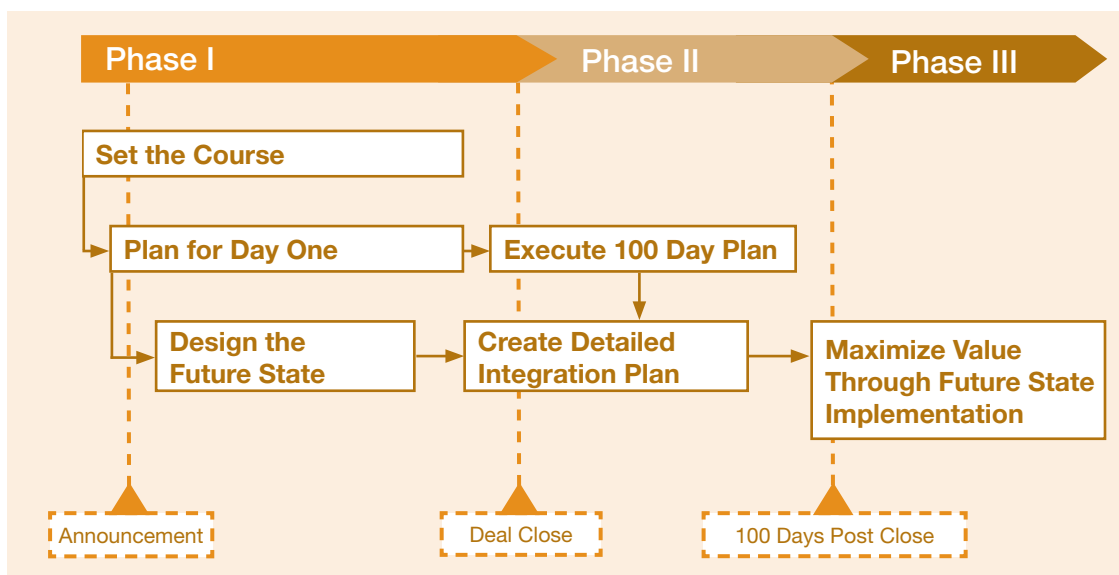


Figure 1 – The PwC integration process follows a sequence of coordinated steps to focus resources and capital on the right things at the right times.

## Set The Course

No two deals are the same, so there is no absolute “right” or “wrong” way to communicate to your stakeholders in times of great transition. But some approaches are better than others, and there are very concrete steps you can take through strategic communications planning to help your stakeholders stop wondering and worrying about the changes ahead and focus on what they do best—continuing to buy, sell, produce, invest, and otherwise support the organization’s goals. Key steps in support of this direction include:

- *Assemble a communications taskforce.* Gather representatives from both the external and internal communications functions to work together under common leadership to establish a protocol for regular planning, message development, materials review, distribution, and measurement.
- *Prepare to announce your intent to the marketplace.* Plan and develop the messages and materials you will use to announce your intent to complete the deal after anticipating the initial information needs of your stakeholders.
- *Make your announcement.* Announce your intent to complete a business combination to the public, but just as importantly—if not more so—to your internal audiences.

This is just the start of what will likely be required to stabilize your business environment and build acceptance and support from each of your stakeholder groups.

# Plan For and Execute Day One

Dealmakers have two choices: they can either attempt to control the speculation surrounding the transaction or become victim to it. Stakeholder analysis is both your first line of defense against such speculation, as well as your first step towards taking control of it. Even savvy acquirers often can't anticipate the variety and volume of stakeholder questions and concerns—let alone the range of answers that must be provided. Understanding those questions and concerns is a primary objective of stakeholder analysis. Key steps in the process include:

- *Listen to your stakeholders and anticipate their information needs.* Conduct a series of interviews and focus groups with key stakeholders and analyze your findings. Complete a stakeholder analysis that anticipates their information needs both now, and in a post-close environment.
- *Report back your findings and plan your response.* Prepare a summary of findings and share appropriate portions of the information with various stakeholders to demonstrate your concern, and that you have a plan in place to address the issues.
- *Respond to the information needs of your stakeholders on an ongoing basis.* Share what you can, as quickly as you can, on a regular basis with each of your stakeholder groups. If you can't provide all the answers, commit to when your audiences can expect more details.
- *Prepare a communications plan for Day One and post-close.* Use your stakeholder analysis to produce a communications strategy and a detailed action plan. Work to ensure that all your people with Day One responsibilities understand their role and are prepared to carry them out.

