GROWTH THROUGH ACQUISITION

Finding the right business is more than just crunching numbers; it also involves blending cultures.

BY **CASEY PAYTON**

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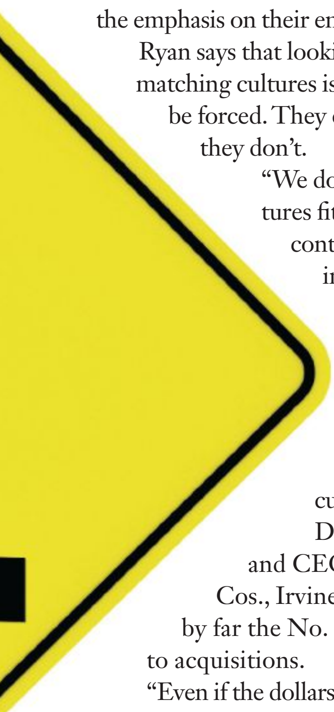
Growing your landscape business through acquisition can be one of the fastest and most cost-effective ways to expand. But it's certainly not a simple process. Finding the right companies to merge with — and blending two cultures — takes diligence and care. The experts say it's much more than a numbers game.

For Chris Senske, president of Senske Lawn & Tree Care in Kennewick, WA, acquisition has always been a key part of the company's growth. Senske typically makes one or two acquisitions per year.

"It's a fun process to work with an owner who has worked hard to build a business and for various reasons need to step away," he says.

Senske admits that the first conversation is more like a "counseling session" than a business transaction. It's the time to establish the company's wants, needs and expectations, to help work out a realistic evaluation.

"Lots of times after starting the conversation, the business owners feel they should not sell the business," says Senske. "But once parties agree to an acquisition, I have found that the agreement, due diligence and closing process can happen very quickly — in a matter of days, for most smaller transactions. The chess game of how to settle on a price is the fun part, but also the part that takes the most time."



THE SEARCH

In trying to successfully blend two companies, it's important to seek out those that are like-minded. This is not always a simple task. Larry Ryan, president, Ryan Lawn & Tree, Overland Park, KS, says that the strong value he places on his employees means seeking out a company that also highly values its own.

"It's really important to find a company that has the same attitude," he says. "We can't be selfish when it comes to mergers if we're being true to our mission. We have to think about our people and continue to make decisions that are best for them, too. That means finding companies that put the emphasis on their employees like we do."

Ryan says that looking for companies with matching cultures is not something that can be forced. They either share your values or they don't.

"We don't try to make two cultures fit if they don't match," he continues. "The statistics on incompatibility of mergers is really high. To put the odds more in our favor, we spend quite a bit of time looking at people and making sure their culture matches ours."

David DuBois, president and CEO of Mission Landscape Cos., Irvine, CA, says that culture is by far the No. 1 factor when it comes to acquisitions.

"Even if the dollars line up and the finances look right, if the cultures are wrong, it's going to fail," he warns. "You're better off to pass. Culture is such a huge thing. Making sure the similarities line up in terms of company culture and values is a priority — then move on to look at the numbers."

OVERCOMING OBSTACLES

DuBois also recommends staying with your core competency — and not getting involved with a merger that will pull you away from it. He speaks from experience: Through a merger, DuBois pulled away from his maintenance core to focus on a landscape architecture firm he acquired. He says that hurt him when development and renovations came to a halt. Today, he's returned to focusing more on his maintenance roots.

"I know everyone is looking to diversify more in this economy, but you have to be careful that it's not going to hurt the business that you built everything around," says DuBois. "To owners and managers, I'd say to look at the company and the services you already offer, and see what has helped you and what hasn't. If you're turning your time and attention away from the core to try to grow a different segment, you may find that's a mistake if your core business starts to suffer because of it."

Senske says it's important to realize that the acquisition process takes time — and sometimes it's not always time that pays off. In some cases, commercial contracts may not be transferable, and may become null and void following a merger.

"There are also a lot of details to consider, such as existing contracts, phone books, telephone numbers, cell contracts, and leases of real estate and vehicles, which need to be discussed and resolved," he adds. "You also need to be aware, or make sure your advisors are aware, of all the laws and taxes related to an acquisition. For smaller acquisitions, we have created — with the help of an attorney — a standard asset purchase agreement. It saves a lot of time if that part of the process doesn't have to be replicated each time a prospect knocks on the door."

While there's certainly a lot to plan for, Senske says that growth through acquisition can also be very successful.

"One of the nice parts about an acquisition is that you get a great boost in customer counts immediately, without the long slog of selling new customers one at a time," he says.

But in the end, Ryan says, the most important factor is being willing to accept when a potential merger won't fit.

"We expect a lot out of our employees," he says. "We have a 'No Smoking' culture and are tough about using bad language, so we want to blend with employees who have those same values. That's not always easy. We've learned that you can't force it, so there have been many instances where we've had to walk away.

"The trick is being willing to walk away from it without looking back," he concludes. "You have to protect your company culture and values above all else." LM

Payton is a freelance writer with six years of experience covering landscape-related topics.