

SVETLANA PINTO'S VIEWS ON COMMUNICATING FOR CHANGE

If you do not change, you can become extinct...

Change is taking place all around us and though we talk about the role of PR in communicating for change, I firmly believe that managing change is everyone's job and not just that of the 'PR' function. Change impacts every single function within a company and if one does not have the 'buy-in' from everyone in the company one would never be able to communicate change effectively.

The age of instability ...

In the last decade, nearly half of all global companies were restructured. Many of the fortune 500 companies have faded into oblivion in the last two-three years, for e.g. Worldcomm, Arthur Anderson, Enron etc. Over 80,000 firms were restructured or merged, several 100,000 companies were downsized and another several 100,000 companies failed.

Some of the things one gets to hear during a merger...

- Top management knows a lot more than they're telling
- The company is keeping us in dark on purpose
- They have all the details worked out...they just won't tell us
- The only thing worse than bad news is all this uncertainty
- Management doesn't care about us

Novartis has also evolved from a life sciences company in 1996 to a healthcare company in 2001. Created from the merger of Sandoz and Ciba-Geigy in 1996, it has 73,000 employees, with operations in 140 countries.

A closer look at the Novartis merger and the learnings...

The merger of Ciba Geigy and Sandoz into Novartis has been a great learning experience and the change still continues. The entire business structure has been changing and after removing the brand Sandoz in 1996, the company has reintroduced the brand recently. The generics business has been rebranded as Sandoz. Since the merger took place in 1996, the company has had six changes in MD's.

The biggest merger of its time was the best-kept

The merger was announced to the world on 7th March 1996. I got into office (those days, Sandoz India) and went to attend my scheduled appointment with the MD to interview him for the in-house news magazine. One of the questions I asked him was, "Last year Sandoz went through a de-merger of its chemicals business. Do you think there is any more change in the horizon?" The MD replied in the negative to this question. This was at 9:30 a.m. I got out of that interview to hear that there had been six urgent phone calls from my counterpart at Hindustan Ciba Geigy, requesting for

secret...

a call back. On reaching my desk I learnt that there had also been some calls from the media asking me to call them back. At 9:40 I went back to my MD's office and told him about all these calls and the fact that there was a rumour that Sandoz had acquired Ciba Geigy. While my MD was scoffing at the idea, his wife called him and told him that she had heard CNN reporting that Sandoz had acquired another Pharma Company, name unknown. I decided to call my counterpart in Hindustan Ciba Geigy and she said that she had learnt from her head office that both of our companies were merging. We established contact with our head office at 1 p.m. and learnt that someone in head office forgot the existence of Sandoz India. So while the whole world within both companies was informed the previous night about the merger, nobody here had an inkling of the news. Till today within the company, barring few people, nobody believes that the management did not know the news in advance.

In 1996, the communication methods were limited. E-mails were rare, a few people in the office were on the e-mail system; mobile phones were just about making their advent in India, even our MD did not have a mobile phone; and this was breaking news. It was the biggest merger of its time and the best-kept secret. Unlike today, when one is aware of merger talks between companies, at that time pre-merger communication was unheard of.

Immediately after the merger the office was a hotbed of rumours. Employee morale had taken a downward dip. There was a level of mistrust, no body had job security, and even the respective MD's did not know if they would have a job in the future. The worst thing to happen was that both companies were giving different sets of information to its employees. It was supposed to be a merger of equals but in reality it appeared to be a merger of two rivals who were indulging in conflicting communications. The other company was telling its employees that there would be no job-cuts, which made our employees, question our announcement that there were bound to be job cuts!

It is foolish to say that there would be no job-cuts during a merger. At such times it is best to share the truth with your employees and they give it more credit if they hear it from the management employer directly. A fall out of not being truthful is that good employees begin seeking jobs elsewhere. Therefore it is important to communicate with them well in time as to what would be the selection process, how long should they expect this process to last and on the pace of the integration.

In the initial stages communication from the head office to the regional offices was slow, therefore people decided to

quit their jobs and seek employment elsewhere. Productivity took a downturn because everybody was busy speculating about job security. At the management level, nominations were announced for the new heads of businesses and obviously out of two people one person was not going to have a job. This led to a situation where the company lost both people because the one who had been told to quit, had already looked for a job; and the one who had been retained, had already looked for another job in light of the imminent uncertainty following the merger.

For the first time within the company, one could officially draft one's resume without anybody questioning you! One had to do it in any case, as everybody had to reapply for his or her job. The communications team explained the selection process and reiterated that it was going to be as fair as possible. They explained that if there were to be a conflict of opinion on who was the best person for a particular position then that case would automatically be referred to the head office whose decision would be final on the matter.

The PR department brought out a special newsletter on integration over and above the regular in-house magazine. This newsletter tackled issues related to the merger and how to deal with them.

