

Regulating the pulse of an M&A transaction from announcement through Day 1

Effective employee communication is key to stability

From water cooler whispers to manager hints to executive announcements, an M&A transaction produces a steady stream of information (and misinformation). The pulse of a deal lies in the timing and mix of corporate messages; the challenge for an integration team is to regulate this pulse by providing message clarity and consistency, and promoting understanding among both existing and new employees.

Effective communication is key to maintaining organizational stability in the face of M&A-driven change and ambiguity. To create a cohesive and compelling messaging strategy, Human Resources (HR) and communications staff and integration team members should focus on:

- Sharing the facts
- Talking to leaders
- Setting the stage for a positive employee experience
- Establishing communications governance.

Sharing the facts

The period between deal announcement and deal close can be an anxious time for employees. A good way to reduce anxiety is to promote understanding. First and foremost, share the facts as early and fully as possible. Use initial communications to promote employee understanding of deal strategy, rationale, and terms, keeping in mind that specific deal terms likely will influence communications content, tone, and timing.

Deal strategy and rationale

Compile a reference library of deal facts and leadership quotes/announcements

to support development of a messaging strategy and high-level communications plan. Integration team members, and HR and communications staff should have easy access to facts such as deal size, number of employees, company acquisition history, headquarters location, executive biographies, and annual revenue.

Relevant questions: Which deal parameters are team members likely to reference throughout deal transaction and integration? What non-confidential information is available about the deal strategy and rationale? What projections have executives made about the value that the transaction will deliver?

Deal type

M&A deal type can influence the messaging strategy. For instance, if the target company is being acquired as an independent subsidiary, consider how to introduce its goals, principles, history, and successes to the buyer's employees (e.g., create a "getting to know you" feature series and post on the buyer's intranet). Additionally, be mindful of sensitive topics that might create friction and cause business disruption. For a stock deal, the expected integration level and timeline can vary greatly. Focus on providing consistent and accurate messages, and addressing employee concerns and avoid prematurely setting expectations by overpromising before leaders have reached final decisions on integration terms.

Relevant questions: How does the purchase agreement impact terms of employment? Specifically, how do deal terms dictate impacts to employment, compensation, benefits, equity, and retirement? What are the target employees' concerns?



Talking to leaders

In addition to sharing the high-level deal strategy and terms with employees, another integration priority is to set the stage for an employee experience that corresponds to leadership expectations and goals. Uncertainty is an implicit component of change; in uncertain times employees look to company leaders for direction. If the integration team's communications and change management efforts do not correspond to the "straight talk" emanating from leadership, it will be challenging to maintain credibility with the employee body.

Meet with leaders to understand integration objectives and use these to construct a foundation of core messages and communications programs that align to and support the deal architecture and leadership strategy.

Note: See the "Critical People Must-Haves" section for further guidance on establishing a combined leadership team that is visible, accessible and aligned with one another on the vision, strategic objectives and values.

Understand the audience

Categorize employee groups in a way that makes sense for the new business. Whether the designation is by function, geography, business unit, employee level, or a combination of various factors, it is critical to understand who each key audience group trusts as well as how their leaders want them to feel about the journey ahead.

Relevant questions: How often should communication take place? What communication style is most effective? What is the appropriate vehicle? Who is the most appropriate person to deliver these messages? Which employee groups have the highest flight risk? What is the process for identifying key talent?

Create core communications themes

Talk to company leaders about integration objectives and consider how they can be consistently and thoroughly addressed through appropriate communications vehicles. Best-in-class programs often include communications themes around employee engagement and retention, improved productivity, innovation, scale, and operational effectiveness.

Relevant questions: Which terms, phrases, and themes are used frequently by leaders? Has the integration team considered a sentiment analysis pre- and post-announcement? What are the terms to avoid when discussing productivity, effectiveness, and synergies?

Setting the stage for a positive employee experience

Following initial deal communications, sharing leadership perspectives, and developing core themes and messaging vehicles, the integration team may face some troubling questions: How do we communicate when we have nothing new to say? How do we ease employee concerns when we can't answer their questions? These issues may become particularly important when an estimated deal completion date is delayed, for example, while the M&A team obtains all necessary regulatory approvals.

Case in point: When a healthcare provider experienced a delay in closing a deal impacting over 100,000 employees in 30 countries, its communications team hosted weekly calls with country leads, partnered with the employee experience team to distribute delay FAQs to both buyer and target employee groups, and provided talking points and key messages for leader-led team meetings at manufacturing sites. When an integration team is hard at work on pre-close planning and there is no new information to share, focus on setting the stage for an effective Day 1 employee experience and easing employees through what can be an unsettling transition period.

