

Communicating change

People-focused communication drives M&A integration success

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At a glance

Cultural integration and communication issues are top factors that challenge M&A success.

Understanding the fears of employees and anticipating their questions are critical to effectively communicating large-scale change and gaining employee support for that change.

Successful organizations see the strategic value in communicating with employees before, during and after an organizational transition. Communication must be a constant throughout the entire transition to the new organization.

Introduction

Decisions that are made throughout the M&A deal cycle and integration process impact an organization's ability to realize financial synergies, operational efficiencies and system effectiveness. Equally important is how these decisions impact people. A deliberate and strategic focus on people integration ensures sustainable deal value. In order for synergies to be realized, merging organizations must anticipate and focus on people integration issues such as leadership, structure, retention, compensation, culture and performance. Strategically and systematically communicating to employees about these issues throughout the entire change process is essential to deal success.

Anticipating and dissecting questions is critical to communicating the answers

In a 2010 PwC M&A Integration Survey of U.S. companies that had completed mergers or acquisitions in the previous three years, respondents reported that cultural and communication challenges are one of the top factors that most likely put deal synergies at risk (Figure 1). The survey also reveals that people-related integration activities are

among those considered of greatest importance to deal success (Figure 2). Among the top issues identified are “Retaining and engaging pivotal talent during the transition” and “Paying proper attention to various stakeholders and their concerns and communicating effectively.”

Communication issues in M&A activity was the topic of a discussion, facilitated by PwC, at an International Association of Business Communicators (IABC) Conference held in Alexandria, Virginia in September 2011. Participants included 30 communication leaders from a wide range of organizations. These communication professionals provided insights, challenges and questions based on their experience with large-scale organizational change.

The International Association of Business Communicators (IABC) is a worldwide network of 15,000 business communications professionals. Members hold positions in human resources, corporate communications, training, and public affairs among a number of other areas. More than 80 regional chapters hold events to network and exchange ideas. The event in Alexandria was a small scale version of a larger global meeting that occurs annually.

Figure 1. People-related integration activities are among those considered of greatest importance to deal success

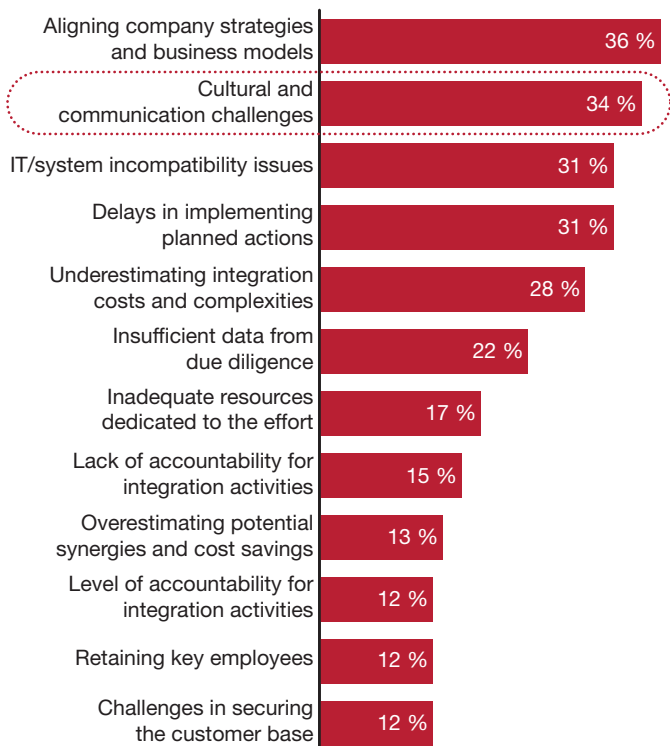


Figure 2. Change issues rank high among factors thought to have the greatest adverse impact on realization of deal



These findings highlight the need for an organization to focus on people-related issues. Holding onto talented people in key positions during a transaction is often the biggest challenge. The success of the future organization depends on continuity, understanding the business and realizing the created vision. Without pivotal talent, this becomes a challenge. Communicating with these key employees, empowering them and creating a culture for them to thrive are all integral parts of the people focus to integration.

