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# STRATEGIC RESEARCH

## CORPORATE COMMUNICATION STRATEGIES DURING MERGERS & ACQUISITIONS

### EXECUTIVE SUMMARY

A merger and acquisition transaction is a non-routine situation that calls for careful planning and coordination when delivering the appropriate message to the media, stakeholders, and employees. This report highlights the best practices for effectively managing internal and external communications before, during, and after a merger transaction.

- **Effective communication is necessary in an M&A deal, but is often overlooked and frequently blamed for deal failure**
- **A communications task force can identify potential pitfalls**
- **Coordination with Legal, Public Relations, and Investor Relations leads to manageable flow of content**
- **Dedicated internal and external Web sites are an effective way for message dissemination and feedback from employees and customers and are becoming the norm for a single source of communication**
- **Employee surveys can isolate internal rumors which can then be resolved**

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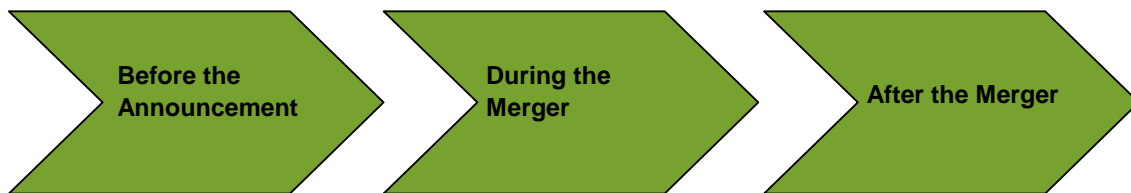
## OVERVIEW

Successful companies have an established M&A strategy in place as part of their long-term growth plan. Having an effective corporate communications strategy during a deal can help prevent an exodus of employees and customers. Proper communication is necessary for a successful integration, yet it is frequently overlooked, under-resourced, and then finally blamed if the merger fails. Senior management may be so engrossed with the financial aspects of the deal that the demands of communications become less of a priority. Conversely, an over-abundance of communication cannot save a failing or doomed merger: it cannot make-up for poor integration planning, slothful due diligence, or a failure to understand where the merging partners can provide added value to their customers.

Above all, announcement of a merger will result in an avalanche of questions coming from all directions. Regulators, employees, investors, customers, suppliers, and the media will be clamoring for information and it is imperative that Corporate Communications be prepared with the appropriate message, medium, and coordination to meet the demands from all parties.

Thomson Reuters has developed best practices to build an effective corporate communications strategy during a merger. The specific topics are what to do before, during, and after a merger; trends that are being followed by companies; and how to identify the balance of the communication medium and appropriate content.

## MANAGE THE CONTENT AND FLOW OF INFORMATION



In an ideal world, Corporate Communications is kept abreast of all the company's actions. More often than not, the communications department of either the target or acquirer may not have been informed of a merger announcement involving their company. Instead, they may have initially heard it through the circulation of a rumor or a member of the media calls for a comment. Several of the steps we have outlined in this report may not be accomplished by the time the merger is announced but they should be considered in order to ensure that all appropriate internal and external parties are aware of how the merger will affect them. Many companies are required to operate at "arms-length" so it is critical to understand that many steps may not be executed until after the merger is completed unless it is approved by Legal.

### BEFORE THE ANNOUNCEMENT

Prior to the announcement of a merger, Corporate Communications should consider taking the following steps to help pave the way for a smooth integration. The goals of these measures are to ensure that all interested parties are on the same page when announcements are made public.

#### **Create an internal communications and integration task force**

This team should include work-streams representing several different organizations. It is prudent to ensure that there is a sense of urgency and this step requires cooperation amongst the members.

- Managers should be responsible for dissemination of information to employees and team leaders. Until other sources of communications are embraced, they are the initial point of contact.