## The Value of Timely, Proactive, and Honest Communication

- **Communication fills the void.**  
In an environment lacking meaningful information, the most trivial events can assume monumental importance. In an information rich environment, the search for clues is suppressed, distractions are minimized, and the status quo can be maintained.
- **Communication reduces the cost of uncertainty.**  
When stakeholders are spending time wondering and worrying, they aren't buying, supplying, designing, manufacturing, selling or investing. Real communication is not about making announcements, it's about connecting with people and meeting their information needs, enabling them to stay more focused.
- **Communication is a stabilizer.**  
Value is lost more precipitously during times of transition than at any other time in an organization's life, and the battle can be won or lost depending on whether you capture the confidence and support of your stakeholders. Candid communication is about supplying honest answers to the hard questions that good people ask when they're in the dark and worried. Responding to these concerns builds trust and confidence.
- **Communication allows stakeholders to move forward.** Effective communication helps translate plans into real action—removing uncertainty, stabilizing strengths, capturing buy-in, and mobilizing support.

# 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 and cultural integration begin in earnest as the significant components of the combined organizations are integrated.

Effective change management is essential for creating long-term sustainable change. The effective design of the organization to support the integration strategy and defining the desired roles and behaviors of people are critical inputs. Effective management of people and cultural differences is essential to making the future state permanent. Key steps in the process include:

- *Identify and manage cultural change.* Ensure that you understand the separate cultures as soon as possible. Assessing their readiness to integrate the organization and analyzing the likelihood of creating sustainable change are critical inputs.
- *Design the future organization as soon as possible.* Align the integration strategy with the appropriate organizational design to align the people and HR support program toward that new organization.
- *Appoint the top team quickly.* Appointment of heads of global functions and operations, and heads of key regions is imperative to ensure that the change management effort can occur quickly and from the top down.
- *Actively manage people.* It is important to ensure that the technical workstreams consider and actively manage the human element.
- *Do not overlook incentives.* Establish appropriate rewards for senior management, transition team and key talent to promote expected behaviors.
- *Implement on-going integration communications effort.* Keep all your stakeholders informed of the process you're following, the decisions you're making, and the resulting progress. Work to align behaviors with new vision, values, and direction.
- *Measure your results.* Ask your stakeholders whether they believe you are making progress—and adjust your strategy and actions as needed.

