



# Reputation Management in Mergers & Acquisitions

## Insights, Lessons and Hard Truths



**“M&A’s fail for one reason: superficial attention paid to engaging the workforces of each company to believe in a new, better purpose.”**

*–Stephen Girskey, Vice Chairman, General Motors and a former Wall Street analyst*

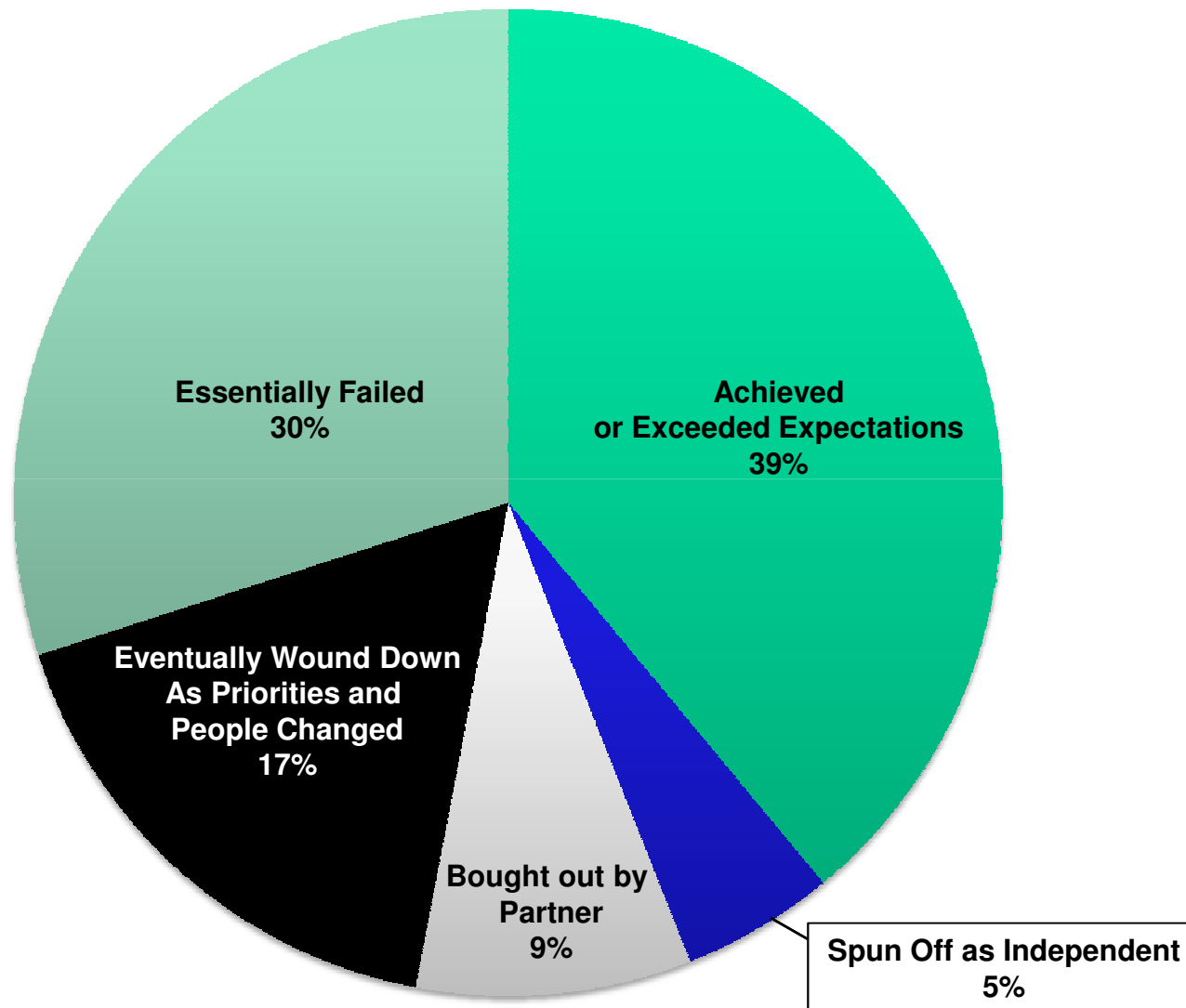


# M&A Failure Rates

- Between 50 and 60% of all acquisitions fail  
Michael Porter, 1987
- From 1984 to 1994, 60% of the firms in the *Business Week 500* that made an acquisition were less than profitable in their industry  
Mercer Management Consulting, 1995
- 70% of M&A deals fail to achieve anticipated synergies
- 58% don't create substantial returns for shareholders  
Watson Wyatt
- Acquisitions destroy value for the acquiring firm's shareholders, though they create value for the shareholders of the target firm  
McKinsey, 2004; confirmed in 2007 by BCG