- The sales force is necessary to represent customers who may have lucrative contracts. Upon the announcement of the merger, customers will have plenty on their minds and the sales team must have a ready response.
- There could be a volatile reaction from civic and community leaders and Public Relations should be available to quell their concerns. After the merger is announced, inviting community leaders to focus groups and information sessions could be a great way to gain their trust and avoid unnecessary backlash.

### **Assessment of culture for target and acquirer**

A mix of cultures and the fear of the unknown can lead to anxiety for employees and possibly the departure of key personnel. Understandably, people are creatures of habit and the talk of a merger could easily take them out of their comfort zone. Therefore, the communications department must ascertain how each side (target and acquirer) traditionally receives information and their access to corporate level executives. Corporate Communications should be sensitive to employees if routines have to be adjusted or changed.

### **Create a list of short-term goals**

Having manageable and reasonable targets will force critical thinking and reinforce the sense of urgency in the Corporate Communications group. An example is ensuring that a Web site dedicated to informing customers of the progress of the merger will be up and running at the time the deal is announced. The sense of urgency to meet objectives and goals are a useful element during times of change and it is critical to prevent oversight. The evidence of goal accomplishment will help maintain momentum, especially if top performers in the communications group are rewarded.

### **Hire a public relations firm**

Hiring an external public relations firm could be expensive but a necessity if the Corporate Communications group feels they are undermanned or need assistance in delivery key messages. A PR firm can also keep a company abreast of market perceptions amid a deal while managing media contacts and issuing press releases. Furthermore, an agency can assist with building and managing the brand and reputation of the company. If the merging partners feel that there could be a high level of conflict and high turnover, it could be prudent to hire external communicators to lead the integration task force. The PR firm must be able to grasp the details of the transaction and the strategic benefits and synergies that are expected. From there they can help construct a communications strategy.

### **Determine the contingency announcement plan in case news is leaked**

Most communications departments hope to announce deals at a specified target date. Market participants often do not allow such a luxury because the information is leaked to the public and the target and acquirer are left scrambling to deal with the leak. A back-up plan should be in place identifying who is responsible for making the announcement. Meanwhile, Corporate Communications should work in conjunction with the Investor Relations department to keep an eye on red flags with the stock, options, or credit default swaps.

## **DURING THE MERGER**

### **Create a cross-organizational communications team<sup>1</sup>**

On the onset of the merger, Legal may require Corporate Communications to have limited interaction with the merging partner until the deal is completed so they will still have to operate as two separate companies. Please consult with Legal prior to executing this strategy.

This unilateral effort comprises members of both organizations. Concerns, ideas, and experience can be shared. The members from each organization can stay abreast of employee concerns and rumors that may circulate internally as well as externally. This team can recommend who will control or advise the content on all external Web sites. Schedules and timetables can be formalized as well as plans to respond to critics. Keep the size of this team to a minimum, as senior managers are likely to be the core of this team. The individuals designated should be able to "Walk the Talk." This means each should become a symbol of the new, re-branded corporate culture.

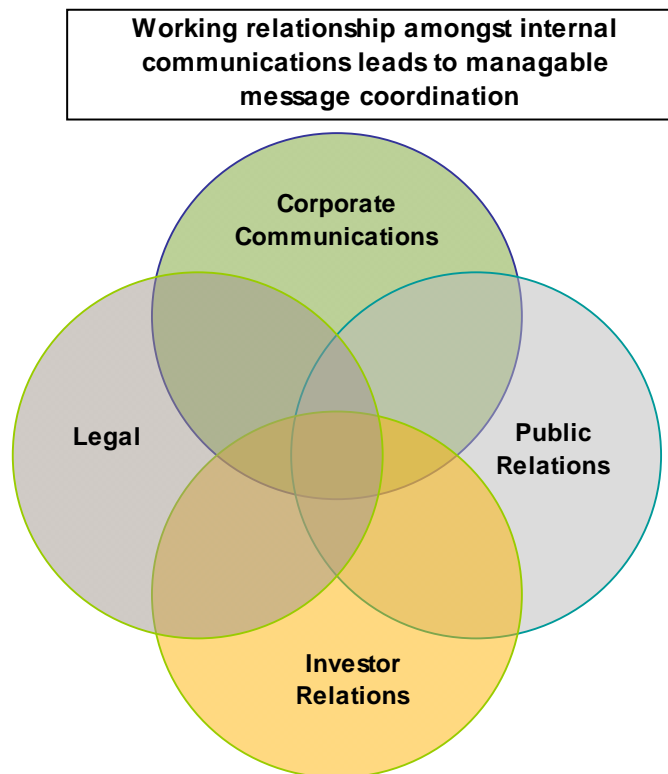
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<sup>1</sup>Patricia T. Whalen, "Dispelling Myths: Communication in Mergers & Acquisitions," *Journal of Integrated Communications* 2000-2001: 7-13.

