

Positioned for Growth: BAE Systems' Reorganization and Acquisition of United Defense
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Brief Description - This is BAE Systems' communication strategy and plan that provided proactive and coordinated communications activities for its successful announcement and execution of the reorganization of BAE Systems' and the acquisition and integration of United Defense Industries.

Need/Opportunity

As BAE Systems prepared for the acquisition and integration of United Defense Industries and the concurrent reorganization of its legacy business units, the corporate communications department developed an integrated communication strategy and plan. The aim of the plan was to provide comprehensive information to all employees regarding the specifics of the acquisition and reorganization and anticipated effects on its business units. Since the reorganization would be largely visible to both internal and external audiences, the communication plan ensured employees were briefed prior to any public announcements, allayed any unwarranted apprehensions and responded to questions. Messages also focused on the need to maintain program performance, attain goals and achieve the annual business plan, and also linked the acquisition and reorganization to the corporate strategy of "Growing the business in the United States" and achieving 15 percent annual growth through acquisition.

Intended Audience(s)

The primary audience was the employees: 35,000 existing from legacy businesses, 8,000 new employees added as a result of the acquisition, and 5,000 being folded into the organization from

affiliated businesses in the U.K. and Sweden. Prior research showed that employees wanted information presented face-to-face by a leader within their business unit in an environment which encouraged open dialogue and a two-way exchange. A previous employee opinion survey highlighted the need to be more effective in fully explaining the reasons when changes were being made. And the experience from previous smaller acquisitions emphasized the need to brand new businesses from “Day One.” All of these experiences and best practices were taken into consideration during the planning phase. The secondary audiences included shareholders, business partners, customers, and the financial and defense industry media.

Goals and Objectives

Goal: Position BAE Systems for unsurpassed growth through proactive, meaningful, two-way communication with employees to ensure their understanding and support of company’s reorganization and acquisition.

Objectives:

- Develop briefing and cascade materials for business unit presidents regarding the reorganization and acquisition used to conduct face-to-face briefings with all business unit employees to ensure consistency of message.
- Attain maximum understanding, support and high level of awareness from the employee population by conducting face-face briefings by local leadership, and ensuring employees received information before public release.
- Proactively communicate changes to pre-empt employee hearsay, rumors and other distractions that could lead to turnover and could detract from performance.

- Integrate all new employees from United Defense Industries, provide information about BAE Systems, and respond to questions through “Day One” events.
- Heighten the importance of meeting commitments and superior program performance, the achievement of goals and the business plan, and link the acquisition and reorganization to the corporate strategy of growing 15 percent through acquisition.

Solution Overview

Reorganization communications activities were executed in three distinct phases: (See Section A)

- Phase 1 (Pre-Announcement) included those activities conducted prior to the announcement of the reorganization and the closing of the United Defense acquisition, and were limited to only those individuals who would play key roles in the new organization.
- Phase 2 (Announcement) activities encompassed the announcement of the reorganization and focused on building awareness and acceptance across the full range of both internal and external stakeholders.
- Phase 3 (Post-Announcement) encompassed communications activities designed to help build the organization and culture necessary for the new organization to succeed.

Phase 1: Pre-Announcement

- **Audience:** Audiences during this phase were (1) key management personnel who played a role in planning and executing the reorganization, (2) general

management who controlled rumours and set conditions for success with their employees, and (3) personnel specifically affected by the changes. (There were no external audiences for the pre-announcement phase.)

- **Strategy:** During the pre-announcement phase, our strategy focused on highly targeted communications with the senior management population and specific individuals who would play key roles in the new organization, while strictly controlling information flow to prevent information leaks, rumours and misunderstandings.
- **Tactics:** Corporate Communications completed the planning process and prepared and developed the employee communications campaign and deliverables for upper management to present to employees on the designated launch date.

Phase 2: Announcement

- **Audience:** Audiences during this phase span all company internal and external stakeholders, although employees and managers were the priority.
- **Strategy:** Communications to managers and employees were conducted primarily through a management cascade beginning with a briefing by the CEO to senior management approximately three business days prior to the general launch announcement. The intent was for this group of briefed senior managers to communicate

the reorganization to all employees across the company simultaneously through all-hands cascade meetings.

