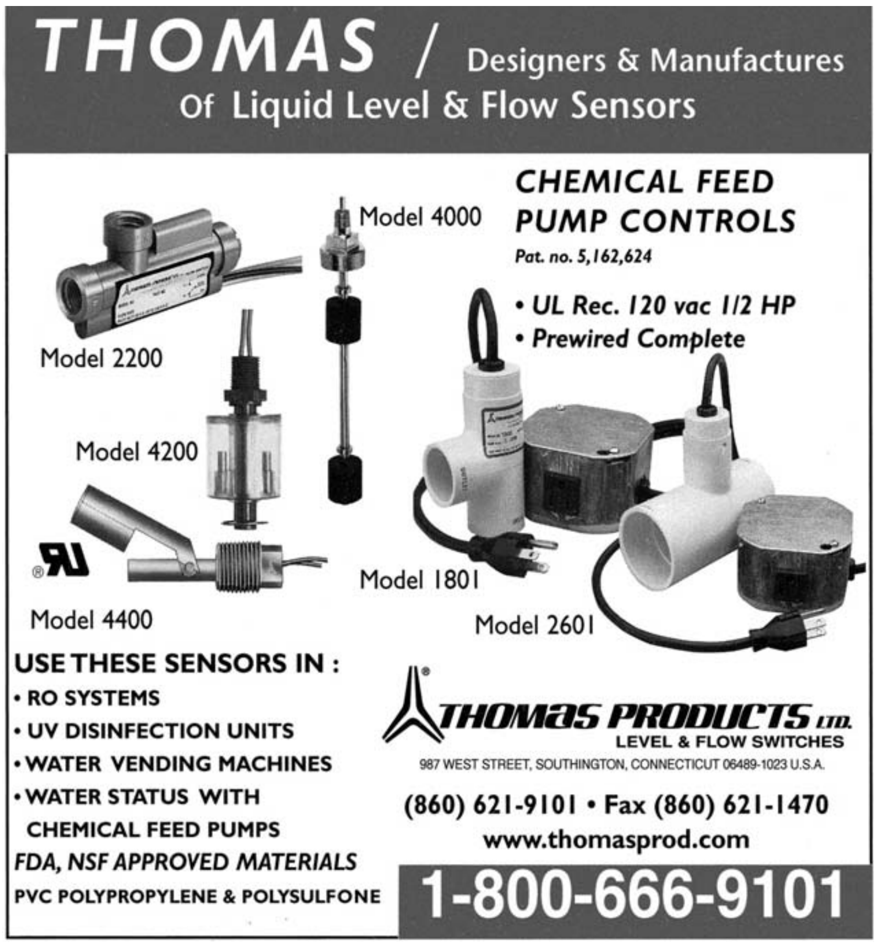

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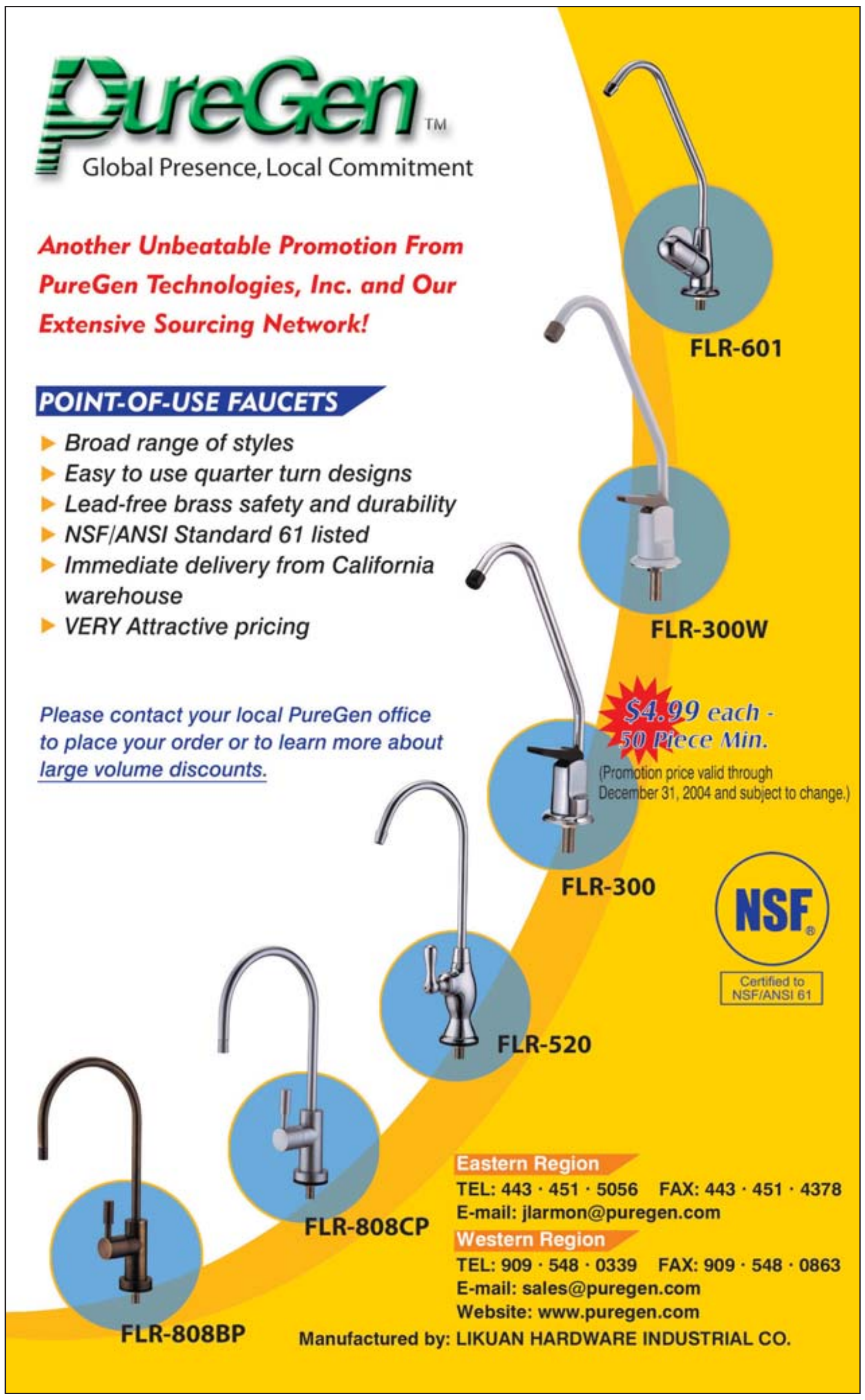

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GOOD YEAR FOR A MERGER?

If being acquired isn't part of your company's long-range business plan, prepare your PR survival strategy

By G.A. "Andy" Marken

In January alone nearly $200 million worth of M&A (mergers & acquisition) activity was announced. The rising stock market boosted management confidence and the world economy showed signs of expanding. All indicators point to a pent-up M&A activity and enthusiasm for 2005.

And while the mind-boggling numbers grabbed the headlines, they were only the tip of the iceberg. M&A specialists estimate that there are nearly 300 friendly and unfriendly acquisitions a day. Many more "discussions" are started and broken off.

It has been a four-year dry spell for M&A banks. You can be certain that they see a very lucrative and busy year for their industry, and intend to get their unfair share whether both parties are ready for the wedding ritual or not.

Hostile and highly public efforts could cost a company considerable time, money and effort to fight off the advances. In the end it could also mean the loss of employment for thousands of individuals. In today's pro-active consolidation environment, it is rare for management of public and private companies not to be concerned about the possibility of friendly or hostile tender offers or proxy fights.

New Language

Today's boards of directors and company presidents have developed a rich addition to their vocabularies. Expressions like "lead horse," "golden parachute," "white knight," and "shark repellent" are as well understood as bandwidth, venture capital and burn rate.

Management has added new members to their teams that include takeover lawyers, investment bankers, proxy solicitors and PR counsel.

The new language and team members are key to management's success because there are smart and well-paid people across the country who "dream up" deals all day. Mergers and acquisitions are no longer mere targets of opportunity. Today, they are an integral part of many organizations' growth strategy.

Unfortunately, few have received any training or education in as mergers, acquisitions and take-overs. Trial by fire is a difficult way to gain such expertise.

Management's Dilemma

Financial sharks find today's business and financial environment to be a rich feeding ground. Deregulated financial institutions have produced a new breed of investment bankers and lawyers who have access to large sums of money from banks and investors that are trying to improve their returns.