- Identify potential problems*  
Some communications departments may have little experience when it comes to a merger. There could be backlash from customers, employees, suppliers, regulatory agencies, and even community leaders. Each one of these organizations must be scrutinized as to the potential problems that could arise which may have to be addressed by Corporate Communications. Rumors can run wild in the office and now interested parties can turn to mediums such as YouTube, where more than 65,000 videos are uploaded daily, to voice their displeasure. Not every problem can be anticipated but careful preparation can quickly quell an uncomfortable situation. A Q&A document of potential questions and roadblocks should be developed well-ahead of time. The availability and rehearsal of this at the time of the announcement are critical.
- Determine how internal messaging will be coordinated across senior management teams.*  
All members of senior management should be well aware of when and how they are to communicate with their new partners. It may be via conference call, email, or in-person meetings. Be wary of who has access to the medium of information exchange, as material non-public information will likely be discussed.
- Share M&A communication experience*  
Create a manual of what has and has not worked in the past if the opportunity presents itself. Specifically, delve into problems and roadblocks that occurred and also the solutions that worked and those that failed.

**Coordinate with other groups**

It is necessary for the Corporate Communications group to build a relationship with other groups. This does not need to be the entire integration staff / task force. However, the timing and the coordination of message delivery is difficult. The four groups that must be on the same wavelength are Corporate Communications, Legal, Public Relations, and Investor Relations. Having all four groups working together leads to manageable message coordination and fewer surprises.



The structure of the workflow for each department must remain efficient while monitored by Corporate Communications and compliant pursuant to Legal. Everyone is operating under time constraints and the appreciation of the efforts by other groups will go a long way in paving a smooth path toward message coordination.

Investor Relations and Public Relations and Corporate Communications have similar roles in an M&A deal but different targets. Each must:

- *Create messages*  
Corporate Communications crafts the message of the merger so internal and external constituents will understand how it affects them. Investor Relations works with their appropriate disclosure committee. All must be familiar with each other's message and Legal will ensure they are compliant.
- *Identify targets*  
The targets for Corporate Communications and Public Relations are the media, customers, employees, prospects, and community leaders. Investor Relations targets current and potential investors.

Internal communications should be exercised at least once a month to keep employees updated on the organizational changes. There will be times that there may not be new news to disseminate but frequency of messaging is important so as to make employees feel they are being provided with the most up-to-date information. If news is not available, then inform employees when Corporate Communications expects to have new information, or generate news through surveys and employee focus groups.

