

While there are a number of reasons why some deals succeed and others fail, poor integration is high on the list. Most companies understand the importance of careful integration planning and put significant financial and human resources behind it. But despite the time, resources and sleepless nights committed to bringing together the operations and work forces of two companies, many integration teams overlook – or wait too long to answer – the most basic, pervasive and critical question weighing over each stakeholder group, particularly employees:

What does this mean to me?



In an era in which everyone expects instant answers, this basic question underscores the importance of communications during the difficult integration process. The impact of a merger is often clearer and more explicit for external groups such as customers and shareholders than it is for employees, despite the latter's high level of interest and the important role they play in the merger's success. Employees are too often treated as an afterthought, receiving only periodic, generic, top-down letters from the C-suite.

Truly effective integration communication requires in-depth stakeholder analysis and tailored messaging to explain the business strategy of the merged company and how employees can become partners in its future success. Efficient, regular feedback also ensures that word travels up as well as down. Three common misperceptions also must be overcome.

MYTH ONE:

INTEGRATION COMMUNICATIONS IS "TOUCHY-FEELY" AND ONLY DISTRACTS EMPLOYEES FROM BUSINESS AS USUAL.

FACT: Make no mistake about it - this is a bottom-line driven exercise. Announcing a deal with no follow-up creates a vacuum

that will be filled by misinformation and the byproducts of a rumor mill running on overtime. Eliminating uncertainty often isn't possible, especially early on, but helping stakeholders understand your approach and anticipated timing of decisions helps manage expectations and ease anxiety, allowing them to focus on normal course of business activities.

When InBev acquired Anheuser-Busch (A-B), it moved quickly to address anticipated concerns over cost-cutting and job loss, foreign ownership of an iconic American company, and brand and cultural differences. From the day InBev announced the deal, the company communicated its commitment to A-B employees and the core A-B heritage, the company's name, and its U.S. headquarters. InBev also emphasized its strong integration track record and its experience working with a variety of cultures. At the same time, the company recognized that changes were inevitable and that employees needed to understand what, why and how these changes would

be made. Although there was initial opposition to the deal, the company was able to move forward quickly with its plans and demonstrate its ability to realize the benefits of the combination.



Marianne Amssoms, Global Head of Corporate Affairs for AB InBev, said: “We had to make some tough decisions along the way, but we kept people engaged by communicating regularly and helping them understand what to expect. Then, we did what we said we were going to do. While the team didn’t always like the changes we made, they weren’t surprised, and that made a huge difference in keeping everyone focused on delivering results that are allowing the company to achieve both our strategic and financial goals for the transaction.”

MYTH TWO:

WE’VE HIRED A MANAGEMENT CONSULTANT FOR THE INTEGRATION, SO WE’RE COVERED.

FACT: Management consultancies have built strong and valuable practices dedicated to supporting merging companies through their operational transition from two companies to one. But expert operational counsel is no substitute for thoughtful, tailored messaging that will equip managers to address tough questions from employees and arm those on the front lines with the information they need to address external audiences. Authentic content helps ensure that all parties understand the real changes they’ll face and can manage expectations as the integration progresses.

To support the acquisition of the generics business of Merck KGaA, Mylan Inc. worked with both Boston Consulting Group (BCG), a management consultancy firm with a strong post-merger integration practice, as well as Brunswick Group.

Mylan President Heather Bresch noted: “The Mylan management team made communication a priority during this transformational integration. While BCG worked with us to define our strategic priorities and the processes and approach we took for operational integration, the team at Brunswick helped us to develop the messaging and tactical rollout needed to help us align and engage the employees of our newly combined global organization and position us externally as a global leader in our dynamic industry.”

MYTH THREE:

THE LAWYERS DECIDE WHAT WE CAN AND CAN’T SAY.

FACT: Once a deal is announced, “no comment” may very well be the starting point of many in-house and external legal advisors who are rightly concerned about jeopardizing the merger or its timeline by violating legal requirements or irritating regulators. But while laws and regulations prevent companies from implementing most integration decisions until regulatory approvals are granted and the deal closes, planning and coordination can begin beforehand, along with some operational decisions, such as the naming

of senior leadership, structure of the combined organization and the location of headquarters. In addition, updates on integration progress and next steps are well within the bounds of permitted communications.


