The Heart of M&A

How brand paves the way to merger success

LIPPINCOTT

Sense Perspective

At the heart of a successful merger is *a great brand.*

Used not just for marketing but as a touchstone for setting the integration agenda, brand can be the key to uniting stakeholders and accelerating success.

From Exxon + Mobil, Delta + Northwest Airlines, Stanley + Black & Decker, Actavis + Allergan, RockTenn + MeadWestvaco, we've helped leading brands come together for over 70 years. And we've seen just how approaching brand in the right way can create lasting value for the new enterprise.

Build from the brand up

In a merger, chief executive officers and leadership teams are confronted with countless decisions and challenges. The checklist overflows with operational issues pertaining to cost rationalization and integration of finance, tax, HR and IT functions.

Often too far down on that list is the issue of brand. After many other things are done, conventional wisdom goes: Make sure you pick a name, decide on a logo and put the appropriate effort into marketing and messaging the new value proposition. Often delegated to the realm of marketing and communications, these brand to-dos may not be considered among the most critical early integration decisions. They're often seen as necessary for crafting a "marketing story" rather than as a broader decision-making frame that can help unite disparate tribes and accelerate success. Viewed narrowly as a problem to be solved, or merely as an expression of identity, brand is an afterthought — something to focus on when it's time to put a shine on the combined entity.

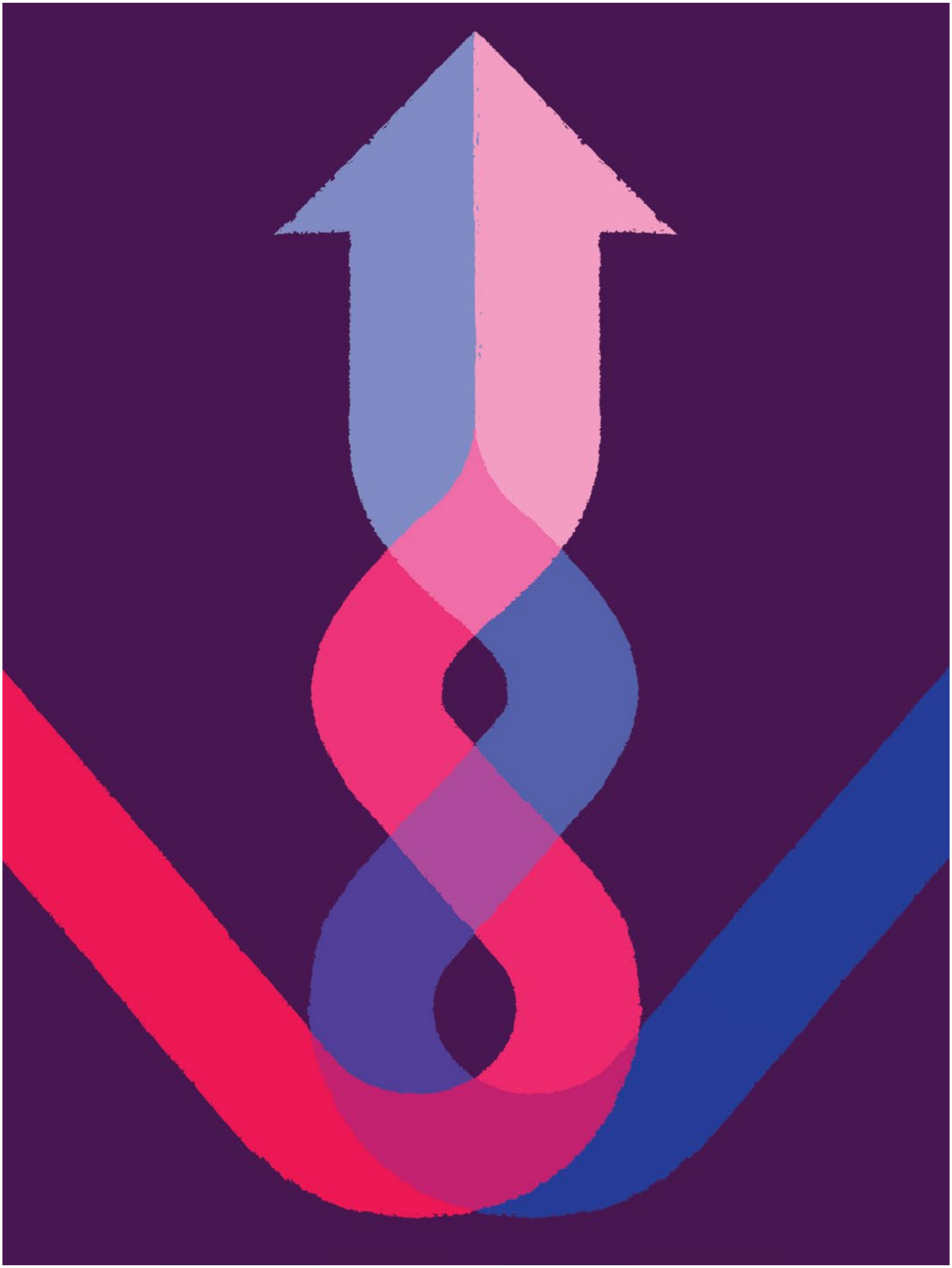
But a select group of companies has shown that this is a tremendous mistake. The brand-savvy leaders of GE, IBM and 3M, to name a few, put brand in the center of their integration decision-making, using it as a bigger force to successfully bring firms together and create meaningful and enduring impact for the new entity. They regard brand as an emotional force, the glue that binds teams together. Used as a touchstone for setting the integration agenda, brand can separate winning deals from disappointing mash-ups.

