

Title of Entry: PSEG Merger-Related Internal Communications

Entrant: PSEG Communications **Organization:** PSEG
Division: Communication Management **Category:** Issues management & crisis communications
Time Period: December 2004 - Feb. 2006

Brief Description: In December 2004, PSEG and Exelon Corporation announced their intention to merge. PSEG Communications developed a 12-plus-month internal communication campaign to educate, motivate and inform employees in support of this corporate transformation.

Need/Opportunity

PSEG delivers gas and electric service to areas of New Jersey in which about 70 percent of the state's population resides. Ranked 127 on *Fortune* 500 list, PSEG has paid a dividend annually since 1907. A successful company with a proud heritage, PSEG had just celebrated its 100-year anniversary. Throughout the utility industry, PSEG is widely recognized for its outstanding safety and reliability record and is highly regarded for its commitment to the community and environment.

Exelon Corp. was formed in 2000 when Chicago-based Unicom merged with Philadelphia-based PECO Energy Company. When the merger with PSEG is complete, the resulting company will be the largest electric and gas utility in the United States.

PSEG Communications realized that, during the merger process, employees would have a heightened need for information. Specifically, the company needed to:

- explain reasons for the merger and generate support for it;
- communicate changes in benefits, severance, staffing and organizational structure;
- explain the regulatory approval process and progress;
- encourage employees to stay focused on their jobs and, specifically, on maintaining reliability and safety; and
- explain the impact of merger-related changes on employees' jobs and future.

Intended Audience(s)

Primary: PSEG employees, both union and non-union (10,500), located at more than 80 facilities in three states
Secondary: PSEG retired employees (7,000)

Goals and Objectives

PSEG Communications' primary goal was to keep our employees informed about the merger process and progress. By doing so, we hoped to show employees that the company recognized the importance of treating them with dignity and respect during a trying time. We also sought to maintain productivity and build a foundation of loyalty to the new company while fighting negativity and rumors. Considering that many employees feared losing their jobs, we established what we considered aggressive goals, determining that at least two-thirds of employees should:

- understand business reasons for the merger,
- gain an understanding of Exelon,
- agree that the company demonstrated a desire to treat them with respect and fairness, and
- feel informed about the merger process and progress.

We felt that if we accomplished these goals, employees would be more open to supporting the new company once their positions had been secured.

Solution Overview

Communications Research -- Before developing a communication strategy and plan, PSEG Communications researched communication best practices during mergers and acquisitions. This included a literature review that revealed the critical role of communications in ensuring a smooth transition. It also revealed that inadequate communication was a frequent employee complaint following mergers. We learned that companies that rated their communications strategy during corporate transformation as "very effective" were also the most likely to report successful corporate performance one year after the change. We knew that our merger would require at least a year to receive federal and state approvals, making the role of communication even more critical. Our research showed

the importance of: developing clear and consistent messages for dissemination throughout both organizations to facilitate the process of two companies becoming one; employing a portfolio of media vehicles (newsletters, bulletins, e-mail, video broadcast, executive meetings, voicemail, etc.) instead of relying on top-down communications; and customizing communications within this overall framework to address needs specific to PSEG and its various lines of business and divisions.

In collaboration with key PSEG executives, human resources, PSEG integration and transition teams, and Exelon communications staff, we created a PSEG merger communication plan. Updated periodically, the plan included a six-week rolling internal calendar, a coordinated calendar, and an HR message calendar. In addition, separate rollout plans were developed for each business unit and around specific decisions -- for example, the new severance plan. We used existing communication vehicles as appropriate and created new merger-focused ones as needed. The PSEG Internal Communication Council increased its meeting frequency to weekly to coordinate merger- and non-merger-related messages being sent to employees.

Challenges, Implementation and Budget

Challenges

Extended time frame -- Utility mergers require regulatory approval and, thus, progress much more slowly than most corporate mergers, prolonging the period of uncertainty and allowing ample time for negative opinions to coalesce, questions to surface, worries to compound, and rumors to circulate.

Funding -- Since the merger was announced in Dec. 2004 after our budgeting for 2005 was completed, we had no additional budget for merger communication activities.

Employee attitudes -- PSEG employees generally did not welcome the merger when it was first announced for several reasons. First, PSEG had just celebrated its long heritage as a successful utility. Second, PSEG employees tend to be older (average age is 44), have rather long tenure (16 years of service, on average), and are thus potentially less familiar with and receptive to workplace change. Early in the process, employees learned that the PSEG workforce would be reduced by 10 percent, resulting in 1,000 fewer positions. Finally, while called a merger for tax reasons, the merger was more like an acquisition, with almost all senior management coming from Exelon.

