

M&A Communications: 360 Degree Planning to Make the Deal Work

By Joyce Bosc, President and CEO of Boscobel Marketing Communications, Inc.

Despite the current economic climate, mergers and acquisitions (M&A) continue to be a strong strategy for corporate growth in the government services community. Even though the multiples may not be skyrocketing, the contracting industry is performing well, and capital gains tax rates are low. In short, this is a good time to look for a deal.

And yet, even with the tremendous impact and influence of M&A transactions in the marketplace, companies often neglect one of the most important aspects of a successful transaction—communication.

The most successful transactions take advantage of a 360 degree communications plan—an approach that fully considers communication before, during and after the event. Effective communication is critical throughout the entire timeline of an M&A transaction: with key staff members before the transaction, with the due diligence team on the buyer's side during the transaction and with all employees and customers after the transaction. All parties need to know how to put a comprehensive plan into action to make the deal work.

The outcome is not just financial

The success of an M&A deal is measured in much more than just dollars and cents; everyone working in an M&A environment also needs to consider employee loyalty, corporate culture and brand equity.

Jean Stack, senior vice president at investment bank Houlihan Lokey, stresses that companies must understand that, in addition to financial goals, “the objective [of a deal] is also to maintain the environment, including culture, the

business community and the growth of the company going forward.”

In order to achieve these non-financial goals, deal teams need to be prepared to share information about how the transaction fits into an organization's overall business strategy. Helping employees connect the dots increases not only their understanding, but also their productivity. Those who feel invested in their company are likely to work that much harder.

Carleton Jones, president of INDUS Corporation, puts it this way: “The right internal communications are critically important to the seller's ability to deliver a motivated, involved and enthusiastic workforce to the buyer.”

Anne Reed, president and chief executive officer of Acquisition Solutions, Inc. agrees. Her firm completed a private equity transaction in 2008. “Any time there's a change in ownership structure, it can be very threatening [to employees],” Reed said. “We wanted everybody to understand that this transaction was part of an overall strategic plan—an event designed to help the company move forward in its growth strategy.”

That means a lot of advance planning. Determine your audiences, the intended messages for those audiences and how those messages should be shared in order to get the best results.

Reed's leadership team embarked on a “multi-media messaging campaign,” making use of employee teleconferences and leadership and team meetings. “It's easy to get wrapped up in all the details that come at the end of the transaction, and to put communications on the back burner,” said Reed. “But you need to make the time [for communications].”

Preparation, timing and maintaining credibility

Still, companies must be smart about how, when and what to communicate. Poor or incomplete communication too early in the process can lead to confusion, fear and unnecessary turnover.

Once your legal and financial advisors give the go-ahead for communication, leadership and management must be ready to address questions from employees quickly and candidly. They must know how to communicate with employees, including appropriate timing, setting, audiences and channels.

“Companies need to think about their communications strategies well before a transaction is announced—perhaps as soon as with the start of due diligence,” David Kriegman, president of TechTeam Government Solutions, said. “Planning is critical.”

While planning should begin well in advance, however, the rollout of the communications plan may take place closer to the actual transaction date to ensure workforce stability.

“In planning communications, selling companies in particular must include the internal deal team or key executives (typically three to six people) quickly,” said Robert Kipps, managing director of KippsDeSanto & Co. If the top people do not know enough about the day-to-day operations of the company, they may inadvertently provide incorrect or misleading answers to the buy-side diligence team. And that hurts your credibility—one of the most important aspects of making a deal work.

“We were very careful about timing communications, and when to bring senior leadership into the process, so that they could have a fuller appreciation of

what we were trying to do,” Reed said. “We knew that our leadership would eventually become the source of more information for employees in the post-transaction environment.”

“What about me?”

By nature, all people want to know how the transaction will affect them personally; for instance, employees’ questions frequently relate to how an acquisition might affect benefits such as health care and 401(k) plans. These delicate issues are important to answer early and communicate fully.

“One way to answer questions and assuage employee concerns is to set up an HR representative on-site at the acquired company’s location for two or three days a week after the announcement,” said Kriegman. “The rep can answer questions, but he or she will also be able to

read a pulse on how the staff is feeling—then management can respond.”

Each audience will have its own specific concerns. Managers want to know what the new organizational structure may be and how reporting lines will work. Sales personnel want to know whether client agency responsibilities will be shifted. Clients and customers want assurances that service will not be disrupted and that the quality will be the same or better than it was before the transaction. Your communications plan needs to address all of these issues and stakeholders.

People also need to hear information repeated frequently. A message will not be absorbed upon the first hearing; and for employees, it will likely first be filtered through fear and anxiety. It is only by the third or fourth time that the message is relayed that people begin to

understand the broader impact to the organization as a whole and on them. They will need help to process those changes.

Buying or building a brand?

Good buyers consider brand retention; for instance, will the acquired company retain its name, be absorbed under the acquirer’s brand or create a new name? If the seller retains its original name, says Kipps, “it is typically because the name has value in the market and among customers.”

Brand change will be important to your employees as well. Once you answer the big questions about salaries and benefits, attention will inevitably turn to the new company culture. People value it immensely—so show compassion and respect.