The External Challenges

This was the first big merger and therefore considered big news by the media and the ***reporting bordered on being provocative and controversial***. A business editor from a respected publication even threatened top management, expecting something in return for favourable reporting. PR should never give in to fear because if you are on the right path and are honest and transparent there is nothing to be afraid of.

The ***attitude of the investment community towards Sandoz was negative*** as the shareholding community decided that the swap ratio of the merger was not fair to them. They initially courted the media for this issue and then went to court to challenge the merger in India. This court case posed a setback as it delayed the merger in the country. So while the merger was taking place across the world, India was lagging. The company decided to tackle this problem by calling a meeting with the investor community and explained to them as to why Sandoz felt that the swap ratio was a fair one. We also called the media and tried to explain the same to them. However, we failed.

Competition thrived on this uncertainty and fueled rumours in the marketplace by telling the customers that some of our products are going to disappear. We tackled this by sending direct mailers to doctors, vendors, suppliers, customer's etc. Due to the incomplete merger process in India, we were still two companies and therefore had to send two different mailers.

Role of PR in such times is very crucial...

The PR team made an unusually strong effort to communicate and keep people as updated as possible and communicate the tough decisions too with the philosophy that it's impossible to keep everyone happy. We realised that

- The truth is a moving target – while bad news travels half way across the world, truth is usually in the process of tying its shoelaces. The most imperative task for any company is to put the truth out at the earliest given opportunity otherwise bad news will thrive on rumours
- Feed a steady stream of honest, positive, proactive messages to all key stakeholders
- Avoid an information vacuum
- Encourage two-way communications – We gave people an option of either writing in or calling on a dedicated phone number for their queries. Since there were no e-mails then, this was the best mode of communication. We even made key people travel around the country to meet people at all locations to inform them about the entire situation and the process

Over-communicate at E-speed...

"We can't wait for the storm to blow over, we've got to learn to work in the rain."

Pete Silas, Chairman of Phillips Petroleum

The Novartis mission ...

Following the merger of the two well known brands, Sandoz and Ciba Geigy, which had been around for over a hundred years, a new company called Novartis was launched, which was distinct from the other two. This company had to establish its own unique visual identity and reason for being/becoming. It also had to exploit the initial interest to seed a powerful, compelling idea of who Novartis was.

For Novartis this was a unique challenge as it had more than 100 years of history and was the home of leading products and innovation. As a leading Fortune 500 company with 80,000 employees, the additional challenge was one of a changed business structure. The company was very centralised at the time of the merger, but post merger it became decentralised and there were organisational units

only. For e.g., at the time of the merger the staff strength at the corporate office was approximately 92 people, but today it is down to 18 with plans to bring it down further. The other challenges faced were that even the communications team was insecure of its job and was expected to use communications to motivate others.

The company held a global communicators meeting where a checklist to manage change was proposed. The checklist suggested that change was needed in the following:

the way we think	-	corporate philosophy
the way we walk	-	corporate behaviour
the way we talk	-	corporate communication
the way we look	-	visual identity

Employees were reluctant to give up their old identities and continued to use the old letterheads of both Sandoz and Ciba-Geigy respectively. HR had to play an important role in counselling these employees and telling them that they needed to accept the fact that they were working for a new company. There were physical audits done to check workstations and stationary cupboards to destroy old stationary.

A corporate identity implementation checklist includes the following:

- Stationery and Administrative
- Websites
- Public Relations/Investor Relations Communications
- HR Communications
- Facilities Signs
- Vehicles
- Marketing/Sales
- Identity Guidelines
- Identity Introduction/Management

The goals...

Our goals included ensuring stakeholders received consistent, timely and relevant information throughout the lifecycle of implementation. We provided a consistent view of the change; its outcomes and benefits. The biggest challenge lay in motivating people to embrace the change and provide a means for gathering/addressing questions and feedback. The management travelled around the country addressing audiences, trying to motivate them and tell them about the positives of the merger. Bi-weekly meetings were conducted for the employees with the management to address concerns.

Manage expectations...