Staffing -- Since most positions in the PSEG communications department were slated for elimination, our staff began shrinking as our duties increased. Yet, we had to continue with all routine communication functions, as well as the additional merger communications activities.

Implementation

To accomplish our goals and overcome these challenges, we developed a plan to: communicate news on a timely basis, utilize a variety of new and previously-existing tools to reach employees at all levels and locations, and create both general and targeted messages.

Tool/Vehicle (* samples included)	How	Why/Results
Internal Communications Plan*	Created in collaboration with PSEG and Exelon leaders	Established communication messages and strategies driven by underlying integration objectives, defined objectives and outcomes, and noted key milestones.
Six Week Look Ahead Plan*	Driven by overall plan	Provided a more detailed work plan, including due dates, messages, audience and vehicles.
2005 Communication Strategy/ Merger and Transition/each business unit*	Developed in conjunction with leaders of each business unit	Followed overall communication plan, but outlined specific challenges, objectives, key messages and deliverables for each business unit.
<i>Each of these communication tools or vehicles was developed to carry merger information.</i>		
Merger Communications Best Practices Research	Surveyed literature on communications strategies and tactics for integration	Asked: "How is this work done well?" and "What can we learn from others?" Obtained valuable guiding principles.
<i>Eye on Integration</i> , weekly and as-needed e-mail letter*	Developed jointly and sent simultaneously to	Allowed for timely, detailed information from the merger integration team. Topics ranged from staffing

	28,000 PSEG and Exelon employees; posted for those without computers; archived to merger website	changes, executive appointments and organization performance to a timeline of activities, regulatory review decisions and more. Rated by employees as a top source of merger information. Nearly 30 produced during an eight-month period. This publication was regularly read by 86 percent of survey respondents.
<i>Merger Q & A</i> ,* as-needed e-mail newsletter	Sent 29 issues to all PSEG employees	Responded to employee questions; short, direct answers created credibility by addressing questions employees thought we wouldn't address. Regularly read by 96 percent of respondents.
Lunch-n-Learn lunch-time presentations*	Three complimentary luncheons for employees who preregistered	Pairs of executives from PSEG and Exelon jointly discussed merger issues. Some were so popular that we had to add additional sessions.
Health and Wellness Seminars	Informal presentations for pre-registered employees	Coordinated with human resources, speakers provided information on personal coping skills, such as dealing with change and stress.
"Frank Talk" and "59 Minutes with Bob" employee meetings*	Executives meet with respective line-of-business employees	Held at power generating stations and corporate headquarters. Gave employees direct access to senior management and opportunity ask questions directly.
Fridays with Ferland, breakfast meetings with the chairman *	Personal visits to 15 PSEG locations	Explained merger and line-of-business-specific issues; answered employee questions. Rated "good" or "outstanding" by 89 percent of respondents.
"A Word From ..."*	Line-of-business-specific e-mails from division heads to respective employees	Allowed targeted information addressing specific concerns of employees, as well as broader issues.
Live, interactive audio/webcasts featuring Exelon and PSEG chairmen	Broadcast via satellite download at Newark headquarters and via Internet to 28 other PSEG locations; archived on merger website	Introduced Exelon CEO John Rowe to PSEG employees and exposed employees at both companies to both executives. 80 percent of e-mail survey respondents said it gave them a better feel for John Rowe. 65 percent of e-mail survey respondents rated the broadcast as "somewhat" or "very helpful." More than 1,000 individuals logged on to the archive replay.
Merger website*	Merger communication site of InfoCentral, PSEG Intranet	Convenient, accessible, timely source of information for employees at all locations, as well as field employees. Archives allow access to all communications to date.
Piggyback on existing events such as Utility Health & Safety Call weekly teleconference	Staff discusses business issues and shares merger news	Calls provide efficient, personal, timely mechanism for sharing merger news with employees who work in the field (meter readers, service techs, etc.). Meetings allowed an informal, two-way exchange.
<i>Piggy-backed merger messages on the previously-existing newsletters.</i>		
<i>PSEG Outlook</i> , monthly employee newspaper* <ul style="list-style-type: none"> • "Eye on Exelon" column (new) • "How I See It" column (recast) • Features • "We've Got Mail" • "Notable Quotes" 	Distributed on-site to 13,000 PSEG employees at 50 facilities throughout New Jersey and the world; and direct mailed to 7,000 retirees	"Eye on Exelon" -- Familiarized employees with important aspects of Exelon's culture, organization, business model and shared core values. "How I See It" -- Provided a forum for senior executives to speak directly to employees, address concerns, report on merger progress, and encourage support for merger. Features -- News stories such as nuclear services agreement shared timely news about merger progress. "We've Got Mail" -- Forum in which to answer employee questions.