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“The everyday things in the work environment make up the corporate culture, so changing the small things makes a large statement,” says Stack. Resist the urge to institute sweeping changes too quickly once the transaction is completed and, if you are making a change, communicate it.

Begin at the Beginning: Constructing your 360 Degree Communications Plan

So, what is the first step in creating a communications plan? Here are some ways to get started.

Designate a Communications Team. Appoint one person with the authority, resources (people and funding) and time to handle transaction communication. Typically, this is an individual well versed in your organization’s communications program—perhaps a senior member of the public relations or internal communications staff. This person will structure the core group and

work closely with members of the legal, finance and HR teams, as well as any necessary consultants.

Start Planning Early. Once the team is in place, the first priority is to develop a strategy that supports the business objectives of the deal. Establish core messages, identify and/or develop communication channels, and determine the rollout schedule. In an ideal situation, a 360 Degree Communications Plan starts as soon as the due diligence begins to allow for time to prepare all resources for each audience.

Know Your Audiences. In addition to your employees, special care and attention must be paid to the industry partners, allies, consultants and advisors of both the buyer and seller. Analysts and other influencers will also be vital to the transaction’s success. Protect those business relationships to gain support, reduce risk and illuminate potential confusion or legal and regulatory complications.

Stick to the Message. Given the turbulence in the fast paced environment of M&A, it is most effective to be simple and direct when developing messages. Articulate the deal strategy as succinctly as possible.

The transition team should develop the “elevator speech” and the supporting messages that tell the story. These will then be the mantra to which all other communications refer. One Boscobel client approached a particular deal using the message, “It’s a positive non-event.” The company did not envision any substantive changes to employees, benefits or culture, and the leadership team wanted to ensure this was communicated across the organization. By employing a strict message discipline and ensuring everyone on the deal team adhered to the same script, it soon became a chorus heard throughout the company.

Another company united more than a dozen smaller firms—all acquired within a three-year period—with the simple

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theme, “Our sum is greater than our parts.” While it’s impressive that such a complex series of acquisitions could all be boiled down to this statement, with effective, thoughtful communications planning, nearly every deal can do the same.

Get Your Tools in Place. Don’t begin any communications program without equipping the management and senior staff with the adequate resources. A “management tool kit” can provide them with the tools they need to share clear, consistent communication with their teams. This tool kit might include items like talking points, frequently asked questions and phone and e-mail scripts, among other things.

Spreading the Word: Using your 360 Degree Communications Plan

Now that you have your plan in place, how do you make it work for you? Here are some tips for executing a 360 Degree Plan successfully.

Create Multiple Communications Channels. Many people may work in geographically dispersed locations, on-site with clients, in shifts or at odd hours. Customers and other stakeholders may also be dispersed. There is not likely to be one single channel of communication that can adequately reach every employee or key contact, so consider a variety of tools. For instance, in addition to in person meetings, consider creating a transition microsite on your corporate intranet, sending voicemail blasts and/or setting up a dedicated e-mail and voicemail to field questions.

Get the Show on the Road. Most people still prefer good, old-fashioned face-to-face communication for getting this type of news. A timely road show of senior executives to answer questions will pay off in acceptance and enthusiasm.

Communicate Early and Often—Even If There Is No “New” News.

Everyone is hungry for information, so even an update of “status quo” can be relevant and help stave off the spread of misinformation or rumors. Use multiple communication channels to anticipate, manage and contain speculation.

Track Results. At week three or four, conduct a short survey to assess the transaction communications in terms of information, speed of delivery, accuracy and quality of materials. Do this periodically to ensure the messages are being received and the feedback channels are working.

It’s Not Over ‘Til It’s Over. Remember there will be new, sometimes unexpected, questions throughout the process—even after the actual transaction is complete. Stay proactive with regular meetings, share new information and keep your communication channels active.

In today’s economy, a successful M&A strategy can help you keep growing your business—creating opportunities for buyers and sellers alike. A comprehensive 360 degree communications plan is your best bet for a smooth transition to your next growth milestone.



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PSC to Launch Professional Development Resource Center

The Professional Services Council (PSC) has announced it is creating a unique member service: The PSC Professional Development Resource Center (PDRC). This new offering will be an online listing of training and development resources of interest to the government contracting community—from contracting to program management, from leadership development to Service Contract Act training, and more. In this era of rapid change and growing personnel development challenges, PSC hopes that the center will help members identify and connect with the training their employees need and want most. The online center is planned to launch in early summer.

The online listing will link directly to the websites of participating companies. PSC member companies that opt to be included in the PDRC will receive a discount (in addition to the discounts already offered) on the package purchase of advertising in four consecutive issues of PSC’s magazine, *Service Contractor*. The magazine reaches more than 3,000 professionals across industry and government and is an excellent way to highlight the services you offer.

If you are a member company that provides any type of professional development and training services through seminars, consulting relationships, and publications, PSC wants to make sure your offerings are included in the PDRC. To participate, please contact Jeremy Madson, PSC’s Public Affairs Manager, who will direct you to the submission guidelines and answer any questions you may have. madson@pscouncil.org