# M&A Failure Rates and Reasons





# M&A's Impact on Reputation?

- It's a multi-dimensional answer
- For the acquiring firm, mostly good
  - New, greater, broader capabilities
  - Expanded market reach
- For the acquired firm, mixed results
  - Some of the best people leave
    - Cultural differences, frustrations in larger company, redundancies, etc.
  - Former firm's customers' and co-suppliers' expectations not met by new larger organization
- If acquiring firm handles transaction and integration well, it could mean that  $1+1=3$
- Many M&As are managed for image not reputation



# Why Mergers Succeed – Lessons Learned

- “Successful mergers... are ones in which the combined company ***moves swiftly to make the decisions*** needed on products and personnel. The result... is a hybrid enterprise, adopting complementary strengths from each company.”  
– *The New York Times*
- “In a merger primarily meant to enhance revenue, the approach ***relies heavily on communication***. The leader needs to spend much more time in face-to-face contact with people than he would in a simple scale transaction. He or she needs to listen to employees’ concerns and to explain the individual roles required to make the new company successful.”  
– *Bain & Company*
- “Enhancing shareholder value is very hard to do through big mergers. You really have to be prepared and ***hit the ground running*** after a deal is negotiated.”  
– *James Barnes, M&A Director, Houlihan Lokey, Howard & Zukin*



# Why We're Here...

A merger or acquisition poses significant challenges and opportunities for reputation management

*On the one hand*

There is a need to protect the business' reputation starting from the inside

For communicators, it's a time to forge new relationships and strengthen existing ones especially with managers and employees

*On the other hand*

You have to protect leadership's credibility when uncertainty and fear rule the day



# The Distinction

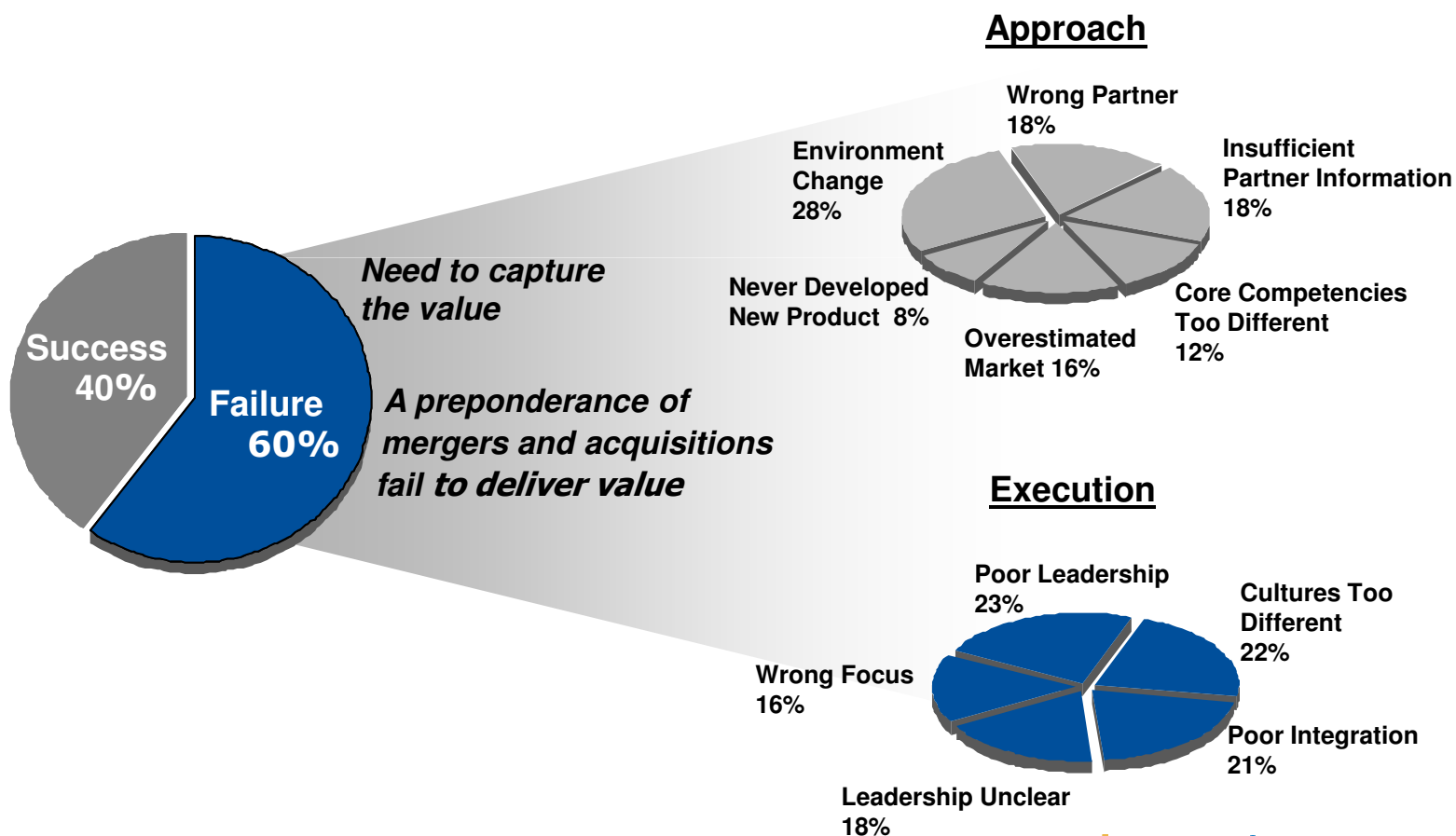
- M&As are often managed for IMAGE
- The long-term sustainable value is about REPUTATION!
- Reputations are built “inside”