At the same time, simply adhering to the letter of the law can backfire dramatically when fulfilling certain legal and regulatory communications requirements. Required communications, particularly those related to jobs, must be put in context, and a comprehensive communications plan must be developed to address affected stakeholders, especially employees and elected officials, at the corporate and local levels. Forging a close alliance between your communications and legal teams in the period between announcement and closing will ensure that both sides understand each other’s objectives and limitations and can work together effectively.

Pfizer’s approach to two different integrations is a case in point. In 2002, Pfizer said it anticipated \$2.5 billion in total cost savings from its acquisition of Pharmacia, Corp. There was much speculation in the Kalamazoo, Michigan area that those savings

would come from local downsizing and facility closures. Public officials went on the offensive to dissuade Pfizer from cutting local jobs. On April 22, Pfizer was required by the federal Worker Adjustment Retraining and Notification Act (WARN), to send a memo to government officials advising them of “mass layoffs” in their communities – a term that is defined by the WARN Act as affecting at least 500 employees,

although that context was not provided in the memo.

Reaction to the memo was intense, and company leaders were forced to travel to the area to give further information and context for the company’s plans, which included keeping a key research and development site open. In remarks addressing public officials and employees in the area, Pfizer acknowledged that the memo created a great deal of uncertainty for colleagues, their families and the community. The company called the memo an “unfortunate accident” for which it apologized and took full responsibility.

Jeff Kindler, who became Pfizer Chairman and CEO in 2006, was determined to take a different approach to the company’s acquisition of Wyeth, announced on January 27, 2009, building on the lessons learned from prior mergers. Pfizer quickly developed a comprehensive plan to announce and implement integration decisions, including those related to sites and jobs. Two weeks before the deal closed, Pfizer gave employees and public officials appropriate context for its planned approach, including anticipated timing and key objectives for site decisions. 

“WE HAD TO MAKE SOME TOUGH DECISIONS ALONG THE WAY, BUT WE KEPT PEOPLE ENGAGED BY COMMUNICATING REGULARLY AND HELPING THEM UNDERSTAND WHAT TO EXPECT.”

Elizabeth Golden, Vice President, External Affairs & Worldwide Communications, Pfizer, said, “This announcement, made about two weeks before the deal closed, showed how the company was upholding its commitment to provide our employees with timely and candid updates about the integration process. We demonstrated quick, decisive action and sent a clear message to employees and business partners as well as Wall Street that we learned from our past efforts and that we had a plan to leverage the strengths of both companies. The communications team worked hand-in-hand with our business leaders as well as Legal, Government Affairs, Human Resources and Investor Relations teams and we were always able to find common ground that supported our business objectives.”

While a strategic and well-planned integration communications effort can never compensate for an ill-advised deal or poor operating decisions, it will positively affect employee engagement, relationships with key business partners, perceptions of leadership and, ultimately, the company’s ability to achieve its merger objectives. To deliver the full potential of their mandate, communications teams must have a seat at the table and be included as a central component of the full integrations planning effort, from the merger announcement through to deal close and beyond as execution of the integration plan begins. **B**

Global Challenges

Carrying out a successful integration communications plan is tricky enough given the required coordination with legal, finance, HR, IT and other team members. A successful global plan makes the task infinitely more complicated. The best-laid plans will at best fall flat and at worst set a negative tone for the combined company if cultural differences are not taken into account from the start.

Cultural differences should be addressed throughout the integration planning process, with a focus on three key elements: *the words you choose, the rewards you provide and the timing accommodations you make.*

THE WORDS YOU CHOOSE

Producing documents in other languages certainly helps make global colleagues feel included, but a cultural gaffe in a translation can do more harm than good. It’s critical to use communications personnel or other internal contacts to ensure that translated materials are mindful of local dialects and sensitivities.