<i>Outlook Online</i> , daily on-line newsletter*	E-mailed to each PSEG employee	Added Exelon-related features and news items
<i>Workforce 2020</i> , an occasional two-page human resources supplement to <i>PSEG Outlook</i> *	Inserted into <i>PSEG Outlook</i>	Allowed HR to address merger-related personal concerns raised by employees in Employee Feedback Councils and other venues. Offered strategies and highlighted corporate resources for career planning, stress management, and coping with change.
<i>Severance Plan Communications (Example of an HR Rollout)</i>		
HR Severance Communication Plan*	Created jointly with Exelon	A carefully-sequenced rollout prepared managers in advance of general announcement to employees.
Separation Plan Announcement*	Sent to all employees via <i>HR Online</i> newsletter	Provided key information about severance benefits. Included fact sheet and Q&A.
Scope of Plan*	E-mailed to all employees	Easy-to-read chart comparing old and new severance plans
Separation Benefits Overview*	E-mailed to all employees	Expanded description of benefits
Separation Benefits Q&A*	E-mailed to all employees	Anticipated common employee questions about severance plan
“HR on the Road,” Q&A* employee meetings	HR leadership visited 10 business units	Discussed staffing and selection process for new organization; answered HR questions.

Budget -- By using on-line and existing communication vehicles, we were able to spend less than \$10,000 of unbudgeted incremental funds. Those expenses consisted mainly of our interactive broadcast (\$5,500) and food for Lunch-n-Learn events. Virtually all expenditures were offset by reductions in labor costs due to attrition of communications staff, reallocation of funds and other reductions achieved by eliminating activities no longer needed due to merger.

Measurement/Evaluation of Outcomes

Measurement

We used a variety of tools (electronic, interpersonal and paper-based) to obtain both structured and open-ended feedback, which we used to measure our progress and adapt our activities as needed throughout the year. For example, early feedback from executives revealed a perception that there was not enough communication with employees. In response, we developed and produced monthly comprehensive Merger Communications Reports and the comments stopped. (Sample attached.)

Response Mechanism	How	Why/Results
Merger Communications Feedback Councils (Four councils, one from each business unit)	Trained facilitators regularly conducted focus group sessions. Probed for information sources, tested merger communication vehicles via Show and Tell, conducted gap analysis, and identified rumors and key concerns.	To provide a consistent approach for measurement. Published results in monthly synopsis Merger Communications Report. In addition to findings, reports included recommendations for responding to key themes that emerged.
Employee surveys*	Zoomerang e-mail surveys contained ranked plus open-ended questions regarding communication vehicles, messages and gaps.	To gain feedback on various events and communication vehicles. Employees reported that <i>PSEG Outlook</i> improved their knowledge of Exelon (82 percent) and helped them better understand the merger reasons (78 percent).
Senior executive survey	E-mailed to senior executives	Senior PSEG leaders rated overall merger communications as “good” to “excellent.”

Feedback Council survey	E-mailed to 33 senior business leaders	97 percent rated overall merger communications as “good” to “excellent.”
Meeting participant evaluations	Paper survey of Fridays with Ferland meetings	90 percent of respondents felt communication results were straightforward and easy-to-understand.
Merger Communications Report*	Monthly summary of all merger-related communications	To inform senior management about merger-related communications and serve as resource for merger communication team.

Evaluation

We were extremely gratified that survey results repeatedly showed that we not merely achieved, but far exceeded our goals. Both interim surveys (see excerpts from our Merger Communications Report) and a final year-end survey clearly demonstrated that employees felt adequately informed throughout the process. At the time of this writing (Jan. 2006) the merger date has slipped to mid-February and may slide even further. The protracted nature of this merger only heightens the value of our strong, proactive communications program.

Year-End Survey of All PSEG Employees at All Locations		
Objective	Target	Actual
Understand business reasons for the merger	66%	87%
Gain an understanding of Exelon	66%	77%
Agree that the company demonstrated a desire to treat them with respect and fairness	66%	85%
Feel informed about the merger process and progress	66%	80%