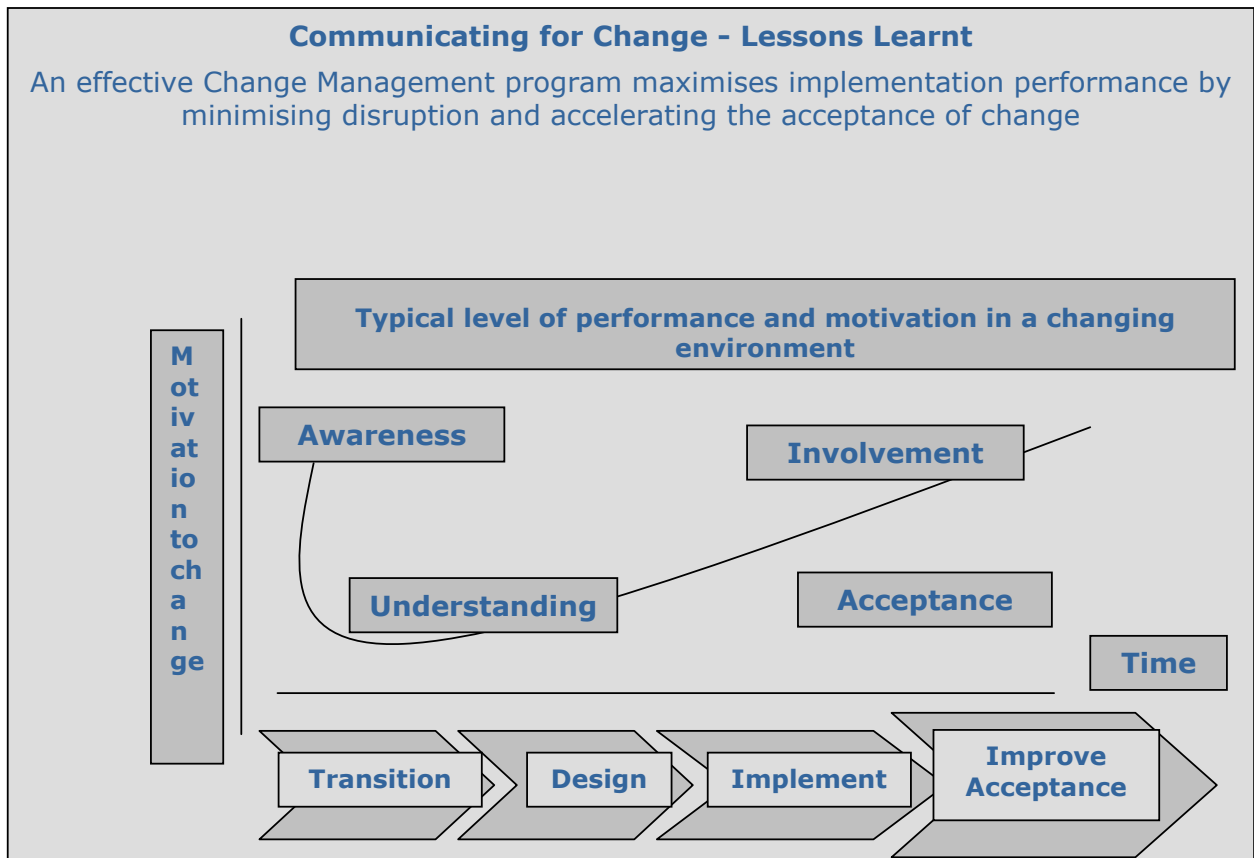
The communications strategy provided consistent messages throughout the organisation pre and post implementation with the target audience in mind through posters, bulletins, etc.

The success factors

- Tried to reach a balance in the communication messages.
- In light of the inaccurate media reporting, a press conference was called to announce that there is only one spokesperson for the merger and if the media wanted to get authentic news it needed to contact this spokesperson only.
- Got third party endorsements from doctors, suppliers and other business partners like bankers etc. This helped tremendously.

An effective change management program maximises implementation performance by minimising disruption and accelerating the acceptance of change...

In the learning curve that the company went through, the initial phase was all about creating awareness, both internally and externally and getting people's understanding. It was more important to involve them, because once people were involved, then you had acceptance. One can not get acceptance if the process of making them aware is not undertaken. The most important aspect of communicating was why these changes were taking place, more than the 'how' the 'why' was important.



The “good old days” are gone. There is no place to run that is beyond the range of change.

“Strangely enough, this is the past that somebody in the future is longing to go back to.”

Ashleigh Brilliant

THE WRITING ON THE WALL

Change Happens

Anticipate Change

Monitor Change

Adapt To Change Quickly

Change

Enjoy Change

Be Ready To Change Quickly & Enjoy It Again.

QUESTIONS AND ANSWERS

*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.

Svetlana Pinto commented that regarding employee strength going down, Novartis at the time of the merger 80,000 people world-wide in both companies and today 73,000 which is not too different considering that the company has divested a number of businesses in the past few years. So in reality the company has actually grown since the merger. Initial phase sees a lot of employee attrition through VRS but in your quest to be bigger and larger you finally do grow.

*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 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?

Svetlana Pinto said that realignment is always top down and that usually people in the bottom positions rarely lose their jobs, as companies need to have bigger field forces, more people in the market place. Typically it is people in the administrative functions that lose jobs.

(Excerpted from the presentation made by Svetlana Pinto, Head Corporate Affairs & Communications, Novartis India, at PR Pundit's workshop, held in Mumbai on September 10, 2003)