

NEEL CHATTERJEE'S VIEWS ON COMMUNICATING FOR CHANGE

In my opinion communications is about making connections and making people understand what those connections are in the light of corporate objectives. My presentation today will talk about the acquisition of Grindlays by Standard Chartered Bank and the merger of the two businesses and how the merger has worked. I will look at some of the principles of communications, issues that should worry us and how to deal with them.

I take pride in saying that it has been a very successful merger, where everything has been done according to the plan and the company has emerged a winner. Standard Chartered Bank is today the largest international bank, it has retained most of its clients, grown its consumer business and made a 211 growth in profit last year. This growth is way beyond what either Grindlays or Standard Chartered in India would have ever imagined in a three-year framework. As a result of this growth the shareholders have been rewarded, the employees are happy with their bonus, media has a favourable opinion about us and all our stakeholders are satisfied.

*Golden truth
should be made
relevant...*

A point I would like to stress on is that you have to have truth in place at any point of time during a change process. Do not veer from the truth irrespective of your target audience. Stick to the truth, give direction to it and make it relevant for your target audience.

*Set of truths
about the
merger...*

Acquisition of Grindlays was Standard Chartered's biggest deal.

The deal translated to \$ 1.37 billion of which \$ 740M was valued in goodwill. Grindlays had 116 branches in 13 countries across Middle East and South Asia and in India, 39 branches in 16 cities, over 3500 staff. India comprised 40 per cent of the value of the transaction and therefore acquired a prominent stature in the eyes of the media, employees and other stakeholders.

Pre-merger, Standard Chartered ranked number five, ANZ Grindlays stood at the second rank and Citibank ranked number one. The reason for this acquisition was clearly to become the largest International Bank in India.

Although an acquisition, it was more a merger of equals. The money for the acquisition came from the hard work of

everybody who worked in Standard Chartered to create that surplus cash to buy the Grindlays business from ANZ, which they did not want. Because \$ 740M was paid for its goodwill, one could not just wipe out that bank. The company owed it to its shareholders to merge the businesses and build on the synergy.



These were the simple set of factual statements which anybody could get from anywhere, be it the Standard Chartered website, ANZ website or even RBI office.

The biggest and real challenge of a merger is to move ahead instead of coming to a standstill due to shock. Mergers are not made to get two sleepy giants to become two sleepy giants together. It is done to create a far more nimble, aggressive and with the times company, a truth mirrored in the expectations of the stakeholders too.

The way ahead is by keeping business as usual ...

Therefore our top priority was to keep business as usual. For our existing customers there was to be no disruption to service and no slip in quality. We had to minimise customer and revenue attrition. For our shareholders it was important that we deliver on the 2000 budget. Post acquisition when such a huge amount of money was paid out, it was imperative to build and grow the current business.

Our approach to integration was to achieve a merger of equal strengths and demonstrate mutual respect and transparency by adhering to consistent, fact-based, impartial, fair and open processes.

SOME TIMELINES:

- 27 April 2000 Announcement to markets
- 31 July 2000 CEO and Manco appointments
- 31 Oct 2000 Grindlays name change
- Oct to Feb '01 Management selection
- June to Aug '01 1st VRS
- Sept 2001 Cards migration
- Feb 2002 ATM integration
- May 2002 2nd VRS
- July 2002 Complete customer migration
- 31 Aug 2002 Single legal entity

Timelines impact the situation faced by a company especially internally, as that is where the maximum impact is felt. Constituents like the media and the regulator feeds on every mistake that a company makes. It would be best to be conscious of some realities that exist in a merger situation.

- Most mergers and acquisitions fail because a common truth is not agreed upon
- Many from within want it to fail. In the initial crucial phase employees who are not good performers and therefore insecure about their jobs create uncertainties among their colleagues
- The media is ready to pounce on failures and sensationalise the situation
- Customers and vendors blame 'business as usual' (BAU) level problems to the merger
- Employees find it a great scapegoat for their own inefficiencies

The only way out of such a situation is to communicate, communicate and over communicate the truth. Make the truth relevant. In our case we told the employees "How dare you not serve the customers properly? Do you not realise that you work for the largest international bank?" This was enough to create a sense of pride within the employees.

Internal targets are most critical and they have three stages of knowledge

- What one knows – attempt to make this knowledge more complete by giving the facts
- What one is told – the communications team engineers this by using tools such as newsletters, integration notices, financial wins etc. In times of uncertainty what one is told is always received through a filter and a barrier
- What one gets to know - people will believe what they get to know through third party in the form of gossip, news reports etc., much more than what they are told directly

by the company. The way to control this is that you make sure that the truth is told to everybody and therefore there can be no two versions floating around.

In my view, in any given situation, people fall into the following pattern:

The 10-80-20 theory...

10 per cent people are committed positives who will believe you and support you all the way.

