SCHAFFER CASE STUDY

Integrating a Game-changing Acquisition

HUGE OPPORTUNITY WITH MYRIAD CHALLENGES

This was going to be one of the most challenging integrations they had ever undertaken.

The company, a premier provider of specialized claims and risk management solutions, had made dozens of acquisitions over several years. Many were of moderate size, a few were fairly large; one nearly doubled the size of the company in both revenues and employees. They learned a lot and developed an effective "integration machine."

This new deal, however, was challenging on a variety of fronts. The CEO of the acquired company did not want the deal done in the first place – he would have preferred if the private equity owners let him buy the company himself. And the cultures of the organizations were vastly different. The acquirer was a mature organization that had, over time, implemented systems and processes required to run a growing company. The target organization was "lean and mean" with far fewer people, structures, and processes. Lastly, the combined set of services offered by the two companies was in some cases complementary, in others redundant, and in yet others in conflict.

Still, leadership believed "the juice was worth the squeeze." The combined company would be a major player in the fast-growing managed care space.

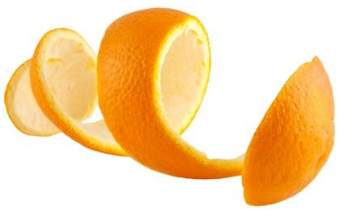
During the early stages of the deal it became clear that there would be two key streams of work:

1. Integrating corporate functions and certain elements of the lines of business to drive cost and revenue synergies
2. Developing a new go-to-market strategy that leveraged the combined services and scale of the new company

The CEO of the acquiring company called Schaffer Consulting to help them carry out the work. He was looking for process support and expertise on both work streams, as well as counseling and hands-on assistance in managing the tricky interpersonal and inter-organizational dynamics.

MAKING SYNERGY CAPTURE EFFORTS CAPTURE ATTENTION

The first work stream seemed straightforward. After all, it entailed the normal blocking and tackling of post-merger integration. The CEO appointed a steering committee and an integration manager, who put together a robust integration structure and process that included cross-company integration sub-teams for each important area, simple templates for team charters, synergy capture timelines, and work plans, and a cadence for having all these sub-teams report progress to the steering committee.



But the process didn't take. After a few months and lots of meetings and activities, synergy capture was anemic. "The targets are unrealistic," several sub-team members explained. "We're trying to come up with ways to find money, but expectations are too high." When word of this leaked to the CEO (naturally, no one would tell him to his face), he took the next report out meeting to confirm his expectations: "Synergy targets will not be refined down. End of story. I know they are achievable, and I know you all are smart and creative enough to deliver." He bulleted out a few of his top-of-mind ideas. He reconfirmed a single steering committee sponsor for each sub-team to guide and enable them. He challenged them to blow up many assumptions they had, and offered some examples. And he emphasized the importance of leveraging the integration process and Schaffer support that was available.

This was the push the team needed. Once it was clear they were on the hook with no reprieve, they took on a different mindset – a shift from, "We'll try but we don't think it's possible" to "We'll figure out what it takes". They got sharper on analyzing data to identify compelling opportunities and developed creative ideas to capitalize on them – for instance, by doing "road show" presentations to front-line employees to educate them and understand behavioral obstacles to shift in order to capture dollars. They ended up exceeding those "unrealistic" original synergy targets.

CLIENT-GENERATED STRATEGY BUILDS OWNERSHIP AND BUY-IN

The second work stream, strategy development, would also turn out to be challenging. Part of the reason was that neither organization had a formal strategy organization or a strategy development process. Each had grown through spontaneous organic efforts and opportunistic acquisitions. Everyone agreed that a more formal strategy was needed to fully capitalize on the combined strengths of the organization.

Schaffer introduced a simply strategy development process aimed at answering a few key questions:

1. What is our winning aspiration?
2. Where will we play?
3. How will we win?
4. What capabilities do we need?
5. What management systems are required?

We then collaborated with a small, cross-organization group of managers who knew the organizations' services and talent and had deep awareness of marketplace trends and competitive dynamics. Through a series of work sessions – with inter-session research, analysis, and discussion – the strategy team generated answers to these questions, and tested them with senior leadership as they went. It was an iterative process that led to the most concrete and compelling strategy the organization had ever developed.

INTEGRATION SUCCESS AND POISED FOR GROWTH

The integration delivered over $4 MM in EBITDA contribution synergies, an annualized run rate of $7.3 MM – 115% of the original target. All corporate functions were integrated less than six months post close. The company developed a clear, compelling go-forward strategy and organizational structure, with buy in from key stakeholders at the senior executive level through several layers down. And the team developed a few strategic priorities, translated them into concrete Objectives and Key Results (OKRs), and created accountable business leaders to drive them.

They accomplished all of this with no major customer losses and while each legacy organization achieved their individual top line growth and revenue targets for the year.

The CEO commented, "There is no way this effort would have been so successful without Schaffer. They brought a robust method and kept us laser focused on the outcomes we agreed to target, coaching us along the way."