

Good communication is key for smooth M&A transition

A column in the Oct. 25 edition of The Business News discussed organizational culture related to merger and acquisition (M&A) success or failure. As a follow-up, this column discusses the impact that effective communication has on customers and employees during an M&A.

During the past two months, PDQ Manufacturing acquired Dynamic Software, Technical Employment Services purchased TwoPlus Mechanical Design, and Oshkosh Truck acquired Concrete Equipment. The hope is that these companies have practiced effective communication with their employees and customers.

To reiterate statistics from the prior column, as high as 75 percent of M&As do not achieve their desired results or are outright failures, and more than 30 percent of acquired firms are sold within five years.

While the evaluation and integration of organizational culture are critical, M&A success factors, effective communication to employees and customers follows closely. Communication must be truthful, and focus on the needs of current and newly acquired employees and customers.

Employees are concerned with items such as: Will I have a job? What are my benefits? What are the plans for this facility? Who will I report to? Customers are concerned with assurances that their service will not decline, who their contact person will be, and when their costs will be

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reduced due to the M&A efficiencies.

All M&As should have a proactive communication process. The process should begin during due diligence and continue after the acquisition is announced. Inclusion in the due diligence process is important so information can be gathered for employee and customer communication. It's better to have information as early as possible to communicate proactively — rather than reactively.

There are several necessary items to an effective M&A communication process to ensure a smooth transition for customers and employees.

- **M&A timeline:** This should be created during due diligence and given to all key leaders. It encompasses all acquisition-related communication activities.

- **FAQs:** Frequently Asked Questions are created for all target audiences. They should be used with employees, customers, and suppliers.

- **Letters:** These are used to communicate the M&A to customers, vendors, suppliers, and

possibly newly acquired employees. Letters should be mailed on the day the acquisition is announced and should contain appropriate contact information for questions.

- **Customer/supplier lists:** Mainly for sales and purchasing, these are lists of the most important current and newly acquired customers and suppliers. The purpose is to make proactive telephone calls to these key customers and suppliers to explain the M&A and its impact to the customer or supplier. The calls should begin on the day of the announcement and continue over a period of a few days until all are completed.

- **Media release:** This should be distributed in conjunction with all other communication. The media release should be sent after communicating the M&A to current and newly acquired employees. All employees (and key customers) have a right to know as soon as the M&A is completed.

- **Current employee communications:** Companies should utilize other forms of communication to make current employees aware of the M&A. This may include venues such as intranet, employee newsletter, letter with paycheck, or leader meetings.

- **Acquired employee communications:** Being onsite with newly acquired employees is vital. This should include a brief presentation to employees about their new company and its organizational culture, what's in it for them (e.g.,

benefit changes, will they have a job, who they will report to), and information about future communication (when it will occur, what answers will be provided, etc.).

Timely, honest, and consistent communication with newly acquired employees has a direct correlation with employee productivity and integration with the new company culture. If this does not occur, new employees will not trust the organization and be fearful for their jobs. This is when typical M&A objectives of generating profits and providing uninterrupted customer service are not met.

M&A communication planning should be done as early as possible — during due diligence — not after the M&A announcement. There is a saying that you only have one chance to make a good first impression. Failure to effectively communicate with the target audiences can harm this one chance — especially with newly acquired customers and employees.

Do you know what to communicate? When to communicate? How to communicate? M&A communication illustrates that both the act of communication, as well as a lack of communication, have an impact on M&A success.

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