Communicating M&As to Business Networks

-- A Conceptual Discussion

Jeanette Fors

Uppsala University
Department of Business Studies
Box 513; SE-751 20 UPPSALA
SWEDEN
jeanette.fors@fek.uu.se

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Abstract

This paper emphasizes the importance of communicating mergers and acquisitions to business networks. Based on a conceptual discussion, I propose an analytical framework for communicating mergers and acquisitions to business networks containing four aspects: communication actors, communication content, communication channels and communication timing.

1. Introduction

Mergers and acquisitions are some of the most important changes to organizations and are therefore studied within multiple disciplines and from varying perspectives. Mergers and acquisitions have been looked into mainly from the angle of the merging companies themselves; their organizational fit, company cultures, mergers and acquisitions as strategic change, the merger or acquisition process and arising synergies between involved firms (for an overview see Anderson et al., 2003). However, the reactions to these changes from other companies in the same network are less readily recognized. According to business-to-business marketing research, actors are not isolated, but connected through technologies, knowledge, social relationships, administrative routines and other interdependencies. Firms are directly and indirectly connected in relationships, which makes them respond to changes within other organizations. (Håkansson and Snehota, 1995)

In this paper I make a simple assumption; that a successful merger or acquisition, no matter it's purpose – growth, synergies, diversifications or the intention to acquire new business relationships – is dependant on achieving (explicitly or implicitly) desired reactions from surrounding network members.

But we know very little about how business networks react to mergers and acquisitions and most importantly, we lack knowledge about how to manage mergers and acquisitions as to achieve desired responses. In this respect, researchers in related fields such as change management, human communication and human resource management have come much further. They have been able to find clear connections between proper management of mergers and acquisitions and positive reactions among employees. So to explore how business networks should be taken into account when facing mergers and acquisitions, I will start this paper by outlining some of their findings, focusing on the importance of communication which they identify as the key element affecting employees' responses.

Researchers mean that personnel experience uncertainty, anxiety and stress when facing mergers or acquisitions. Worries about potential decline in status and job security result in reduced morale, reduction in productivity, absenteeism and tardiness, which ultimately lead to unsuccessful mergers and acquisitions. (DiFonzo and Bordia, 1998; Bastien, 1987; Schweiger and DeNisi, 1991; Kramer and Pierce, 2004) "Thus, it seems that the only way for management to deal with the anxiety that follows a merger or acquisition announcement is to communicate with employees as soon as possible about all the anticipated effects of the change. Failure to do so will increase uncertainty and employees' willingness to rely upon rumours, which can further increase anxiety. That uncertainty and anxiety can lead to such dysfunctional outcomes as stress, job dissatisfaction, low trust in the organization and commitment in it, and increased intentions to leave the organization." (Schweiger and DeNisi, 1991, p 111)

Analogous to this, I believe that external actors react to mergers and acquisitions in similar ways, that communication plays a similarly important role and that undesired network reactions can ultimately ruin an otherwise successful merger or acquisition. *The aim with this paper is to emphasize the importance of communicating mergers and acquisitions to business networks. Based on a conceptual discussion, I will propose an analytical framework for communicating mergers and acquisitions to business networks containing four aspects: communication actors, communication content, communication channels and communication timing.*

Keywords: Change communication, external communication, mergers and acquisitions, and network reactions.

2. Research on Internal Change Communication

Researchers in change management, human communication and human resource management have shown great interest in the process of communicating mergers and acquisitions to employees. All studies in these areas have been able to disclose that effective communication to personnel is a necessary part of any merger and acquisition activity as it mitigates expected negative reactions from individuals involved. In fact, it is suggested that communication is the most important factor throughout the entire merger and acquisition process when wanting to secure organizational effectiveness (Appelbaum et al., 2000a). Researchers such as Bastien (1987) have identified common patterns connecting internal communication variables with rumours, employee turnover and employee commitment to the new organization. Such patterns should also be applicable when studying the connection between change communication and business network reactions.

Taking the uncertainty reduction theory as their starting point, researchers mean that employees experience uncertainty, anxiety, loss of control, stress and culture shock when facing a merger or an acquisition (Schweiger and DeNisi, 1991; DiFonzo and Bordia, 1998; Appelbaum et al., 2000a; Appelbaum et al., 2000b). It is this uncertainty, rather than the change itself, that is so stressful to employees (Schweiger and DeNisi, 1991). “Organizational transformation often portends unpredictable future events and/or is accompanied by unexpected present occurrences. Employees naturally experience insecurity, uncertainty, and a loss of a sense of control.” (DiFonzo and Bordia, 1998, p. 297) The most valuable workers with best opportunities in the external market tend to leave the organization first, which means that the organization’s survival becomes riskier, creating a feedback loop that can develop into a crisis of organizational dysfunction (Greenhalgh and Jick, 1989).

In times of change, communication enables employees to make sense of their altered environment (DiFonzo and Bordia, 1998; Kramer and Pierce, 2004, referring to Isabella, 1990). Appropriate communication helps employees understand the need for change, the personal effects of the proposed event and enables managers to gain involvement and engagement in the change process (Goodman and Truss, 2004). “If organizational communication is not addressed, reduced productivity and employee absenteeism and turnover will result, leading ultimately to an unsuccessful merger or acquisition. Only increased communication and employee/management interaction can prevent or repair the damage done.” (Appelbaum et al., 2000a, p. 650) To achieve desired reactions, information put forth by managers should never elaborate or speculate upon hypothesized scenarios of what is expected in the future (Appelbaum et al., 2000b) but instead offer forthright messages.

According to uncertainty reduction theory, individuals experience a declining level of uncertainty as they gain information (Berger and Calabrese, 1975). Studies on merger and acquisition communication to employees have therefore identified several sources of information that help individuals make sense of the new situation. When Napier et al. (1989) examined the communication used during a merger they separated official, formal communication – such as meetings with management and superiors, newsletters and memos – from informal sources – such as customers, friends, rumours and media. Kramer and Pierce (2004) who studied pilots’ reactions to communication and uncertainty during the acquisition of their airline by another airline presented more categories: (1) official sources such as meetings with management and superiors, official statements, memos and newsletters, (2) outsiders such as customers, friends and employees of other airlines, (3) peers, including crewmembers and peers in the company, (4) union officials, including meetings and messages, and (5) media, such as print media and television.

Thus, multiple sources are found to affect uncertainty following a merger or an acquisition. However, it is important to remember that all forms of communication do not have the same impact

(Appelbaum et al., 2000a) and that employees' information requirements vary as the change process proceeds. "For example, the national news media typically cover major M&A announcements, making them potential information sources at a merger's onset, but such coverage is minimal during integration. In addition, employees' information needs change over time." (Kramer and Pierce, 2004, p. 76) It is found that the value of official sources tend to increase as time passes by as they are best in reducing for example work setting uncertainty and uncertainty related to customer service issues (Kramer and Pierce, 2004). Lack of direct top-down communication can have harmful effects. Further, it has been suggested that a non-routine message should be communicated through richer communication channels, of which face-to-face contact is the richest form available. (Appelbaum et al., 2000a)

As the mere merger or acquisition announcement creates uncertainty and speculations that can sabotage an otherwise successful corporate programme, communication timing is of great importance. Only early information gives involved individuals the tools to handle the disequilibrium of change. A communication plan should be developed and put into practice before any merger or acquisition deal is finalized. "Delays in communication can result in employees feeling apprehensive and even hostile toward the merger or acquisition, making any subsequent communication process strained and difficult." (Appelbaum et al., 2000a, p. 650, referring to Kelly, 1989) Although delays in communication may be intentional due to management fears that advance notification could result in sabotage or reduction in productivity, not one single study has been able to identify absenteeism, tardiness or reduced productivity as a direct result of too early information (Appelbaum et al., 2000a, referring to Leana and Feldman, 1989). On the contrary, information overload does not really apply in such periods (Appelbaum et al., 2000b), which means that merging companies seldom have to worry about releasing too early or too much information.