# The Challenges and Risks of M&A Transactions

Communications and leadership effectiveness play significant roles in addressing many of the errors in transaction execution





# It's All About the People

- Employees' skills, talents, motivations, intelligence and dedication to excellence are a company's core value, not be overlooked during times of change
- They are expected to press themselves to learn new tasks, take on additional responsibilities, as well as do their own jobs – all with reduced resources and support
- They can easily question their future with the new organization, and become emotionally detached from the business

*If not addressed, employee discontent will spill over to customers: rumors will swirl over personnel, products, pricing, service, etc.*





# Organizations Engaging in M&As Face Many Challenges

Power Shifts

Job Insecurity

Infighting

Customer  
Disruption

Anger

Confusion

Blurred  
Responsibilities  
or Roles

Conflicting  
Objectives

Competitor  
Aggression

Resistance to  
Change

Divided/Torn  
Loyalties

Managing  
Expectations



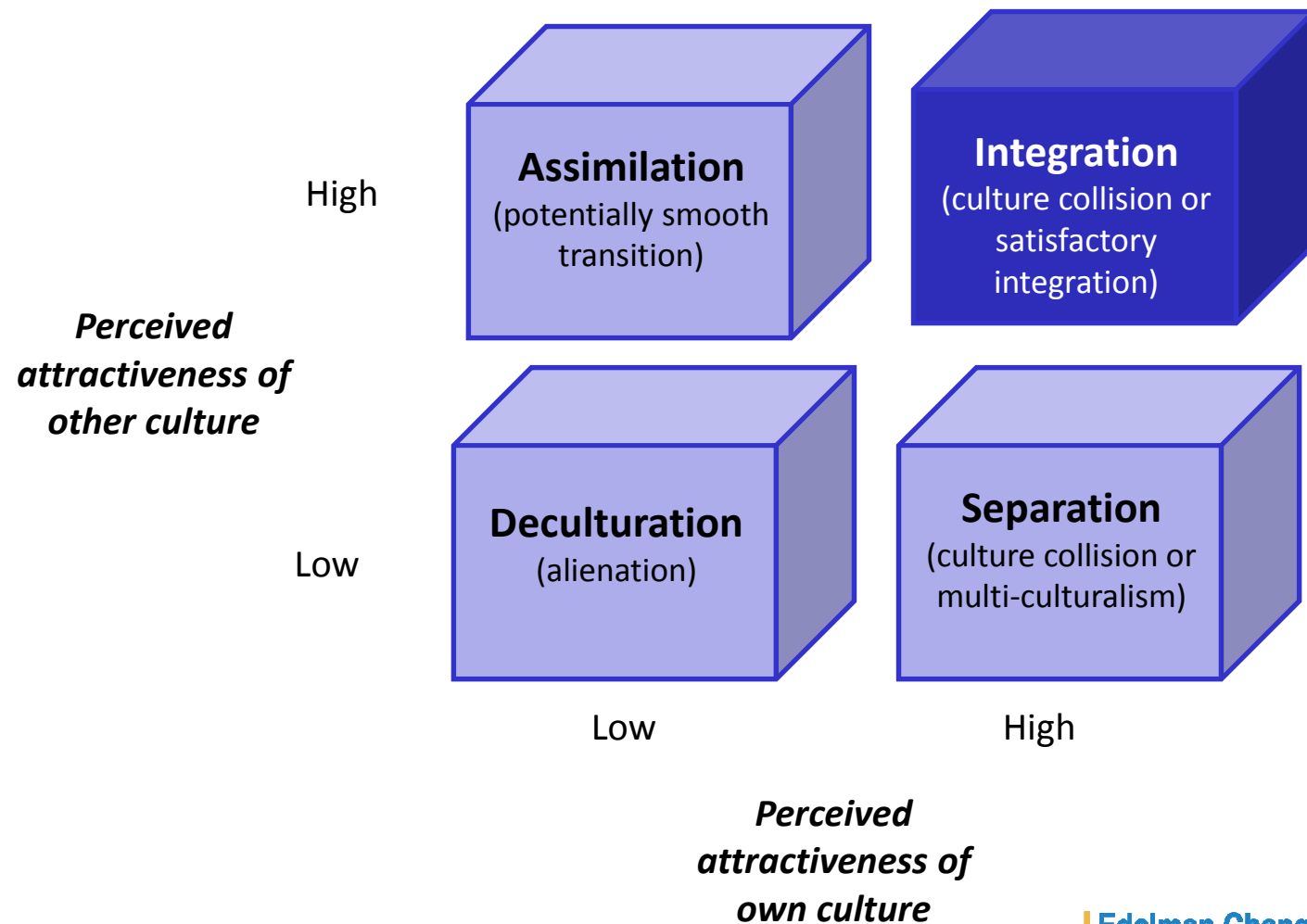
# Communications as *the* Imperative

- During times of change and uncertainty, ***dialogue, discussion*** and ***debate*** are essential elements of building trust-based relationships
- Messages that are framed and delivered with the appropriate context facilitate understanding
- All communications must be open, honest, consistent and constructive, while providing two-way feedback
- Messages should be disseminated as soon as information is available, with face-to-face follow-up
- Feedback channels for questions are critical, as are timely responses