It is also imperative to effectively 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. As the findings suggest, it is not enough to simply announce the highlights of the transaction to employees, communications must anticipate the concerns and issues of key stakeholders and they must directly address these concerns for each stakeholder 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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Clear, direct, transparent and consistent communications by company leadership help employees to stay focused on their work

“How will this change affect me?”

This is the first question employees ask as they face significant change

Put yourself in the shoes of Gerard Jones. Gerard is an account executive for M&A, Inc. He manages relationships with a handful of partner organizations that deliver quality experiences to the customer. In a casual conversation with a co-worker Gerard learns that the company may be acquired. His first thought is that his job may be in jeopardy or that he won't get the promotion he expects this year. That night he and his wife discuss the situation. Job security is particularly important for them at this time as the couple is expecting their first child in just a few months. His fears escalate. The next day the firm's CEO sends a brief but enthusiastic email to all employees announcing the acquisition. Gerard approaches his manager for details and finds his manager to be equally shocked and concerned.

The story illustrates how what appears to be positive to the leadership team of an organization can, alternatively, create anxiety in employees. The good news is that effective communication anticipates and alleviates concern and fear among employees. To be effective:

- Anticipate the thoughts and feelings of each stakeholder
- Communicate to them before they ask the question
- Anticipate and plan for the unexpected
- Be prepared in case you are asked questions you did not anticipate or cannot or do not want to answer

Clear, direct, transparent and consistent communications by company leadership help employees to stay focused on their work, remaining productive and motivated during the transition—a time filled with unpredictability.

**Five questions
most employees ask
when faced with
large-scale change**

1. Will I lose my job?
2. Why is this happening—is the company in trouble?
3. Am I still relevant?
4. Are my skills still relevant?
5. Even if I keep my job, will my job change or my department be restructured?

“So what am I supposed to do now?”

Employee involvement in the integration process is critical

But what does employee involvement mean? Organization leaders often assume that only they are best placed to design and implement change. Involving employees in the integration activity makes organizational change more likely to “stick.” Involvement fosters employee acceptance, motivation and investment in the change that is taking place. “Any decision that can be pushed to lower levels in the organization, should be,” said one conference participant.¹

Fortunately, there are many ways to involve employees.

1. Include employees in early decisions and keep them involved.

Human Resources employees can help to develop key messages that will be used to describe the change. Other groups can be engaged as a “sounding board” or focus group to test ideas. One conference participant—an airline employee—described how her organization involved its pilots in choosing new corporate uniforms. The employees were empowered, which created a feeling of ownership of the transition. This accelerated organizational buy-in to a change that ultimately affected all customer-facing staff.

2. Create a change agent network.

Change agents are ambassadors—employees who deliver information to other employees, test the “pulse” of the organization, and collect feedback from employees regarding how the change is perceived. Ideally, change agents carry—formally or informally—some influence in the organization and enjoy the challenge of a new role. Enabling this group makes them a part of the change and empowers them to play a critical role in the change.

3. Invite feedback and input.

From the start of a transition, employees should be provided with opportunities to submit concerns and ask questions. One conference participant described using a “diagonal slice” approach to collecting feedback, whereby a cross-section of employees—from all levels, across many functions—are brought together as a “focus group” of sorts to provide ongoing feedback and to serve as an objective resource for all employees throughout the transition. The group met regularly to evaluate messages and communications plan effectiveness; communications were adjusted based on this input.

Communications is a tool that provides a great deal of flexibility. Communications can be easily tailored and scaled in a manner specific to the needs and concerns of specific groups. Messages, methods and channels can be added or subtracted depending on the audience. This is why a thorough stakeholder assessment is necessary.

¹ All conference participants referenced in this paper attended the International Association of Business Communicators (IABC) Conference held in Alexandria, Virginia in September 2011. The discussion on Communication issues in M&A activity was facilitated by PwC.

Organizations that communicate proactively quell rumors before they are created.

“Is something wrong?”

A sudden stop to active employee involvement can signal a change of its own

For employees, a change of plan or direction can trigger new rumors. “What’s happening now?” For the organization, it can create a significant loss of momentum.

And while there may be valid reasons for leadership to shift direction— legal concerns, financial regulations, deal complexities —the change can cause irreparable damage to morale and momentum by compromising trust in leadership as well as the organization.