Communication timing was more thoroughly analysed in Napier et al.'s study (1989) in which the communication process during a merger between two banks was examined. It was found that employees during the whole merger development took much of the responsibility for acquiring information and managing their uncertainty. The dissatisfaction with the communication used began already in the *initial* merger phase in which employees did not receive any official information about the merger or its likelihood before the actual announcement of the intent to merge. Instead, personnel in both organizations learnt about the possible merger from local newspapers. While rumours kept spreading, several employees began to think about updating their job resumes. At the same time, they actively sought information by discussing the issue with customers.

To avoid this type of problem, DiFonzo and Bordia (1998) suggest that managers should enable open and collective planning and engage in actions that maintain trust, for example by informing employees prior to media. Explaining *why* this event is taking place and how it will affect personnel in both organizations help managers to achieve interest in the merger or acquisition process (Goodman and Truss, 2004). As DiFonzo and Bordia (1998) put it, "rumours are a symptom of the uncertainty that often accompanies organizational change and persist or even flourish when poor communication strategies fail to adequately assuage this uncertainty" (p. 297). The lack of early and proper communication is what makes employees turn to speculative rumours or manufacture information themselves to fill the information gap. That is why DiFonzo and Bordia (1998) suggest not concealing any information without commenting on *why* it is concealed. Trust is violated when management says nothing but enacts change. An effective communication strategy should therefore reveal *more* rather than less information. If complete facts are not available, managers should provide partial information and say *when* more details will be available. This approach was proven successful in DiFonzo and Bordia's study (1998) when rumours and personnel's search for information decreased long before detailed facts were offered.

A good communication plan should however not stop at the initial merger phase but continue throughout the whole merger process. In their study, Napier et al. (1989) found employees in the integration phase even more confused and frustrated when received information did not answer any questions. More guiding information was needed about customer thoughts, policy manuals and definite timelines for the merger. Personnel in integration phases desire more information about culture differences/similarities, merger or acquisition objectives, schedules describing for how long they may be facing change and other merger-related matters (Cornett-DeVito and Friedman, 1995; Appelbaum et al., 2000b). But such information can sometimes not be shared with employees because of legal issues. Instead, personnel are often left in the dark, believing that managers are not telling the whole story, which results in even more anxiety. This lack of information creates distrust and begins to affect employees' attitudes about the merger and its consequences. (Napier et al., 1989; Berger and Calabrese, 1975) As during the pre-merger phase, employees are forced to cope with their uncertainty by seeking information in informal ways, for example by calling friends, talking to colleagues from the other firms and discussing with customers. Some employees do even contact competitors. (Napier et al., 1989)

Thus, a continuous flow of information is found valuable. Schweiger and DeNisi (1991) compared employees at one working place who received only a formal announcement about a merger and no subsequent communication, to employees at another working place who received newsletters twice a month, participated in weekly meetings, and had access to a merger hotline. The result of the study showed that while both working places experienced increases in uncertainty and stress at the beginning of the merger process, uncertainty and job satisfaction for employees without continuous communication continued to become more negative. As Kramer and Pierce (2004) put it, we should "view communication during M&A as an ongoing process, not a one time event to be accomplished during the in-play phase" (p. 98). As mergers and acquisitions per se are not static or contained within a discrete time frame but unfold over time, they demand continuous adaptation and unending challenge for all individuals involved. As change is taking place, individuals pull pieces of information together into a frame-in-progress (Isabella, 1990). That is way a post merger communication plan must be put into practice (Appelbaum et al., 2000a). Follow-up communication will avoid any side-effects or aftershocks. Cornett-DeVito and Friedman (1995) found that managers from more successful mergers continue to assist employees in adjusting to the new situation.

It is clear then that there is interdependency between communication on the one hand and uncertainty, productivity and organization performance on the other. Employees must always be in focus of any communication process in order to achieve merger and acquisition success (Appelbaum et al., 2000a). Timely, honest, open and non-contradictory communication helps organizations to obtain maximal effectiveness. In his study from 1987, Bastien concluded that "personal uncertainty is pervasive and must be managed through communication management" (p. 28). The interdependency is so strong that DiFonzo and Bordia (1998) stated that the key element distinguishing effective communication from poor communication is the proper management of uncertainty. Effective change communication reduces uncertainty and proactively establishes and maintains trust. "Thus, it seems that the only way for management to deal with the anxiety that follows a merger or acquisition announcement is to communicate with employees as soon as possible about all the anticipated effects of the change. Failure to do so will increase uncertainty and employees' willingness to rely upon rumours, which can further increase anxiety. That uncertainty and anxiety can lead to such dysfunctional outcomes as stress, job dissatisfaction, low trust in the organization and commitment in it, and increased intentions to leave the organization. Those dysfunctions can, in turn, diminish productivity and increase turnover and absenteeism." (Schweiger and DeNisi, 1991, p 111) Communication is thus strongly related to employees' reactions to mergers and acquisitions.

However, a communication method must be context specific in order to be effective, which basically means that what works successfully in one organization might need some modifications in another (Goodman and Truss, 2004). As people have dissimilar personalities and characteristics, personnel react differently to change. For example, it has been suggested that personnel with low tolerance of ambiguity and a high need for security tend to interpret ambiguous situations and contradictory information as threatening. At the same time, individuals who have an aversion to threatening and ambiguous circumstances cope with the current situation by constructing another reality that is free from unwanted information. (Greenhalgh and Jick, 1989). It is also important to have in mind that every change process is unique and will need an adjusted communication method.

I believe that individual employees in a firm and individual actors in a business network have enough similarities to make an analogy between the two fields. Anxiety and uncertainty might not be the only problems in mergers and acquisitions – but it is one very important. It is common in almost every merger and acquisition. It's serious as it leads to decreased trust, commitment, efficiency etc. And it spreads quickly to connected actors in the network. Avoiding uncertainty and anxiety should therefore be a key element in successful mergers and acquisitions. Borrowing from the research outlined above, I will in the following text sequences emphasize the importance of communicating mergers and acquisitions to business networks and argue that communication plays an essential part in avoiding undesired reactions.

3. External Change Communication

3.1 The importance of communicating M&As to business networks

Earlier research shows that business-to-business relationships change continuously through ongoing interaction between involved parties. Counterparts adapt to each other through incremental steps, making the overall pattern of business relationships rather stable, even if every relationship changes in content or in strength. This reasoning emphasizes both stability and change in business relationships. (See e.g. Anderson et al., 1994; Håkansson and Snehota, 1995) Mergers and acquisitions on the other hand have been identified as critical events, meaning that they have the potential to break the deep structure of a given network as they cause either disruption or establishment of one or several relationships (Halinen et al., 1999; Havila and Salmi, 2000; Havila and Salmi, 2002). Such radical changes may in turn spread and cause "domino effect" among connected relationships (Hertz, 1998). The scope of change will ultimately depend on how the merger or acquisition is perceived and how actors react.

Based on the previous discussion, the communication perspective is the single most important aspect influencing actors' reactions to change, and should be given attention that reflects this. Mergers and acquisitions create anxiety and speculations in the network. Uncertainty is founded in the lack of information and proper communication; and consequently the waves of uncertainty can be prevented or promoted only by means of communication. The best way to avoid or alleviate such anxieties is to ensure that all parties are well informed at all stages of development, removing the likelihood of confusion and misunderstanding whilst change is taking place in the network.

Besides its every day function, communication is even more significant in a network that has been exposed to any sudden, unusual or unmanageable phase. Communication becomes a way to handle a serious situation with the role of maintaining or bringing back security and stability into the network. Like a handful of rocks thrown into a small pool, each piece of information released from the focal firm ("focal firm" in this paper can be applied to both the acquired and the acquiring firm) creates its own wave that washes over all network members, ensuring them that everything is under control and that there is no need to worry. This shows that the sender of the information can *influence* the reactions to a specific event, but probably not *control* them since the focal firm's information can bounce against other actors' information. Also, this shows that communication *should* be related to and reflective of the severity of the event and its potential damage on the surrounding network. Once a merger or an acquisition occurs, it creates a series of responses and reactions depending on the gravity and magnitude of the event. Such responses mirror actors' perceived change. To avoid drastic or unwanted network reactions, the focal firm should adapt its communication to the specific event at hand. It is likely that an independent observer could measure the severity of an event by monitoring the quantity and methodologies of communicative activities within a given network context and conclude that an unusual event is, or has been taking place.