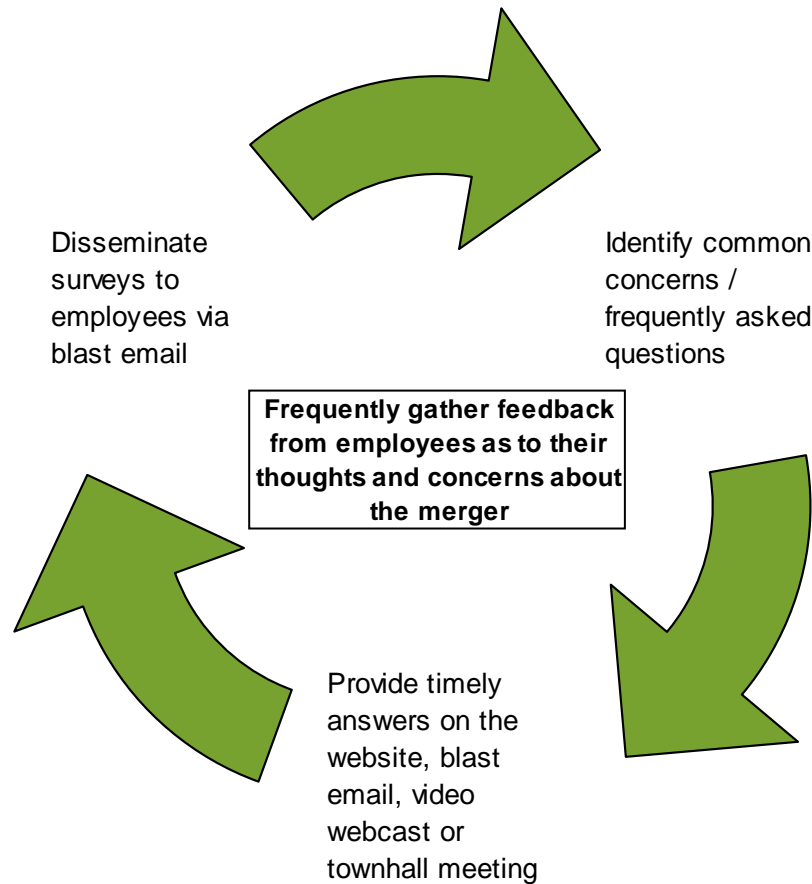
- *Distribute content*  
Webcasts, blogs, Web sites, and email blasts are the mediums utilized by Corporate Communications while Public Relations communicate to the media through press releases, posting videos on YouTube, and posting updates regarding the deal through an online press room section of the corporate Web site. Investor Relations relies on press releases, 8Ks, and webcasts. With increased broadband availability in the workplace, online video and webcasts have become one of the most effective and engaging ways to communicate with internal and external audiences, enabling key constituents worldwide to see members of the new leadership team while listening to the message.
- *Analyze the perception of the deal*  
Corporate Communications evaluates the feedback from employees and customers and determines the effectiveness of the message outreach efforts. Keeping up with the media perception and community feedback of the deal is the responsibility of Public Relations. Investor Relations must track the perception from the investment community and monitor the momentum of the stock.

Frequent, roundtable discussions with Corporate Communications, Investor Relations, Legal, and Public Relations can keep all parties abreast of how the deal is being perceived by employees, clients, the media, and shareholders and identify opportunities and pitfalls. This is good information to share with the cross-organizational communications team. If it is not feasible to gather everyone in one location, the use of a virtual meeting platform such as a webinar or teleconferencing will give everyone a chance to explain what their role is during the merger and share operational constraints and concerns. The hope of this interaction is that it allows others to understand and empathize with the critical requirements that are expected of each group.

### Employee surveys

Surveys are an effective way to monitor the morale, pulse of employees and an effective way to identify rumors circulating internally. The questions that are essential should be:

1. Do you feel you have enough information?
2. Do you understand how you fit in to the reorganization?
3. Do you understand the strategic rationale for the merger?
4. How would you describe your level of support for this merger?
5. How has your level of support for the merger changed over the past month?



Keep the survey brief and share the feedback with employees after Corporate Communications and members of senior management have had a chance to analyze the results. If any tactics are changed because of the employee results, ensure that employees are aware that they were the drivers of the change. Arrange for one of your senior executives to deliver the feedback and any resulting changes via a webcast, maximizing the message retention and ensuring cost-effective, global reach.

