

When PR Matters The Most: Mergers And Acquisitions

The objective of mergers and acquisition is to increase market share, acquire new geographical presence, and get new intangible assets. Companies also look at M&A opportunities when they lack the drive of organic growth and don't feel confident in their own business units—they think that buying another company which has those parts in place could solve their issues.

In M&A, PR plays a vital role between the buying and the selling parties. Whether it's a friendly or offensive overtake, the communication strategy is vital, as is the professional and clear manner in which it needs to be delivered to media. When delivering the information, the PR department has to be very precise. In M&A every detail matters, and these details can drastically influence the overall deal's price and the stock price before and after the deal is done.

In 2008, when prices of potash, phosphate and nitrogen plummeted, fertilizer companies' market capitalization went down heavily. The stock price of the world's largest fertilizer company, PotashCorp, dropped from \$241 to \$67 by the end of 2008. This made the company a cheap target for an acquisition. Global mining company BHP offered to acquire PotashCorp, but as the price was low PotashCorp didn't give in easily and fought.

BHP made an unsolicited bid, which was unannounced publicly, and so PotashCorp made a public announcement, announcing BHP's unsolicited bid of \$39 billion. This event, made public to reevaluate PotashCorp's overall valuation, consequently led the board of directors to reject the acquisition offer. This led to the company's stock price increase by 28% that day.

In case of a successful merger, it is essential to keep communications up even if the deal is closed. Deals can fail, and the company's stock can fall even in the middle of a merger when employees start to go to competitors and top executive staff quits. There should be a certain period reserved to reach out to the company's stakeholders and other parties to inform them about the merger with the latest information while bringing reality to their expectations. Communication must be in place at all times, as well with employees internally through the company's newsletters, intranet sites, video calls and actual meetings.

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