Up to a certain level, every firm can be seen as an information broadcasting point. Every piece of information should aim at developing norms and creating trust between network members and improving the overall image of the companies involved. Each member of the network is organically bound to its image which is undoubtedly altered during major events. This can lead to a variety of reactions among surrounding actors. Easton and Lundgren (1992) made an attempt in mapping out actors' reactions to change, suggesting that an actor may (1) reflect the change, which refers to situations where an actor rejects or nullifies change initiated by another actor, that is reflects the change back to the initiator, (2) adapt to the change, which refers to those changes that are managed through negotiations between the involved parties, (3) absorb the change, which means that the actor accepts the change by taking it (absorbing it) into its own organization, (4) transmit the change, which occurs when an actor transfers the effects of the change on to other network members in order to minimize the force of the change upon itself, and finally (5) transform the change, which happens when an actor accepts the change but is both willing and able to alter the transformation and exchange activities it undertakes. In some cases this could lead to major changes in the business network.

Dahlin et al. (2005) have made an attempt to map out a network's cumulative reaction to change. Reactions to major events spread throughout directly and indirectly connected relationships in the same way as the released energy stretches from the epicentre to adjoining areas in an earthquake. The term *netquake* has been coined to describe this concept. When there is too much stress involved in the appearance of a merger or an acquisition it must be released. This happens in the form of waves of uncertainty as actors begin to analyse how they will be influenced. If not managed properly, this uncertainty can lead to further reactions in the network. In the same way as employees react by quitting their jobs, increase their absenteeism and reduce their morale and productivity, business networks can respond in varying stiles. Dahlin et al. (2005) have identified four levels of network reactions: (1) a trembling network reaction with uncertainty, speculations and rumours flowing through attentive connected actors, (2) a swaying network reaction where several actors not only are alerted by the event in question but must start adapting to the new situation, (3) a shaking network reaction where adaptation sometimes is not enough but actors must break and/or create relationships to cope with the current situation, and (4) a breaking network reaction where adaptation is no longer an alternative but most actors must break old and/or create new relationships. The higher levels the stronger the netquake.

Figures 1a-1d illustrate the four network reactions. In each case the exclamation mark represents a merger or an acquisition between two firms starting a wave of uncertainty among network members. In the figures it is clear that the higher levels, from trembling to breaking, the more relationships are involved and the greater the changes are in the network structure. It is important to remember that a netquake can bring about both negative *and* positive reactions. A merger or an acquisition can for instance lead to desired new relationships and adaptations in already existing partnerships. For some actors dissolutions in the surrounding network might even be encouraged, especially for fast-moving and innovative newcomers to competitive industries. Mergers and acquisition can be seen as an opportunity for technological developments or any other positive modifications. (Fors, 2006) What is the optimal network reaction must be seen and determined from the perspective of the merging firms. Every reaction from the surrounding network must be put in relation to initial merger or acquisition objectives. For example, a strategically important supplier that unexpectedly breaks its relationship with one of the merging organizations must be seen as negative reaction that ultimately leads to an unsuccessful merger process.

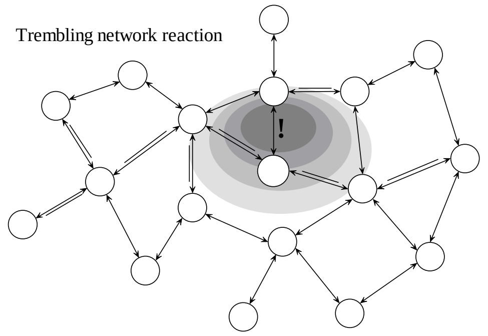


Figure 1a. A trembling network reaction with uncertainty, speculations and attentive actors.

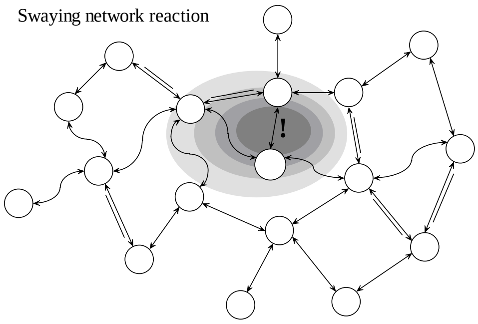


Figure 1b. A swaying network reaction with uncertainty, speculations and adaptation in existing relationships.

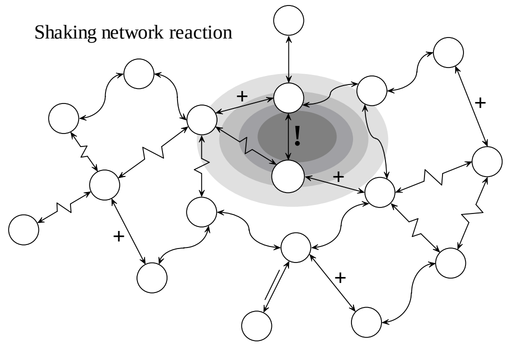


Figure 1c. A shaking network reaction with some changes in the network structure, in the form of new relationships being formed and old relationships being dissolved.

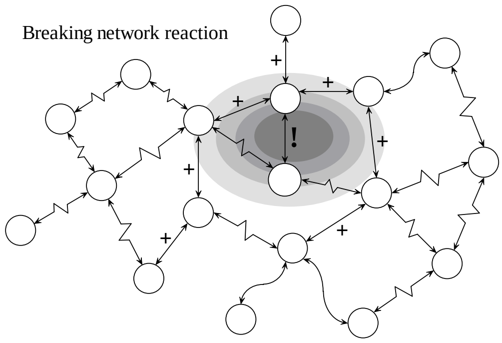
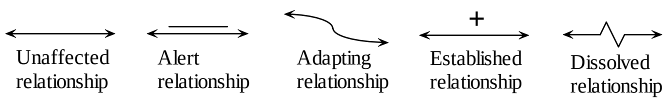


Figure 1d. A breaking network reaction where all business relationships are affected and most changes are in the network structure.



The challenge is to find a suitable communication method that helps managers minimize negative reactions among network members. The ambition should be to stop the netquake at a trembling or swaying network reaction and avoid entering into the two more serious levels. Trembling, swaying, shaking and breaking network reactions once identified, require extensive communication methods. Obviously, level four is the most traumatic to deal with and even the most effective communication will be challenged to mitigate the reactions to the happening. Nonetheless, communication in the breaking network reaction level will prevent the netquake from being long-lasting and help re-stabilize the network in a faster rhythm. It should also be pointed out that actors further away from the epicentre probably are harder to influence.

It can be argued that it is easier for the focal company to optimize network reactions if good communication is implemented in business relationships prior to the merger or acquisition event. A high-quality communicative foundation or platform would make the communication process more trouble-free. On the other hand, it would never be too late to try and implement strong communication. In a turbulent period business actors are hungry for information. They seek trustworthy and rich messages, regardless of previous communication patterns.

Assuming the important role of external change communication is correct: What information would be useful to mitigate uncertainty in the network? Who will benefit from this information? Is it sufficient when making use of only one communication channel (such as newsletters) or should companies use additional channels for the dissemination of information? When and for how long is it appropriate to communicate? Can we discern any communication patterns? And what is more important: Do the choices made concerning these aspects influence business network reactions to mergers and acquisitions? Can information create additional uncertainty and anxiety?

