

Unprofessional communications in M&A transactions reduces company value

Communication is a decisive factor when it comes to the success of corporate acquisitions. A well thought-out and consistent communications strategy is required throughout all phases, i.e. from the preparation and announcement of a transaction, through the closing to the integration of two companies. It is not sufficient merely to inform the key stakeholders about the highlights of a transaction. The communication should also anticipate and address the expectations of employees, the media, investors and public authorities.

by Daniel Piller

Communications play a key role even during the negotiation phase. A clever and consistent line of argument strengthens the negotiating position, and also has an impact on price discussions. While the seller wants to achieve the highest price possible, the buyer is keen to pay as little as possible. During the course of a defensive campaign, a company facing a hostile takeover offer can influence the price through targeted communications. For this purpose it is necessary to respond to the announcements of the counterparty as promptly as possible. Possible responses should be anticipated with corresponding scenario planning. The Irish pharmaceutical company Shire represents a current example of professional communications during a hostile takeover. With its proactive and credible communications on future prospects, the management and the executive directors have successfully enticed a substantial offer from the acquirer AbbVie.

“Under-promise and over-deliver”

The media and the public are often not familiar with the company in question. For this purpose, the business model, the strategy as well as the added value of an acquisition all need to be set out in clear and comprehensible terms. In this conjunction, “expert slang” is counterproductive. The same goes for excessively praising the synergies of the respective transaction. A factual description of the deal together with the associated opportunities and risks as well as a realistic assessment of the future prospects are more effective approaches.

The media has a tendency to personalise M&A situations. For this reason heated exchanges are often reported in the media at the board of director and management levels. These media mechanisms should be systematically exploited. Yet it is not just the content that has an effect; the nature and manner of the communications exert an impact too. Simple messages, composure and a thick skin are effective means of elegantly and convincingly countering attacks launched through the media.

High opportunity costs of deficient integration communications

The opportunity costs of deficient and unprofessional internal communications during the integration phase are enormous. For example, productivity sinks when unsettled employees – who do not know the strategy and the business priorities – spend more time engaged in speculation than

focused on their actual tasks. Crucial talent may leave the company if the company fails to communicate the corporate direction as quickly and clearly as possible. If the process of integration stalls and the focus of attention is directed inwardly instead of towards customer requirements, then the company's market position will inevitably be undermined. During the course of the integration, the overriding task is to guide employees through the phase of uncertainty through regular and dialogue-oriented communications. This is to create clarity about the strategy, the organisation and the business priorities as quickly as possible. Integration communications are very challenging in the case of strongly divergent corporate cultures. The merger between Holcim and Lafarge is a good example of this. While Holcim delegates a great deal of authority to the regions, Lafarge is managed from head office on a "command and control" model.

Thorough planning is the key

IRF Communications advises and supports companies in conjunction with the external and internal communication of transactions and integration. Ideally, comprehensive communication planning should be conducted parallel to the transaction planning. Basic instruments are:

- Strategy and position in the event of a leak
- Strategy and messaging on the strategic value of the transaction
- Scenario planning
- Q&A for the anticipated question of stakeholders
- Training the managers to communicate effectively with investors, the media and employees
- Communication plan, from the announcement to finalising the deal
- Communication strategy and plan for the integration:
 - Establishing internal communications platforms
 - Preparing executives as integration ambassadors
 - Winning the hearts and minds of employees through emotive communications for the new company
 - Ensuring ongoing dialogue about the progress of the integration