### Cascading message to employees

Because senior management will often deliver a high-level message internally, managers must be able to tailor these communications to their teams so employees will better understand how their role is affected and how they fit into the big picture. This interaction will increase the transparency between management and employees. When possible these meetings should be done face-to-face and not through email, so questions and concerns may be addressed.

### **Set up internal and external Web sites**

Companies are turning to the Web as a strong source of communication for employees as well as customers.

#### *Internal Web site*

An internal Web site should contain each of the following three categories

- Information repository
- Means to receive feedback from employees
- A way to respond to employee feedback

The last bullet point may be addressed on the Web site or in a blast email to employees.

#### *External Web site*

An external Web site should be developed as a resource for customers, suppliers, media, and other stakeholders. Please keep in mind some of the questions cannot be immediately addressed unless approved by Legal. The target and acquirer should each provide their own Web site to answer the anticipated questions that will quickly follow, including:

- Discussion of strategy going forward on how the merger will provide value to customers
- Addressing the product overlap and how it will affect the customer
- Senior leadership changes
- Branding changes
- Directory of phone numbers for customer service
- FAQs – Below are some questions that can be expected from customers. Please note that much of the information may not be shared until the deal is consummated and make sure Legal is aware and approves of the answers.
  - Customers may want to know if there are different sales representative contacts
  - Questions may arise on what happens to legacy products and if customers will have to migrate to new products
  - What changes or who to contact with questions on contract terms and commercial policies

Companies should gauge the use of these Web sites by monitoring the number of visitors and the sections they are navigating to and make any necessary adjustments. Blast emails should be sent to customers and employees announcing the merger with a hyperlink to information-rich Web sites on the merger and how employees and customers will be affected. Please note that the links should be to separate Web sites for customers and employees.

### **TRENDS IN M&A COMMUNICATION**

It is common for companies to have separate websites for employees and customers. However, some companies are turning toward online video and Web 2.0 applications as a strong source of communication. Keep in mind that the frequency of communication with employees and customers are much different upon the announcement of a merger. Communications with employees will be a priority to alleviate concerns and anxiety in the early stages of a merger.

#### *Interactive Web site*

Two steel giants, Arcelor and Mittal announced that their companies intended to merge in May 2007. In order to connect their audience segmentation, they created a Web site for the sole purpose of distributing information pertaining to the status of the merger and the plans for integration. This site enabled them to provide timely information to their global workforce, customers, and stakeholders. ArcelorMittal.tv leverages multimedia content to communicate the progress of the integration to users. The benefits of this are:

- Global reach and cost-effective
- More engaging than traditional newsletters
- Immediate feedback from appropriate parties
- User count may be tracked
- Easy to understand

### *Web 2.0 applications*

Increasingly, companies are turning to Web 2.0 applications to improve audience engagement and promote conversation and collaboration. Web 2.0 refers to online tools such as blogs and wikis that allow user generated content to be shared with others. Companies going through a merger will often use an internal wiki site where employees can ask and answer questions and it essentially becomes a social tool that encourages interaction and exchanging of ideas.

### *Senior executive road show*

Leadership visibility is necessary regardless of the medium of communication. If applicable, all forms of communication should appear to be coming from the chief executive officer. An old Chinese proverb claimed, "The best fertilizer in any field is the farmer's footsteps." Many companies choose online video as a way to cost-effectively deliver a personal experience to a global workforce and customer base.

### *Consistency*

A good rule of thumb that many companies utilize is to ensure the content delivered to employees through the Web site can be shared with an external audience. The benefit is that it helps to prevent inconsistent messaging to the segmented audience. Therefore, if something new is going to be added to the internal Web site for just employees, make sure that Legal, Public Relations, and Investor Relations are aware of it.

## AFTER THE MERGER

The integration is in full swing after shareholder and regulators approve the transaction. Continued dialogue with internal and external parties remains necessary in order for the integration to proceed and to ensure that the merger is a success. Corporate Communications should continue to reinforce the new brand and company vision through ongoing communication and provide updates as the company delivers on the quick wins resulting from the merger.