***But, who does the burden fall on?***

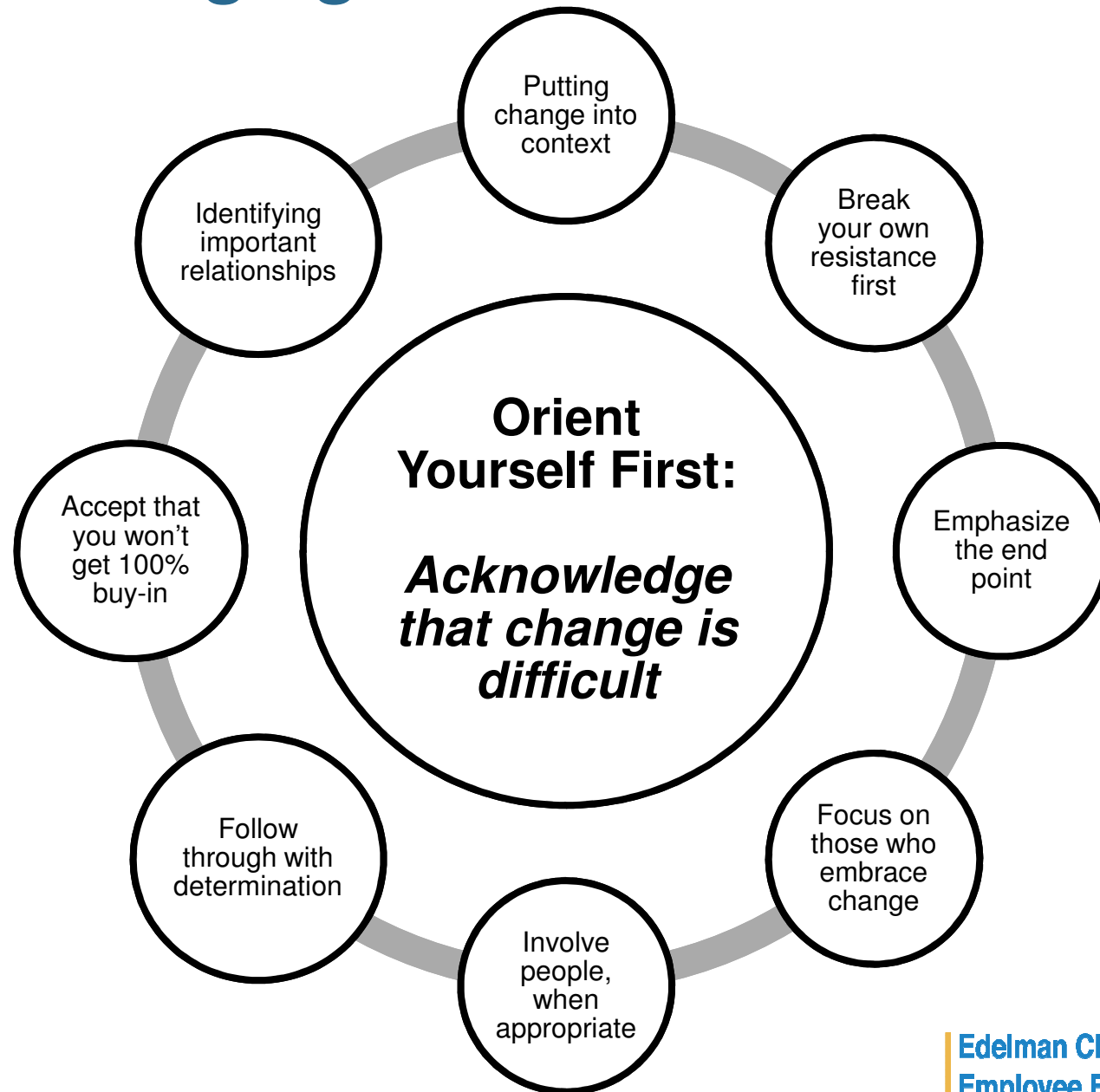


# Culture Integration: High Stakes!!





# Managing in an M&A Environment





# Acknowledgement Goes a Long Way in Protecting/Building Reputation...



<http://thumbs.dreamstime.com/>

Acknowledge to employees that this time is uncertain and not an ideal position, but reinforce positive outcomes, benefits outweigh the uncertainty