One company’s integrations communications efforts included the unveiling of new corporate values, one of which was “Collaboration.” When vetting the content with colleagues in key markets around the globe, the company learned from a communications team member in Germany that since World War II, the word “collaborator” has a negative connotation linked to assisting the Nazi regime. While the company did not change its value, it was able to express it in the German translation with the words, “Zusammenarbeit / Teamwork.” This conveyed the sense of cooperation that the value was intended to portray, without offending German employees.

THE REWARDS YOU PROVIDE

One of the more pronounced differences between Eastern and Western societies is the deference to and implications of social and business hierarchy. American companies’ tendency to take an

egalitarian approach toward rewarding employees can be viewed as disrespectful in societies with a more defined hierarchy. Such differences don’t have to change a company’s practices, but should be kept in mind when communicating the rationale behind a company-wide reward or gift.

In one unfortunate example, a U.S.-based company chose to recognize an important corporate milestone by awarding 100 shares of company stock to every global employee. While the gesture was well received in most of the world, employees in many parts of Asia had a very different response: high-level executives viewed the equal distribution of stock to all levels of employees as offensive to their positions and status at the company. Awareness of this potential reaction ahead of time would have enabled the company to prepare managers and arm local communicators with talking points to explain its move and to address any negative feedback.

THE TIMING ACCOMMODATIONS YOU MAKE

Finally, the timing of communications is a message in and of itself. Today’s multinational companies generate a significant portion of their revenues outside their home markets and have employees operating in many different time zones.

The division of one large multinational company struggled with timing during integration planning due to the need for frequent conference calls with all local management teams in more than 80 countries around the world. The weekly calls initially took place at 8 a.m. CET, but attendance was low. The division’s management subsequently decided to switch to a rotating schedule in order to emphasize the value of everyone’s input. Colleagues took turns getting up at 4 a.m. in the morning or staying up until 1 a.m., yet participation on the calls rose as participants outside of headquarters felt more appreciated. Changing the timing of the call sent a much more powerful signal to the company’s far-flung employees than mere rhetoric about the importance of global feedback at a truly international company.

BRUNSWICK VIEWPOINT:

You've just spent weeks working long, hard hours preparing for your company's announcement that it will merge with another. With only a limited number of team members "in the know", you've managed to develop all the required messaging and materials, obtained numerous layers of approvals, ensured proper distribution of all the documents to the appropriate stakeholder groups, and successfully managed the initial announcement.

Just as you're about to take a deep breath, you learn you've been tasked with overseeing the integration communications effort.

Where to start?



Integration communications have evolved significantly in an increasingly global and interactive world. But along with new challenges to consider, there are also a number of new strategies and channels that will ensure you're delivering the right messages to the right audiences for the best chance of success.

Create a dedicated integration comms team and ensure that it has a seat at the table with the central planning committee. Leading this effort is not a part-time job, yet you and your team will still be held accountable for all the commitments of your "day job." Dividing and conquering, and establishing clear expectations and lines of accountability, are the best ways to position you and your team to succeed with your sanity intact. In addition to developing materials, the integration communications team should be prepared to offer strategic counsel on the impact of operation decisions, the timing of key announcements and the type of information that should be shared via both proactive and reactive updates.

Set the tone at the top, while also engaging leaders at every level and in every part of the organization so that they are prepared to communicate effectively. It goes without saying that the CEO and executive leaders must clearly address the rationale for the deal and articulate their expectations for how the integration will proceed. That said, employees most want to hear from their direct managers and tend to place significant trust in the information they convey. Those leaders need to be empowered with the information and tools needed to best address the questions they receive and to offer guidance on how to handle challenging questions for which answers haven't yet been determined.

Keep up with the latest communications tools, but don't forget the tried and true approach as well. Social media is all the rage and certainly has its place in integration communications. Online videos are a great way to introduce new leaders, for example and internal blogs can offer a fresh, accessible way to address employee concerns and gauge reactions to particular developments. But online content should not be viewed as a substitute for face-to-face interaction with leaders and managers.

Think globally. Legal, regulatory and timing considerations make global integration tougher – but not impossible. Many companies form in-country integration teams, and you need to make sure the communications function is represented in order to give input to central planning efforts and execute required communications activities in overseas markets.