Some of these issues have already been discussed when describing the importance of change communication to employees. In the following text sequences however, focus will be on communication aspects put in a wider industrial marketing context. Before proposing a framework for analysing merger and acquisition communication to business networks, the remaining discussion is divided into (1) communication actors: who communicates with whom and who benefits from the information at hand, (2) communication content: what type of information is useful to surrounding actors, how should information be packaged, and are there any legal restraints or obligations, and (3) communication channels: how can communication channels be characterized and which channels are appropriate to use when communicating events such as mergers and acquisitions. The question about communication timing, that is when to communicate, will be discussed throughout the whole paper.

3.2 Communication actors

Looking at communication actors allows us to depict communication patterns in different situations and over time. We learn more about who initiates, or should initiate, the communication and who benefits from the information at hand. Actors are an essential part of any communication process. A sender and a receiver is an absolute condition for allowing information to flow. In network models these actors may be individuals, groups of individuals, entire or parts of companies, assembly of firms or public agencies (Andresen et al., 2006, referring to Gadde et al., 2003). Communication scholars usually define themselves in terms of such levels: for example interpersonal communication, group communication and mass communication (Miller, 2002). When it comes to this sort of division, sub disciplines or communication interest groups do not agree with each other whether communication necessarily involves two or more people or whether communication may occur within one individual (intrapersonal communication). While some researchers mean that we can communicate with ourselves, others mean that "talking to yourself" should be seen as cognition or thinking rather than communication. (Miller, 2002) I find it more appropriate to regard communication as a process taking place between two or several (business) actors. This would be more suitable from a relational point of view. "[W]hen we see communication as something that occurs between people, the question arises of what communication is doing in the relationship." (Miller, 2002, p. 9)

As the number of actors increases, the communication process becomes more and more complex. To illustrate this complexity we need an analytical tool that helps us distinguish different levels of communication. Each level must be seen as an extension of the most fundamental level, that is the communication taking place between two actors. "We find it both aesthetically pleasing and intellectually fruitful to think of human civilization as one great communication system. (…) If you accept the basic idea of a world system, then it is only a small step to think of that system as organized in hierarchical levels, as systems generally are. Within the great network there are clusters, and clusters within clusters, and so on. (…) For the sake of grasping the world intellectually, however, it helps to tide things up by imposing some clearly defined categories." These were Cushman and Craig's (1976, p. 42) words when describing human communication as a system.

A number of attempts have been made to separate different categories. What distinguishes them from each other is the amount of levels identified. For example, Cushman and Craig (1976) presented three general levels of communication systems: (1) cultural communication systems, which are the largest and longest-lived clusters in the world network, (2) social organizational communication systems, which are systems regulating consensus with respect to production, and (3) interpersonal communication systems, which are the most typical and basic systems consisting of dyadic relationships within friendship and family networks. Miller (1978) presented a somewhat different typology containing (1) intrapersonal communication, (2) interpersonal communication, (3) small group communication, (4) public communication (lecturing and public speaking), and (5) mass communication (information that is made public to a very wide range of people).

Each level should also have its correspondence in industrial markets according to Figure 2. Following Miller's (1978) line of thinking and excluding intrapersonal communication, I propose four communication levels: (1) dyadic communication, that is communication between two (usually directly connected) business actors (cp. Halinen and Tähtinen, 2002), (2) cluster communication, that is communication between a small group of firms, for example a number of strategically important (directly or indirectly connected) partners, (3) network communication, that is communication between a greater, but still distinctive number of firms in a given business network, for example a firm's network context (cp. Halinen and Tähtinen, 2002), and (4) market communication, information that is made available to an unspecified number of actors outside a given business network. As shown earlier, actors do not only listen to rumours from co-workers, but also from competitors and media. Information that is made public to media, investors and shareholders will most definitely affect network members' opinions and attitudes and must therefore be taken into consideration in this discussion.[1]

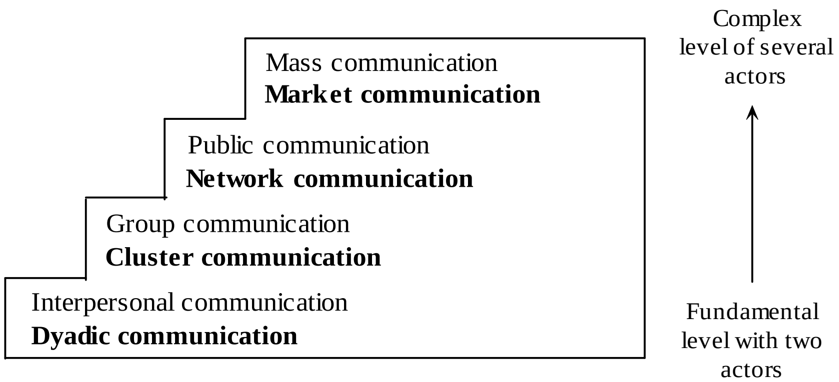


Figure 2. Communication actors divided in communication levels.

The more actors involved, the more complex the communication process will get. As the number of actors increases, social structures and communication network structures which are often hierarchical in nature will develop. Each actor must decide who to communicate with and who to exclude. Each actor must start prioritizing certain receivers and think to whom the information at hand is important without damaging relationships with remaining organizations.

A firm's most important relationships are usually found on the dyadic and cluster communication level, wherefore the first two levels must be carefully maintained. Communication with a firm's wider business network or entire market is however not always as self-evident. There are situations where network communication and market communication would only lead to unnecessary discussions and speculations among actors. One such situation is during the pre-merger phase when two organizations consider the possibility for a merger. If legally possible, there is a good point in talking to connected customers/suppliers and/or strategically important partners to gain support and engagement if the merger would actually come about. However, informing the entire business network and market at the initial consideration and discussion phase would only create an endless debate that in the end can lead to undesired speculations and even sabotage. Choosing the wrong information receivers can thus ruin an otherwise successful merger.

3.3 Communication content

Behind every communication process is a message, raw facts, which must be "packaged" in a way that is understandable to the receiver of the message. That is, the sender must make some choices about

1 The market communication level also involves marketing communication and branding. Such activities are however not included in this discussion. Only communication activities directly connected to mergers and acquisitions are taken into account.

what to say and *how* to say it. It is essential to find an adjusted means of communication that suites the receiver of the message and the context in which the communication activity is taking place. Only adapted, relevant, accurate and well thought-out information will minimize actors' perceived information gap and decrease the level of uncertainty. As pointed out in section 2, actors desire different types of information throughout the merger or acquisition process, wherefore managers must develop a communication plan that deals with the pre merger/acquisition phase, the integration phase, as well as the post merger/acquisition phase. Each phase must be clearly supported by relevant pieces of coherent facts.

Especially in times of change, important information must be differential from other everyday information, which means that significant facts must be brought out and spotlighted. This can be made by formulating the message in a specific way or choosing a different communication channel that is used to a less extent in a routinized business relationship. The sender of the message should always have a recipient perspective, that is think about what information the *counterpart* needs and how it should be presented. Is communication always the best way to go? Can silence or avoidance be better? What should be communicated? How should the packaging of the message look like? Is it acceptable to withhold information? Or is it better to be totally honest and open about critical subjects? Are there any legal obligations and restraints? These questions are discussed below.

3.3.1 Packaging the message

DiFonzo and Bordia (1998) discuss managers' option to reveal or not to reveal information to employees. Providing information is often perceived by management to be difficult, undesirable or not possible. Managers fall silent when fearing that they may mislead or create further confusion if giving incomplete information. I believe that managers also often lack understanding of *why* communication is important. DiFonzo and Bordia (1998, referring to Richardson and Denton, 1996) point to the inherent paradox of change communication: during periods of organizational stress, employees desire more information, just when managers cannot give it.

While some researchers mean that organizations should withhold information at times of change negotiations (Kramer and Pierce, 2004, referring to Graves, 1981; DiFonzo and Bordia, 1998, referring to Eisenberg and Witten, 1987), others mean that this strategy is not worth the risk when facing organizational change (DiFonzo and Bordia, 1998). As Hirschhorn (1993, referred to by DiFonzo and Bordia, 1998) puts it, although the decision to reveal or conceal is situation dependent, it is in general more effective to reveal. Because what happens if gossips start spreading? Managers would loose control over the situation and have serious difficulties in regaining trust (DiFonzo and Bordia, 1998). Thus, to communicate, and communicate openly and honestly, is in general more effective in alleviating uncertainty and other reactions to change.

