

Transcript

Kit Lisle: Welcome to Strategic Growth Council. A podcast about strategic growth and mergers and acquisitions for the middle market. I'm Kit Lisle, your host. And if you're interested in learning more about organic growth, growth by acquisition, or the sale of your company, the show will be interesting or useful for you. And if the guests today do a good job, it might be equally interesting and useful. I'm kidding, thanks to our sponsors. Acclaro Growth Partners, a strategy consulting firm serving middle-market M&A. Visit Acclaro Partners dot com. And our second sponsor, of course, is Strategic Growth Council, the Peer Advisory Council slash virtual roundtables slash mastermind group for senior executives and business owners contemplating acquisitions, sales, or strategic growth. Strategic Growth Council collaborates with participants in the M&A ecosystem, such as private equity groups, lenders, Ebanks, and service providers. Making M&A happen visit Strategic Growth Council dot com to learn more. All right, that was a long intro. Every episode I interview an expert or a handful of experts or a participant in the world of strategy growth or M&A. today I am joined by none other than our sponsors at Acclaro Growth Partners or three of them anyway. Josh Present, Beth Hattell, and Chris Longiaru Welcome.

Chris Longiaru: Thanks for having us, Kit.

Josh Present: Thank you.

Kit Lisle: Thanks for being here. I know you. You just had an engaging meeting and you're just coming from one meeting to the next. Sometimes it's hard to spice things up a bit, but I'm glad you're here. Glad you made it just in the nick of time. Let's have a minute's background on each of you, and we'll start with Chris Longiaru.

Chris Longiaru: So for those of you that have seen this before, you don't want to hear about me twice. But I ran the path of almost everybody that you've seen in M&A, from investment banking to private equity. And now I'm the COO here at Acclaro, so I'll do something a little more personal, which is when I'm not sitting at my desk, which is almost always I am glued to the TV watching the New York Rangers. And so I hope there are a lot of Ranger fans watching this.

Kit Lisle: They're not. No, I'm just kidding. Thanks, Chris, thanks for joining. Chris mentioned. For those of you who have seen him before or heard him before he was on a previous podcast in which we talked about what was sell-side or was it by

Chris Longiaru: sell-side and buy-side

Kit Lisle: OK and Josh are present. Welcome. Thanks for joining us.

Josh Present: It's good to be here. Thanks for having me. I'm a relative newbie to Acclaro, so I came here, because I was very interested in working with the smaller group of partners and ultimately helping to build out the risk practice. My background is primarily in corporate investigative due diligence. I work closely with private equity firms, hedge funds, IB, investment banks, and outside counsel over the years in the deal space across the spectrum, both side by side and sell-side and integration. So I am looking forward to talking to everybody today.

Kit Lisle: All right, thank you, Josh and Beth, whose last name I've been told rhymes with battle, Beth Hattell, welcome. Thank you for being here.

Beth Hattell: Thanks for having me. My name is Beth Hattell. I am a partner, also in Acclaro. My background is in market strategy, and distributed systems primarily navigating channels or routes to market because there are channels pretty much everywhere. I've worked as a consultant in the industry with companies of all sizes and various sectors. I know a lot of seemingly random things about industries that most people don't get stuck to. I believe, as my colleagues have heard me say, that the answers to the market and often business success is predicated on what you put in the market, then your service or your product or your market conditions.

Kit Lisle: All right. Well, as Chris mentioned a moment ago, he's been on the show before talking about the buy-side and the sell-side. And today we're going to be talking about something different. We're going to be talking about that vast middle ground of a whole period of a private equity group that we refer to as value creation. But first and Chris, I'll turn to you. Where does value creation fit into the grand scheme of services that a clearer offers? It did. I describe it well as sort of bookending it, and it's stuck in the middle.

Chris Longiaru: Yeah. So it is a significant portion of our business, but one of the smaller so, you know, Kit mentioned, you know, we talked about the sell-side when you're selling a business and buy-side when you're buying a business and intelligence associated with that. For us, that's the majority of what we do. But for a business owner, most of the time is spent owning it, right? And when you're owning it, what you're trying to do is you're trying to grow it. And there are a lot of different questions and studies and things to work on that are associated with that. So that portion of our business is probably about 20 to 25 percent.

