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EBOOK

WHAT DO YOU MEAN **BY CULTURE?**

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Getting the cultural fit right.

A few minutes into a discussion with a potential buyer or seller concerning acquisition strategy, the term “culture” is used. The acquiring firm is seeking firms that align to their culture, the selling firm is trying to determine if they can live within their prospective new partner’s culture.

My observation over the years is that when various parties speak about culture there is often very little agreement of what is meant by the word. I think it is fair to say a universally accepted definition of the term does not exist. Regarding acquisitions, it often boils down to some version of “we want people just like us “. Unfortunately, as an acquirer, if this is the standard you will find it difficult to identify many firms who desire to partner with you.

When someone says, “we are looking for culturally aligned partners”, it’s a good idea to inquire, “how do you specifically define culture?” and more importantly “what are the criteria for determining if a potential partner meets this definition?” It is also very important to know how adamant one will be regarding total alignment to this set of criteria, because it is unlikely any potential partner is a perfect fit.

So, what is culture anyway?

Here are a few quotes I found of CEO’s describing their understanding of culture.



...” Company culture is embodied in the core mission, values, beliefs, and style of the founder and the management team. The culture is the intangible glue that holds all of the pieces of the company together in a cohesive package...” — Ilene Marcus, Founder & CEO of Aligned Workplace

“Company culture to me is the way we treat each other (employees and independent contractors), our clients, and our prospects. It is the very fabric of our emails, conversations, marketing materials, and interactions with the people we come in contact every single day of the year, not simply during business hours.” — Ben Walker, Founder & CEO of Transcription Outsourcing, LLC

*“A company’s culture is defined by the set of values and behaviors people embrace while working together. Culture dictates what actions are considered appropriate and offers a common way of thinking for employees. We all know that great corporate cultures inspire communication, calculated risk taking, and ownership of one’s work. We also know that toxic corporate cultures are defined by mistrust, fear, and a sense of exhaustion among employees.”
— Todd Horton, CEO & Co-Founder of KangoGift*

As you can see, the definition(s) of culture are often vague expressions i.e. “intangible glue” or a series of value statements using virtuous words such as” honesty, accountability, integrity, transparency, etc.” A primary challenge using this approach is that most people will happily articulate why they align to a value statement. It’s hard to not align with “honesty” for example. When culture is articulated in value statements, many people struggle to quantify if they fit within the description and thus it comes down to a decision driven by equally vague and emotional “gut feelings.”

It seems wiser and more practical to quantify a culture by turning the value(s) statements into well-defined list of points of alignment across a series of specific areas such as:

- Strategic vision of the firm
- Practice Management processes
- Your Client Experience
- Autonomy of the Advisors/ partners/ shareholders in your model

The more specific you can articulate your firm’s position on these and other areas the easier it will be for you and your potential partner to determine if you are ALIGNED. If you’re not aligned on specific points, they are easy to spot and you can discuss the misalignment openly and determine if you can live with it. Of course it would be icing on the cake if you loved one another, but it’s not necessary to have a good partnership.

Developing a cultural assessment tool consisting of statements that define life at your firm, in these terms, is a great starting point. The aim is to articulate your worldview so others can see, and quickly determine if this is a family they can see themselves joining. It is impractical to think you will see 100% alignment on your entire list, however approaching it this way makes it easier for the parties to ascertain what specific changes they will be asked to make, what the non-starters are, and which items they are willing to accept.

EXAMPLES:

Strategic Vision – Describe what you are trying to build or become. What markets do you wish to be in? Who are you trying to serve? What is your exit plan?

Client Value Proposition Statements – Describe how your firm delivers value. Why do clients hire you? What services will you offer? This will help them know if they agree with what you believe the primary role of an advisor is.

Practice Management – Describe what daily life is like in your client facing offices. Who does what and when? What are the roles and titles of the staff in your model? Are there any growth targets you expect from your partners? How do they communicate with the home office?

Autonomy Profile – What decisions are advisor/ partners joining your firm left with? Do they control any financial decisions? Do they control the client experience? Will they be forced to divest portfolio management? Will they make staffing decisions?

STRATEGIC VISION

- We want to be a National Firm with offices in x states across the country
- We are going to build a 100bn+ firm that adheres to the fiduciary standard
- We want to be the best Fee Only Financial Planning firm in the state of Florida
- We want to grow to 250mm in revenue then IPO within 10 years
- We want to build a partnership model that creates internal partner liquidity when they wish to retire

CLIENT VALUE PROPOSITION STATEMENT EXAMPLES

- We believe clients hire us to help the make decisions in all areas of their financial life, not just Investment Management
- We believe clients hire us to construct low risk custom portfolios tailored to their individual needs.
- We believe every client should have a financial plan
- We think most clients don't need a financial plan
- We think insurance is an important component of a comprehensive financial plan
- We wish to offer tax preparation as a service to our clients

PRACTICE MANAGEMENT EXAMPLES

- We don't believe rain making advisors should participate in client service meetings
- Every local office will have an operations manager, a lead client advisor, junior advisor, client services associate, and paraplanner.
- We think all partners should have a niche organic growth strategy they consistently execute
- We want all client meetings to have a lead advisor and relationship manager present
- Our lead advisors will manage up to X number of client relationships
- Every monday we conduct case preparation meetings, tue/wed/thurs are client meeting days, fridays are wrap up and prep for the next week.
- All financial plans will be created by a central team

AUTONOMY STATEMENT EXAMPLES

- We will have a single unified brand
- Local offices (and therefore the partners) will be allowed to maintain their own P&L
- Partners control their own calendars
- Each year HQ will set growth targets for each office and reward or penalize offices who attain or fall short
- Local staffing decisions will be made at the corporate level
- Partners will be permitted to invest client accounts per their own discretion
- We require all partners to utilize our internal IM platform/ models

In taking this objective, more quantifiable approach, you will find there are numerous firms who align with many of the items in your cultural assessment test when as individuals, they might not appear to have much in common with you. They may come from different backgrounds, political views, religious beliefs, etc. and have personalities that are quite different from your current team, and yet wind up making excellent business partners.