Strike the right tone. Beginning a new chapter as a combined company is certainly a milestone worth recognizing. At the same time, it's important to take into account both the anxiety many employees will feel about their futures and their attachment to the legacy company. It is possible – and necessary – to balance the rightful desire of leadership to exude all the attributes of the deal and excitement for the future with the need to acknowledge the apprehension that many individual employees may well be feeling. **B**

Q&A

Frank D'Amelio is Chief Financial Officer at Pfizer Inc. and head of Pfizer-Wyeth integration. In this interview, he talks about the important role that communications played at Pfizer in the wake of the merger.



Q: *We know that planning for the integration of two companies is important. Was communications a key concern for you from the beginning? Why?*



A: Yes! Communications was front and center from the very beginning in our integration planning process. To achieve a successful integration, we structured our process in four discrete stages: Understand, Design, Plan and Implement. During the Understand phase, both companies sought to learn more about each other's operations. For this stage to be successful, we realized that we must hold a true dialogue that starts *before* any plans were developed and decisions were made. In addition, every transaction brings uncertainty – whether it's an acquisition, a merger or a divestiture. A smart company uses communications to empower employees to continue to do their “day jobs” in the midst of the uncertainty.

Q: *What are some of the things that worked well for Pfizer's integration of Wyeth?*

A: At the start of every single day, I had a meeting with my integration leads. Given the risks and complexities involved in a large-scale integration and the need to manage that risk tightly, the daily meeting routine was critical. For example, if there was an issue that was raised in the morning, we were on top of it right away and more than

likely able to fix it by the end of the day and then ensure it didn't pop up again.

The way to prevent anything unforeseen or unexpected from happening is to micromanage the heck out of it - not micromanage the people, but micromanage the process.

Q: *Was there anything that took you by surprise?*

A: There were some things that surprised us on the regulatory side. For example, some regulatory approvals came in sooner than we expected and we should have put a better plan around communicating the surprises, even the good news. Looking back, we should have approached that with a rapid response team or even a crisis planning approach.

Overall, we had to think really quickly on our feet. We had a team made up of public affairs, media, IR, and other communicators that met on a weekly basis and helped keep us aligned and focused.

Q: *But clearly as CFO, you are a bottom-line kind of guy. How much do good or bad communications really affect financial performance?*

A: If you look at communications purely as a function and how it's accounted for, it's an expense.

However, good communications can undoubtedly have a positive financial impact on a company. For example, late last year we announced a unique partnership with a biologics company that uses cutting edge technology. We did a joint announcement with our partner that involved robust communication plans both internally and externally. At the end of the day, Pfizer's stock increased 40 cents

per share, and I think the strong, aligned communications played a role in that.

More broadly, well thought-out communications make colleagues feel more engaged. And it goes without saying that an engaged colleague is a happier and more productive colleague.

At Pfizer, we've put a tangible effort into explaining the going-forward strategy of the company, how the strategy plays into the financial targets of the company and how each and every colleague has an impact on that. We believe in communicating our business strategy in a common language that people can understand on a personal level. Because of this effort, I believe that most of our colleagues understand and can articulate our plan, our targets and how we'll get there.

Q: Pfizer has done a number of acquisitions over the years, and some would say the company had a mixed track record going into the Wyeth transaction. Did you feel the company was under any additional scrutiny because of this perception, and if so, how did you respond?

A: We were absolutely under additional scrutiny. What we did was to counter that head-on. Because we knew we would be watched closely, we knew that we had to strive for transparency. We laid out the stages of integration planning; we gave integration updates with our quarterly earnings announcements; in meetings with investors we talked about the progress of integration; and we put out integration metrics and timelines at milestones.

Q: What purpose did those metrics serve?

A: The metrics brought more validity and credibility to the integration plan. It's helpful for our stakeholders when we can lay out exactly what we're going to do and the progress we expect to make within certain period of time. In short, it makes the process of the integration more tangible and real.

Q: You've been senior manager in major corporations for some time, as Pfizer's CFO and before that at Alcatel-Lucent. During your tenure, what changes have you seen in how a company communicates?