These issues were also touched upon in Alajoutsijärvi et al.'s (2000) study about dissolution communication strategies available to actors at the dyadic level. By borrowing and combining Baxter's (1985) social psychological research on personal relationship disengagement with Hirschman's (1970) economic studies on exit and voice strategies, they propose a typology of four different exit strategies and one voice strategy (see Table 4 below). Although these strategies are developed in the purpose of understanding relationship terminations, a part of Alajoutsijärvi et al.'s discussion is also applicable on studies about merger and acquisition communication to a wider business network.

Alajoutsijärvi et al.'s strategies vary on two important dimensions. Firstly, the *directness* dimension where the focal company has an option to state its desire to exit the relationship either directly, or via a more indirect or implicit means of communication, such as avoidance behaviours, increasing the other party's relational costs or making use of media and other actors in the network. Secondly, the *other-* or *self-orientation* dimension where the focal firm can choose either to avoid damaging the counterpart, or to try to save itself at the other party's cost.[2] Both choices on both dimensions will affect the outcome for the two actors involved as well as for the business network. A *beautiful exit*, as described by Alajoutsijärvi et al. (2000), is achieved by choosing a dissolution communication strategy that reduces damages to all parties: the disengaging company, the other party and the connected network. What the actors in a dissolution say and how they say it influence their image and consequently their future position in the business network.

		Other-oriented	Self-oriented
Indirect	Disguised exit	Pseudo-de-escalation	Cost escalation Signalling
	Silent exit	Fading away	Withdrawal
Direct	Communicated exit	Negotiated farewell	Fait accompli Attributional conflict
	Revocable exit	Mutual state-of-the-relationship talk	Diverging state-of-the-relationship talk
	Voice	Changing the relationship	Changing the partner

Table 1. Alajoutsijärvi, Möller and Tähtinen's (2000) typology of dissolution communication strategies.

The figure above shows how Alajoutsijärvi et al.'s (2000) strategies vary on the two dimensions. Every strategy can be seen as a way of packaging the message, which in this case is the desire to exit the relationship. Disguised exit refers to cases where the disengager communicates in either words or acts, but without conveying the *real* message. By hiding its true wishes, but still providing its partner with hints, it presents its desire to exit in a camouflaged form. The pseudo-de-escalation strategy is used when the disengager expresses wishes to alter the relationship, but not that it wishes to exit from it. For example, the disengager may suggest reducing some investments made in the relationship, but still keep it alive, although secretively planning to dissolve the relationship. Cost escalation is a more self-oriented strategy where the disengager tries to increase the other party's relational costs – for example by increasing the price of a product or demanding tighter delivery schedules – up to the point that the partner itself starts to terminate the relationship. Signalling strategy refers to the use of public media or other actors in the network to communicate the decision to exit. (Alajoutsijärvi et al., 2000)

The silent exit strategy is also an indirect means of communication and is used when there is no intention or need for communicating exit wishes. In this situation there is already an implicit understanding that the relationship has ended or is fading away. For example, actors may avoid discussing the continuation of an ending project. Using withdrawal, the disengager expresses its intentions through changed behaviour. Changes in the openness and frequency of communication or vanishing investment initiatives signal decreasing interest. (Alajoutsijärvi et al., 2000)

Direct communication, on the other hand, would not leave the partner in doubt as to the wishes of the initiator. In negotiated farewell, discussions about the dissolution take place, but without hostility or arguments. Both parties see the dissolution as inevitable or even beneficial and can therefore discuss the matter in mutual understanding. A strongly self-oriented way is to state explicitly to the partner that the relationship is over, leaving the partner with no opportunity to discuss the matter further (fait accompli). The counterpart is given no possibility to change its behaviour in order to save the relationship. If the matter is brought under joint discussion, it may give birth to disagreements about the reasons of dissolution and whose fault it may be (attributional conflict). (Alajoutsijärvi et al., 2000)

2 Giller and Matear (2001) have presented an alternative typology with a third dimension: unilateral contra bilateral, which would also have an influence on actors' reactions. In a unilateral dissolution only one party wants the relationship to end, whereas in a bilateral dissolution both parties want to exit. Their research shows that even if the dissolution is unilateral, both parties use dissolution communication strategies.

Revocable exit is the strategy closest to using voice strategies. The disengager explicitly states its intentions concerning the dissolution, but still having a desire to discuss the reasons and the problems related to the relationship. This means that the relationship may still be saved if actions to repair it are taken. Revocable exit is other-oriented when the disengager is willing to discuss the matter and look at it also from the partner's perspective. In other words, mutual state-of-the-relationship talk is a voice strategy with a threat of exit added. In diverging state-of-the-relationship talk, the partner's views are so distant that continuing the relationship is possible only if one or both partners change their views and reduce self-orientation. (Alajoutsijärvi et al., 2000)

Giller and Matear (2001) who made a similar study concluded that the use of direct and other-oriented communication strategies increases the likelihood of both firms perceiving the termination process and its consequences more favourable. Direct communication strategies accelerate the speed of the dissolution process, which is important if both actors have other partners to compensate for the loss of the terminating relationship. While an indirect communication strategy can give both parties more time to adjust their activities to the new situation, it makes the dissolved actor not realise that the termination is actually in action. “As a consequence the partner may feel betrayed, upon realising that the relationship had, in fact, ended.” (Alajoutsijärvi et al., 2000, p. 1284) While other-oriented communication strategies imply not hurting the counterpart, the focal firm must be prepared to sacrifice some self-interest. “Self-orientation secures the disengager’s own interests but the partner may be hurt badly in the process, resulting in emotional scars. In other words, self-orientation may seem attractive in the short run, but the disengager has to assess how much trouble the ex-partner may cause through actions in the connected business network.” (Alajoutsijärvi et al., 2000, p. 1284f)

Applying these strategies on mergers and acquisitions would mean that merging firms should be truly honest when presenting the event or when receiving questions from the surroundings. If possible, the focal firm should explicitly state anticipated consequences of the potential merger or acquisition to avoid speculations among network members. Avoidance behaviours, camouflaged messages or other types of indirect actions should not be on the agenda. Connected actors should be given the opportunity to openly state their views and reactions to the event in question.

3.3.2 Legal obligations

Not all organizations have the freedom to decide what information to share and what information to withhold. A company that has gone public will be closely monitored and critically examined by investors, business partners, media, competitors and other actors. A listed company has extensive rules governing the way it should provide the market with different kinds of information. Once the shares are being quoted, members of the executive and supervisory boards become insiders and are not authorized to use their informational advantage or forward what they know to third party. (The OMX Nordic Exchange[3], http://www.omxgroup.com/nordicexchange/companiesandissuers/listingcenter/Being_on_market_/, 2007-03-21)

Organizations are legally obligated to publish all sort of information relating to the company that could affect the price of its shares. The capital market also demand regular and timely information on the firm’s progress in the form of quarterly reports and annual financial statements. (The OMX Nordic Exchange, http://www.omxgroup.com/nordicexchange/companiesandissuers/listingcenter/Being_on_market_/, 2007-03-21) Taking Sweden as an example, Stockholm Stock Exchange has a set of rules and regulations. The fundamental building block is the Listing Agreement in which the requirements regarding a firm’s responsibilities to distribute financial information are regulated. (The OMX Nordic Exchange, http://www.omxgroup.com/nordicexchange/companiesandissuers/rulesregulations/, 2007-03-21) More specific rules concerning public offers for the acquisition of shares are given by The

3 The OMX Nordic Exchange owns Stockholm Stock Exchange, Copenhagen Stock Exchange, Helsinki Stock Exchange, Island Stock Exchange, Oslo Stock Exchange and Baltic Stock Exchanges in Tallinn, Riga and Vilnius.