As a merger unfolds, that is often what is needed the most. Business is disrupted, management is under pressure, employees are jittery and customers are often wary of the deal's promised value. Corporate deals can make companies vulnerable as turf battles emerge, with internal stakeholders competing for resources and vying to protect cultural norms and identities. What leaders need is a compelling narrative, along with the symbols and carefully orchestrated follow-through to make it real and understood, that aligns people and points to the future. That is the role of the brand.

If culture, as some academics suggest, is at the root of why mergers tend to disappoint, and the process of defining and articulating brand is synonymous with the process of integrating cultures, then brand should be the first step in uniting two entities and communicating the expectations of leadership. This holds true regardless of the type of merger or whether the merger involves a name change or new visual identity. Embracing brand as a lens for guiding decision-making will help to:

- Reduce employee and customer uncertainty and turnover.
- Enhance internal cooperation and facilitate team building.
- Signal a fresh strategy to the outside world.
- Build new energy and alignment in the leadership team.
- Forge common behaviors that support the new organization.
- Purge tired "legacy perceptions."
- Tell a more compelling story to investors and the press.

The investment in brand required to achieve these goals is often modest in comparison to other deal-related expenditures, and portions of it can potentially be capitalized like other merger-related costs. It can also be a highly leveraged way of increasing the return on investment from other deal activities, linking brand and culture to measurable business results and mitigating integration risk.



There are six keys to merger success through brand

1

Unify with a shared purpose

One of the biggest challenges in a merger is melding two distinct cultures. But brand is a great unifier — bringing separate teams and beliefs together under a common proposition. A shared brand purpose, built from key cultural legacies of each firm, can galvanize teams.

Great brand purposes don't just align cultures and values; they tell a compelling story about why the company does what it does and the value it brings to customers and stakeholders. Publicly articulated as a promise in the context of a merger, and backed by real proof points, the brand purpose embodies the DNA of the combined enterprise and sends a powerful signal about what it intends to be — highlighting the shared capabilities and aspirations of two groups |coming together as one. Brand has a way of provoking questions that cut to the heart of the integration challenge. What is the new company about and how will it be different? How will it win? Where does the value creation in the merger lie and how must the organization be aligned to deliver that? If these key questions are answered early and in a simple way, with a powerful brand narrative built through a collaborative team process, the result is a brand strategy that succinctly conveys the purpose, differentiation and personality of a new entity in a way that brings alignment and clarification.

2

Name your business vision

The name and identity of a combined organization send a strong signal that positions the company for the future. The risk is that name and identity get caught up in power and politics, and near-term emotions driven by "pride and ownership" issues. The company name, just like any other asset, merits a rigorous, fact-based assessment that carefully considers the business vision for the merger and what best encapsulates the combined company's strategy.

Strategic signaling, existing brand equities and required investment levels all need to be factored into the analysis. The resulting naming options can range from (a) a dominant brand strategy when there is clearly a stronger horse with a superior set of equities (Delta after the Northwest merger), to (b) an additive strategy signaling scale and the best of both companies (ExxonMobil), to (c) a transformational strategy indicating a new beginning (Verizon emerging from the Bell Atlantic and Nynex union). Sometimes it can even make sense for an entity to take the name of the acquired firm (as in the case of French logistics company GeoPost taking the name of its acquisition DPDgroup).

