



PR TECHNIQUE: Trials by fire: Managing M&A communications

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When your company is being taken over - or even rumored to be - a whole circus of communications comes into play.

With the Southern California Simi Valley wildfires wafting smoke over WellPoint Health Networks' Thousands Oaks headquarters on Friday afternoon, October 24, VP of communications Ken Ferber was looking forward to a full schedule of weekend family activities that lay ahead.

That was until he received a bombshell of a phone call just after 1pm informing him that Anthem planned to announce Monday morning that it would acquire WellPoint for \$14.3 billion.

With WellPoint being the nation's second largest health insurer (more than 14 million medical members and more than 44 million specialty members nationwide), the insurer is no stranger to the M&A game. In fact, during Ferber's tenure alone, he has assisted in no less than four major acquisitions - most recently the buyout of smaller rival Cobalt (Blue Cross/Blue Shield insurers in Milwaukee) that closed in September.

"But in those deals we were the buyer; now we were the buyee," Ferber says. "And for once, I felt that peculiar sense of mourning you get as the buyee that I'd only heard about. No matter. We had to push all that aside and act fast."

Ferber and his colleagues had until 5:30pm the next afternoon to have a plan in place that would touch more than 20,000 people - and no one was allowed to leave voice-mails. The strategy needed to utilize multiple delivery vehicles to reach WellPoint's four core audiences - internal communications, news media, the investor community, and the regulators.

The heart of the plan was a cascading telephone-tree tactic, where select director-level executives were charged with communicating key messages to their assigned audiences. Compliance issues, a primary consideration of any M&A deal, were to be handled from the top down out of the chief executive's office. The company's webmasters were also brought in to integrate an online platform into the campaign.

At 8:30pm on Sunday night, *The Wall Street Journal*, with its deep tentacles into virtually every major investment bank, had gotten the lead and would eventually break the story on its site at midnight ET, just three minutes before WellPoint issued its release online out of California. Subsequently, WellPoint convened a meeting on Monday morning at 6am to announce the deal.

WellPoint's campaign illustrates the multi-faceted, frenetic aspects of a viable merger-communications program, with an integrated program delivering a consistent message that speaks to multiple audiences through various channels, and is managed by a central entity.

Meanwhile, with M&A activity on the rise, merger communications is now more in demand. Some 5,900 deals were announced this year valued at \$400 billion, in comparison to the 5,700 deals at \$355 billion last year. Though that is a far cry from the 2000 peak of \$770 billion, and below last year's \$432 billion, it does mark an upswing.

The importance of consistency

Merger communications is unique, in that it involves simultaneously conveying several ideas to different audiences in a short span of time and during a period of great upheaval.

Obviously, every deal is different. Still, while what a regulator wants to hear is not

always the same as what an investor wants to hear, there must be a consistency of communications, conveying central themes, regardless if they are issued in a press release, referred to during a press conference, or posted on a website.

For instance, consider software giant PeopleSoft's acquisition of J.D. Edwards, a \$1.7 billion deal that closed in July. While most software company mergers in general do not exactly elicit the excitement they did in the late 1990s, PeopleSoft knew it needed to articulate the key drivers behind the deal, says Dee Anna McPherson, the company's director of worldwide PR.

Specifically, whereas PeopleSoft caters mostly to large companies in service-related industries, J.D. Edwards was more involved in providing software tools to asset-intensive industries, such as manufacturing, in the mid-market. This, more than anything, helped the deal make sense.

"We knew that to be successful, we needed to convey how the two companies complemented each other, not only externally to investors and regulators, but also internally to rally employees," McPherson says.

Equally important to messaging consistency in managing merger communications is proper preparation, organization, and integration, says Jennifer Keavney, VP of corporate communications for Network Associates, the major vendor of anti-virus software (McAfee), that in the past year has acquired several companies.

"Once the deal is finalized, the consolidation of the communications department begins immediately," Keavney says. "The PR team and agency of record moving forward must work closely with the acquired entity and their representation to ensure all the critical points and activities are managed."

To accomplish the pre- and post-merger strategies, it is advised that a dedicated taskforce be assembled representing the key communications decision-makers. This central entity will enable the company to establish a policy and stick to it, respond to the emergence of rumors, and provide the clarity and consistency needed to steer clear of the regulators.

Meanwhile, you must still present a business-as-usual attitude to investors, customers, and suppliers, says Marlene Somsak, VP of communications at Palm, the handheld computer company that bought out competitor Handspring earlier this year to form palmOne. "We introduced three new handhelds to great acclaim in the weeks prior to the stockholder vote that authorized the spin-off of PalmSource and the acquisition of Handspring - the Zire 21, Tungsten E, and Tungsten T3 handhelds," she says.

It's the little things that count

Lastly, there is something to be said for the subtle accents that not everyone notices.

When First Union merged with Wachovia last year, the overall entity was named Wachovia, even though First Union brought \$250 billion to Wachovia's \$77 billion and First Union's CEO, CFO, chief counsel, and the heads of two of the newly formed bank's three main divisions were from First Union.

"But what not many noticed was the incorporation of the First Union green into the new corporate logo," says Christopher Bonner, president of Bonner Consultants, a Mclean, VA-based agency specializing in merger communications. "It was a masterful stroke that subtly reinforced the marriage of the cultures on a subliminal level, unlike most programs where they try to shove it down your throat overnight."

Technique Tips

- Do** create a cross-functional integration team with members from both firms
- Do** conduct a pre-merger cultural assessment of each firm
- Do** develop a checklist of potential problem areas
- Do** ensure consistency between initial promises and implementation
- Do** create an M&A manual to learn from previous experiences

Don't treat all M&As alike

Don't over-use formal communication in non-strategic mergers

Don't under-use informal communication in strategic mergers

Don't focus mainly on external media and the investment community at the expense of employees

Don't put too much emphasis on being fast and keeping the deal secret

- *Compiled from "How Communication Drives Merger Success," a research report developed for the International Association of Business Communicators by Patricia T. Whalen, Ph.D., APR, Assistant Professor Northwestern University*