It is not surprising that healthy companies that have a clear idea of their goals and solid business models sometimes feel like wounded seals in a tank of Great Whites.

It is little wonder that the feeding frenzy gives company management fitful, sleepless nights. They have to divert their attention from the day-to-day operations and company growth and devise plans to protect their organizations. Unfortunately, most of these efforts are defensive rather than preparatory or offensive. As a result, they are expensive and disruptive.

Defensive Move

When companies begin making unfriendly or undesirable overtures the usual reaction is to call in the corporate lawyers and put together a defensive plan. This usually includes adding bylaws that require super majority shareholder approval of mergers and/or liquidation; acquisition of property that can create regulatory and antitrust barriers; preparation of "black books" with contingency defense plans and elimination of cumulative voting and classification of the board of directors.

All of these steps can be effective and should be considered when the sharks are already circling.

WORDS TO FIGHT BY

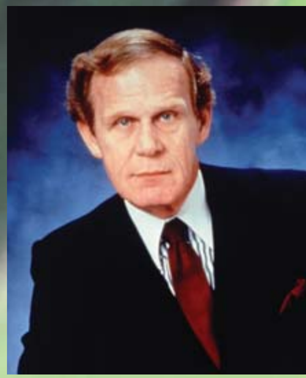
Lead Horse - The investment banker who calls the shots in the proxy fight, tender offer, or acquisition.

Golden Parachute - Large payments to senior management if they lose the takeover challenge to make certain they are well paid if they are fired or lose their responsibilities.

White Knight - A company that comes to the aid of another in the takeover fight. They rescue the company being attacked by acquiring it on better terms.

Shark Repellent - Measures used to fight off the pursuing company including changing the bylaws to make it difficult to be acquired.

About the Author



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Public relations also plays an important role in these campaigns as management aggressively works to persuade shareholders that it is in their best interest to support management.

The fast paced campaign includes scores of news releases and position statements, a myriad of phone calls, and instantaneous decisions regarding what should and should not be said.

Quality and carefully planned media activities can play a key role in advancing management's cause. They can solidify and clarify management's position. They can influence institutional and public opinion.

Nothing focuses the mind better than the constant sight of a competitor who wants to wipe you off the map.

—Wayne Calloway

Offensive Action

However, management should also call on PR to carry out offensive and strategic activities that keep the company from being put on the defensive. Defensive moves can't address the critical questions which arise in a takeover situation, such as: What are the maximum capital and earnings values of the company's assets? Who can best manage them to provide the best return to the investors? Positive and proactive PR programs can address these issues.

Few private companies do anything to posture themselves with the financial community. However, conducting even basic financial PR activities can put you in a solid position when suitors call. They can also put you in a stronger bargaining position if management feels a merger is in the best interest of the organization, its investors and employees.

Unfortunately, even public companies meet only the basic SEC requirements. They do little to "sell" themselves to the investor, financial communities or marketplace in general.

Activities that private and public companies should undertake include an aggressive, prompt disclosure program on new products or services as well as research breakthroughs and contracts. Publicly held companies obviously must announce sales and earnings results. Private companies can modify this effort to position themselves in the marketplace.

The annual report is more than a report to investors and can be effective for both private and public organizations. The report can be an important compilation of company news and information which can serve as a year-long selling tool for the company, its vision and direction, as well as promote its products/services. This report should emphasize the company's key assets, its people and their commitment to the success of the company.

Other activities include fact files or "white paper" kits for the financial community and press, meetings with industry analysts and strong publicity activities aimed at the appropriate press.

All of these activities add credibility and viability to the firm. They provide an excellent platform for management to control and present its messages, as well as an opportunity to emphasize the value of its assets and how they are being managed.

Battle Lines are Drawn

By pressing home these results, management gives investors, customers, partners and employees a much better understanding of the company. In the event of unfriendly acquisition overtures, management gives all of these interested parties a sound understanding of the company's complete value proposition.

Corporate takeover fights are management's equivalent of war. And as in war, no one can rely solely on defensive weapons. A solid PR strategy and program can be the strongest strategic and proactive weapons that can be used to advance management's case and position as well as control the issues.

By developing and carrying out proactive PR activities at the outset, the war can be won... or defeat can be accepted on favorable terms. *wqp*

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