- Consistently provide updates to employees with an easy to access "how to" manual. For example, they may have questions pertaining to new templates, email addresses, and policy changes. An intranet site coupled with weekly emails and regularly scheduled webcasts will keep employees updated on new processes and milestones.
- Continue to survey employees to measure engagement and determine if outstanding concerns need to be addressed.
- Organize an internal road show that includes senior management of the new organization. This will give them an opportunity to explain the new vision of the company and hold question-and-answer sessions. This direct communication is prudent because senior executives cannot rely on surveys alone to ensure that employees fully understand the strategy and direction the new entity is taking.

**IDENTIFYING THE OPTIMUM WAY TO DISTRIBUTE THE MESSAGE**

Numerous ways to communicate the message are available but companies must determine what methodology is appropriate. If not exercised carefully, valuable time, money, and resources may be wasted. There is also a risk that rumors and misunderstandings could be cultivated creating anxiety for customers and employees.

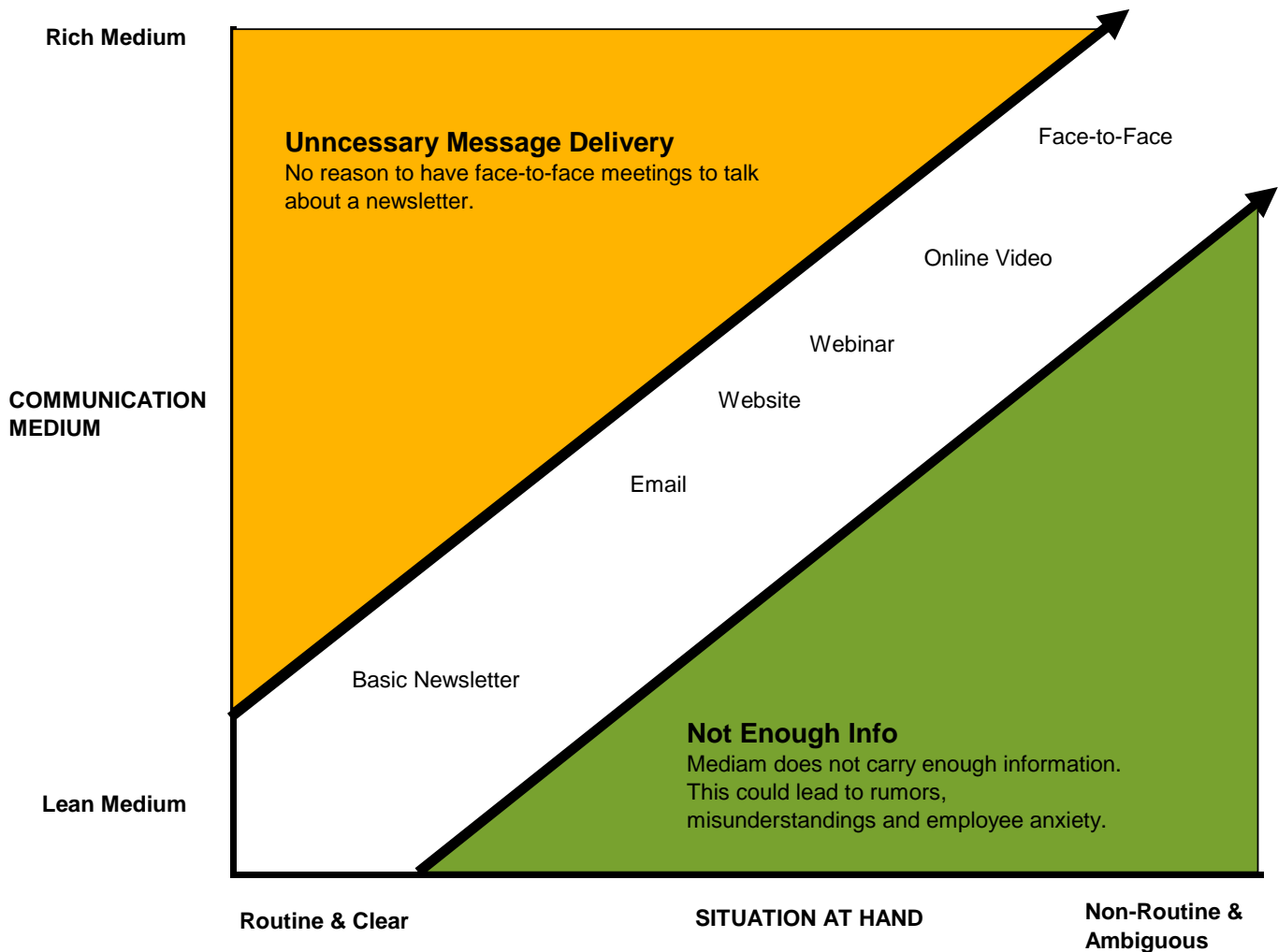
The chart below provides a gauge of what type of medium to utilize depending on the volume, complexity, and level of customization of the message that are needed<sup>2</sup>.

