M&A INTEGRATION DURING VOLATILE FINANCIAL MARKETS

The right **strategies** to achieve **synergies**

oak street funding

a complimentary whitepaper

Preparing for an acquisition

In this volatile financial market, it might be the right time to acquire another firm. However, before you begin searches, conference calls, due diligence, negotiations, spreadsheets, and contracts, there are some important factors to keep in mind as you prepare for this exciting and challenging journey. While the art and drama of making the acquisition will become fodder for cocktail war stories when the deal is done, the real work will begin with the integration of the now single business. Integration is the most critical part of an acquisition strategy, yet it is often short changed because so much energy is expended on the acquisition itself. This whitepaper will walk you through the areas to consider as you begin preparing and planning for an acquisition during this unsettled time period.

In most M&A deals, achieving positive results and ROI depends heavily on creating synergy between the two companies. The degree of synergy needed depends on why the acquirer makes the purchase — for financial or strategic reasons. Experienced acquirers are savvier as they've learned from their earlier deals. They know the importance of integration. Here are some of the practical integration steps acquirers throughout the Investment advisory industry can take to help ensure post-acquisition success while navigating the current financial markets.

Pick the right integration approach

Of all the possible approaches, the wrong approach is underestimating the effort and planning needed to execute the integration plan. Know that the process is almost always going to take a lot longer than you anticipate. Integration needs management, mental energy, and stamina.

There are several integration approaches ranging from the soft to heavy handed. To blend two strong leadership teams into one cohesive business, a soft approach is often the right approach. Don't knock anyone down the organizational chart right away. For transactions involving large-scale objectives, a more deliberate, operational integration process may be appropriate. Many times both the soft and the deliberate approaches are needed.

Some of the most successful acquisitions are ones in which the acquirers favored collaboration by putting together teams with representatives from different departments to help determine the best integration approach. They realized groups could develop a better, more comprehensive plan versus only having one or two people involved.

Don't forget the "little" details

It may seem unlikely, but after developing a high-level plan to address key elements of an integration, the "little" things are often overlooked.

Many times, co-branding and/or rebranding should start immediately as it sets the direction for the integrated company's identity and its new value proposition for employees and customers. Details are key to properly announce the acquisition and communicate enthusiasm about the deal. Make sure the following are in place on the first day the acquisition is announced.

Employees need a phone script so everyone answers calls the same way and has answers to commonly asked questions. There's nothing more unprofessional than inconsistent and lackluster responses to inquiries. Also, be sure employees at all levels know how to communicate leadership and employee status post-closing.

Communicate and follow-up with key customers and stakeholders together

The acquisition news should be jointly communicated to key customers, partners, and other stakeholders prior to the transaction to be sure all relationships will stay in place. Communication, however, shouldn't stop there.

- After two weeks, call key accounts again to provide reassurance of stability, discuss any major changes, progress with the integration, and answer any questions
- Call your stakeholders with a similar update and include status of key employees and accounts. This will reassure the markets of the buyer's progress and stability while also providing the opportunity to answer questions.

Communicate with employees

Your business is driven by human capital. As such, the human components of acquisitions are typically the most complex and essential to achieving the acquisition goals.

- Be transparent early in the process. With closed door meetings and outside visitors coming and going, there's bound to be gossip and assumptions. You should discuss with all employees key target metrics at a high level, thus setting the stage for changes.
- Consider holding a meeting prior to closing the deal announcing the pending transaction. Share expectations for the due diligence process and the time line to inform and empower employees. Hold meetings with employees to discuss plans for the firm and growth opportunities.
- Be prepared to discuss the basics, such as changes in vacation policy, 401k match, part time workers, office moves, parking, telecommuting and/or flex time policies. Realize this is extremely personal to the employees. Change creates anxiety about day-to-day policies. Employees at all levels appreciate practical information. Try to introduce a positive change, like reimbursement for education or some benefit or holiday they are not currently receiving. Even if you only provide something small like access to free snacks or fresh fruit, the gesture will be valued.
- If you don't have answers to some questions, it's okay to say that no decisions have been made. Uncertainty is better than bluffing. Employees can handle an interim assessment period communicated with honesty far better than a false assurance that there will be no changes and everyone will keep their job.
- Assign your managers the task of soliciting feedback within 30 days via one-on-one sessions with their direct reports. This shows employees their manager is "in" and part of the organization's future rather than a lame duck. If you sense some management resistance to the transaction, this gives them an opportunity to get on board.

Also consider having a leader from the transition team meet with each individual employee for 15 – 30 minutes to solicit their ideas, talk about the future vision of the integrated business and discuss opportunities that might become available.

Be visible

People are loyal to people, not companies, so it's important to make sure new employees view the acquiring leaders as people who can earn their loyalty. Acquirers must remember to relate to employees on a human level. Thus, it's important for the integration leaders to be accessible and visible among employees. Avoid closing too many doors and booking constant conference calls. Be accessible and manage by walking around.

Clients value connecting to new employees. Make sure they don't "disappear" for at least the first two weeks after the deal which can often mean postponing business trips, vacations and other out-of-office activities.

Let the employees blend the two cultures

In addition to an all-hands event to introduce people from both companies or implementing some type of structured program, one-to-one relationships often are the most effective way to blend two cultures. The more employees talk and share, the more the cultures come together.

It's **important** to determine what **metrics** you'll use to **gauge** integration **progress** and then regularly look at actual **results** compared to established goals.

Consider creating a buddy system - acquired-to-acquirer, peer-to-peer at all levels for all functions based on similar roles in the companies. This gives each new employee a "go-to" person for questions about processes, procedures, culture and more. Task employees from the acquirer to be responsible for developing a connection with their assigned peers.

Measure results

It's important to determine what metrics you'll use to gauge integration progress and then regularly look at actual results compared to established goals.

- Metrics that illustrate the acquisition synergy are most compelling. Incentivize cross-selling opportunities that are won from existing customers as an example of a daily victories that demonstrate the integration is working. This will be evident as more cross-sell opportunities are won as a result of the acquisition. Account retention and employee retention metrics are also critical.
- Publicly share results and acknowledge those employees who are helping to make the integration a success.

Continue refining, especially in a volatile market

Even when deploying the right strategies in an integration, it will take constant refinements to achieve beneficial synergies and the financial results you were seeking. Once you pick an approach for integration, remember communication and visibility at all levels of the organization are key to success in any acquisition scenario. Work with employees from both firms to build a blended culture. Reach out to your clients to create an understanding about your now larger firm. Connect with your stakeholders to develop an understanding and comfort level with the changes that will be occurring in this exciting time for your firm's transition. Remember, it's during volatile markets that acquisition opportunities can be made, and when the right integration strategies are needed.

A final word

Another important factor in the success of any acquisition is how you choose to finance the deal. Look to a lender that will allow you to leverage the power of your firm's cash flow. It's a solution many other Investment advisory firm owners have used to finance strategies for growth and competitiveness. The growth opportunities available to investment advisory owners through smart, sound and strategic acquisitions are limitless. Access to affordable capital is the key to taking advantage of those acquisition opportunities, especially during these volatile financial markets you need a financial partner that is stable and well capitalized so you can stay focused on maximizing the impact of the two integrated firms.

About Oak Street Funding

Since 2003, financial services professionals have benefited from hundreds of millions of dollars in loans from Oak Street Funding, a direct, non-SBA lender that understands their business model and appreciates their most valuable assets – even though they are intangible. Our strong financing expertise, innovative technology, proprietary actuarial models and experienced niche-lending team align to develop new products to meet the growing demand for Investment advisory financing. Visit www.oakstreetfunding.com to learn more.