Swedish Industry and Commerce Stock Exchange Committee, NBK. Below are some of the fundamental features of the Listing Agreement and the NBK rules in the sources' own words[4]:

- Information which is to be made public must be submitted in the form of a press release to at least two well-established news agencies and at least three daily newspapers with national coverage. If the bidder has a website on the Internet, the information must also be made available on the website as soon as possible, unless there are special reasons for not doing so. (NBK rules)

- In special cases, unpublished price-sensitive information may be released to third parties without simultaneously publishing the same information. As a result of regular contact with a customer, larger suppliers may also obtain non-published information about the customer. Since this information is obtained as a result of the business relationship, the listed company (the customer) may ensure, for example, through a confidentiality agreement, that the supplier does not make public or otherwise disclose the customer's instructions or orders. (Listing Agreement)

- The risk of an information leak is imminent in connection with significant elections, decisions or events. Very little time should transpire between the time of taking a decision, or between an event and its publication. Consequently, during trading, publication shall not take more time than necessary to compile and disseminate the information. This requires good planning, i.e. a draft press release shall be prepared prior to the time a decision is taken. (Listing Agreement)

- In conjunction with corporate acquisitions or sales, it may be difficult to determine when information shall be published. Discussions or negotiations are often conducted over a protracted period of time, involving more and more persons. Sometimes, a letter of intent is signed, after which more in-depth analyses are conducted. The risk that information regarding the transaction will leak gradually increases. In such cases, the company may, possibly in consultation with the counterparty, consider releasing the information gradually. For example, the company may first disclose that the company has undertaken "negotiations in respect of a possible acquisition of …" and subsequently provide notification that "an agreement in principle has been entered into," or that "an agreement has been concluded." The period of time between the two disclosures should, however, be as short as possible given that uncertainty will prevail during the interim period as to whether a transaction will be concluded. Nor does the first disclosure release the company from its responsibility to ensure that information regarding the development of the negotiations does not leak. Experience has shown that companies often wait too long before providing information for the first time, and are thereby forced instead to defend their passivity in providing information. (Listing Agreement)

- Information that must be disclosed about the acquisition or sale of a company must, unless there are special reasons for not doing so, be sufficiently comprehensive to enable assessments of the anticipated effect of the acquisition on the company's financial results and financial position. (Listing Agreement)

- The most important information should be clearly presented in a conspicuous place in the press release. It is inappropriate, and may be a breach of the agreement, to place material, price-sensitive information amongst a plethora of less important information at the end of the press release. (Listing Agreement)

3.4 Communication channel selection

The single most studied aspect of inter-firm communication is communication channel selection. Since every channel has its inherent characteristics, researchers have long emphasized the importance of choosing the suitable communication channel for the specific relationship task at hand. This part of the paper will shed light upon some studies made in this area.

3.4.1 Communication channel characteristics

A number of studies have been made on communication channel characteristics. While some studies focus on single or a few channels and their role in business markets (e.g. Cunningham and Turnbull,

4 The NBK document is however translated from Swedish into English by David Canter at FöretagsJuridik Nord & Co AB.

1982; Andresen et al., 2006; Kennedy and Zajac, 2005), other studies compare several channels to bring out their strengths and weaknesses as well as their positive and negative features (Leek and Mason, 2006; Leek and Turnbull, 2004; Schurr et al., 2003). In the latter category of research, interest has been shifted towards comparing traditional channels of communication with channels that have become more and more used with the exponential growth of information technology.

What distinguish studies on communication channel characteristics from each other are ultimately which channels are incorporated and which channel attributes are included in the analysis. In describing alternative channels, and with focus on the differences between online and offline communication channels, Schurr et al. (2003) base their channel characteristic typology (see Table 2) on six attributes: (1) non-verbal cues (or information richness with Schurr and Taylor's (2003) terminology), which is the extent to which a communication channel provides messages in modes other than words, (2) personal touch, which is the degree to which a channel enables humanizing the message, (3) information capacity, which is the volume of encoded data that may be transmitted, (4) response type, which is the extent to which sending and receiving a message takes place in the present or gets delayed into the future, (5) ease of coordination, which is the effort and time needed to synchronize activity in order to communicate, and (6) level of involvement, which is the degree to which the channel stimulates attention and interest.

I would also like to add another important attribute discussed by Thompson (2001): the direction in action, which is the extent to which a communication channel enables spreading information to a specific group of actors or an unspecified number of potential receivers. Which communication channel to choose must partly depend on how many actors that are involved in the receiving side of the communication process. Almost all channels analysed in Schurr et al. (2003) fail in effectively reaching a big population. But as shown earlier, listed organizations must make information about mergers and acquisitions public to the entire market through press releases, websites, corporate reports and media, all of which affect network members' reactions to the specific event in question. Since these channels are available to business actors and actually influence actors' opinions, they must be included in channel characteristic typologies. Undeniably, Schurr et al.'s (2003) typology deals with websites, but three more channels should be added (see Table 2): (1) press releases, (2) interim and annual reports, and (3) newspapers. Although a newspaper article may not be initiated by the focal firm itself, it affects network members' reactions to the subject addressed.[5]

As recommended by internal communication studies (Schweiger and DeNisi, 1991), newsletters/periodical news bulletins are also effective channels for continuous communication after merger and acquisition announcements. Periodical news bulletins, which are often designed for electronic transmission, evoke some level of involvement due to embedded habits. Actors receiving news bulletins *expect* to find new information and might even be waiting for specific information to come. Also this channel is added to Schurr et al.'s (2003) typology. (For similarities and differences between all channels see Table 2)

5 Off course there are also other channels available to markets that have the same ability to make information world wide (such as radio and television). But for the sake of maintaining focus and clarity, these channels are not included in the typology or the remaining discussion.

Channel	Non-verbal cues	Personal touch	Information capacity	Response type	Ease of coordination	Level of involvement	Direction in action
	Low-tech communication channels						
Face-to-face	Many	High	High	Real time	Difficult	High	Specific
Mail	Few	Low Moderate	Moderate	Delayed	Easy	Low	Specific
Press releases **Intirim/annual reports** **Newspapers**	None	Low	High	Delayed	Easy	Low	Unspecified
	Computer-mediated communication channels						
E-mail/attachments	Few	Low	Moderate	Delayed	Easy	Low	Specific
Periodic new bulletin	None	Low	Moderate	Delayed	Easy	Moderate	Specific
Instat messaging/ chat room	Few	Low	Low	Real time	Mostly easy	Moderate	Specific Mixed
Web site	None	Low	High	Mixed	Easy	Moderate	Unspecified
	Other electronic communication channels						
Video conferencing	Many	Moderate	High	Real time	Difficult	Moderate	Specific
Telephone	Some	Moderate	Moderate	Real time	Some difficulty	Moderate	Specific
Voice mail	Some	Low	Very low	Delayed	Easy	Low	Specific
Fax	None	Low	Moderate	Delayed	Easy	Low	Specific

Table 2. Grey fields indicate added information to Schurr et al.'s (2003) original channel characteristic typology (p. 4).

The most discussed attribute is non-verbal cues/information richness, which is used to make a distinction between rich channels – such as face-to-face – and lean channels – such as mail and fax (Schurr et al., 2003; Schurr and Taylor, 2003). While lean channels allow a higher degree of anonymity, rich channels are found to provide a more correct and complete picture of the communication actors involved. In a business relationship, non-verbal cues allow the parties to assess the honesty of the counterpart's statements and especially determine the variation between what a person says and the way he or she seems to feel (Schurr et al., 2003). Signals like smiles, handshakes, eye contact and posture help actors to interpret messages further. The only two channels available with many non-verbal cues (face-to-face and video conferencing) fail however in the level of coordination. In order to effectively reach a bigger but still distinctive group of actors, for example a given business network at the network communication level, the focal firm should think of suitable alternatives. The closest substitute is telephone that still enables some non-verbal cues and also real time response (see Table 2).