*Communication medium*

- **Lean medium** This message is basic, straightforward, and there is little ambiguity. The typical financial statement or 8K is an example.
- **Rich medium** There could be a large amount of volume and the information could be easily misunderstood or confused without some handholding. A face-to-face would be optimal in order to avoid these pitfalls.

*Situation at hand*

- **Routine and clear** The content of this type of information needs little explanation to the target audience.
- **Non-routine and ambiguous** This is the category where mergers fall. If not handled carefully, it could necessitate anxiety amongst customers, employees, and shareholders.



<sup>2</sup> Based on R. Legel and R. Daft, "The Selection of Communication Media as an Executive Skill," *Academy of Management Executive* 2, no. 3 (August 1988), p. 226; McShane and VonGlinow. *Organizational Behavior*. New York: McGraw Hill, 2005

Financial constraints could prevent face-to-face meetings with employees and stakeholders. Having Web sites devoted to customers and employees is an efficient way to increase the reach of the message. The use of online video is a cost-effective, dynamic, and versatile alternative to reach audiences while still ensuring an interactive and engaging presentation.

## THOMSON REUTERS TIP SHEET

### TOP 10 THINGS TO DO TO EFFECTIVELY COMMUNICATE DURING A MERGER

- 1) Organize and internal communications / integration task force.  
They can tailor the broader message as to how it pertains to employees and customers.
- 2) In a cultural assessment, find out how employees are used to acquiring information.  
People are creatures of habit so being aware of their traditional mediums of communication can help ease anxiety.
- 3) Hire a PR firm.  
This step may be necessary if there is little internal experience or if the merging partners feel there could be a high level of conflict.
- 4) Create a list of goals to be accomplished in the short term.  
Assist in keeping up momentum and sense of urgency within the communications department.
- 5) Create a cross-organizational communications team.  
Problems can be identified; M&A experiences can be shared; they essentially become the new, re-branded corporate culture. Consult Legal prior to engaging merging partner.
- 6) Hold frequent roundtable discussions with Legal, Investor Relations, and Public Relations.  
These discussions can keep all parties abreast of how the deal is being perceived by employees, clients, the media, and shareholders and identify opportunities and pitfalls
- 7) Distribute employee surveys and share the results and the changes they may have initiated.
- 8) Set up separate Web sites that can be accessed by customers and employees.  
It is not a one-stop shop that can replace meetings with senior management but it provides a haven for employees and customers to find frequently asked questions and query senior management with their concerns.
- 9) Consider using Web 2.0 applications as part of an internal M&A Web site such as wikis and blogs.  
They are user-driven and interactive and are a great resource for employees. They are also inexpensive and easy to deploy.
- 10) Ensure you are using the appropriate medium for content distribution.

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