Acknowledge employee nervousness about the future

An unfortunate hallmark of the post-announcement-to-pre-close period is employee unease. Brainstorm potential employee concerns among integration and communication team members. It is likely that competitors are poised to poach key talent, so head-off a potential employee exodus by providing tailored leadership communications that engender trust.

Relevant questions from employees: Will I have a job? Will my role change? Will my day-to-day work (laptop, commute, business card, email) change? Will my manager change? Will I have to switch offices? Will my compensation or benefits change?

Prepare leaders with talking points about outstanding decisions

Arm leaders and managers with talking points on outstanding decisions; this enhances credibility by driving a cohesive, consistent message across the organization. Be sure to include talking points on potentially sensitive questions that leaders may receive during integration planning meetings.

Relevant questions: What is the timeline for communicating organizational announcements and decisions? How is leadership committing to this timeline? Is there a chance that company headquarters will be relocated? How will employee benefits and providers be consolidated and what is the timeline?

Outline work council/regulatory body considerations

On deals with significant international reach, remember that work council and regulatory body considerations may exert considerable influence when determining access to personnel data (e.g., employee email addresses for communications), the timeline for organizational decisions, the sensitivity of communications approvals, and the sequence of messages in communications cascades.

Relevant questions: Which integration team members are managing work council/regulatory body relationships? What is the work council approval process for employee communications? Does the organization have a strong working relationship with local work councils? Are work councils aware of and aligned to the organization's high-level decision timelines?

Connect with target employees pre-Day 1

Build strong relationships with target company communications counterparts to understand the types of messages that resonate with their employees. Use this understanding to effectively connect with target employees prior to deal close and employee Day 1 – this can help lay the groundwork for a positive employee experience.

Case in point: During a recent multi-billion deal at a technology company, messaging was distributed across a diverse range of communication platforms including blogs, live webcasts, traditional newsletters, and an internal company social media site. In addition to developing compelling

message content, the integration team also performed an analysis of the mediums that most effectively engaged employees on both sides of the deal and harnessed the power of those platforms to control and regulate pre-Day 1 messages.

Relevant questions: How are target employees accustomed to receiving news? Does the target company have an intranet page for integration-specific communications? Would employees respond well to a joint message from the leadership of each organization? Is the target organization accustomed to receiving surveys?

Facilitate functional integration

Develop targeted communications that functional leadership can use to explain integration objectives to their employees. For example, the communications team can support the sales function by designing sales handbooks to promote cross-selling, creating a tailored sales communications plan, and featuring the function in broader integration communications as an employee group that is successfully adopting a “best of both” strategy.

Relevant questions: How will functional expectations change? Will targets and metrics change? What does success look like in the new organization?

Establishing communications governance

A structured communications and change management program provides a foundation that can flex to manage ambiguity and respond to changes throughout post-deal integration. Choosing the integration team, designing comprehensive plans to regulate the flow of information, and generating a positive company culture can accelerate and actualize the integration.

Pick the right team

Pick buyer and seller integration team members who have relevant expertise and a commitment to collaboration. Develop champions and change agents in both organizations to promote positive employee participation. The team should include collaborative, consensus-driven leaders who are dedicated to the effort and who understand the critical importance of communications and change management to engage employees and realize post-deal synergies.

Plan key activities

Partner with leaders to communicate tough strategic decisions such as office closures or separation notification timelines as early as possible. These key activities are not only critical to meeting synergy capture timelines; they represent significant change for employees and require extensive planning and preparation to execute successfully. Planning key activities goes hand-in-hand with monitoring effectiveness: Establish targeted and measureable metrics to evaluate the impact of change management efforts on integration.

Control the message

Keep stakeholders informed by providing consistent, accurate, and up-to-date information, and stay on message to help minimize the proliferation of rumors and speculation. Without properly controlled messaging, employees can easily become consumers of misinformation.

Case in point: During the integration of a small technology company into a larger technology company, an HR employee provided details about benefit changes to an employee prior to their scheduled date. The information was forwarded throughout the company and led to premature attrition, as the actual benefit plans had yet to be finalized. This underscores the importance of cascading messages through a limited number of trusted sources.

Enhance execution

Generate excitement throughout a sustained integration campaign to create a positive company culture. Hold leaders accountable for engagement and retention. Build a strong community and support network (e.g., by establishing a buddy program).

Finally, help to ensure that frontline employees have the right information and tools to prepare them for their future in the new organization. Regardless of the outcome of operating model and organizational design, each employee should feel engaged, supported, and appreciated to avoid business disruption and provide a smooth transition. A positive employee experience requires months of proactive, structured, sustained, and measured efforts that begin long before deal close.



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