Major business combinations are infrequent, and rare is the opportunity to create a new brand with distinctive meaning and little historical baggage. Thoughtful leadership teams employ a truly dispassionate analysis of optimal naming options, anchored in data on which brand's equities best match with the future drivers of choice in the market.

Likewise, objective research is critical to rationalizing a merged company's overall brand portfolio and determining the optimal hierarchy or architecture that is going to define the relationship between the company brand and all of the products or sub-brands. Should acquired brands play a supporting role as a product or service brand for distinct market segments, or would such a move introduce unnecessary investment levels and complexity in supporting multiple names?

Bringing methodological rigor to such questions will not only help determine brand changes. An analytical approach can also temper defensiveness and ego involvement among corporate colleagues, thereby boosting critical internal support during the change process.

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3

Design through the transition

Determining the logo for the new entity often doesn't seem like a big deal. But symbols are powerful, and a new logo can play a deceptively important role in uniting cultures and signaling the purpose of the new entity.

Viewed as a strategic means to accomplish change, brand inspires many opportunities to creatively combine elements of both companies in a way that signals a fresh endeavor while still honoring the authentic legacy and history of the past. A case in point is the ExxonMobil logo that borrowed elements from both companies (the double X's of Exxon and the typeface of Mobil) following the merger. Think of a visual refresh as a unique chance to add new emotion and energy to an identity, helping to convey the new company's dynamic aspirations. In this sense, creating and celebrating a new logo can be transformational — imparting to all stakeholders a sense of a new beginning and shared ownership in the new enterprise.

Even when a logo change is not justified, the brand-expression toolkit is rich and varied, with the potential to evoke connections between companies and convey the new brand purpose across many different touchpoints.

Taglines, visual systems, lockups and endorsements all represent tools to signal new horizons and express how the company is moving forward.

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4

Rally your people

Employees typically face significant uncertainty as they move from their legacy company into a merged company. Integrating different teams, cultural norms and performance systems can be disruptive, making retention a challenge. So how best to rally employees around brand personality traits so they can help build momentum and deliver on the promise of a merger?

Bringing them into the process early is mission critical. Ideally, all parts of an organization should be enrolled and represented in the process of developing, defining and implementing a mission, vision and brand purpose. Employees want to find a sense of belonging in the new organization and be part of something that's bigger than themselves — something that embodies the DNA, culture and capabilities of the new firm. That "something" is brand.

Merger integration is a time when teams are paying attention, ready for involvement and eager for communication and direction. So the best companies rush into this opportunity with multifaceted brand-engagement programs that are exciting, participative and inclusive — and set the tone for how to communicate values and attributes associated with the new identity.

But thinking about engagement must go deeper than the brand launch and employee brand training by focusing on how day-to-day business will be shaped and driven by brand identity. This means zeroing in on some key questions: How will a different customer experience look? What new skills, incentives and processes are needed to deliver on the brand purpose? And, perhaps most important, how to bridge the gap between general exhortations about values, mission and brand, and specific, measurable results derived from changes in behaviors that affect business value?

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5

Consider your customers

Although messaging is important, what the new company truly represents will be defined by actions, not words. Brand can serve as a guidepost for identifying the experiential hallmarks of the new company — the event sponsorships and community outreach efforts that matter most, the service standards, how customers are treated. The best practices of each legacy company need to be systematically identified, preserved and applied to the integrated experience.

A merger or acquisition also affords the opportunity to “wow” customers in unexpected ways, by bringing the brand purpose to life through new signature experiences that create unique differentiation. During Delta’s merger with Northwest, for example, the company not only focused on on-schedule arrivals and integration of their systems and fleets, but on innovating the gate experience and on finding ways for Red Coats (Delta’s legacy customer-service ambassadors) to enhance service. The brand provided the guiding principles to go beyond operational goals and create unique value.

6

Use brand as your strategic compass

When brand issues are addressed too late in the integration process, brand decisions tend to focus on what is easiest to execute quickly as opposed to what will create lasting value. At each stage of the deal process, the brand steering committee or team responsible for overseeing the rebranding effort needs to define what has to be done, who will be involved and how developments and findings will be reported. Then progress can be tracked when it comes time to forge consensus on key decisions. Following is a brief road map.

