

CASE STUDY: A COST-EFFECTIVE APPROACH TO INTEGRATION MANAGEMENT OFFICES FOR SMALLER TRANSACTIONS



The client was able to accomplish its separation and integration goals—integrating all of the core back-office functions within 60 days of close and achieving the key post-close product and go-to-market objectives laid out in the 90-day plan.

Challenge

While a strategic merger can be a simple solution to increase a company's revenue and broaden its capabilities, the integration process is often complicated. Some companies find great success and growth post-merger while others fail to meet expectations. Industry experts estimate that between 70 and 80 per cent of all M&A integration projects fall short of delivering anticipated value, which is why many companies turn to an advisory firm to help ensure a smooth transition, especially for bigger investments when stakes are high. However, for smaller-sized acquisitions, often referred to as add-ons or tuck-ins, how can outsourcing integration management be made economically feasible to maintain transaction value?

This was the dilemma facing a private equity-owned platform company about to close on a smaller-sized deal, under \$10 million in revenue, in the health care delivery space. The company was a leading SaaS—software as a service—provider of human capital solutions to the long-term care market, catering to the workforce needs of senior care providers at assisted living facilities, home health agencies and the like. Its cloud-based, intuitive software and technology services designed to manage the employee experience were limited to post-hire needs, such as scheduling, engagement and training. By merging with the target company—a niche SaaS applicant tracking and background check provider focused on emergency medical services—the spectrum of offerings would broaden to encompass the pre-employment experience, including candidate sourcing, screening and hiring.

The acquisition would deepen the value of the company's comprehensive offerings to its existing clients, thereby strengthening its leadership position in the marketplace, and extensive due diligence confirmed the target was an excellent

match. Still, a successful merger was dependent upon an effective integration, and while the acquirer's executive team had prior M&A experience, it was unfamiliar territory to most of the organization, as this was its first acquisition. Despite it being a smaller sized deal, the business requirements were rather complex due to the widespread impact across all functional areas of the organization, including sales, marketing, product management, engineering, finance, IT, human resources and customer success.

The executive team had two choices: take on the burden of executing internally or bring in a trusted third party to help. Because of RSM's relationship with the PE portfolio, and its deep M&A experience in the middle market, the firm was given the opportunity to propose a solution for separation and integration management that would justify the investment.

Strategy and solution

RSM understood that the acquiring company, aka the client, needed to keep costs down. To save on resources, the firm identified a manager on the M&A separation and integration advisory team who possessed industry knowledge and relevant cross-functional experience. This person was chosen to lead the engagement with the support of the firm's vast resources.

His first challenge was to help close the transaction. The client had been in negotiations with the target company for over 12 months, but the close date kept getting pushed out because of delays in the target's planned upgrade of their code base from an end-of-service life library to a supported library. RSM managed the pre-close process to get the deal over the finish line before turning the focus toward integrating the businesses and SaaS products.

The client's investment thesis involved quickly and seamlessly adopting the target's technology platform and customer base, and then developing a go-to-market strategy for cross-selling the comprehensive solution to existing and new clients. Knowing how critical the first 100 days are to creating momentum and lasting value, RSM collaborated with the client's integration team—comprised of department heads from each area of the business—to align on an integration road map outlining short- and long-term milestones. RSM essentially served as the

integration management office to coach the department heads, empowering them with valuable hands-on experience in M&A management so they could confidently move forward even after the engagement with the firm ended.

"After an acquisition, the first three months are pivotal in setting the pace of transformation and establishing KPIs. With proactive planning, a measurable impact can be seen much faster," said Andrew Ely, principal, technology and management consulting at RSM. "By using minimal resources we saved the client money, and through knowledge sharing, we empowered the department heads to build their own M&A template for larger-scale integrations in the future."

Transformation

In collaboration with RSM, the client was able to accomplish its separation and integration goals in planned phases. Together, they integrated all of the core back-office functions within 60 days of close and hit the key post-close product and go-to-market objectives laid out in the executive team's 90-day plan. There was fulfillment of the investment thesis and multifaceted goals involving technology platform integration, customer cross sales and total addressable market capture. Additionally, RSM advised the client in forging a cutting-edge SaaS background check partnership, which further increased the level of service provided to its long-term care customers.

By engaging RSM early in the process to conduct detailed discovery and identify risk, the project got off to a solid start. The decision to leverage internal staff with oversight from RSM helped ensure efficient program management so the integration ran smoothly and finished on time. Through knowledge sharing, RSM was able to guide key team members throughout the process to accomplish all planned synergies, milestones and goals.

The working knowledge gained by the integration team helped the client develop its M&A muscle as it prepares for future transactions as part of its growth strategy. Most important, this successful merger has led to the innovation of an industry-leading, end-to-end workforce management solution for thousands of long-term care customers to employ and engage top talent in delivering high-quality senior care.

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