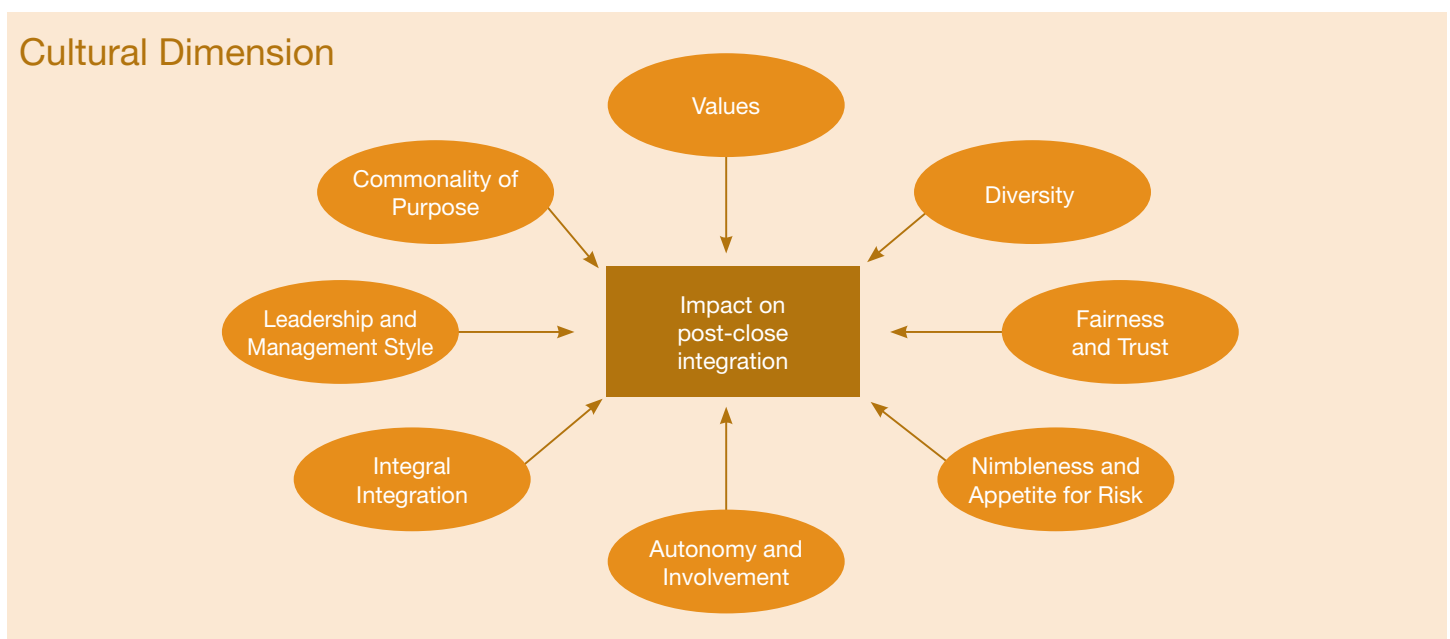


Figure 2—The measure of culture is multi-faceted, reflecting working style and behavioral traits of the people most impacted.

# Our Approach for Delivering Communications Integration Success

Our disciplined approach to integration communications helps companies achieve early wins, build momentum, and instill confidence among their stakeholders. We take an active, hands-on approach to helping clients focus on the right things at the right times, creating early and sustainable capture of deal value. We deliver time-tested integration processes to support client integration teams and supplement those teams with experienced resources to fill resource and technical gaps as required. We customize our tools and services to complement each client's specific needs and internal capabilities.

## Our Tools for M&A Integration Communications

**Team Lead Discussion Guide**  
 Guide for functional team leader with questions that trigger thought to assist in rapidly defining integration scope.



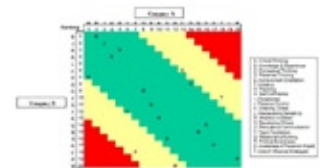
**Stakeholder Analysis**  
 Process for facilitating stakeholder research and feedback coupled with a time-tested analysis tool.



**Communications Protocol**  
 Protocol for coordinating cross-functional communication and sharing specific types of information.

Stakeholder	Target Communications	Notes
1 Internal Team	Internal Communications within a unit	Do NOT discuss until follow-up "line of engagement" what should be said
2 External Team	External Communications Integration teams	Do NOT discuss until follow-up "line of engagement" what should be said
3 External Stakeholder	External Communications	Do NOT discuss until follow-up "line of engagement" what should be said

**Cultural Diagnostic**  
 Operating style survey and analysis tool for comparing cultures and identifying integration needs.



**Communications Plan**  
 Plan for what will be communicated and when, including who will communicate and to what audience, using what medium.

Communication	Message	Target Audience	Channel	Frequency	Owner	Status
Internal Announcement	Company News	All Employees	Company Website	Weekly	HR	Active
External Press Release	Product Launch	Media	Press Release	One-time	Marketing	Completed
Stakeholder Meeting	Q3 Results	Investors	Webinar	Quarterly	Finance	Active

**Workforce Transition and Development Plan**  
 Process framework for use in assisting each functional area in workforce transition activities.



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