[carinahaslamar.com](http://carinahaslamar.com)

Thank employees for their commitment and recognizing their role in the organization



[timerclocksoftware.com](http://timerclocksoftware.com)

Connect with employees by expressing simple and genuine messaging

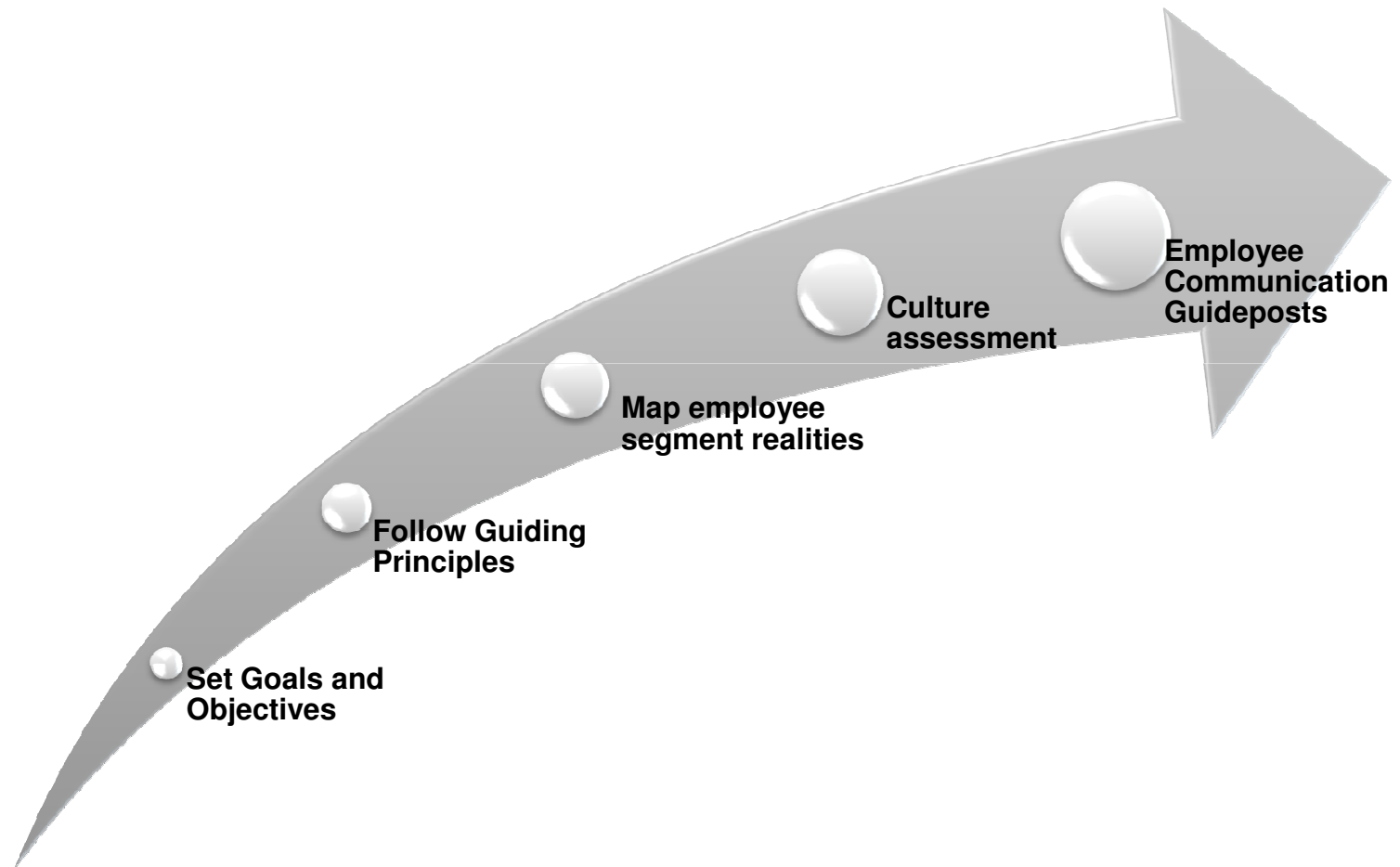


[Chamberofsecrets.wordpress.com](http://Chamberofsecrets.wordpress.com)

