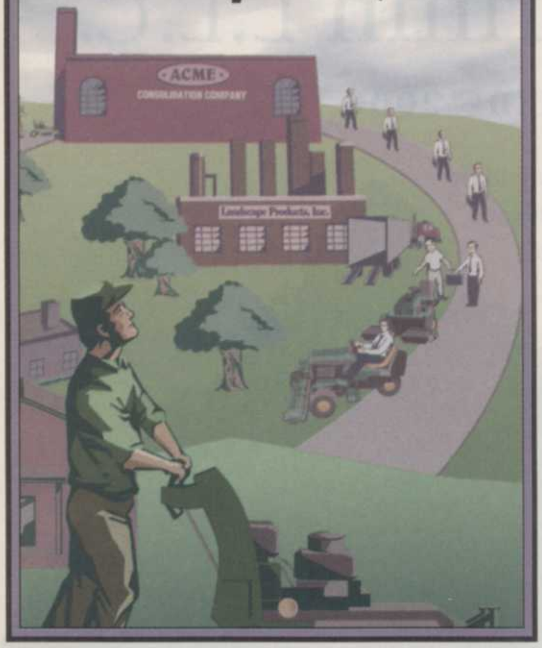
Making consolidation work for you ... part II



The race to integrate

Think consolidation is a done deal? Think again. This story is just starting

By SUSAN GIBSON/
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The industry's new consolidators have two major hurdles to overcome: successfully integrating individual companies while selling the new organization to big-ticket buyers.

That's easier said than done. As Mark Feldman and Michael Spratt noted in their book, *Five Frogs on a Log*, "Acquiring is easy. Owning is hard."

The right spin

Ask any new consolidator and you'll hear the same thing:

▶ "We chose this group because we have shared cultures, values, vision."

▶ "We make sure everyone participates in decision-making ... this is a true partnership."

▶ "Yes, I'm staying with the organization."

In the warm afterglow of a merger, the partners are naturally inclined to speak glowingly of the union and its opportunities. But the party line only goes so far until the organization actually delivers, and that's the $2-billion question: When will these consolidations function as they're promised? And how should you compete with them when they do?

Period of adjustment

The clock is ticking for consolidators. While they finalize deals, they may be losing customers or employees. They should eventually deliver on many of their promises of national service delivery and economies of scale, but the race to integrate will intensify. If you handle large accounts (residential or commercial), you may be up against some serious competition — as soon as they are able to pull it together.

Previously, companies like Environmental Industries Inc., Calabasas, CA; The Brickman Group, Langhorn, PA; The Davey Tree Expert Co., Kent, OH; and OneSource (formerly ISS Landscape Management Services), Tampa, FL, took their time acquiring and integrating landscape contracting firms.

"Integration basically is buying the contracts and the people of a firm," notes George Gaumer, Davey's national sales and operations manager, Commercial Services, explaining that Davey makes acquisitions at an intentionally slow pace. "We take integration seriously here. We introduce changes slowly and methodically, and I believe that in the last few acquisitions, we did not lose any people."

Profit's pressure cooker

In contrast, the new consolidators don't have the luxury of time. Their stockholders and other investors want a healthy return and quickly. That's why The Brickman Group is accelerating its acquisition pace, why OneSource is becoming more aggressive and why the pressure is on at TGCL's headquarters in Memphis, TN.

And integration gets infinitely more complicated as more parties become involved. Bill Murdy, president of TGCL's Landscape Division, explains, "It's difficult to integrate companies with the same elements and more difficult when you're integrating companies with different natures."

Each consolidator must align financial systems, generate a common culture, keep customers and employees satisfied and deliver a decent ROI, despite large distances and complicating logistics and different operating systems. This follows its own clock.

How will we know when a group is integrated? "When we deliver consistent quality," says Murdy.

Square peg in a round hole

What are the pitfalls these consolidations must avoid? Authors Feldman and Spratt say deal-killers include uncontrolled ego clashes; lengthy integration processes; and using "best practices" based on the past's solutions, not the future's.

One problem can be the conflict of egos that erupts as entrepreneurial types (square pegs) struggle to fit into the new corporate roles (round holes). One executive in the construction industry likened the process of consolidation to that of "trying to herd a group of tigers."

Ron Schmoyer, president of OneSource Landscape, says this transition can be difficult for someone used to calling the shots. "We have to be sensitive to the personalities that are involved. Some sellers may find it's like running into a brick wall because they're not making decisions like they did before."