The role of communicators in situations like these is to help leadership understand the larger organizational context, and their role in driving trust. That means rationalizing all decisions and continuing to leverage employees as facilitators and ambassadors. This will maintain a consistent line of open communications, even when difficult messages must be delivered.

“Is it true?”

Rumors begin when information is lacking; they are created to fill a void

Rumors pose a risk to organizations because they distract employees from the roles and responsibilities to support the organization and drive the change forward. Again, the organization must be the first to speak, and then continue to speak throughout the entire transition.

Organizations that communicate proactively quell rumors before they are created. However, opportunities are missed and rumors do emerge. In these cases, it is important for *someone* to say *something*. There’s no hard and fast rule about who that should be; every company has its preferred “spokesperson” or “trusted leaders.” A comprehensive stakeholder analysis will determine “who” should be saying “what,” and “when” it should be said. Each deal is different, and each organization has an opportunity to engage a variety of leadership to communicate at different times throughout the transition.

One conference participant explained that survey data indicated to his company that employees want to hear critical information from their supervisors rather than the executive team. Supervisors’ intimate knowledge of their functional area and the people they manage made them the trusted source of information.

It is critical to act quickly to get the *right* information and *most current* information into the hands of employees. M&A transactions are fast moving with many shifting parts. Communicators won’t have all the answers; information changes from day to day. Focus should be on communicating what you can, as soon as you can. It is important to admit that “we don’t know everything, but will keep you informed as soon as information is available.” This keeps the dialogue going with employees. Think of it as one continuing narrative. This approach will engender trust and will help employees stay focused and engaged even during this time of great ambiguity and change.

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“Will this change the way we do things?”

Culture—the way we do things—is about how people behave in an organization

Culture is about the values and beliefs that give direction and energy to what people do each day. And it can take many forms, from the language and habits of leadership to office decor and what is “celebrated.”

It’s generally understood that merger success can be improved when organizations take the time to determine which elements of culture will serve the new organization and which will not.

“Culture integration is part revolution and part evolution. It’s not so much about whether culture stays the same or created anew. Culture will be different and new to many people either way. It is important to assess which parts of *both* cultures

work, which parts don’t, and what is necessary but missing. With a deliberate and strategic cultural assessment, a plan must be created to influence and promote behavior and actions that support the desired culture. The plan will identify, reinforce, align, engineer and measure the effectiveness of activities that drive the cultural transformation. Culture should not be ignored; it must be ‘deliberate’ — articulated, cultivated and promoted throughout the acquisition and beyond.

Communication plays a significant role in cultural integration. It is the “reinforcer” throughout the transformation process. Communications will reinforce the “transformation vision,” it reinforces the alignment of leadership, and it is instrumental in engaging stakeholders. Again, communications is brought into the process early and stays for the duration.

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“Is this going to work?”

Measuring communication effectiveness is important—to you as communicators, to leadership, and to the organization at large.

How do employees receive, interpret, and respond to communications?

Company leaders want evidence of a clear return on investment (ROI) for a communications spend. Similar to all operational functions, communicators must offer measurable “proof points” illustrating communications effectiveness.

Communicators should be measuring changes in employee attitudes to determine if messages are understood and accepted by employees. Since announcement of the deal, how effective are the communications in supporting the changing organizational goals? Communication effectiveness and feedback can be measured through employee surveys, website metrics, and face to face conversations.

In addition to the standard communication measures—clarity, comprehensiveness, transparency, delivering as promised, etc., organizations need to measure communications’ impact on the business. Have you retained or even attracted new customers? If not, why? Is it because they don’t understand how a particular change has been communicated to them? Are your analysts and investors feeling positive? Again, if not, why not? Is it because the organization failed to deliver what

it had promised at announcement?

Communicators cannot solve business issues but you can facilitate understanding of the rationale and management of stakeholder expectations. Consequently, communicators can bolster employees’ confidence in and acceptance of the business direction.

A baseline should be set early to enable progressive comparisons throughout the transition process. Qualitative insight provides in-process insight into how employees are responding to the change. This enables the communications team to modify messages and activities.

Communicators should engage with employees to determine what motivates them, what worries them, and what’s on their minds. Tailor key messages to the relevant issues and concerns of the employees. Find ways to make the messages meaningful and actionable to employees. Deliver those messages in a manner that promotes trust and confidence. Then see if it worked.

