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M/A FAQs FOR EMPLOYEES

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Quick Summary: Provide an FAQ document to employees replace rumors with factual information.

Abstract:

The failure of mergers and acquisitions, measured by the combined entity's missed financial performance, is the rule, not the exception. The root cause of the failure can be traced back to poor or untimely communications with employees. Providing a written FAQ document after, in person, live meetings are held is a highly effective method to help ensure that the proper messages were heard.

The almost constant thread that links the articles in this chapter together is the need for direct communications throughout the organization during merger discussions. Senior management will constantly be in an awkward position, with virtually everyone looking for definitive answers long before final decisions are made. This situation leads to the root cause of the failure of most M/A transactions, as discussed in the article 7.030206, "*Why Mergers Fail.*" In that article, missed financial expectations is described as the most common, major cause.

Without a doubt, communications to employees is the most critical element to help avoid merger failures. The previous article, "*M/A Communications,*" discussed this issue in detail and outlined some steps that management should take to communicate with employees. Direct face-to-face communications in which, preferably, the CEO, or another senior manager, addresses the entire organization is the best forum to provide information and, more importantly, dispel the whirlwind of negative rumors that will be ever-present. Multiple sessions will be required as more definitive planning takes place.

As effective as these meetings are, different people will hear much of the information differently. The very nature of the activity will be emotionally charged, with each individual primarily concerned with the impact any transaction will have on them personally. During the presentation, it will be common for individuals in the audience to focus on one answer or comment, internalize it, and think about it, and then miss the next several issues being addressed. At the end of the session, employee groups will gather and discuss what EACH of them heard. Some individuals will have heard far different things than others. With sensitivity running so high and the fear of the unknown so prevalent, the worst-case interpretation is the most likely agreed-upon "information" that will have been heard.

A method to minimize the misinterpretation is to provide a written Frequently Asked Questions document after the session to all who attended or should have attended. That document will establish the factual record of what was actually said and not what others "think" was said. From a practical standpoint, the

FAQ answers will need to be short, so some misinterpretation is likely to occur, but for the most part, it will serve its intended purpose.

Clearly, it will take time to create the FAQ document, and many will be concerned about putting anything in writing, especially during the volatile early stages of the discussions. However, it must be remembered that the information void will be filled, either with facts or fiction. It must be clear to everyone that the information is subject to change – and probably will change. It must also be assumed that any written document will find its way to customers, prospects, business partners, and the media. Marking the document as Company Confidential may make the lawyers feel better, but it will not result in any appreciable change in its unauthorized distribution. In its absence, the replacement will be rumors that may be generated internally or externally. One only needs to watch the evening news on any given night to witness the rumor mill in action.

Many of the articles in this chapter contained questions that need to be addressed in one form or another. Below are more questions that need to be included. Even if management is uncomfortable and reluctant to answer some of them, it does not mean that employees won't ask them. Someone will answer them; the only choice will be management or the rumor mill.

1. I thought everything was OK; why are we doing this?
2. Why weren't we told about this earlier?
3. Will I lose my job?
4. Will my job change?
5. Will my salary and benefits change?
6. How will seniority be handled?
7. Will our retirement program change?
8. Who will I report to?
9. Will others lose their jobs?
10. When will an organization chart available?
11. Are any facilities closing down or will any be significantly reduced?
12. Will I have to relocate?
13. Will people from the other company be relocated here?
14. Will we be hiring new people?
15. What will be the new management structure?
16. Will I be expected to travel to the other company? How often?
17. Are any of the current owners or senior managers leaving as part of this deal?
18. Will some people receive employment contracts to entice them to stay?
19. Will there be any severance packages offered to people that are terminated?
20. Will there be severance packages offered to encourage people to leave?

21. Is either company in trouble and were they forced to do this deal to survive?
22. What is the revenue of the companies?
23. Will we have to coordinate our work with people from the other company?
24. Will we still be using the same systems and procedures as we used in the past?
25. Will we be made aware of opportunities at the other company locations?
26. Are more mergers planned? With whom and when?
27. Are we going to expand into different areas?
28. When will the merger be publicly announced?
29. How are we going to tell our customers?
30. When did these discussions start?

Clearly, the answers to many of these questions will not be able to be definitively addressed until well into the process or even until after the deal is done. Although true, this fact does not mean that the questions will not be asked and be on everyone's minds. Spend time creating the FAQ accordingly.