Pre-deal announcement: Both brands should be assessed relative to the new company's business strategy. In addition, the purpose and scope of the rebranding effort must be delineated. Focus on brand as a strategic tool for fostering emotional engagement, uniting disparate cultures and creating common decision-making lenses and values for management and frontline employees. Develop an employee engagement strategy and determine how success in rebranding will be measured.

Post-deal announcement through merger: Finalize the brand purpose along with the experience vision and all of the other dimensions that will animate the new company's narrative and differentiate its brand. Create and refine the brand-expression toolkit for bringing the brand to life visually and verbally. Plan the conversion strategy for phasing in the rebranding. Since costs can escalate quickly if a new name and logo are being rolled out, focus on touchpoints that will have the greatest impact relative to the effort and investment required to change them.

Deal close and beyond: The reality is that the launch of the combined company is just the beginning of the brand-building effort, so it's critical to have a plan and systems in place to manage the brand as you would any strategic asset. This requires, among other things, developing standards to streamline decision-making and guide cohesive brand expression, deploying metrics and tools to track brand vitality, and creating programs to share success stories and keep employees abreast of progress toward achieving the merger's goals.

Brand is the most powerful, but sometimes the most overlooked, tool for solving many of the common problems in a merger. Leaders who see its full potential, well beyond name and logo, gain a significant leg up in uniting companies and cultures with the values it presents to the outside world.

Brand is the North Star — the focal point for closing culture gaps and setting the integration agenda, for team building and securing up-front buy in from management and employees, for communicating the story and attributes that will drive the success of any merger.

Summary of key activities and M&A brand-related checklist

		WHAT	WHY	THE KEY TO-DOS
01 **Pre-deal announcement**	☐	Explore common DNA and create merger announcement story	To shape how the merger is presented so that it resonates with key audiences as an enabler of the business strategy	• Clarify strategic vision for the merged entity • Perform brand assessment and create initial brand strategy to inform announcement story • Based on brand assessment, determine name and brand architecture strategy — develop new name if required • Create merger announcement story and FAQs, versioned for key audiences
02 **Post-deal announcement through merger**	☐	Announce future brand name and architecture	To capitalize on publicity and avoid ambiguity and different interpretations of the brand	• Develop communications plan to announce merger, name and architecture with internal and external audiences (where possible, leading with internal audiences) • Announce merger, including name and architecture • Begin series of merger/brand-related updates for internal and external audiences
	☐	Develop shared brand purpose, story, identity and values	To involve key people in building a cohesive and successful brand	• Define brand strategy — purpose, differentiators and personality — that supports the business strategy and leadership's vision • Create identity and brand voice based on brand strategy, and codify in guidelines • Assess legacy values relative to strategic vision and brand purpose, and determine new values
	☐	Engage broad leadership team and employees with the brand purpose and values	To capitalize on the positive emotional power of brand to engage and align the new company	• Conduct leadership and employee working sessions to uncover barriers to activating the new brand and values • Conduct sessions with senior leadership to gain commitment to support the brand and embed it into the business-as-usual functions

		WHAT	WHY	THE KEY TO-DOS
	☐	Infuse brand direction into merger activation activities	To ensure a common thread through diverse activities and keep people focused on the goal, emotionally as well as financially and operationally	• Develop activation plan for announcement and beyond that includes high-impact elements • Create ongoing employee engagement program to embed the brand into the business-as-usual functions • Develop launch and activation toolkit and materials for internal and external audiences • Design measurement strategy for internal and external audiences • Create plan to convert touchpoints (e.g., website, signage) to new brand standards
	☐	Launch the brand and values	To signal change and further cement engagement and loyalty	• Preview new brand and values with internal audiences; launch ongoing employee engagement program • Launch new brand and brand story externally • Monitor internal and external audiences to identify further communications needs
03 **Deal close and beyond**	☐	Create a differentiated customer and employee experience	To offer a tangible manifestation of the merged company's business and brand strategy that can drive customer and employee loyalty	• Audit current customer and employee experience relative to the new brand strategy • Identify opportunities to create signature branded experiences • Create long-term customer and employee experience road map to guide the development of experiences that support the brand purpose
	☐	Manage the brand for long-term success	To scale the brand and ensure ongoing alignment between and among the brand, business strategy, story and experience	• Develop brand governance model outlining roles and responsibilities • Activate measurement and tracking of brand story and experience • Develop additional brand standards and governance tools to guide proper execution of the new brand

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