INTEGRATION STRATEGIES FOR BUYERS: THE HUMAN IMPACT

r.a.cohen
consulting

Integration Strategies for Buyers: The Human Impact

A Basic Overview

Over the past several years, some buyers have acquired many excellent companies only to see their investment stumble and fail. This can often be traced to the buyer's inexperience with acquisitions and the inadequate provision of appropriate resources to bring the new firm on line with the buyer's core business.

Sometimes the larger vision from the corporate suite is reinterpreted on the branch level where activities are often geared to this month's profit and the staff's personal bonuses. We are essentially a people business and if we treated our customers with the same level of indifference, our businesses would surely fail. It is the human aspects that determine success or failure in most acquisitions and a solid clearly communicated integration plan can make all the difference in the results received.

The Symptoms

- Unclear levels of authority
- Weak communication links between corporate and the new firms' staff
- Unclear transition timelines
- No well-communicated plan to integrate
- Indecisiveness
- Frustrated employees
- Loss of key staff and founders

- Sales flatten or decline
- Margins decrease
- Confusing directives come down from corporate
- More staff quit as panic ensues

And now a major investment has to be made to get the floundering ship back on track toward profitable growth once again.

Acquiring Companies are smarter today

Many lessons have been learned by the failures of acquiring firms' efforts over the latter part of the 1990's. Very few acquirors today come in with a big broom and a "we know best" attitude. The errors of the past are still recent enough to be instructive to newer thinking acquirors.

In many earlier staffing industry acquisitions, bigger companies would usually buy smaller companies for their expertise, local presence and contacts, creative methods of doing business and the innovative new service offerings they were bringing to the marketplace. Unfortunately, often in the past in a short time frame, the buyer inadvertently would damage or destroy much of the goodwill it acquired. Buyers erasing the seller's identity and imposing their culture without understanding the human impact most often would accomplish this undesired result.

Often when some acquirers are larger to begin with; they may perceive that they have greater corporate intelligence about support systems, advertising, marketing, infrastructure and the overall methodology of delivering their service. They may been right, if viewed objectively. However, it can be very costly for the buyer to impose their “corporate system” prematurely, arbitrarily, or faster than the plan can be clearly communicated to the sales and service staff on the front lines. At times, the culture and processes of a tightly focused small company may even be superior or complimentary to those of the larger firm. The savvy acquirors finds out before making changes-what the impact of those changes may be on the staff that is needed to execute with new tools they don’t fully understand or know how to apply.

Small companies have a lot to offer larger companies. It can be especially risky to impose changes before understanding all the elements that made the acquired company successful and attractive to the buyer in the first place. Even if a buyer merely wants to access the seller’s stream of earnings, why put earnings at risk, before assessing the human impact.

Acquired companies and their key staff are usually proud and somewhat proprietary about the way they do business. For years they probably have been selling their clients on the very fact that they are small, local, flexible and always available, unlike the multi-national giants who have now just acquired this small creative, innovative firm and seem bound and determined to change everything immediately.

Most mergers and acquisitions are won and lost in the immediate post-merger period. Careful planning prior to acquisition and disciplined execution of this plan clearly communicated to the effected personnel in advance can make all the difference between success and disaster.

Some Suggestions to Consider

Start with creating your integration strategy, determine and assemble your integration team, get their buy-in and be sure field management is on the same page as senior management.

Part of your planning should center on the human impact of these changes. Undoubtedly this will upset the buyer's bean counters that can clearly demonstrate the efficiency and savings of their "system". Undoubtedly, they can, but being right at the wrong time doesn't improve results.

Your first concern may be to communicate what you are going to change, when and how you'll do it and whose job is at risk. If you don't deal with this up front, you may lose your best staff, before you get going. No one you would want to keep will be happy waiting for the other shoe to drop on his or her future. They'll take quick action and pursue other opportunities.

You may want to begin your integration plan by taking a headache away. A good start could be removing certain administrative activities such as payroll, billing, credit, collections and the creation of financial statements and government filings and reports.

This could be followed by integrating your corporate support resources, such as advertising, human resources, marketing, and database access and other systems and support offered to your new field operators. Often at this stage, the acquired firm's employees can also be involved in the buyer's benefit programs. The last stage is often the largest step, and many buyers never get there, because they are too busy putting out the fires created by their earlier actions.

The ideal final stage could be where shared cross-selling opportunities are identified and action plans are executed to integrate the buyer's customers with all the service offerings of the acquired, and vice-versa. This combination of marketing capability and distribution channels can provide significant economic growth for the entire enterprise. Handled properly two and two can synergistically equal five or more. Poorly handled, a buyer is lucky to make two and two equal three with their new acquisition.

It is important to get newly acquired staff on side as soon as possible. If there are redundancies, deal with them quickly. Lame ducks and fearful staff rarely make productive employees. Plan your integration in a way that makes sense for the people affected in the acquired company. Your corporate staff may be getting some more work to process, but their world has not been turned upside down.

Many Specialty staffing and solutions firms want to ensure they retain the key staff members of the seller. After all, future success is dependent on the buyer's ability to put this intellectual capital to work on their customer's behalf.

Successful integrators focus on value creation, not cloning the acquired and showing them how they fit within their cookie cutter.

The first ninety days are critical to the level of future success. Always balance the need to think things through thoroughly against the urgency to move full steam ahead, quickly. It is often wiser to take the 80% solutions that can be implemented completely, rather than wait for perfect solutions.

It is relatively easy and painless to reduce redundant costs and create revenue synergies. The real challenge is to manage the anxiety of the acquired group and foster a new, better team with great opportunities and success for all parties.

Try to populate your integration team with top performers; don't rely solely on back office types. This helps liberate the combined organization. Ingrained ideas and rigid adherence to the "tried and true" is the first step toward "corporate stagnation". Be open to new ideas or different ways to approach an old familiar issue. Your window to capitalize on the new is very short.

Focus on excellence, many pay lip service to incorporating "best practices" but never get around to it.
Successful integrations look at the best people, the best ideas and work at implementing them. Successful integrators also know that good people need a high degree of

operational autonomy.   Create a business plan together and then get out of the way and let them succeed.

Many buyers talk of infusing more entrepreneurial spirit in their managers, then they sustain practices that destroy that spirit and chase good people. Successful integrators listen to the seller's key people and act on their best suggestions.

Integrating newly acquired firms does not have to be like pulling teeth. Use caution, wisdom, sensitivity and a well-communicated plan. These are the key ingredients to make your integration recipe a smashing success. Remember that integration is the key to successful acquisition. Don't rush the process; it will take less time to do it right from the outset.

Sam Sacco and Brian Kennedy operate R.A. Cohen Consulting, a trusted M&A Advisory service that caters exclusively to the staffing industry. Since 1991, we have advised on hundreds of successful transactions.

Call us at 910.769.4057 or 416.229.6462 respectively.

CONTACT

Sam Sacco
R.A. Cohen Consulting

6241 Chalfont Circle
Wilmington, NC 28405

910.769.4057 voice
910.262.5326 cell
910.782.2777 fax

sam@racohenconsulting.com

Brian Kennedy CPC
R.A. Cohen Consulting

8 Pine Avenue North
Mississauga, Ontario L5H 2P8

416.229.6462 voice
416.222.0177 fax

brian@racohenconsulting.com

www.racohenconsulting.com

r.a.cohen consulting