TruGreen-ChemLawn's idea

Key players at TGCL and the former LandCare USA are hard at work on a number of integration projects, says Paul Anderegg, senior vice president of operations at TGCL. "We're building an infrastructure and at the same time, building a new information system," he says.

Murdy explains the process involves several steps: financial, consolidating insurance, project task forces, implementing best practices and establishing a national sales and marketing presence.

Anderegg expects it to happen soon: "With the new year (2000), we hope to have the name change, color, trucks, uniforms and standards complete."

It will be interesting for TGCL because commercial landscape maintenance is not like chemical lawn care or other route-based businesses. "While lawn care is more residentially driven, landscape has fewer customers and is more relationship-based," Anderegg says. "Unlike residential lawn care customers who may not desire a lot of in-

How you can compete with the big guys

OK, you're not TruGreen-ChemLawn, The Brickman Group or GrowScape, and you're asking yourself, How can we possibly compete with those big guys?

Answer: By learning from them.

Can you compete on the regional or national level, or is this market off-limits for now? The option to ally formally or informally with other similar independent firms is always open, but remember that this brings a new set of management complications. However, it could give you access to those large-scale contracts and raise your profile immensely.

If you go it on your own, consider these options:

LM'S STRATEGY CHECKPOINTS

Large company advantages	Your counterpoint
Large size = economies of scales	• Compete on points other than price • Seek opportunities to subcontract with larger firms (their business is booming and may need you)
Large size = capacity to handle very large job	• Look elsewhere; jobs that size are probably beyond your reach anyway • Tear off a piece as a subcontractor
Large firms stay abreast of stylistic/design trends	• You can, too. Make the effort, maybe you do already. • Make sure you actively communicate your design savvy to potential customers; the big guys do. Brag a little
Large firms have sophisticated information technology	• You can, too. Today's $2,000 computer will run all the financial/spreadsheet or database software you'll ever need. Another $1,000 will get you CAD (computer-aided design) capability, if you want it
Large firms grasp and use the contemporary management philosophy of partnership	• You can, too, and it may be easier for you than a big firm. You're small, personal, flexible, remember?
Large companies are smart enough to understand the value of staying local as much as possible	• Reverse the metaphor: get as "big and national" as you can by forming alliances/friendships with other landscapers (via professional organizations)
Large firms can offer consistency across geographically diverse locations	• Stop worrying. You're not going to get those jobs anyway. Do you really want to spread yourself all over the map?
Large firms can offer a professional look which large customers find attractive and consistent with their own corporate image.	• Again, you can too. Professionalism isn't a matter of size. Use uniforms, nicely painted trucks, etc. The green industry is about eye appeal, right?
Like attracts like: large customers hire large contractors	• Find your level. Who are you like in size? Sell to them

volvement with their provider, commercial customers want involvement, they are more knowledgeable about their landscapes and they expect constant communication."

He pointed out that about 15% to 20% of TruGreen-ChemLawn's lawn care business already is commercial work. "We're not alien to it at all," he notes. "We know this business is different and unique, and we're stressing relationship building."

Transitional shakeout

Forecasting some "turmoil for customers," Scott Brickman, president of The Brickman Group, explains, "Companies going through hypergrowth may find it's not possible to integrate. I know they're working hard and that's the focus, but I wonder: How do you make these changes and get them integrated? I see competitors who have been acquired and ask: Are they providing better service and are they better companies than they were before they were acquired? I'm not sure."

He continued, "I competed with Ruppert (Landscape) for years and I don't know if they're better competitors today without Craig Ruppert and Chris Davitt than they were a year ago. Customers will be looking where to go to get the best service, quality and value." □

Residential hot potato?

Will residential landscape maintenance be the next roll-up on the table? So far, it's been untapped by the consolidators. Why?

"There are no barriers to entry," notes David Minor, TGCL divisional vice president. "It's difficult enough to keep a competitive advantage with commercial services."

Clearly, money can be made quickly by consolidating commercial services, but look for future interest on the residential side, partly because the market is so huge.

TruGreen-ChemLawn, a firm with long experience servicing residential customers, is considering expanding into that segment, according to Paul Anderegg. He says the landscape division is looking at all segments of each of its markets. "We may aggressively go after municipalities, homeowner associations, commercial properties, industrial parks, corporate headquarters, even high-end residential," he notes. □