A: I think that companies today want to ensure that their colleagues get the same messages that all other stakeholders get, and at the same time. We believe that getting the message out simultaneously, whether that message be positive, negative or neutral, is essential.

Years ago, colleagues may have heard about transactions on the radio as they were driving into work or on the television while drinking their morning coffee. Now with BlackBerries and mobile phones employees can wake up to a customized message instead of hearing about it from the media.

Q: Since you announced the Wyeth acquisition, what has been the most difficult communication you've needed to make?

A: The most difficult communication was when we announced the different headquarters for the company. This meant that some people would be relocated and some sites would be eliminated altogether. We made this announcement in a timely fashion between the regulatory approvals and the closing in order to mitigate uncertainty.

We managed the communication by sending a letter from me to all colleagues, and then site leaders followed up with their own communications. The most important thing we did was to include as much as we could about the "when" and the "how." If possible, we released the date around which the changes would occur and how the changes would affect certain groups of employees. It was not the most pleasant news, but we tried to provide as much information as we possibly could in order to reduce uncertainty.

Reducing uncertainty for colleagues is so important, because when you're unsure of your future, it's difficult to focus on your job or even your home life, and it can be disruptive. That our colleagues were able to work through the challenge of a fluid work situation, is a testament to their dedication and the reason why Pfizer was able to meet its commitments in 2009, while at the same time integrating the two companies.

Q: So did Jeff really get up at 2 a.m. for a webcast?

A: Yes, toward the end of the transaction we were very focused on Day One. It turned out that after we closed the transaction, we began operating as a combined company on a Friday. Because we didn't want colleagues in Asia Pacific and other markets to celebrate Day One after the weekend, Jeff and members of his leadership team hosted a 2 a.m. Friday webcast from New York with participants around the world. This is almost a reverse of what typically happens when you're a company headquartered in the U.S. Generally you reach out to colleagues in headquarters first, then to colleagues in international markets.

The response from colleagues was phenomenal. People were both shocked that we were able to pull this off and appreciative that we even considered this as an option. Let's be clear, it had been a heck of a week, and there wasn't a lot of sleep to be had. That said, executives chose to talk to colleagues instead of getting a couple of more hours of shut-eye.

Then we had a broadcast seven hours later for our U.S. colleagues, spoke to media, public affairs and everyone else in between. It was a very auspicious way to launch the combined company. **B**

The ROI of highly engaged employees.

Failed mergers are expensive. Successful post-merger integration depends on lessening resistance to change while supporting a highly engaged workforce.

46% Forty-six percent of managers believe soft factors, such as motivating people, are more important to post-merger integration success than hard factors such as project management.¹

Companies whose employees are highly engaged, based on several surveys of employee commitment and business understanding, are more productive and more profitable, with:

+2.6 2.6 times the earnings per share growth rate of peer companies with lower engagement rates.²

13% 13 percent higher total shareholder return over a five-year period.³

“A smart company uses communications to empower employees to continue to do their “day jobs” in the midst of the uncertainty.”

Frank D'Amelio is Chief Financial Officer at Pfizer Inc. and head of Pfizer-Wyeth integration.

¹ “Post Merger Integration: Hard Data, Hard Truths,” Deloitte Review, January 2010.

² “Employee Engagement: What’s Your Engagement Ratio?”, Gallup Consulting, 2008.

³ Driving Business Results Through Continuous Engagement: 2008/2009 WorkUSA Survey Report, Watson Wyatt Worldwide, 2008.

ABOUT BRUNSWICK GROUP

Brunswick Group is a leading corporate communications consultancy with offices in major financial and regulatory centers around the globe. The firm is a 23-year-old partnership with professionals who have a wide array of backgrounds, including politics, journalism, law, investment banking and accounting.

We provide strategic advice to companies and other organizations, helping them address communications challenges that may affect their valuation, reputation or ability to achieve business objectives. The firm’s service offer comprises financial and corporate communications, investor relations, public affairs, internal communications and opinion research. Brunswick was ranked in first position in the global league tables for M&A communications advisers for 2009.

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