- **Tactics:**
 - Senior management cascade briefings: A group of senior managers gathered approximately three business days prior to announcement day to be briefed by the CEO. The CEO delivered the initial cascade briefing, reviewed the materials, and answered questions to ensure all senior managers were fully aware of their role and familiar with the information they were expected to deliver to employees. Managers were provided a standard set of briefing materials. A key driver for success is that employees were briefed in an interactive format providing the opportunity for questions and answers. (See Section B)
 - On the day of the announcement, these senior managers were provided a company announcement from the CEO for them to send to their employees. This announcement announced the reorganization and invited employees to local all-hands briefings conducted later that day. Managers made arrangements to contact employees at remote sites to ensure they were briefed, as well. (See Section C.1)
 - Briefing materials, organization charts, questions and answers, etc. were posted to company Intranets at the end of the announcement day, and employees received the Special Reorganization Edition of the internal employee newsletter “Connections” in conjunction with their personal briefings. (See Sections C & H)

Phase 3: Post-Announcement and Ongoing Communications.

- **Audience:** Audiences during this phase span all company internal and external stakeholders, with priority on internal and external stakeholders.

- **Strategy:** Business leaders were supported by Marketing Communications and Media Relations activities to reach a wide audience of employees, customers and government representatives primarily focused on explaining the new organization and its capabilities and maintaining business continuity. The key tasks were to ensure employees have the information and tools necessary for the company to function in its new structure. (See Section D)
- **Tactics:** The key tasks listed below were conducted to ensure employees had the information and tools necessary for the company to function in its new structure.
 - **“Day One” Celebrations:** These events were largely internally focused celebrations designed to mark the transition and generate positive goodwill among employees of the acquired business. The events focused on all-hands employee meetings and provided opportunities for signage unveiling, facility tours, and meetings with legislative/government representatives, community leaders and local news media. Day One activities were planned at all acquired facilities. Due to the large number of sites involved in this acquisition, Day One events stretched across two weeks and all were attended by senior leadership. (See Section E)
 - **Surveys for Feedback:** As a follow up to the employee briefings, surveys were distributed to attendees as well as to those who conducted the briefing to measure effectiveness in communicating the reorganization proactively, interactively, and succinctly. (See Section F)
 - **Introduction to New Organizational Operating Principles:** This internal document, along with a supporting presentation, was created and distributed to all

managers to improve the clarity of the newly established relationships formed as a result of the recent events. (See Section G)

Implementation and Challenges

The entire communications plan was developed, materials created and implementation coordinated by the existing corporate communications staff of five at BAE Systems headquarters. This core group was supported by only four other individuals in the field. Because of the non-disclosure and regulatory requirements surrounding the acquisition of United Defense and the desire to control the flow of information regarding the reorganization, it was critical to contain the information until the appropriate time. Therefore, this small group of individuals worked in secrecy on this massive undertaking, anticipating the communication needs for all phases of the project, and preparing for implementation of the plan as soon as the acquisition was approved. The trigger for both the reorganization implementation and the integration of the new acquisition was an external government approval, so the staff had to plan and be ready at a moment's notice. (See Section E). The deal was closed on Friday, June 24th, and the reorganization took effect the following Monday 27 June, when the two-week tour for the "Day One" activities began.

Due to the nature of the project, the small team worked without a budget, preparing as much of the materials as it could in advance and in large quantities. The majority of the corporate expense incurred was associated with the physical branding of the former United Defense sites, including signage, shirts, hard hats, patches, lanyards and web site updates. The physical "Day One" branding implementation was especially challenging due to the volume of items required and the quick turnaround involved.

Measurement/Evaluation

There were two critical outcomes following the implementation of the communications plan. The first pertained to how effectively the communication activities informed and educated the employees about the acquisition and reorganization in a proactive, interactive and timely manner.

There were two surveys conducted immediately after the employee cascade briefings. The results were extremely positive.

The first survey directed towards the attendees of the briefings concluded that:

- 79 percent of employees were personally briefed by a leader within their organization and understood the reasons for the reorganization and the changes.
- 79 percent of employees who attended a briefing said the presenter took the time to answer questions and concerns openly and honestly.

The results of the second survey directed toward the business unit president who were the actual presenters of the briefings concluded:

- 100 percent of the presenters felt the briefing was effective in explaining the reasons for the reorganization and the changes taking place.
- 100 percent of the presenters felt they were well prepared by the presentation materials to conduct follow-on meetings with employees.

The second goal required that communication activities linked the acquisition and reorganization to the corporate strategy of “Growing the business in the United States” and achieving a 15 percent annual growth through acquisition, and made it clear that the company needed to

maintain program performance, attain goals and achieve the annual business plan, regardless of the changes. In 2005, BAE Systems Inc. achieved all financial and performance objectives that had been set at the beginning of the year. Additionally, there was no change in employee turnover patterns.

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