Avoid: anger, self-pity, regret, over-celebratory tone



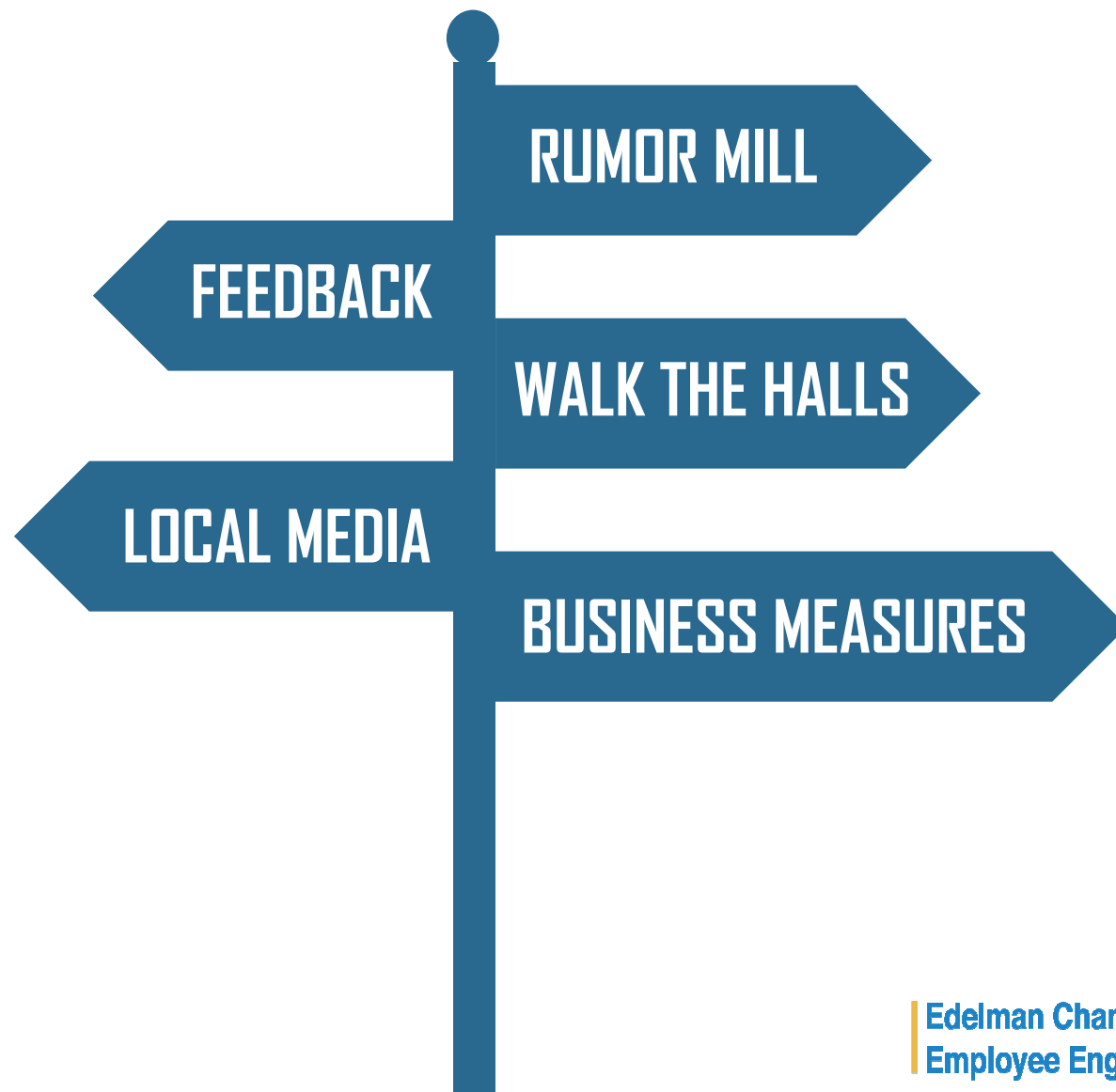
# What are the Lessons to Take From an M&A as a Communicator?





