4 Communication: The Binding Force of Acquisitions

INTRODUCTION

Flatter organizational structures, empowered employees and advances in information technology have focused the corporate mind on the ability and necessity to communicate more effectively. There has been an increasing acknowledgement of the important role communication plays in corporate life in delivering performance and business efficiencies. Chief executives are increasingly willing to acknowledge that communication can affect the ‘bottom line’ by increasing the organization’s efficiency, employee morale and commitment.

During times of change, communication takes on an even greater role as it is used to convey the ramifications and transformations brought on by change as well as in managing the day-to-day business. During acquisition, communication needs to convey vast amounts of information in a thoughtful and timely manner. Thus, communication during acquisition or merger is more complex and more important than it is during an organization’s normal working environment. In the acquisition process, the step which links the pre-acquisition planning phase and its implementation I call the Information Dissemination phase, or communication of the plan to its stakeholders; it is fundamental to acquisition success (see Figure 4.1).

THE IMPORTANCE OF COMMUNICATION DURING ACQUISITION

Communication is a crucial element of the acquisition implementation process. Studies have found that in the months following acquisition adequate communication correlated highly with employees’ feelings of personal control, organizational commitment, lower uncertainty, increased performance and job satisfaction. When the communication stopped, employees experienced increased distraction, guilt, intent to be absent and job insecurity (Davy et al., 1988; Napier et al., 1989). My research found that acquirers who failed to communicate effectively saw a drop in employee trust, in feelings of fairness during acquisition implementation and in management credibility,
and an increased intention to leave the organization. Other findings are similar with under-communicating being reported as probably the single most important cause of poor motivation, general discontent, and rumour generation during acquisition (Mitchell and Holmes, 1996).

A comprehensive communication strategy is fundamental to the acquisition process outlined in this book. It serves to manage employee expectations during acquisition implementation by announcing the planned intentions of the acquirer prior to the actions taking place. If this vital step is missing, employees have little hope of understanding or judging the acquisition plan of the acquirer. A vital element of pre-acquisition planning is the employees knowing that the acquisition has been planned; it makes the acquirer look professional. As mentioned before, the acquirer may have the best plan in the world but if employees do not know of it, much of its value is lost as employees do not know the acquirer has planned so carefully.

COMMUNICATION IN THE PRE-ACQUISITION PLANNING PHASE

The communication plan as part of the overall business plan

An effective communication plan begins as an integral part of the overall acquisition business plan. In order to ensure their most effective use, the