10 per cent people are committed negatives who will reject everything. But the good part is that nobody bothers to turn to these people for confirmation and information

80 per cent people are in the don't know/can't say bracket because in reality they don't know enough and therefore can't comment. Get the simple truth to them as they have no vested interest and will give you a fair listening. They are known to be fair and open-minded and therefore constitute the opinion makers. It is best to focus on them and arm them with knowledge, which is clear and consistent.

QUESTIONS AND ANSWERS

In most cases the truth is very ugly and makes for a dirty statement. What do you do in such cases?

Neel Chatterjee replied that the only way to deal with any situation is by telling the truth.

Comments from Sita Singhal of Whirlpool

When *Whirlpool* acquired Kelvinator of India, the media focussed only on the VRS issue and accused the company of promoting the MNC philosophy of hire and fire. As stated by Svetlana Pinto in her presentation, one of the truths about a merger is that there are bound to be job-cuts and VRS is a logical step of doing it. Both external and internal communications played a very important role in seeing the company through the change process by explaining the business reason behind the VRS.

Neel Chatterjee agreed with the above comment and added that in Standard Chartered the employee strength moved down from 5,200 (of both banks during merger) to less than 3,000 and is currently at 3,900. In addition the company also has its global hub in Chennai which employees over 3,000 people. Another point to take note on the subject of VRS is that there is a shift in attitude taking place amongst the opinion makers, columnist's etc. So much so that if a

public sector bank has not offered VRS to its employees, then there are questions raised about their levels of productivity and competitiveness.

What is the learning for communication professionals regarding VRS and the role of media?

Neel Chatterjee replied that Standard Chartered did not encounter the same level of problem as Whirlpool from the media. He said the reason for this was that the Delhi media that reports Whirlpool, is far more sensational than the banking media which, reports on Standard Chartered from Mumbai. He was of the opinion that the banking media is better informed in comparison to the Delhi media. However, in his opinion the best way to handle such situations is by the truth or what he called 'the golden truth'. One must establish the truth and communicate the business reason behind the decision as it then leaves the media with only the business model to attack; and if your business model is good then there will be no basis to the media stories.

Very often, one's sense of pride in one's company is mistaken to be arrogance. How does one manage this perception with one's audience?

Neel Chatterjee agreed that there is a negative side to the philosophy of "being the biggest and the best". Standard Chartered Bank is trying to counter this through a series of staff engagement programmes called 'Feel The Rush'. This programme tries to translate the sense of pride into customer service by making the employees realise that "we are so proud that we can not be seen to fail". The shift being attempted is that should they deliver poor service it would hurt their pride.

Comment from Ranjana Smetacek of Monsanto

Monsanto found that it was making mistakes in its communications around the world especially in light of the huge controversy about genetically modified crops and food. The company undertook a huge survey and what emerged from it was that the company was communicating with arrogance. As a result everybody in Public Affairs underwent extensive training and one of the things pointed out was that to counter arrogance (defined as knowing everything) one must listen. Listening then became a huge part of Monsanto's communication and with it dawned the realisation that there can be parallel truths. There was also a session on risk communication, with risk defined as the fear of losing something valuable. This session focussed on communicating during high-risk situations, for e.g. a doctor communicating with a terminally ill patient or a management announcing job-cuts.

During a merger when some positions need to be done away with, typically it

Neel Chatterjee said the answer to this lay in the question, "If you had a limited \$10 to spend, would you spend behind the General or the soldier?"

is the top that realigns itself first followed by the successive rungs of organisational hierarchy. Should there be an attempt to realign from bottom rather than top?

The ability to speak the truth and put forward sophisticated business arguments is a function defined by how well a company is established in the industry and in the country. Even the size of the company and the kind of stakeholders present within the media in that country affect this ability. Do MNC's need to be extra cautious when communicating the truth?

Neel Chatterjee recounted his experience of when he joined Pepsi in 1990, soon after the company had got permission to enter the Indian market and had launched its products. A change in Government threatened the company's in India with the GOI passing a law mandating Pepsi to be called Lehar Pepsi. The Company faced a lot of controversy and business loss as it stuck to a lie at that time. It tried to convince the Government that it was primarily an agri-business company with soft drinks being a secondary business. The company proclaimed this for over 18 months but no body was convinced, as it was a blatant lie; people knew that the Pepsi company is in the business of selling soft drinks. In January 1991, the company realised its mistake and called a press conference to announce that it was a soft drink company and would be selling good quality soft drinks in the country. This stance helped change the negative disposition of the media and the Parliament towards the Pepsi company. The point to note is that however, bitter the truth may be, one must tell the truth. Even in the recent Cola Pesticide controversy, the cola companies have made a mistake. They should have acknowledged the pesticide report as an unbiased party has prepared it, but continue to build their truth behind that report.

(Excerpted from the presentation made by Neel Chatterjee, Regional Head, Corporate Affairs, Standard Chartered Bank, at PR Pundit's workshop, held in Mumbai on September 10, 2003)