

Conexus Merger 2006

Barbara McGrath

Conexus

Regina, Saskatchewan

Description: After being approached by four smaller credit unions as a merger partner, Conexus had less than a month to set the stage for member meetings that would determine whether the group would form the province's largest credit union.

Need/Opportunity

It's becoming increasingly difficult for credit unions to remain competitive in today's financial services marketplace. Expensive technology is more and more important to service delivery, and members' needs are getting more sophisticated. At the same time, the regulatory environment is more complex and challenging for credit unions. All of this is significantly straining the resources of many.

In the face of this change, Heartland, Moosomin, Prince Albert (P.A.) and Raymore credit unions decided to take a planned, proactive approach to planning their futures. During the first half of 2005, each independently sought the opportunity to become part of a larger, stronger organization. Although each was financially stable, all felt merging with a larger credit union would best meet the long-term interests of members and staff. Ultimately, each chose Conexus as its merger partner.

Although the boards were clear about the need to merge, the final decision rested with the members of each credit union.

Intended Audiences

Members – Although some knew their credit union was pursuing a merger, none were aware it might be a five-credit union merger. Moosomin and Heartland members were well aware their credit unions were considering a merger. On the other extreme, P.A. members were completely unaware and likely to be

caught off guard at the idea that a CDN\$394 million credit union might need to merge. They would perhaps anticipate being the largest partner in a merger with smaller credit unions. Conexus members were least likely to be concerned. They'd been through successful mergers and weren't likely threatened. Raymore members weren't likely to be surprised, but might be cautious since they'd voted down two previous mergers.

Staff – The five partners employed about 950 employees. Staff at all credit unions, except P.A., were aware of the changes. Some had more information than others and the merger might be bigger and faster than some anticipated. There were many long-term employees in all credit unions. Those in smaller credit unions like Raymore were used to being very involved in day-to-day decisions. Those at Conexus did not expect that level of involvement.

Local councils & business leaders – These groups influenced public and member perceptions, particularly in smaller communities.

Media – There was significant media interest due to the size of the proposed merger. Media portrayal of the story would likely influence member perceptions.

Goals and Objectives

Goals – Our communication plan was designed to:

- Generate excitement about the merger among members and staff.
- Secure staff support for the merger in all five organizations.
- Alleviate fear of the unknown.
- Allow members to make informed decisions about the merger.

Objectives – Our objectives were as follows:

1. Members of all five credit unions approve the amalgamation (75 percent approval required).

2. The majority of staff members feel comfortable about the process and act as good ambassadors for the merger.
3. The bulk of media coverage on the merger is positive and includes the group's key messages.
4. The group will maintain or grow its collective assets through the process.
5. The satisfaction level of staff and members is maintained or improved throughout the process.

Solution Overview

Luckily, those responsible for communication were among the first to learn of the merger. Led by external consultant, Kim Herperger, we developed a common communication plan for the five partners. The plan left room for each credit union to tailor the approach to its particular working environment. Working together allowed us to make efficient use of our resources and ensure our members heard common messages. Those messages were as follows:

General messages

- We truly believe this merger is the right move. We think our members will agree, but nothing will happen without their approval.
- Although we're financially strong, each of us has chosen to become part of a larger, even stronger organization. We chose Conexus as our best fit. Our credit unions share similar values, including a commitment to community and people.
- Today's financial services marketplace is extremely competitive and there's a cost to keeping up with members' changing needs. Working together, we can meet these challenges head on, enhancing our financial stability and providing the increasingly wide range of financial products and services our members want.
- We value our employees as the heart and soul of our organizations, and that won't change after the merger. Although some jobs will change, everyone will have a place in the new organization.
- Maintaining local democratic control and autonomy is important to us and it's important to Conexus as well. Our members will continue to have a say after the merger by electing representatives to the

Conexus board and local representatives to a regional advisory delegate committee.

Staff messages

- Roles and structure within a 51-branch credit union will naturally be different. There will be a place in the new organization for everyone. No one will lose his or her job, but jobs will change.
- We know you have many questions about how you'll fit. We don't have all of the answers right now, but we're working on it. We hope we can count on your patience.
- We can promise that everyone will be treated fairly and equitably.

Key elements of our plan included:

Arming key communicators – We knew from experience that the key was knowledgeable, confident staff and directors. They needed to be familiar with the issues and comfortable enough to convey a consistent message that reinforced our position. We supported them with:

- A summary version of our communication plan.
- Sample questions and answers along with tips for handling rumours and difficult questions.
- E-Merge, a secure web site set up to provide details of the amalgamation, including activity updates, a Q&A log and copies of all external communication.
- Regular updates at staff and board meetings to make sure they heard everything first.
- Visits from Conexus executives to each credit union.

Initial announcement – Our first formal public announcement was a media release customized for each credit union. In Raymore, a small town where members would expect a more personal touch, this was preceded by a personalized letter to members from the president. The initial announcement simply focused on benefits of the merger and next steps, along with the message that members had the final say.

Follow up and monitoring – We monitored member reaction following the initial announcement. Frontline

staff engaged members on the topic. Heartland and P.A. made random calls to gather member feedback. We also encouraged board members to discuss the merger informally with members on coffee row and held more formal discussions with community leaders. We used a simple tool to track the nature of member comments and questions. All of this was used to tailor communication along the way.

Information meetings — We knew from experience that these sessions were key to merger success in smaller credit unions. They give members a chance to absorb information, ask questions and get comfortable with the idea. We wanted members to develop informed opinions, since uninformed members would be more likely to fear the unknown and have a negative mindset. They could also be more easily swayed by negative comments from others. Each credit union held at least one information meeting facilitated by the local president. The merger was a board-led initiative and elected board members had to play a key role in all communication.

