

Reputation Audit a Prerequisite for M&A Due Diligence

By Christine Barney, APR
CEO, rbb Communications

The information revolution has yielded a new benefit for the merger and acquisition community that can have significant impact on the decision of whether or not to move forward with a deal as well as ensuring the deal succeeds in the long term. In the past, PR/communication agencies were often called in only after the deal was done and to promote and manage message delivery to key audiences and ensure a smooth transition. However, smart advisors are using those resources much earlier in the due diligence process to conduct a “reputation audit” and achieve benefits including:

- Determine extent of any reputational baggage that could affect integration on both brands
- Identify concerns from geographic niches or select audience segments
- Provide comparable analysis of similar deals to anticipate reaction from regulatory agencies or likelihood of employee or customer attrition.

Reputational Baggage

Measuring goodwill has always been a mainstay of the due diligence process. But how to measure ill will? How will negative media exposure or social media slamming affect the deal? We recently worked with a large brand that was acquiring a troubled competitor. The reputation audit indicated the volume of negative media coverage and intensive social media backlash had the potential to not only swamp the acquirer’s customer call center, but to dilute the strength of the acquirer brand. An analysis done in conjunction with the legal team revealed that in order for the brand to come out as savior and not a desperate vulture, it was necessary for a court appointed monitor who would manage the transition and provide enough distance to ease concerns. When the courts refused to appoint a monitor, the acquirer walked.

Micro Concerns

Exploring the pros and cons of geographic or niche audiences can eliminate some barriers to the deal and tensions after the deal. For example, a reputation audit indicated a target company did not share the same corporate social responsibility standards as the acquirer and working with the financial advisor identified the impact in terms of select shareholders who would want to know plans for compliance. The problem was determined to be surmountable. The deal continued and the announcement went more smoothly because this niche audience was addressed quickly and effectively. In addition, sometimes a deal looks different depending on where you sit. rbb worked with two large consumer packaged goods companies who planned to consolidate their headquarters in the state of the company being acquired. A media audit indicated the hometown had recently lost several other headquarters and it was expected there would be push back from the community on the announcement and potential impacts to retaining productive employees through the transition. Having more upfront time to address this communication challenge allowed for a more thoughtful response on day one. It also impacted the decisions on where senior executives would be located and how cascade communications training would be delivered to managers on both sides.

Comparables

Just like in real estate, a reputation audit can provide comparables on similar deals. How likely was the deal perceived to have succeeded in achieving its goals? What was the regulatory reaction and what messages were used to win compliance battles and which ones failed. By analyzing digital and traditional media coverage on similar deals for up to 12-18 months after the M&A event, rbb can determine potential land minds as well as best practices. We can then use those learnings to guide the communication plan should the deal move forward.

Reputation audits typically take 4-8 weeks depending on their complexity and have an added benefit in that they provide a smoother pathway for communications professionals to confidently convey the value of deals that move forward. M&A advisors seeking to add more efficiency to the due diligence process should consider bringing their communications partners to the table as early as possible.

Christine M. Barney is CEO of rbb Communications, (www.rbbcommunications.com) a four-time national Agency of the Year award winner. The rbb family of brands also includes Out of the Blue Advertising, SpiderBoost Communications and Digital Park. Barney leads the firm's M&A practice which provides communications strategies that cover every stage of the deal life cycle from pre-announcement planning to post-merger integration. Services include reputation audits, key stakeholder communications (shareholders, customers, vendors, influentials), employee engagement, media relations and digital/social media strategies. She is the author of "The Breakout Brand TM Strategy: An Evolutionary Approach to Creating Customer Passion" and her firm, with offices in Miami, Fort Lauderdale and New York/New Jersey is known as the Champion of Breakout Brands.

christine.barney@rbbcommunications.com

305-448-7456