Kit Lisle: OK. And the other two service areas are market or commercial due diligence and sell-side market studies. OK. All right. So, yeah, what does value creation mean? And I've been trying to think of a context for this myself, you know because when you're trying to increase the valuation of a portfolio company, a lot is going on, right? There are equal parts art and science. And I guess, you know, as I boil it down to the lowest common, like simplest level for me to wrap my head around, I think of Harold and Kumar or Cheech and Chong, right? So what if? What if their task is to grow a little pot seedling? You know, a little cannabis. They've got a private equity fund called Harold and Kumar Capital, and they're growing weed in some grow room and they've got a grow light and they've got like a drip of irrigation. And they figured out the right concoction of, you know, potassium and nitrogen and fertilizer and dirt and so forth. That's just plain science, right? It's really easy because all you have to do is get the proportions right. But if you turn that into a true business and you're needing to grow that business, there's a lot of other stuff going on, right? So maybe, my analogy was not so good, but my point is there's a lot of complexity. So what? What, what? What is value creation?

Chris Longiaru: Well, I think Beth is probably going to have the best answer to this, so I'll say something not as eloquently, and then I'll ask Beth to fix what I said. But you know, so in your example, you're talking about the creation of a product, but there's always a more efficient way to either create the product, distribute the product market, the product, there's going to be hurdles to overcome. There are going to be other competitors doing things in that market with the same products, right? There are going to be bigger entities and smaller entities competing in different ways in different regions. So understanding those and navigating those as best as possible right within a market is value creation. In back Josh, I don't know what I left out, but I'm sure that you do.

Beth Hattell: Yeah. Well, I guess I would say a couple of things. One is you talk about growth, which is always the goal, right? But I think sometimes you have to think about what makes profitable growth and profitable growth. And I started to say this is the beginning. It is sort of about what you do in the market and understanding and navigating what those things are is

critical for value creation because you can sell a lot of something and not necessarily have profitable growth. And I think the key step to making those plans and understanding their strategy and their tactics and the harmony of those two things is what goes on in the market, what's going on in the competitive space, what's going on internally that allows you to respond and understand the requirements out there and how things are changing. I mean, it's really where we have value if people are out there. Our clients are busy running the business, so they don't always have to figure out what's going on in the market and how to therefore use their strengths the best. Right. Because the right strategy for one entity is not necessarily the right strategy for another. And our ability to kind of pull those things together and make a plan that works best for them is, I guess, the short answer about where it adds value to what you're describing.

Kit Lisle: Yeah. So let's sort of summarize briefly and then maybe Josh, something to add this is a science, but it's also art. In other words, there's a lot of nuance and prioritization and sort of where do we focus on it? And then in addition to that, there's internal versus external, and my understanding is that you all would focus more, you know, lesson, you know, human capital or the manufacturing strategy, value strategies or operational issues or I.T. issues. And look more at the external. Chris, you talked about brand and competition and there are channels, et cetera, et cetera. So anything to add to what I just said, Josh, or would you disagree with anything I just said?

Josh Present: No, I think they both got it to spot on from different perspectives. If you'd asked me also, I probably have a completely, I wouldn't say different perspective or maybe a different view on how to create value. And I think for me, just kind of coming from my experience, it's I tend to view more looking at the inward as ultimately affecting the outward end around how people build trust and to think of some of just some of the organizations that we've worked with recently. They're very much not probably as focused inward as I would like to see when it comes to building trust in that which I think ultimately helps them build their value creation, build their multiples, and ultimately have a positive effect on how people outwardly look at them.

Kit Lisle: Very interesting. Very good, so what causes a client, you mentioned a client, what causes a client to come to you specifically for help? And I guess that's a two-part question. One is, you know, what are the drivers of them thinking, Oh, we need help here? And then secondly, how do you, how do you, how do you help? How do you differentiate?

Beth Hattell: We want to take that one.

Kit Lisle: Sure.