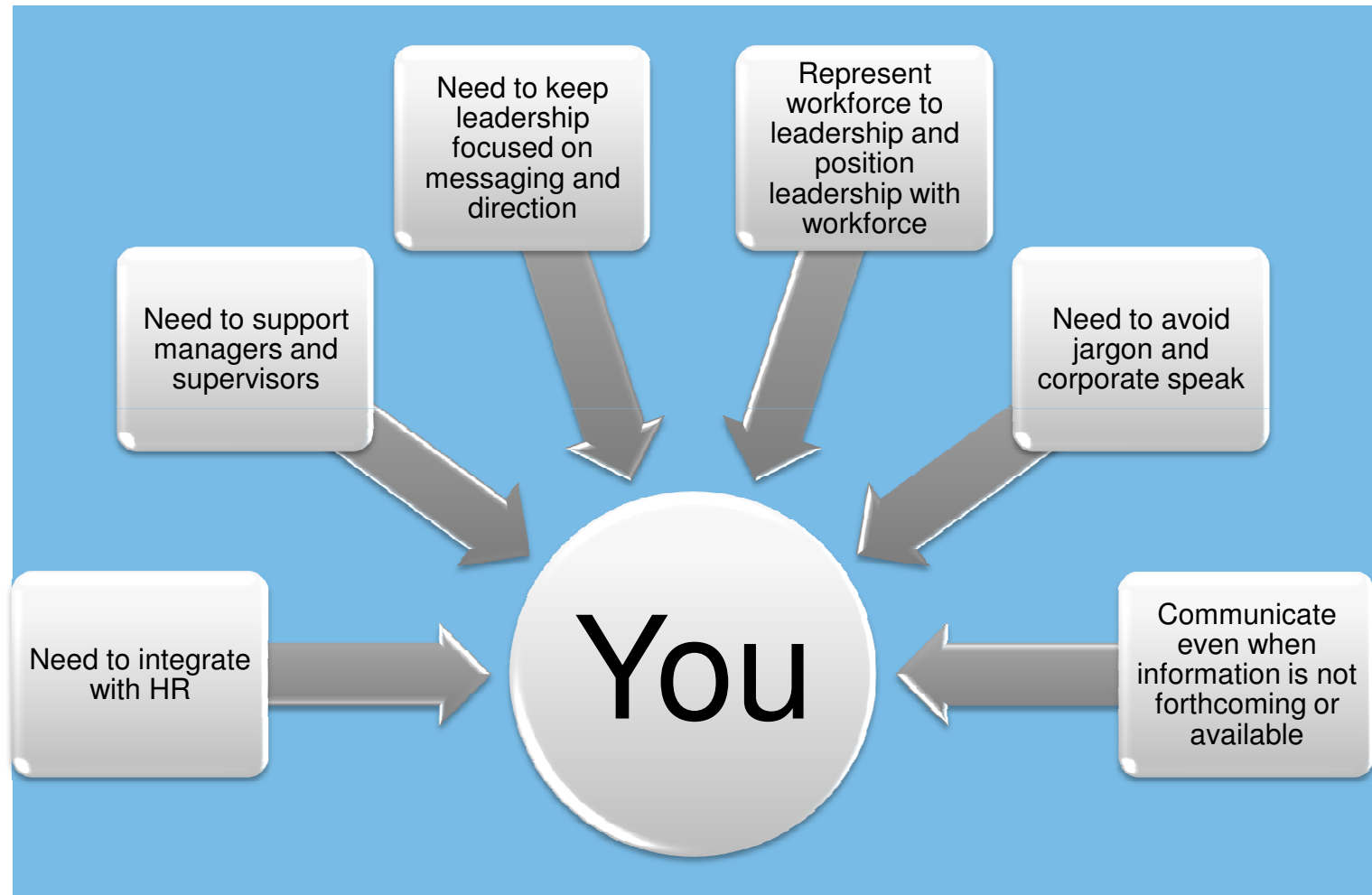


# Establishing Guideposts





# You are Both a Catalyst and an Audience





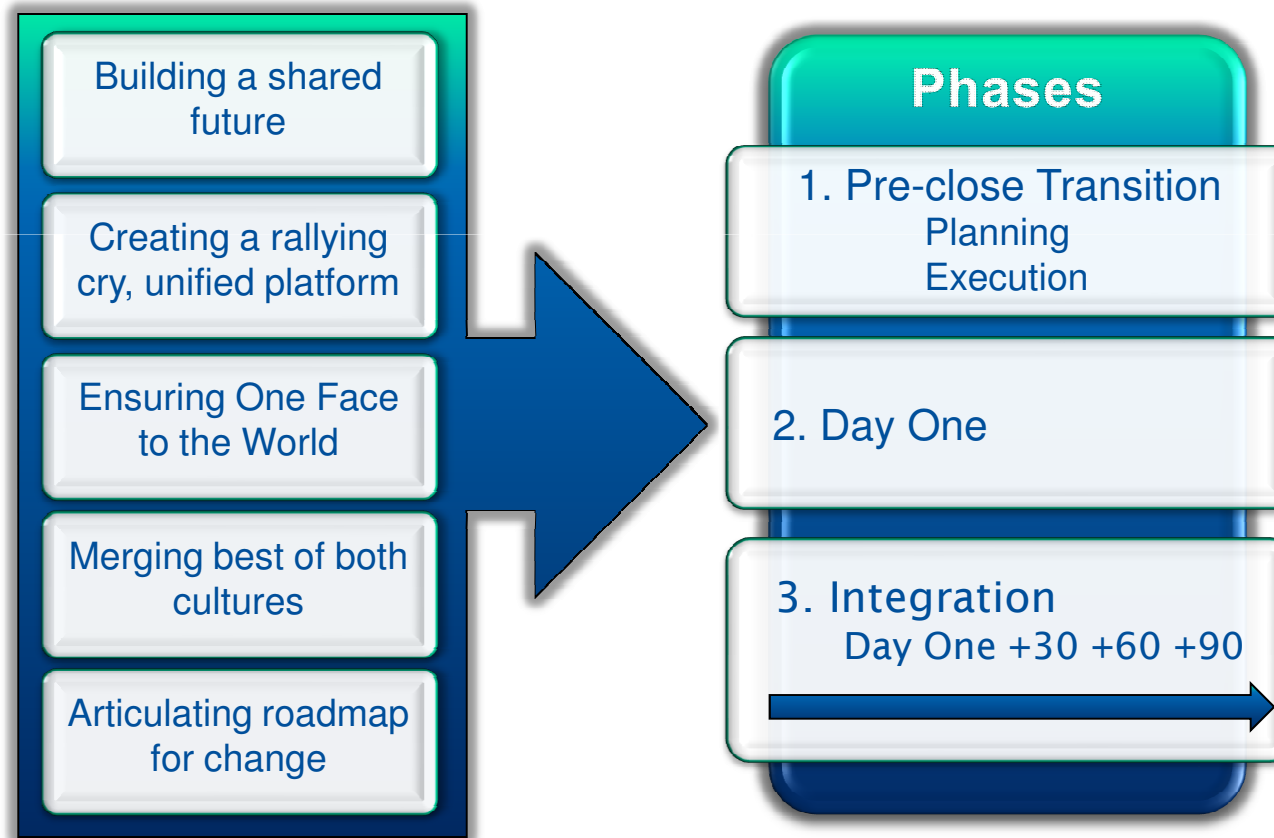
# Things to Look Out For....

- Employee resistance to change
- Divided/torn loyalties
- Impact on customer and client relationships
- Real vs. perceived synergies
- Managing expectations
- Increased competitive activity
- Financial pressures
- Perceived “death” of a company and/or its culture
- Blurred – or unknown – roles and responsibilities
- Unclear reporting relationships
- Communication tangles
- Power shifts
- Job insecurity
- Unusual employee turnover
- Policy and procedure changes
- Infighting



# A 360 Approach to Merger Integration Change

- Prepares the combined organization for public engagement as a new entity starting from the inside out with employees
- Drives business strategy, performance and outcomes





# Employee Centric Approach

Segment and service	Senior Leadership	Managers	Hourly/Salary employees	Union	Retirees
Guiding questions	How will we achieve our business goals/aspirations?	What does the future look like and am I a part of it?	Will I have a job?	Will the plants close? How does this change our labor contracts?	How does this impact my benefits and legacy?
Needs	Guidance, timing and content	Two-way feedback, talent retention, information	Dialogue, information, understanding	Active dialogue, relationship building	Information, advocacy
Role	Set example and act as leaders, establish tone and narrative, follow cadence and cascade	Drive business planning and execution Face-to-face cascade	Adhere to communication protocol, continue business execution		
Messages	Communicate vision for the future, announcements requiring strategic clarity, milestones	Local context for cascaded information and identify potential issues	n/a	n/a	n/a
Audience	All employees and external audiences	Employees, senior leadership	Other employees	Hourly employees, external audiences	Public
Frequency	Ongoing and consistent	Ongoing, daily	Regular cadence as available	Regular cadence as information develops	Periodically as information develops



# What Success Looks Like – Employees

## Key Criteria

Key Message retention on strategy, rationale of transaction

Awareness of key messages

Integration of communications in the management model

## Approach

Employee integration survey in both companies

3 months and then 6 months after Day 1

Use existing employee survey channels in both companies to maximise participation

***Key: Link Communications to Behavior...***



# What Success Looks Like...Overall

- Employees are engaged in a deep conversation about the combined company's strengths and growth opportunities
- Media understand the context for the future company's moves and opportunities for further momentum
- Analysts and investors see the value of the company's strategy and its potential for growth
- Government officials see a company that respects local and regional laws and issues
- Management has a workforce that understands how to contribute and participate in the company's future
- NGOs and industry observers see the company's commitment to continued social responsibility
- Customers view the combination as a positive force for the industry



# Psychology of M&As

- Reputational value is based on how employees, customers and other stakeholders are treated
- Inherent in policies, decisions, systems
- Communications is a critical element in reputational management and M&A success
- Success must be based on what stakeholders need and want





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# Questions