Real time response facilitates problem solving since actors can comment on each other's statements, clarify doubtful questions and also redirect discussions (Shurr et al., 2003). While the dissemination of information by channels like e-mail happens nearly instantaneously, timeliness of response is however not inherent in the channel. (Andresen et al., 2006) But all involved parties must be willing to communicate and desire quick and effective answers (Leek and Mason, 2006; Andresen et al., 2006). This is not always the case though. Studies have shown that many companies fail to answer consumers' as well as business customers' e-mails in a satisfactory way (see e.g. Fors, 2004). When deciding which channels to use, the sender must therefore consider which channels the *receiving* side uses.

3.4.2 Communication channels and relationship tasks

Research in industrial marketing has emphasized the significance of choosing suitable communication channels throughout the whole development of a business relationship. As pointed out in Schurr et al. (2003), by itself the communication channel characteristics table only serves as an organizing overview over defining aspects of channel alternatives. The value and challenge lies in trying to determine which channel suites which phase of a business relationship. “A sensible starting point may lie with practical questions, such as: Which channel is better for expressing interest in a customer’s business? E-mail offers ease of coordination, a telephone call would provide more non-verbal feedback, and a [face-to-face] meeting would create high involvement. How do we determine the best approach?” (p. 5) (See also Schurr and Tylor, 2003)

In his study from 1974, Luffman divided industrial buyers’ search for potential suppliers into three phases. The first phase involves finding information about physical aspects of potential suppliers’ offers, like the ability to produce required specifications and the manufacture of a wide range of products. Mostly impersonal information sources like trade directories and magazines are used when seeking for such basic issues. However, analysis in the second phase which involves evaluation of a number of suppliers known from the first phase is based on quotation responses received directly from supplier companies as well as a representative’s visit. Personal contacts on formal and informal levels combine each party’s personal judgement with more objective facts when assessing each other’s competence and purpose with the potential relationship (Cunningham and Turnbull, 1982). At the last confirmation phase, decision concerning which supplier to choose is only based on personal visits to supplier companies. This shows that the more important or crucial the decision is, the more significant it becomes to receive first hand information and meet face-to-face. (Cunningham and Turnbull, 1982; Leek and Mason, 2006) The role of personal contact is in general to enhance information exchange and develop trust, respect and understanding on a personal level, which would allow involved parties to also exchange confidential information. Close personal contacts will in the long run reduce the parties’ perceived risk and uncertainty when for example placing an order for a product. It is important that the “soft” sort of information is transferred between firms by personal contacts as a complement to “hard” information on for example price and product specifications. (Cunningham and Turnbull, 1982)

Looking more recently in time, several typologies have been made on the interdependence between communication channel selection and relationship functions (see e.g. Schurr et al., 2003; Leek and Turnbull, 2004; Leek and Mason, 2006). Comparing with Luffman’s investigation in 1974, no radical change can be found in companies’ preferences, not even with the exponential growth of information technology. A study made on the role of e-mail in strategic networks showed that an explicit IT usage throughout the whole relationship development was insufficient in ensuring successful communication and that e-mail only served as a complement to face-to-face contacts (Andresen, et al., 2006).

Researchers seem to agree that monitoring phases are best managed through other channels than face-to-face. At these points relationships are more or less routinized and can be handled through less rich channels, such as websites or voice mails. Tasks involving problem solving, crisis insurance, negotiation, adaptation, credibility assessment and the establishment of norms and trust are however performed more effectively face-to-face (Cunningham and Turnbull, 1982; Leek and Turnbull, 2004; Leek and Mason, 2006; Schurr et al., 2003). As described earlier, mergers and acquisitions have been identified as critical events for a business relationship and the connected business network (Halinen et al., 1999; Havila and Salmi, 2000; Havila and Salmi, 2002). The first two phases of a merger/acquisition process – the pre merger/acquisition phase and the integration phase – are without doubt the most critical periods and must, when practically possible, be managed through face-to-face communication. Larger groups of actors are like mentioned earlier best reachable through a substitute like telephone. Although the last phase – the post merger/acquisition phase – is less critical, there is still a risk for aftershocks, wherefore actors should continue meeting face-to-face. Although specifically arranged meetings are not required actors must discuss possible side-effects in their ordinary face-to-face briefings.

4. A comprehensive framework

Based on the conceptual discussion made in this paper, I propose a comprehensive framework for the analysis of merger and acquisition communication to business networks. The model includes all change communication aspects; communication actors (levels), communication content, communication channels and communication timing (merger/acquisition phases). It is important to keep in mind that it is not the communication channels per se that are in focus, but rather the characteristics that they represent. The model is summarized below (see Figure 3) by shortly referring to key issues. Each field in the framework is supported by one or several references mentioned in the preceding discussion (for a detailed outline see Appendix 1).

	Pre merger/acquisition phase		**Integration phase**	**Post merger/acquisition phase**
	Initial merger/acquisition consideration and discussions	**Public announcement and/or bids**	**Contract signing to integration**	**Performance analysis**
Dyadic communication	Specially arranged face-to-face meetings [1]	Specially arranged face-to-face meetings [1]	Specially arranged face-to-face meetings [1] Periodical news bulletin [3]	Ordinary face-to-face briefings [2] Periodical news bulletin [3]
Cluster communication	Specially arranged face-to-face meetings [1]	Specially arranged face-to-face meetings [1]	Specially arranged face-to-face meetings [1] Periodical news bulletin [3]	Ordinary face-to-face briefings [2] Periodical news bulletin [3]
Network communication	*Reactive communication* [5] Specially arranged face-to-face meetings	Telephone [4]	Telephone [4] Periodical news bulletin [3]	Telephone [4] Periodical news bulletin [3]
Market communication	*Reactive communication* [5] Make use of newspapers Publish info on website Issue press releases Interim & annual reports	Make use of newspapers [6] Publish info on website [7] Issue press releases [7] Interim & annual reports [7]	Make use of newpapers [6] Publish info on website [7] Issue press releases [7] Interim and annual reports [7]	Publish info on website [7] Issue press releases [7] Interim and annual reports [7]
	Explain [8]		Guide [9]	Follow-up [10]

Figure 3. An analytical framework for communicating mergers and acquisitions to business networks. Each number represents one or several references presented again below.

It has been suggested that a non-routine message should be communicated through richer communication channels (Appelbaum et al., 2000a). As described before, mergers and acquisitions *are* critical events for business relationships and business networks (Halinen et al., 1999; Havila and Salmi, 2000; Havila and Salmi, 2002). Mergers and acquisitions are far from everyday events and must therefore be differentiated in the way they are presented. Face-to-face contact is proven to be the most successful channel in managing such events (Cunningham and Turnbull, 1982; Leek and Turnbull, 2004; Leek and Mason, 2006; Schurr et al., 2003). Personal face-to-face contact enables high personal touch, high level of involvement, high information capacity, many non-verbal cues and real-time response (Schurr et al., 2003). Dyadic communication and cluster communication are without doubt best performed through face-to-face contact. Initiating specially arranged meetings is a way of indicating the importance of the event. Towards the end of the merger/acquisition process however, the event should be perceived as less critical and information will automatically begin to take the form of more or less routinized messages. But as there are some risks for aftershocks, face-to-face communication is still recommended. Actors should discuss possible side-effects in their ordinary briefings.

As recommended by previous studies, it is in general more effective to communicate, and communicate early (DiFonzo and Bordia, 1998). Merging organizations should be very fast in delivering information. For listed companies, this information should however be simultaneously published (Listing Agreement) which from a communicative perspective is a very serious restraint. Learning about a potential merger or acquisition from media or other indirect sources creates worries and even hostility towards the event in question (Appelbaum et al., 2000a, referring to Kelly, 1989). The focal firm should instead enable open and collective planning, for example by informing close and/or strategically important actors prior to media (DiFonzo and Bordia, 1998). Even the Listing Agreement emphasizes the *possibility* of informing third party prior to simultaneous publishing. When possible, this should always be put into practice.