Beth Hattell: Clients typically reach out for a couple of really basic reasons bringing a new product or service to market entering a new market with a current product. Right. I've got this product and I don't know how it plays in this particular space. Sometimes they're struggling to achieve unexpected growth, especially in portfolios around the world. For example, it seems like the market is growing faster than AM. What's going on? Sometimes we need to just help our clients understand where they fit and where they're best suited to it. And that's where I was a little bit of a property group. The other piece of that is that it was really fun, and we're kind of a good mix because we'll risk the same answers in the market. I know the numbers don't lie. Crystal numbers, right? So we've got this combination of the inward and outward, as Josh was pointing out. But the numbers don't lie right. And I think that's really how we are best suited to help us look at things and try to have it all together in a meaningful story.

Kit Lisle: Yeah. What would you do? I'm just putting myself in the mind of a listener that might say, OK, I hear you, but I got that covered, right? I can do that myself. Why? Why might they outsource this role to you?

Chris Longiaru: Well, what, what, what? What you probably know is, is that running a business is or is not only a full-time job, it's two full-time jobs, right? So could they do this? Yeah, they could if they don't care to see anybody ever and sleep. Right? I mean, it's, you know, if you want to take the time to do this right, you're going to look at the perspectives of a lot of different people. You're going to look at numbers from a lot of different angles. Right. So you're going to look at what customers think and what they value, right? How they perceive you. Do you need to change that perception or not, how do competitors perceive what competitors are going to be focused on? And then you have to decide what portion of that could be addressed? And then the cost of addressing that and the likelihood of success in addressing that. And all those things take a tremendous amount of time and focus. And if you are running a company, your focus is going to be on the company where it's not going to be. You are not going to have enough time for the process that we do, that we develop and we use all the time right. It's just not going to be something efficient for you to do.

Josh Present: And I think that is one of the things that I think. I spent a lot of time working with people who were already in trouble and we're responding to events, and I think where we come in these days is a lot of good businesses as they're trying to grow. And I think the most successful ones, in my opinion, understand that they have blind spots and that they need an independent view as to where both where those are and echo back, where they have other opportunities for growth, not just their blind spots. I think that those are the ones that people,

regardless of what they may view that they have covered echo what Chris is saying. The ones who I think have been most successful also are cognizant that they can't cover everything and they come to us to help them understand where they have other opportunities and where they're not doing as well.

Kit Lisle: Josh, you said when you think of these examples, maybe there's an example you can think of in which you had had an impact and there was a surprise or things went in a direction maybe the client didn't expect or you had a real or real impact. And I turn to you, Josh. Only because you had talked about sort of the example of experiences,

Josh Present: I can think I have one that is relatively recent and I think this also speaks to investment. You'll recognize this just because it's something we were working on recently. But I think so. We recently just looked at an organization that was consumer products driven but was very much split between selling to individuals and entities that need to buy something to keep operating and for like access for medical reasons. But then on the flip side, they also are selling to multiple types of individuals in commercials who are spending money discretionary-wise, and they don't need the product but want to do it because it kind of fits their lifestyle. And what we realized is that we had felt as we had looked into this. And again, this speaks to expectations and to come up with an independent view. We had felt when we looked at opportunities that their opportunities were very much driven, mostly by what else there was that people needed specific to what they were looking for. And I don't mean our product. Our initial focus, the initial impact that we looked at was focusing on an enthusiast product when in many ways we saw growth coming from the non-discretionary side and the people that needed it more. When it comes to that, I think that we also felt that where the client was focusing maybe was not going to meet their end goal growth expectations and again, value creation compared to what their initial thoughts were. And I think they were. I wouldn't say that they were surprised, but I think it spoke to the fact that they had seen some risks based on their initial viewpoint. I think we helped them think through whether there were actual risks in that process. That's what I could at least think of individually when it comes to the recent impacts of looking at something based on your expectations versus what you find when talking to the market.

Kit Lisle: Yeah, interesting.

Chris Longiaru: Yeah. Often the perception is probably skewed, for instance, you know, from this angle, I might look tall, but you know, it's not. It's not the case. And so and so the idea is that when

Kit Lisle: you're in it, Chris is five foot one for this.

