Mergers and acquisitions are central elements of corporate strategy implementation. Yet, the transaction itself typically is a special situation for most companies and bears a number of risks. Targeted communication measures help to successfully execute an M&A transaction and lay the foundation for the post-merger integration process.

M&A communication starts on day one

Prof. Dr. Günther Müller-Stewens, Director Institute of Management, University of St. Gallen, Editor of the "M&A Review"

In 2008, almost every day of the year a Swiss company was involved in an M&A deal. Growth fantasy is among the key value drivers of a company. Defining its growth strategy is at the heart of each corporate strategy. M&A are – besides internal growth and cooperations – a central mechanism to realise such a growth strategy. But M&A are not a goal in themselves. Transactions should always be used as a tool to implement a corporate strategy. Even opportunistic transactions should make sense in the broader context of the corporate strategy.

M&A are an activity full of risks. We all know that the majority of M&A transactions never deliver on promises. One of the challenges to make an M&A transaction successful is communications. M&A decisions and their acceptance are based on expectations, and expectations are shaped by communications.

M&A have to be "sold" to multiple target groups: People who have the idea for such a deal have to "sell" it to the company’s senior management; if accepted, top management has to "sell" the deal proposal to the firm’s board of directors; if accepted, the owners and management of the target company have to be convinced about the rationale of the deal; if they agree, employees of both firms have to be persuaded that they should invest their time and motivation in the execution of the post-merger integration. In a big and complex transaction many other stakeholders – like the public, politicians or NGOs – demonstrate their interests in the transaction. In an M&A deal there are twice as many parties involved as in normal corporate communication situations. This is because you have to deal with two sets of stakeholder groups – one on the buyer side, and another on the target side.

This complexity shows that communications are not an afterthought to be dealt with after closing the transaction. Communications have to be taken seriously from the early stages of the planning of a transaction. Early communication failures can often not be corrected later and their price can be significant: lost credibility, lawsuits, job resignations or missing support for the integration.

There are two typical communication dilemmas a company faces in an M&A situation:

1. Secrecy versus disclosure

On the one hand deals have to be developed under the pledge of secrecy. This secrecy is protected by "organisational firewalls" like code names, separate offices or tagged deal documents. This secrecy is absolutely necessary in the early stage of a transaction to prevent other companies from capturing the idea for their own purposes. A too early communication of a deal also creates unwanted rumours and volatility in the capital markets. On the other hand and apart from legal restraints, a company has to communicate a planned deal early enough, to give shareholders and other stakeholders a chance to take up their stance on the transaction plan. If the disclosure comes very late, the probability increases that information leaks appear and the deal makers lose control over the communications process.

2. Exclusivity versus involvement

On the one hand, because of secrecy, deals have to be prepared only by a very small group of corporate managers. On the other hand, corporate management often does not have the necessary knowledge of the business to take the right decisions. For example, synergy estimations are often wrong because of a lack of detailed technical facts; or there is resistance to realise these synergies because of a cultural clash between parties. But having the right experts in the team would not only help to avoid such problems, it would also help to get support for the deal and its integration. The broader the involvement before the closure of the transaction, the stronger the commitment. And in the integration phase, corporate management strongly hinges on the commitment of employees. But besides tactical considerations there are also legal restrictions on what can be communicated about a pending transaction.

Even in cases of a broad involvement, the disclosure of a transaction is usually a big surprise. Often the news is fearsome for employees e.g. because of hierarchical relationships, job security or career prospects. The challenge is now to communicate the deal to the people to get their buy-in in the integration phase. There are some rules to follow in such a situation:

• Take communications seriously. Tell employees why the company engages in the transaction and why now is the right moment. Focus communications on the creation of meaning for the transaction because people want to control their own fate in face of uncertainty. To avoid an information overload, do not get lost in explaining all details; focus on explaining the purpose and the key elements of the planned transaction.
• Do not allow rumours to spread. If possible correct emerging rumours based on official facts. Try to communicate proactively to avoid rumours.
• Address the concerns of employees through the use of many different and appropriate communication channels. Deal with the chances and risks members of staff see for themselves, for their direct work environment and for the company.
• Give the deal a face by showing the responsible persons and involve them in a constructive dialogue.

Integration management needs strong leadership on all levels of the organisation. A constitutive component of a strong leadership is intense direct communication.

• Keep people continuously informed about the progress of the integration process. Show "early wins" to create trust in the rationale of the transaction.
• Communications are not only based on voice. Symbols, gestures or pictures also send a message to the public – intended or unintended.
• Be careful about not communicating, because it also communication and will be interpreted.

Each transaction is unique. Using standard communication procedures does not account enough for the situation and the stakeholders involved. This means M&A communication must be tailored to the particular challenges of each case.