How WM Synergy Provides Value and Guidance during the Merger & Acquisition of a Manufacturing company

Q&A with Michael Canty, Executive Vice President at WM Synergy, as he discusses how Synergy provides value and guidance during the Merger & Acquisition of a manufacturing company and details Synergy's structured approach to onboarding new companies and improving existing companies.

Q: What's the first thing that investors should consider when planning for a Merger & Acquisition of a manufacturing company?

Michael: How to quickly stabilize, standardize and realize early value. Most Mergers & Acquisitions do not realize early value because of poor post-deal integration planning and execution. Said differently, the careful execution and speed in which post-merger integration is carried out will ultimately determine how quickly you can realize value.

Q: What should investors consider early on to help mitigate risk and realize value sooner?

Michael: A common mistake seen in the post-merger integration is related to the lack of strategic planning early on in a deal's life cycle. Simply put, the integration phase requires strategic thinking even before the deal is executed so the integration team can move quickly once the deal is closed.

Q: What should be considered during the strategic pre-deal planning?

Michael: First, it is important to realize that regardless of the size of the deal, post-merger integration is complex simply because it happens in parallel with the normal core activities of the business. This is compounded by the fact that the seller has likely worked to keep direct and indirect labor costs very low during the "selling" phase. This immediately leads to bandwidth and capacity issues during the integration process.

Second, change management must be considered as an essential part of the integration process. In the early stages of integration, it is best to over communication as it will help to establish trust early on and gain the support of the newly acquired staff. That will allow the integration team to consistently focus on the deal's strategic objectives rather than mitigating conflict.

Q: What can the investor do to overcome these sometimes-overlooked risks?

Michael: This is where reaching out to a trusted business improvement partner like WM Synergy has become a natural response for many North American businesses. Synergy's 20-plus years of experience in the small to mid-sized manufacturing industry provides a level of hands on support and guidance that allow investors to realize early value by gaining additional capacity to help the acquired company reach their full potential.

> ***"We offer a structured approach to onboarding new manufacturing companies and improving existing companies"***

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Q: How does Synergy help investors eliminate roadblocks, realize early value and achieve their full potential?

Michael: Our first focus is on process synchronization and stability. Difficulties with synchronizing business processes will slow down the new manufacturing businesses overall operations and could lead to late deliveries, lower quality and lost profits. This must be avoided at all cost.

Q: What other areas of focus do you see as critical in achieving stability?

Michael: Data! Companies need to eliminate the guessing early on. This is a critical element in limiting risk. Said differently, the investment company will remain at risk until the merging business has establish stable processes and accurate comparable data. For this reason, integrated businesses need to work toward a common business platform to execute processes, measure performance and enable data driven decision making.

Swift action is necessary when enabling the success and realizing early value. Having systems in place, process defined and real time visibility to data enables strategic problem solving and provides the integration teams with the necessary tools to succeed.

Q: What do you mean by a common platform and why is that a critical focus?

Michael: Many companies use outdated or inefficient technology with limited connectivity. This slows progress when it comes to the post-deal integration phase. If there is a lack of synchronization in the newly formed company, the value of a deal decreases and can lead to post-close failure.

Q: Why do investors and small to mid-sized manufacturing companies select Synergy over the hundreds of Business Improvement firms and ERP providers in North America?

Michael: We believe that Synergy is an easy selection for investors and manufacturers alike. First of all, Synergy is unique in today's industry in that we provide a wide range of products and services which is uncommon in today's Business Improvement Market. Instead of hiring a Business Improvement firm and an ERP implementation firm, Synergy provides one stop shopping for both.

Our software products and software agnostic service offerings include three different ERP systems that allow us to offer our customers a practical solution that fits their business needs. Synergy also provides multiple CRM (Customer Relationship Management), QMS (Quality Management Systems) and business analysis and reporting tools.

Along with these offerings, Synergy has worked hard to establish "Best of Breed" Partnerships with industry leaders in order to deliver complimentary products and services to meet the needs of the small to mid-size manufacturing companies.

When it comes to service, our wide range of services is unmatched in today's market. Synergy offers Quality focused services, Strategic Business Services and Lean / Continuous Improvement programs and mentoring. Collectively, with our Product Development team, Technical Services and Software Application teams Synergy provides the widest range of services offered to the manufacturing industry.

And we've been serving the manufacturing industry for more than 20 years!

Q: What else should investors know more about their acquisition and Synergy?

