Three keys for success in integrations

Transcript

SPEAKERS:

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WADE KRUSE: Hello. I'm Wade Kruse, National Managing Partner of Advisory Services at Grant Thornton. I'd like to welcome you to another [session] in our Growth Series. The session today is talking about integrations and carveouts. And with me I have two of my colleagues from the Strategy and Transactions Practice here at Grant Thornton, Scott McGurl and Sonny Origitano. Welcome, gentlemen.

SCOTT MCGURL: Thanks for having us.

WADE KRUSE: Absolutely. Thanks for being here. So let's talk a little bit about integration. When I think about that, what do you think are the top three issues when you think about a successful integration.? Clients who do it right, when it works, what are the keys to success there? Maybe boil it down to the top three.

SCOTT MCGURL: I'll give you the top three and then we can decompose each one of them if you'd like to. Number one is adequate planning. There are a lot of land mines that can hit with an integration. And looking holistically across functions, across culture, employee base and getting that common vision together of how this integrated organization is going to operate is key. And so doing all the required planning that you have pre-day one and then what it's going to be like after day one is absolutely essential.

The second piece is around accountability. Often times you do all the diligence up front and you have a book, you've got the data, you understand what the numbers should be, but then there's a handoff. And who's going to pick up from that handoff and actually be responsible for delivering results? And so establishing accountability and monitoring and managing the outcomes is essential and often overlooked.

WADE KRUSE: IT being a big piece of it, tech obviously, it's a big chunk of your life, Sonny, leading that for the firm. What do you see? Is there any angle there from an IT standpoint that's a little different?

SONNY ORIGITANO: One of the areas Scott mentioned is, when you start thinking about the planning side and you go through an integration there's a very large one-time cost. Many of our clients don't recognize that one-time cost and don't plan for it appropriately. So as they go through diligence they should start to identify, how much is this going to take? And then as they get into the integration planning they should be tracking those numbers. Those are critical to the success of the integration, not only understanding the cost but also making it happen and executing against it.

SCOTT MCGURL: Keep in mind as well that the employees at your enterprises, they have day jobs. And doing an effective integration is not a nighttime activity. There need to be dedicated resources, time allocated, and again, accountability for delivering results. But don't expect that your team within your organization can deliver all the steps of an integration on their own and maintain current operations and performance against what your objectives are.

WADE KRUSE: OK, well then I can imagine the answer to this question, but I'll ask it anyway. From where I sit and my experience with my clients is that most of them don't focus on the integration and frankly just don't do it. They may say, "We're just going to let that sit. We're going to let that run on its own." That sort of thing. It all sounds nice, but tell me your views on that. Why is that the case, and is it a good thing?

SCOTT MCGURL: It goes back to, why did I do the deal? What's the purpose of the integration? What am I going to get after the fact? Am I just looking at a deal where it's adding a product to a portfolio or a geographic expansion opportunity? Or is there some synergistic value that you're looking for by the combination of the entities that you have in mind? And that's going to really determine to what extent you integrate that organization.

A lot of organizations don't do it because, hey, this thing was a productive business. That's why I wanted to acquire it. I love the term, "Do no harm." And we want to do no harm to that organization. Well often times there's a lot of things from an operating structure standpoint that can drive efficiencies to the overall business itself, the combination of the businesses. But moreover, more important than those operating synergies, how do you take the products, services, capabilities of one entity and bring that across the entire channel of the ecosystem of the acquiring organization?

And how do you get that right? That's important. It's difficult. But that's the value that you need to unlock in an integration to be able to get the commercial growth and the continued curve.

WADE KRUSE: So it's hard. It's not done because it's hard.

SCOTT MCGURL: It's hard. It takes work. It takes effort, accountability, discipline, getting a really good look at the numbers and understanding what are the decisions that you're making along the way and how do they impact outcomes, top line and bottom line across the ecosystem?

SONNY ORIGITANO: If I can add to that, one of the really important components is people, because that's who's going to drive all of these opportunities, synergies, and you've got to get the cultural aspect right. You've got to get people on board and have them understanding and appreciating, what is the goal and the vision. If you don't do that well, you're going to fail.

SCOTT MCGURL: Right People kill deals. I mean, the bottom line, people kill deals. And getting that up front right, understanding which talent you need to identify, how are you going to retain them over time, how are you going to incent them, if you have a commercial organization that six months after the fact walks out of the business, what are you going to do? It's interesting. From just attrition rate, organic hires these days last about two and a half years at an organization. Inorganic through acquisition, it's about one and a half years, and I've seen studies that are actually less than a year of average tenure after you've been acquired by an organization. That's not a lasting model.