



BEST PRACTICES

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Merger anxiety

The Brickman Group/ValleyCrest Landscape Cos. merger is on everyone's mind. Is this a game changer, I'm asked? Or, as in the past with LandCare USA and ServiceMaster, will it be a mess?

One thing is certain: What this represents as a potential industry pivot point has been a long time coming.

Since the high level of merger and acquisition (M&A) activity in the late '90s, the Green Industry has experienced gradual but fundamental changes. The last 15 years have seen a new type of leader and owner. Instead of "grown-up gardeners" (as ValleyCrest's late founder Burton Sperber called horticulturists who moved into management), the people running many landscape companies today entered the industry from various paths. Some come from business schools, management consulting firms and from other businesses.

Other segments related to ours, including our customers and vendors, are complex institutions with big picture world views. Being on Wall Street's radar is good for us and it will up our game.

The upside and downside

The outlook is positive if landscape CEOs are thinking of an exit strategy within the next three to five years. If you're a middle-market business owner, if you've spent years building your business and are at a crossroads or if you're raising capital, this move could have an upside.

It also will change the way the industry hires by reinvigorating, if not redefining, recruiting and staffing strategies. Companies will look at potential new hires from management disciplines and other areas of study (marketing, finance, urban development and environmental science), in addition to the traditional hort and ag route that always will be the foundation of our operational expertise. Plus, college career counselors will take landscape contracting seriously as a career.

On the downside, the merger limits the number of buyers for companies looking to sell. There no longer will be two big players competing for acquisition targets, which may hurt owners looking to exit soon.

It also creates an absence of horticultural knowledge at the top. Investment companies are running ValleyCrest and Brickman with a financial mindset that demands quarterly performance. Any lack of passion toward the work our companies do could be an opportunity for smaller companies with a longer-term view on plant health and environmental beauty. Clients care about service and quality and a customer-centric focus could be lost in the shuffle.

A new, larger national company pushes smaller companies to adjust the way they approach customer service, proposals, pricing and model their operational efficiencies to compete.

What you need to know

All landscape companies will need to expand their recruiting sources to include more candidates with business degrees along with hiring traditional candidates, who are in short supply anyway.

All landscape companies will have to consider some of the same metrics investment bankers watch. They'll need to make smarter purchases. Many contractors love equipment—sometimes the bigger the toy the better. Investment bankers look at the return on the investment of all capital.

All landscape companies that spend their marketing dollars in a knee-jerk manner will have to rethink their approach. Firms run by finance experts make strategic marketing investments aimed at driving profitability and sales. And they measure ROI.

All landscape companies will face increasing demands in all directions. A major shift from this merger will require companies to improve productivity, increase performance and understand where they're making their greatest profits. Some of the work companies like the least may be the most profitable, and some of the work they love the most might not be as profitable. Since service lines compete for capital to grow, moving forward, companies will have to invest in the most profitable segments.