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How B2B CMOs Can Boost Mergers and Acquisitions

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BOB DOMENZ

Our recent column on "How B2B CMOs Can Use Brand as a Change Agent" was so well-received and widely shared that this month we're offering a follow-up column addressing what is one of the most important moments of change during which marketers can make an enormous impact: the integration phase of a merger or acquisition.

Unfortunately, the importance of involving marketers and their core competencies in merger and acquisition (M&A) planning and integration is often overlooked—at great expense. For the last decade or more, various research reports have pegged the merger failure rate at anywhere from 50 – 85% (that is, the percentage of mergers that do not achieve their synergy targets). However, a 2015 study featuring more successful mergers reports that there is a direct correlation between M&A situations in which companies achieve their goals, and those in which there is a clear, consistent plan in place.

Of course, the modern B2B marketer can and should be counted on to contribute much more than just marcom to such plans. We interviewed one B2B CMO with extensive experience making an impact during M&A, and asked him what advice he has for marketers who may be stepping into a merger or acquisition scenario for the first time.

According to Charles Kriete, CMO of KORE Wireless Group, a global leader in machine-to-machine (M2M)/Internet of Things (IoT) communications, there are three keys.

1. Tailor your approach to the situation

"The first thing to ask yourself," said Kriete, "is 'What's on the other side of this merger? What does it look like from a marketing perspective on the other side of the acquisition?" Is it really just a new product offering? Or is it more transformative? And if it's a transformative opportunity, are you all the way into re-branding the company… or is it simply accretive, with more of a product marketing function [needed for the new organization]? That's what you have to think about and tackle first."

2. Bring the marketplace data to bear

Kriete continued: "The second key factor that you must keep in mind is the market data. How's the market going to respond to this? What does the market analysis look like? What's the SWOT analysis for the company that you're becoming, or the product that you're bringing to market [through this merger]?

I believe the role of marketing is one of the most critical in due-diligence discussions, because marketing is the group responsible for understanding the dynamics of the market you're serving. As a result, the CMO is going to have the most relevant data points around what the merger's impact is going to be. Is this a good acquisition? Is this good decision—or is this a bad decision?

3. Own the employee communications

"The third key role of the marketing organization is to own the communication to the employee base. Usually you have human resources in due diligence meetings, so pre- and post-merger they have an involvement there—but this is going to really be marketing's problem when you get into competitors going after your employees.

You need to understand which competitors are most likely to target your employees in merger or acquisition scenarios, and then run communications to those employees. The marketing organization, in conjunction with your human resources group, should get out ahead of the merger with a plan, communicating with your employees clearly, right out of the gate and throughout your process—that's what will enable you to fend off those competitive attacks."

Know the benefits marketing brings to a merger—and be able to sell them

Of course, before you can insert marketing into the strategic middle of a merger as Kriete suggests, you may need to first make the business case for your involvement.

Here are six major benefits that marketing, and senior-level marketing leaders, can bring to virtually any B2B M&A scenario:

Help clarify and focus vision

The new organization needs to clearly articulate where it's headed to have any hope of getting there, and in a customer-centric business world, this requires seeing how you best serve what the customer most needs. No role is better suited to focusing that vision—and delivering and deciphering the data that should shape it—than the one responsible for being the voice of the customer: marketing.

Improve cultural alignment outcomes

It's all too common to see leadership focus on financial and operational plans during a merger, while completely ignoring the need for a human plan. Even when "people planning" is considered, it is often, as noted before, relegated to the human resources department as a tactical deliverable.

Fortunately, marketers are uniquely positioned to strategically form and activate the culture of the newly combined entity. Typically, this begins with an examination of the mission, vision and values. Then, with those elements defined, you can create a compelling purpose and brand promise for the new organization.

This results in a powerful new narrative that aligns, unifies and inspires your employee base, and is used to inform all customer communications—from marketing materials to PR to sales tools and sales rep speaking points.

Better assess and align the new product portfolio

In any merger, your product portfolio is going to change. How you assess the priorities, relationships, challenges and opportunities in the new mix requires a careful look at brand architecture and the resulting marketing/sales implications. Once again, marketing professionals are best positioned to guide this process.

Reassure and retain employees

It's one of the hard-and-fast truths about mergers: an uniformed, uncertain workforce is an unstable workforce. As Kriete says, "There's no better time for a competitor to come and scoop up good talent than in an acquisition—particularly when communications aren't very solid and people aren't optimistic about their future." This can result in the departure of key people, and a "brain drain" on the intellectual capabilities and institutional memory required to make a merger work. Consistent, transparent communications about your integration plans and new vision calms worried workers, and can even inspire them to see new personal growth and career possibilities.

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Preserve productivity

The benefits of marketing-led communications are just as important for those employees who stay—after all, a worried, distracted employee is an unproductive employee. Communication that provides a clear picture

of the path ahead, and what's in it for all stakeholders, is essential to maintaining organizational morale and productivity.

As for counting the cost of lost productivity during a merger, consider a hypothetical example. Research shows that during the first few months of integration, productivity may drop by up to 50%. Even if you back that off by half, consider what a 25% drop could cost you:

- If you have 200 employees, at an average salary of $60,000...
- Each losing two hours of productivity daily...
- You could lose $10,000,000 in wasted payroll in just four months.

Blunt competitive threats

A fully considered, and funded, communications effort on-going helps prevent customers from falling prey to the competitive rumors and misinformation sometimes referred to as FUD—the Fear, Uncertainty and Doubt sown through innuendo or outright assertion by competitors (as seen recently in the EMC/Dell merger, with HP "flinging the FUD").

The competition will also go directly after your customers, trying to undermine their confidence and your relationship.

Kriete, who is currently helping guide KORE through a major merger integration, emphatically notes, "I can't think of one of our major customers that hasn't been approached as a result of the merger by a competitor saying, 'They're too busy merging their organizations, operations and platforms. Now is the time to move over.' While the reality is we have simply added to our solutions portfolio as a combined organization. Preventing that negative competitive messaging comes back to external communication. How are we communicating directly to those customers from a sales and marketing perspective?"

In short, the only effective means of countering competitive misinformation is to preempt it with compelling communication of your own.

These are certainly not the only ways in which senior marketers can positively impact the outcome of a merger—but they serve to illustrate the powerful role that you, as a B2B CMO, can play during M&A.

About the author

Bob Domenz is the CEO of Avenue, a Chicago-based marketing strategy and activation firm specialzing in driving change and growth for mid-size B2B companies.

He has worked with the leadership of many organizations at the forefront of their industries, including Interface, Clarke, SCA North America, Boeing, Weber Grill, IBM, Harley-Davidson, General Electric and Coca-Cola, among others.

Bob is a graduate of the Harvard Business School's Executive Management program on Brand and Marketing Strategy, and a member of the TED conference and Kellogg School of Business Innovation Network (KIN).

In addition, he is the Founding Director of The B2B Brand Council.

Bob created "The B2B CMO" column, which he writes monthly for *Branding Magazine*.