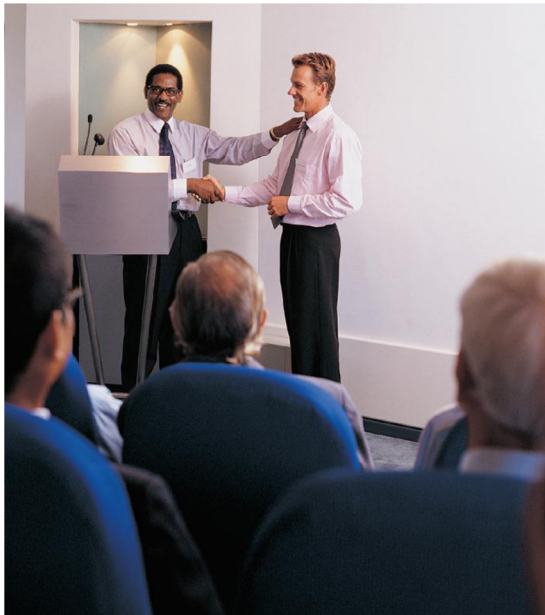


Don't neglect stakeholders

It could be the biggest M&A blunder you make

Even when the general economy and the M&A market are booming, merger transactions can be hard to close. And when the economic climate is as uncertain as it has been recently, deals can seem like nearly impossible-to-reach goals. Although the selling company's financial health and the buyer's ability to get financing remain paramount concerns, neither party can afford to overlook another major factor — their stakeholders.



Who are your stakeholders?

It probably seems like common sense that you'll need to inform your company's stakeholders as soon as you sign a sale agreement. The goal is to provide a constant, accurate stream of communication designed to head off rumors and to bring potential opponents into your camp as much as possible. But who, exactly, are your stakeholders?

You have many stakeholders — probably more than you usually consider. But the following all have some stake in your company's future and need to be included in your M&A communication plan:

- Minority shareholders or owners,
- Employees and employee unions,
- Customers and clients,
- Suppliers and vendors,
- Lenders and creditors,
- Business and local media,
- Beneficiaries of your corporate giving program,
- Governments in the communities in which you employ workers, and
- Government regulators, if applicable.

What links these disparate stakeholder groups is their connection to your company and, to be blunt, their ability to hamstring or even destroy a deal if they make an organized effort to oppose it. Disgruntled customers, a resistant employee union, disapproving editorials in your local paper or a government agency concerned about the impact of your merger can pose serious risks that you'd be foolish to ignore or underestimate.

A balancing act

As soon as your company has signed a sale agreement, quickly provide details of the deal to all stakeholder groups, using whatever channels best fit each. For example, you might inform customers through account representatives assigned to them, the local community via your media relations department and your employees through HR or department managers.

Keep in mind that communicating an M&A is a balancing act. Each group of stakeholders has its own priorities, which often can conflict with those of other groups.

For example, a buyer may plan to move all of the acquisition's operations to its own location and, instead of relocating the target's current employees, hire new staff from its own community. That community is likely to embrace the decision, but the news will be unwelcome to the seller's employees, as well as the local government that relies on the selling company's property taxes.

When dealing with this type of situation, be sensitive to the nuances in your general communications to all stakeholders and determine when it's best to tailor messages to individual audiences.

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During the M&A process, you may discover the deal will negatively affect one particular stakeholder group — for example, production workers in a particular facility will be laid off or a corporate giving program that benefits local charities will be discontinued. Your company should communicate these decisions to those affected while also detailing the benefits to other stakeholders.

So if employee consolidation is expected to reduce prices, share that with your customers. Or if trimming costlier and less efficient suppliers will help save jobs, let employees know. The bottom line: Get as many stakeholders on your side as possible.

Focused strategies

Most merging companies must contend with some resistance — both internal and external. Typically, the side with the best, most focused sales pitch wins the war. In addition to general facts and timing, communicate financial details to demonstrate the value of any changes associated with the deal. And consider setting benchmarks and mapping their progress in a public place, such as on a specially created Web site, so employees and other stakeholders can follow them.

This strategy worked for HP during its 2001 merger with Compaq. Promerger forces (led by HP's CEO) set up a Web site, which it updated daily, sometimes even hourly. The site featured letters from senior management, detailed financials supporting the deal and in-depth responses to questions such as "Why support this merger?" Antimerger forces (led by HP's largest shareholder) were less organized and ultimately lost the battle for hearts and minds.

Cooperation is key

In the end, an M&A deal's success depends on the cooperation of your company's many constituents. Keeping stakeholders in the loop and treating communication as a critical part of the deal process will help keep the transaction on track.