PFINGSTEN

A Post-Closing Plan

What to expect in the first six months after an acquisition

Private equity firms buy businesses to improve shareholder value. The best way to create shareholder value is to build a better business during the course of your ownership, one that is bigger, more profitable, more competitive and run by a capable, professional management team.

The first six months following an acquisition are critical to laying the groundwork for these business improvements. To ensure success, the typical post-closing transition plan should include specific activities in the areas of communication, planning, organizational alignment and tools for execution.

COMMUNICATION (DAYS 1 THROUGH 15)

At the point of closing, communication to employees, customers and vendors is essential to minimize anxiety and potential disruptions to the business. The content of the communication should be tailored for each stakeholder and include topics such as ownership transition, customer focus, growth and a team-based management style. Shortly after closing, establish long term communication programs for shareholders, employees, customers and vendors, using input from managers and the employees themselves.

PLANNING (DAYS 15 THROUGH 90)

Clear strategic and tactical plans are essential for building a better business. One way to set the strategy is to hold a two day offsite meeting with senior management and middle managers.

Share due diligence findings, historical financial data, operational performance financial data, operational performance data and industry benchmarks. Armed with this data, new ownership and managers can work together to identify strategic goals and a tactical plan to address growth opportunities, customer satisfaction, human resources, infrastructure, operational improvements and financial management.

After this initial planning meeting, the team can produce a financial plan that supports the strategic goals and tactical plan. Then execution begins.

ORGANIZATIONAL ALIGNMENT (DAYS 90 THROUGH 120)

Cultural and economic alignment between ownership and management is essential for building a better business. Open communication (employee surveys, newsletters, employee meetings, events, planning sessions and management meetings) and a team-based management style that empowers employees and promotes cross-functional cooperation accelerate the cultural alignment, particularly at companies that previously had centralized decision-making and an autocratic management style.

Economic alignment is achieved during this period through the creation of incentive-based compensation programs and offerings to purchase or earn equity in the new company.

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TOOLS FOR EXECUTION (DAYS 120 THROUGH 180)

• Visual Metrics: After plans are completed and execution begins, establish visual metrics to measure progress versus goals or other benchmarks. Display these performance metrics in common areas of each facility to serve as both a measurement and a communication tool for employees, customers and vendors.

• Training: During the planning process, have managers identify key change agents in the organization. Provide these managers or employees offsite training in continuous improvement concepts, problem solving, communication, meeting management and conflict resolution.

These change agents can then return to their business units to establish a continuous improvement team to tackle a pre-selected business problem or opportunity aligned with the business plan.

The first six months following an acquisition is a critical period. A properly executed transition plan that provides open communication, strategic and tactical planning, organizational alignment and tools to enhance execution will accelerate the process of building a better business and shareholder value.