Michael: Usually, companies that acquire a portfolio of multiple businesses are continuously looking out for other investment opportunities. The first six to ten months is the most challenging time period following a Merger and Acquisition. There's a certain amount that is learned about an organization through due diligence and then there's the reality of the organization once it's been acquired.

Investment firms have got to get a deeper understanding of the acquired organization's functions as quickly as possible. And it's critical to begin the work that's necessary for attaining return on investment immediately. That's where Synergy can play a big role.

Synergy provides our customers with a structured approach to onboarding new companies and improving existing companies. As mentioned above, when WM Synergy works with a company we first work to stabilize and then standardize their business processes and performance reporting. We do this because our customers want to make apples-to-apples comparisons when analyzing their various business units. And this will help the investment company establish a standard method to more easily onboard future acquisitions.

Q: How often does WM Synergy do this kind of work?

Michael: It's a regular part of our business. Over the years we have worked with dozens of companies that were involved in mergers and acquisitions. We are proud of the expertise our staff has exhibited and the value they have provided to the organizations we have worked with.

> ***"Manufacturers accelerate their time to value with help from WM Synergy "***

Q: Can you talk about when WM Synergy engages during the acquisition process?

Michael: On several occasions we have worked with investment companies during the assessment phase, but WM Synergy usually engages around the midpoint of the acquisition phase or after the acquisition has been finalized. It's a confidential process.

When a time frame for the acquisition becomes better known, the investor will ask WM Synergy for advice. What should they prepare for? How can the business be brought in line with the other businesses that are owned by the investor?

WM Synergy does what it can in advance so that we can go in and do an assessment as soon as the deal is done. We look at the kind of business and the business processes in place as well as the performance reporting tools. We then make recommendations on how to bring the acquisition in line with the other businesses that they own. Once we are all on the same page, we help to execute the plan.

Q: Do investors focus their investments on specific industries or do they venture across industries?

Michael: Investors do both. WM Synergy works with some investment firms who prefer to acquire complementary companies within specific industries. Then there are those that are strictly investment. They might own five to ten different types of manufacturing companies in different industries.

Q: How does WM Synergy accelerate investor's time to value from their acquisitions?

Michael: Typically, we're first looking to stabilize the business. Limiting risk while keeping a sustaining business flowing is very important in the early stages of integration. So, we work to understand the people who are running the business. During this phase we are looking to determine if it is a process driven or people-driven company? People-driven companies are at higher risk during the integration period. If you have someone in the company who understands critical process steps or is in possession of tribal knowledge about the company's operations risk is immediately interjected in to the business. And if that person leaves the Company, the risk becomes a reality.

WM Synergy can help manufacturers implement processes that lessen their dependence on the judgement of one or more people in order to minimize this risk.

Then we look to standardize operations and reporting across all locations to gain efficiencies and consistency. A business process cannot be improved until a standard exists from which benchmark data can be established.

And finally, we look to improve business processes to drive even greater efficiency and higher profits.Here we are looking for redundancies or gaps in the manufacturer's business processes that might cause errors or mistakes. We work with the investment company to act on our findings and improve performance.

Q: In your experience, what might be frequently overlooked by the investment-owned company?

Michael: The gap between the investor's due diligence and the acquired company's reality is usually not huge, but quite often inventory is an area that requires greater scrutiny. Inventory is a financial asset, but Synergy looks at inventory as a liability. Here's why.

You might know the value of inventory but you might not know when that inventory is going to be used. For example, let's say that inventory has been valued at $3 million. Depending upon how frequently the inventory is consumed by plant operations, it could be that, say, 10% is obsolete. That's a $300,000 problem!

Inventory is often a challenge for the investor because you can't really get the whole picture until you dig deeper into the manufacturer's operations. That's what WM Synergy does. We take a very close look at the inventory including Work in Process on the production floor.

Q: What else do investors look for?

Michael: Investors want to know how sustainable the business might be. Is it efficient? Is it scalable? At the end of the day, investors want to grow their investments. WM Synergy can look at entire operations and find innovative ways to help manufacturers scale their businesses.

Q: How long does the typical engagement take?

Michael: Depending on the size of the business, WM Synergy can usually complete the onsite assessment in two to four days. However, there's a fair amount of work we do after the assessment and before we review our findings with the investment company.

Q: What else should investor firms know about WM Synergy?

Michael: The people doing the assessments for WM Synergy have been in manufacturing a long time. We know what to look for, we execute with the speed needed and we stand behind our work.

Contact us to learn more about how we provide guidance during the Merger & Acquisition of Manufacturing companies.

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