We promoted the meetings in our branches, through paid advertising and media releases, on each credit union's web site and in Raymore's *Merger Update*. We supported the meetings with audiovisual presentations, speaking notes and handouts. We were required to hand out the legal merger agreement, but we used the presentation to put it all into clear language.

Vote meetings – As required by regulations, each credit union held one vote meeting. To attract as many informed members as possible and increase chances of a positive vote, we promoted the meetings with:

- A newsletter and web site content.
- Posters and tent cards encouraging members to ask questions.
- Paid advertising.
- Frontline staff and directors encouraging members to attend the meetings.
- On-hold messages encouraging members to attend the meetings.

We supported the meetings with PowerPoint presentations, speaking notes, member handouts and news releases customized for each credit union.

Informal communication – Staff and directors took every opportunity to actively engage members in conversation about the merger, particularly at the four smaller credit unions. We knew informal conversations would have more impact than any letter or presentation. Experience shows that if staff and directors are confident and positive about a proposed merger, members generally approve it.

Board members also attempted to speak personally with any openly negative members or those with serious concerns. We used these opportunities to reinforce key messages but encouraged directors to spend most of their time listening to uncover the real issues.

Raymore mail drop – Raymore was the smallest partner and had voted down two previous mergers. Only an hour from Regina, and even closer to some Conexus branches, they already shared some members with Conexus. Thus, members might not perceive the merger as a benefit. To counteract this, the branch worked with Kim Herperger to produce a series of two-page *Merger Updates* mailed to members in the weeks leading up to the vote. The updates dealt specifically with topics of concern to members in that community.

P.A. direct mail – P.A. felt it was important to inform their members quickly. A letter was sent to each member household encouraging them to attend the information and vote meetings.

Implementation and Challenges

Budget – The budget for merger communication was not large. We used existing tools where possible and couldn't spend much on design and aesthetics. This wasn't a huge disadvantage since members in smaller communities would be put off by anything they perceived as showy or extravagant. The budget was:

Consulting: CDN\$5,300

Advertising/Signage: CDN\$7,000

Meetings: CDN\$3,400

Timeframes – Time frames were very tight. It was important to attract and hold members' attention right

away to avoid the perception that the group was trying to sneak anything by members. This was particularly true for P.A., where members weren't expecting a merger. We held our planning session on 11 May and made our first formal announcement just one month later. For the merger to take place at year end, we had to hold information meetings in June and July, and vote meetings in August during the busy summer holiday and harvest season. Engaging an external communication consultant allowed us get up and running quickly, while we dealt with the many operational activities involved in planning the merger.

We would have liked more time to work through the process. However, regulations required us to hold each of the vote meetings no less than 21 and no more than 50 days of our initial announcement. Scheduling ten information and five vote meetings across the province within that time frame was no simple task. P.A. is over four hours' drive from Regina and even further from Moosomin.

Limitations & challenge – One of our biggest challenges was the balance between frustrating those waiting for more information and appearing to rush those who needed time to absorb the news before voting. Moosomin and Heartland members and staff had a significant amount of information and were “chomping at the bit” for more. Conexus and Raymore had shared their intentions with staff only. P.A. informed staff just prior to our public announcement. Since each partner was independent, we had no control over decisions about how and when staff was told. It was tricky to bring everyone to the same knowledge level in a short time frame.

Despite assurances that this wasn't a move to downsize, employees had many questions about where they'd fit within Conexus. They wanted details about things like jobs, compensation and culture. The time and effort required to prepare five credit unions for the merger and address the stringent regulatory requirements made it impossible to provide complete answers before the votes.

Heartland Credit Union announced its intention to close two branches mid-way through the process. The decision was unrelated to the merger, but could be perceived as a breach of the merger principles. The

announcement was made prior to the vote meeting. Special care was taken to ensure members understood that this was Heartland Credit Union's decision.

Measurement/Evaluation

We met our goals and objectives with one exception. Members at four of the credit unions voted overwhelmingly in favour of the merger. Only Raymore voted against the proposal. Comments at the meeting indicated that members had nothing against Conexus or the other partners, but were satisfied with their current credit union.

Objective	Results
Members of all five credit unions approve the merger (75 percent approval required)	<ul style="list-style-type: none"> • Votes ranged between 80.6 and 97 percent in favour of the merger in four locations. • Raymore credit union members voted 57.7 percent in favour, thus the merger could not go ahead.
The majority of employees feel comfortable about the process and are able to act as good ambassadors for the merger.	<ul style="list-style-type: none"> • Employees in all CUs played an active role in merger communication. • Staff submitted over 50 questions to our merger intranet site. The tone of the questions became more and more positive throughout the process.
The bulk of media coverage on the merger is positive and includes the group's key messages.	<ul style="list-style-type: none"> • All media coverage had a positive tone and conveyed at least three of our key messages.
The group will maintain or grow its collective assets through the process.	<ul style="list-style-type: none"> • Combined assets of the final partners pre-vote were CDN\$2.456 billion. On 31 December 2005, they were CDN\$2.847 billion. • Combined membership of the final partners pre-vote was at 118,291. On 31 December 2005, membership was at 118,805.
The satisfaction level of staff and members is maintained or improved throughout the process.	<ul style="list-style-type: none"> • Turnover rates for Conexus decreased slightly from 7.21 percent in 2004 to 6.63 percent in 2005.