Chris Longiaru: Yeah, I'm just a tall guy. So when you're in an industry right and you're and you're looking out, you probably can't see what the customer perception is of you. You certainly aren't going to hear what your competitors' perception of you is. And even if you were able to ask them, they probably wouldn't tell you the truth. And so that information is important and women need to hear it from an independent third party who takes it from who it's coming from and gives them the unadulterated truth so that they can react to it and benefit from it.

Kit Lisle: And how long does your process typically last? Is there a typical one?

Chris Longiaru: Nothing's typical. I'd say we've done stuff in as quickly as three weeks and we've done stuff that's lasted a few months.

Kit Lisle: OK. That's a good range. Yeah, I. Well. We only have a few minutes left, so I want to go ahead to any lessons learned that we haven't shared already or words of wisdom for our listeners in terms of growers or acquirers, those that are being more intentional and disciplined about strategic growth. Words of wisdom or suggestions that you might have for them.

Chris Longiaru: Well, that's got to be Joshua Beth, I don't have a lot of words of wisdom, so.

Beth Hattell: Well, I think, you know, we just talked a little bit about seeing things differently and how we add value, and I think there's a couple of ways to look at that. I think it's always great when we can develop an understanding of the value chain that gives our client a unique way of looking at that. That's just not typical. I think in terms of like really like what's the best way to work with us? We had some examples recently on an engagement where if an engagement does reach its full potential, a lot of times it's a communication breakdown or a lack of experience using consultants. We're here to make you look good. There's no need to keep information from us. That's not the kind of work we do. We do very supportive work and we want our clients to tell us what they know and let us build on it or most successful engagements, or when they know how to use their consulting team. I think long-term success is embracing an iterative approach to strategy, kind of using us all the time, I suppose, staying on top of market forces, aware of the evolution and revolution in your industry. It's kind of a puzzle in motion, and

that's the fun part. And if we're thinking about it all the time, well, somebody is running their business. I mean, that's really where we have the most value.

Kit Lisle: Yeah, that's interesting. And that sort of helps me in summarizing. And then I'd love to ask anyone who could elaborate on that concept of continuous evolution or iteration. But you know, when we think about this, the reasons that clients reach out to you are, for a new perspective, a different view, a fresh set of eyes, more clarity. They've got a business to run their focus. They've got multiple jobs to do, as Chris said. And you have access to data that they do not have, as you guys have talked about. So when you talk about iterating or Beth, I can't remember the word you used, but more of an ongoing dialog relationship, ongoing insights strategy as a living, breathing, ongoing process as opposed to a static event. Anything, anything you guys could add to that? Or did I capture what your intent was?

Beth Hattell: I think the only thing I would say is we have the benefit of being an outsider, but at the same time, like when our clients recognize the value we bring as our collective experience, but also because of what we do, we're in and out of all different industries, all the time. And I think that allows us to bring a whole set of perspectives. It makes us better partners. Intern places to point out, we all have a good mix of our clients in their industry, but we can call from other industries, and I think that's value.

Kit Lisle: Makes sense. So I'm going to just ask more broadly how clients should reach out to you? The website is Acclaro Partners dot com. Would you like to share an email or what's the best way for them to take advantage of your service?

Chris Longiaru: Yeah, you can email any one of us with any questions, any time. You know, we get a lot of phone calls, so really, you know that whatever is most convenient for you to get in touch with one of us is exactly what you should do. The main number is seven or three eight six zero three three five five, so you can try that as well.

Kit Lisle: All right, great. Chris Longiaru, thank you, Josh Present, Beth Hattell, thank you for your time and your insights on value creation. Remember, visit Acclaro Growth Partners or Acclaro Partners. Sorry, Acclaro Partners dot com for your help with the growth strategy, specifically value creation. But they also offer market diligence, commercial due diligence, and sell-side market studies. And by all means, visit Strategic Growth Council dot com for all of our episodes and show notes. Follow us to see the latest episodes and make sure that we're in your

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Thanks very much.