The PR of mergers and acquisitions


PAMALA PROVERB

by Pamala Proverbs

While all eyes are fixed on how much or little shareholders of Banks Holdings Limited (BHL) will receive after the dust is finally settled in and out of of court, my interest is on the public relations strategies that the company is engaged in to keep its stakeholders, especially employees, engaged and abreast of new business developments.

This is a very tricky situation. As the major communications thought leaders on mergers and acquisitions would tell you, most (M&As) would tell you, most mergers fail because all the attention upfront is given to the financial issues with little or no attention paid to the "softer issues" like leadership, communications, culture and reputation.

Given this fact, any purchaser of BHL at this time should not only be concerned with the price that they have to pay for the company but also the cost of stakeholder perception. Employee perception especially should be considered given the possibility of attrition of the most valuable staff during this period of turmoil and uncertainty.

Employees turn to managers for answers in cases like this. However, it is exactly in times like these that managers themselves demonstrate that they are employees too. Just like line employees their psychological contract with the organisation is impacted as they view their own job security, like the rest of the staff, as under threat.

Economist Michael Jensen described mergers as "wrenching events in the lives of those linked to the involved organisation: the managers, employees, suppliers, customers and residents of surrounding communities."

With that said, how do we public relations consultants suggest that top managers and owners approach M&As? The answer - with open and honest communication all the way throughout the merger process, from the beginning to the end. This is most times easier said than done but admittedly employees prefer to be told what is happening in their organisation first rather than to read about it in the newspaper.

Let's face it - some of the news at this time will be negative, jobs will be lost, positions may change and so on, but all must be done to mitigate the risk of losing customers and the best talent from the company. This can only be achieved with communication.

Communication - the vehicle and frequency is critical. News should be delivered sympathetically by someone of authority in a manner that demonstrates that the staff and the community's well-being are being taken into consideration and not just what is in the best interest of the business. There should be avenues for feedback and monitoring of behavioural shifts so that communication is informed and on point.

Having an external communications adviser to support internal communications at this time is an invaluable resource. The adviser is outside the process and hence would be open-minded, responsive and virtually immune to the paralysing effect that M&As usually have on internal stakeholders. This allows for the smooth execution of the communications plan even if the internal practitioners become unavailable or overwhelmed with the share enormity of communications demand at this time.

There are many factors to be taken into consideration and the best bet for top managers and owners is to have an experienced, skilled communicator as part of the M&A team who would practise both the science and art of public relations to help ensure that the M&A is sustainable. Even in the case of a hostile takeover, it is important that the communication channels are opened swiftly by the takeover company so as not to erode the spirit of the people who made the company the success that it is.

In the words of Japanese billionaire Kazuo Inamori, who **Bloomberg** described as an entrepreneur, management guru and Buddhist priest: "If you want eggs, take care of the hen. If you bully or kill the hen, it's not going to work."

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M&As are what's trending

In late May, Broadcom Corp. announced stunning news: the giant Irvine chip maker would be bought by rival Avago Technologies Limited for US$37 billion in one of the largest tech deals in history.

Six months later, the Avago-Broadcom tie-up doesn't even rank among the top ten global corporate mergers announced this year.

Corporate mergers and acquisitions this year are on pace to break the record of US$4.6 trillion set in 2007, according to Dealogic, which tracks the market.

"El Nino came early to the M&A market because it's been raining deals all year long," said Lloyd Greif, chief executive officer of Greif & Co., an investment bank in Los Angeles.

As with Avago and Broadcom, the takeover craze largely is being driven by companies looking for acquisitions in the same industry, or close to it, so that they can gain market share, new products and geographic reach in sectors where they already compete.

That's the case in the largest deal announced so far this year: Anheuser-Busch InBev's plan to buy SABMiller for US$105.6 billion, combining two of the world's largest beer makers.

The same trend is playing out in health care, oil and gas, technology, telecommunications, aerospacce, home building and food products.

Health care, in particular, has seen a spree of takeovers as providers, insurers, pharmaceutical makers and drug stores reposition themselves for industry changes spawned by the federal Affordable Care Act.

The law is "causing a lot of refocussing and reordering of companies' business models," said Jeff Greene, who leads the life sciences mergers and acquisitions practice at Ernst & Young.

Among other deals, Anthem Inc. is buying rival health insurer Cigna Corp. for US$51.9 billion, and drug store chain Walgreens Boots Alliance Inc. agreed last month to acquire competitor Rite Aid Corp., for US$9.4 billion.

The biggest deal in health care this year might be yet to come.

Drug giant Pfizer Inc. has acknowledged that it's looking at buying Botox maker Allergan, and the potential purchase price based on Allergan's current stock value could exceed US$120 billion.

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