

YOU CLOSED THE DEAL—WHAT'S NEXT? HERE ARE THE STEPS TO TAKE NOW THAT THE INK IS DRY

By Patrick Henry | *May 15, 2012*

NEW DIRECTION
PARTNERS

Editor's note: the following is adapted from a memorandum sent by New Direction Partners (NDP) to the principal of the acquiring company in an M&A transaction recently managed by NDP. It is offered here as a general guide to implementing M&As and to communicating with stakeholders during the implementation phase.

Congratulations on successfully negotiating a letter of intent, and thanks for seeking our input as you move forward. Concurrent to completing the purchasing agreement and your due diligence, we recommend observing the following rules of thumb for an equally successful implementation:

- In every decision, always remember that supporting customers and serving their interests come first.
- Manage the implementation primarily to achieve long-term economic objectives, and secondarily to meet the implementation budget.
- Give one of your executives full-time responsibility for achieving these long-range and near-term goals. Many people in your organization will want the job, but few will be willing to give up their current duties to take it on. However, a qualified individual must be assigned to the task as soon as possible. We have found that the mistake of not putting one person in charge is always costly.
- Set up and chair a steering committee to monitor progress and insure that there are adequate resources for the success of the merger. Plan on meeting weekly for now and monthly later on.

IT'S YOUR STORY—TELL IT AND SELL IT

We can't overstate the importance of timely, thorough communications at every stage of the process. We do understand the reluctance of some companies to publicize their acquisitions, but experience has shown that holding back the news can be a major mistake. It's better to manage the message than to let the media—or, worse, the competition—send the message for you.

Communications should target, in this order, customers, employees, suppliers, and the community at large. Keep the messaging simple. In general, announcements should attempt to cover no more than four points of information at a time, preferably three.

All subsequent communications must support the public announcement made on the day of the merger. The public announcement should focus on the merger's benefits for customers and give a broad description of the transaction: for example, who bought whom, plans for moving or closing manufacturing facilities, the implementation timetable, and so on. Financial terms should not be disclosed. It's advisable to appoint a trained and knowledgeable spokesperson to deal with media inquiries.

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FROM YOUR LIPS TO THEIR EARS

Important customers should be contacted on the day of the public announcement or just prior to it. Be certain that no significant customer hears about the merger from the media or, above all, from a competitor. Again, the objective is to explain why the merger is good for the customer. Private communication should aim at reassuring them that they will continue to be serviced in full during the transition.

Remember, customers don't like surprises! To preserve their comfort levels, we recommend changing sales and customer service relationships as little possible during the manufacturing changeover.

Group meetings are the best way to break the news of the merger to the staff, although influencers—employees whom other employees tend to take their cues from—should be informed in advance of the general announcement. The theme of WIIFM (what's in it for me) should drive all content in these sessions. As associates of the acquiring firm, your employees should be encouraged to focus on the merger's benefits for the firm and its community. The call for action should be the need for an extra push while production and other operations are transitioning over to you.

PUT OUT A WELCOME MAT

Naturally, your meetings with the employees of the company you have acquired will be more complicated. Be honest. Share whatever good news there may be: for example, that some employees will be offered jobs in the merged organization; or that employment will continue through a specified date; or that certain terms will be offered to those who stay. It would not be inappropriate to say that without your support, a complete shutdown of the acquired company would have been unavoidable.

The call for action for these employees is to continue performing at the same high level as before. You can secure their cooperation by helping them to feel welcome in their new environment, an unfamiliar place where they're being asked to team with people they don't know and whose culture they don't share.

Simple things such as nameplates and "cheat sheets" with pictures and ID information for your existing staff will help the newcomers build relationships and feel more at home. Give them detailed explanations of payroll routines, benefit procedures, and other administrative matters. It's easy for your regular employees to take these things for granted, but the people you are bringing on board have just had their world turned upside down and will need a little more TLC.

HOW TO HARVEST SUPPLIER "ANOMALIES"

Suppliers are notorious for not being able to keep quiet about M&As. Simply put, they shouldn't be told and don't need to know prior to the public announcement. When the news breaks, your purchasing people should not be shy about stating that you are being benevolent in assuming all trade liabilities of the company you acquired. They should make it clear to the vendors that you will expect volume discounts in return for letting them keep the business.

This is a banquet for the purchasing department, but it's a one-time-only event, so be aggressive. Your purchasers should be ready with a strategy for their requests before the announcement is made. In the discussions that follow, they probably will find discrepancies between what the suppliers have been charging the company you acquired and what

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they are billing you. Use the anomalies to your advantage no matter which direction they go in. Challenge your purchasing people to identify all cases where the target paid less than your company. These conflicts represent savings that can and should be yours.

LIKE POLITICS, ALL M&AS ARE LOCAL

Print company M&As always make news in the communities where they take place, and both communities affected by your merger will be very interested to see how it plays out. As the acquirer, you may take some heat from the neighbors of the company you bought, so try to score all the positive points that you can in your own backyard. Again, it's wise to entrust this sensitive task to someone skilled in media and community relations.

Good luck with your effort to bring two fine companies together as one. You will have only one opportunity to carry it out in a way that yields benefits all around, so plan and act accordingly.

Patrick Henry, Executive Editor for WhatTheyThink.com is also the director of Liberty or Death Communications, a consultancy specializing in research, education, promotional, and editorial support services for the printing and publishing industries.

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