While many organizations focus on measuring ‘reach’ of communications, it is imperative to also measure ‘response’ to communications. It’s easy to track if a communication was received, but was the communication understood and how did the employee react/respond? Did it change behavior or influence attitude? Did it slow or stop rumors? Are employees motivated and engaged? Can they see their individual role in helping the combined organization to realize its goals? The only way to find out is to measure.

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Guiding principles to communicating large-scale change

People sit in the center of any large-scale organizational change. Deal success or failure is determined by an organization's ability to anticipate, understand and address employees' specific concerns and questions. Following are guiding principles for communicating change with a people focus.

- Start communicating early. Continue communicating throughout the transition.
- Create and maintain an ongoing dialog with employees to build trust.
- Always tell employees all that you know at any given time.
- Acknowledge what you don't know.
- Silence almost always creates fear and provides too much opportunity for rumors to fill the void.

Driving success with communications

The days when communication was merely an afterthought are long gone. We live—and do business—in a world where communication is pervasive. Information is sent and received in seconds. Opinions, attitudes and perceptions are formed equally fast.

When two companies merge to become one, there is much at stake. Managing attitudes and perceptions of stakeholders throughout the process of integration can influence the degree of success of any large scale transition or change. A lack of understanding, a casual rumor, too much information—or not enough information—can influence success or failure.

Two factors drive successful communication during organizational change. The first: an organization must communicate early, frequently and consistently. There must be an ongoing strategic approach to communications before, during and after any organizational transition. Communication is—and must be—a constant. The second: the greater the value an organization has for its communications, the greater the likelihood for success.

Because communication is so integral to successful organizational change, communicators have the opportunity to play a leadership role throughout the transformation.

The communication function has a wide, comprehensive reach, touching almost every employee and every function. That kind of impact can be put to good use in M&A activity—or any large-scale transformation—because the communication function will most often “control the paper.”

If communicators control the paper, company leaders will look to their communications team to unify and deliver the message across the organization. If communicators call the meetings and guide the leadership, communicators will control the process and the message. Communication leads and enables change and—when effective—communicators become change management leaders.

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Communicators as Change Management Leaders

Communicators are critical to making change happen. Communicators have the opportunity to play a leadership role in the process. But this can only happen when communicators understand the components of the change process and synchronize their thinking and activities to that process.

<i>The components of change</i>	<i>Leadership opportunities for communicators</i>
Communications help stakeholders to understand the scope and scale of change and its benefits to them and the business.	<i>Communicators</i> determine and develop strategy, plan, messages, governance and approach.
Change Vision is shared and aligned across the organization. It is critical to achieve sustainable change.	<i>Communicators</i> articulate the vision and rationale for change and connect them to the organization's mission.
Leadership Engagement is achieved when leaders are informed and aligned providing them the ability to own the messages and cascade them to key stakeholders.	<i>Communicators</i> develop the leadership engagement plan and form a network of change agents.
Stakeholder Engagement is achieved by understanding stakeholders and their information needs; to engage them is to prepare them for the change.	<i>Communicators</i> identify and understand stakeholders and develop a plan to engage them; they also activate and guide the change agent network.
Change Readiness & Impact of the organization is determined by analyzing its people, processes and structure.	<i>Communicators</i> assess the organization's change readiness and impact; they develop feedback systems to measure and monitor the effectiveness of change.
Cultural Change is catalyst to sustainable change by observing employee behaviors and examining performance.	<i>Communicators</i> assess organization culture and develop a vision for the future culture; they develop a plan to guide the organization through the change.
Workforce Transition planning ensures talent practices, staffing and performance management align with the change.	<i>Communicators</i> work with HR to determine a transition strategy to align workforce transition communications with key messages.
Training equips employees with the required knowledge and skills to do their job and adapt to new roles.	<i>Communicators</i> align training materials with key messages; they develop training metrics and feedback systems to evaluate and measure effectiveness.
Adoption of the change program is made possible with a strategic plan to mitigate risk and remove obstacles.	<i>Communicators</i> determine the "best fit" change approach; they develop an integrated change strategy and plan.
Sustainability of the change is achieved through activities that embed a long-term change program into the organization.	<i>Communicators</i> test long term key messages, develop a change sustainability plan, measure effectiveness and document lessons learned.

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