Informing the entire business network and market at the initial consideration and discussion phase may only create an endless debate that in the end can lead to undesired rumours, wherefore a world wide publishing should be avoided. The focal firm must however develop a good *reactive* communication plan in case of any leak. Actors showing any signs of anxiety must be given attention face-to-face (Appelbaum et al., 2000a; Cunningham and Turnbull, 1982; Leek and Turnbull, 2004; Leek and Mason, 2006; Schurr et al., 2003). To highlight the importance of early communication with close and important actors, I here make a distinction between the initial consideration and discussion period on the one hand, and the public announcement and/or bid period on the other, both taking place in the pre merger/acquisition phase.

The grey horizontal party represents the content of the change communication. The focal firm should provide surrounding actors with direct and other-oriented messages (Giller and Matear, 2001; Alajoutsijärvi et al., 2000; se also Appelbaum et al., 2000b) if a netquake of reactions (Dahlin, Fors, Havila and Thilenius, 2006) is to be minimized. In the initial merger/acquisition phase, the focal firm must allow connected actors to make sense of their altered environment (DiFonzo and Bordia, 1998; Kramer and Pierce, 2004). They have to make the whole network as well as the entire market understand the need for change and the effects of the event in question (Goodman and Truss, 2004). This is done by clearly answering the following questions: Why is this event taking place? What good will it do? Which actors will it affect and in what way? Failure to do so will lead to uncertainty and actors' willingness to rely upon rumours. (Schweiger and DeNisi, 1991) Only explanatory communication will help managers gain involvement in the change process (Cornett-DeVito and Friedman, 1995). Lack of understanding and engagement from surrounding actors will ultimately lead to negative attitudes, making an otherwise successful merger or acquisition plan ruined (Appelbaum et al., 2000a, p. 650, referring to Kelly, 1989; DiFonzo and Bordia, 1998).

When a merger or an acquisition is in deed a fact, guiding communication is a must. The focal firm must keep surrounding actors updated with what is going on. Integration of two firms usually has some consequences on connected actors (Havila and Salmi, 2002; Havila and Salmi, 2000). In order to avoid uncertainty about how the future will look like, actors must obtain continuous, realistic and accurate information regarding merger or acquisition related matters. It is for example proven valuable to supply actors with a timetable describing how long they may be facing change. (Napier et al., 1989; Cornett-DeVito and Friedman, 1995; Appelbaum et al., 2000b) Important questions to answer are: What does the integration process mean? Will it lead to any cut in resources? How is this going to affect every involved relationship?

It is not until the integration phase is finalized that surrounding actors can start taking a breather. Follow-up communication is recommended in the post merger/acquisition phase (Cornett-DeVito and Friedman, 1995) in order to avoid aftershocks. Information about the results of the integration process should be provided. Was the merger/acquisition successful? Is the future hiding any further changes? What happens next? If a business network is not saturated with information throughout the whole merger/acquisition process, a netquake of reactions will prevail. (More information on each field in the framework is presented below.)

5. Implications

The results from this research contribute to a large extent to theory development. This study emphasizes the importance of taking into account the surrounding business network when looking into mergers and acquisitions. It also emphasizes the importance of external communication as a way of managing mergers and acquisitions to achieve desired responses. These areas have up to now been given minor attention. Industrial network research should put mergers and acquisitions and their implications in a wider network perspective and look beyond the focal firm in question.

The results from this research contribute also to practical recommendations. Uncertainty, anxiety and speculations among network actors can prevent companies from performing business in a desired way. Exchange processes can be interrupted. It is therefore vital for managers to find ways to manage mergers and acquisitions, not only internally but also externally. A proper understanding of the role of change communication enables managers to use communication to their strategic benefit and accurately plan their tactical moves. By understanding available communication options and their consequences, managers can make more conscious choices when planning for or handling an ongoing merger or acquisition. In the same way, proper change communication help surrounding actors to take precautions, prevent unwanted effects and hinder emotional disturbance.

Most importantly, the results from such research make it possible for managers to predict the outcome of their own and others' activities in the network. This could realistically save companies from additional time and money. Indeed, it could be the difference between a firm feeling as though a related merger means an inevitable demise of the company, and recognizing that it could be the start of a great shift towards a more profitable, efficient future. Organizations should therefore be investing a portion of their resources to effective merger and acquisition management, whether they are directly or indirectly affected by it.

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Appendix 1

1. Non-routine messages should be communicated through face-to-face contact (Appelbaum et al., 2000a). Face-to-face communication is proven suitable in more serious and critical phases of a business relationship (Schurr et al., 2003; Schurr and Taylor, 2003; Luffman, 1974; Cunningham and Turnbull 1982; Leek and Turnbull, 2004; Leek and Mason, 2006). Personal contact enables involved parties to also exchange confidential information (Cunningham and Turnbull, 1982).
2. Although the post merger/acquisition phase is less critical than the two first phases, there is still a risk for aftershocks. Since crucial periods should be managed through face-to-face contact (Schurr et al., 2003; Schurr and Taylor, 2003; Luffman, 1974; Cunningham and Turnbull 1982; Leek and Turnbull, 2004; Leek and Mason, 2006), face-to-face communication is also recommended here. However, actors do not need to call specially arranged meetings, but discuss possible side-effects during their ordinary briefings.
3. Periodical news bulletins are proven successful for communication after merger and acquisition announcements (Schweiger and DeNisi, 1991). Periodical news bulletins are effective in reaching several but still distinctive number of actors.
4. As face-to-face contact is ineffective in reaching a larger group of actors (Schurr et al., 2003), telephone makes a good substitute. Telephone still enables some non-verbal cues and also real time response, which facilitates issues like problem solving (Schurr et al., 2003).
5. Informing the entire business network and market at the initial consideration and discussion phase may only create an endless debate that in the end can lead to undesired rumours, wherefore a world wide publishing should be avoided. The focal firm must however develop a good reactive communication plan in case of any leak. Actors showing any signs of anxiety must be given attention face-to-face (Appelbaum et al., 2000a; Cunningham and Turnbull, 1982; Leek and Turnbull, 2004; Leek and Mason, 2006; Schurr et al., 2003). The whole market is effectively reached by websites, press releases, interim and annual reports, and newspapers (The OMX Nordic Exchange; NBK rules). If complete information is not available or legally controlled,

managers must provide partial information and say when more facts will be accessible (DiFonzo and Bordia, 1998).

6. Information about mergers and acquisitions must be sent to at least two well-established news agencies and at least three daily newspapers with national coverage (NBK rules). National news media cover major merger and acquisition announcements, making them potential information sources at a merger's onset. But such coverage is minimal during integration and almost non-existent during post merger/acquisition phases. (Kramer and Pierce, 2004) Published information will affect actors' opinions and reactions (Napier et al., 1989).
7. Price-sensitive information must be made public through press releases and websites (NBK rules). The capital market also demand regular and timely information on the firm's progress in the form of quarterly reports and annual financial statements (The OMX Nordic Exchange). All these channels are easy to coordinate and have a high level of information capacity. Any actor, either within the focal firm's business network or outside it, can reach published information. (Schurr et al., 2003)
8. Communication in the pre merger/acquisition phase enables employees to make sense of their altered environment (DiFonzo and Bordia, 1998; Kramer and Pierce, 2004). Manages must explain the *need* for change and the effects of the proposed event to achieve involvement and engagement in the change process (Goodman and Truss, 2004). According to the Listing Agreement, the focal firm must release information about anticipated effects of the event.
9. Managers must continue communicating during the integration phase. This is done by providing guiding information about what is going on. It is for example proven valuable to supply actors with a timetable describing how long they may be facing change. (Napier et al., 1989; Cornett-DeVito and Friedman, 1995; Appelbaum et al., 2000b) Even here appropriate communication helps actors understand the effects of the event (Schweiger and DeNisi, 1991).
10. Communication is a continuous process, not a one-time event (Schweiger and DeNisi, 1991). Communication is therefore equally important during the post merger/acquisition phase (Appelbaum et al., 2000a). Follow-up communication enables actors to adjust to the new situation (Cornett-DeVito and Friedman, 1995) and helps managers avoid aftershocks.