

# MIDDLE MARKET Executive

## Chain Reaction

*How midsize businesses  
are responding to supply  
chain disruption*



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Takes More Than  
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### KATHRYN MULLIGAN

Content Director,  
ACG Media  
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## New Pub Highlights Best Practices, Peer Views

**W**hen I began working at ACG more than 12 years ago, the organization was known for hosting networking events for private equity. (That shaped my initial role, too: One of my early tasks was to call up PE firms and ask them to buy a table at ACG's InterGrowth conference.)

Over the last decade, though, ACG has expanded its offerings beyond events and broadened its focus to the many groups that support middle-market M&A and corporate growth. Our newest magazine, which you're reading now, sits at the intersection of those two shifts.

We introduced *Middle Market Executive* and its sister magazine, *DealMaker*, as a way to tailor our content for readers. Publishing one magazine title—*Middle Market Growth*—in the past made it challenging to run stories that were relevant for all categories of ACG members, and to cover niche topics. So, we split our single magazine into two.

*DealMaker* will focus on M&A-related coverage while this magazine, *Executive*, explores topics related to growing a middle-market business and creating value after a transaction. It also highlights leadership issues faced by C-suite executives, and best practices for business leaders and private equity operating partners charged with optimizing portfolio company performance.

Throughout these pages, you'll find insights from experts in fields like human capital, marketing and e-commerce that you can apply to your business. You'll also read perspectives from executives and operators who reveal how they're responding to common challenges.

Take our two longform features on supply chain disruption and digital transformation, respectively. Middle-market executives and private equity operating partners spoke candidly to us about what they're doing within their own organizations and portfolio companies. Much of what they shared can be applied to other businesses, and we hope that it proves useful in your own work or helps validate what you're already doing. ACG has always been about building relationships and exchanging ideas, and this magazine aims to continue that tradition.

As we go to market with these two new publications, we welcome your feedback. Drop me a line to tell us how we're doing, or better yet, talk to me in person at InterGrowth in Las Vegas in April. I'm no longer peddling booth space for the conference, but I'll still be there and would gladly hear your thoughts on the magazine. See you in Vegas! //





**THOMAS BOHN,**  
**CAE, MBA**  
President and CEO, ACG

# Keeping Pace with ACG Members

**L**ooking back on the spring of 2020, do you remember how you spent your time?

Perhaps you were teaching your children from home, or negotiating a bridge loan for your business. Maybe you were solving jigsaw puzzles or Zooming with your family. It's possible you were doing all of the above—and probably more.

If someone had asked me what I would do with the extra time if my commute disappeared and travel evaporated, I'd have said: A lot. And yet life has felt busier than ever, as I expect it has for many of you.

All businesses have to recognize that their customers are in the same boat. They want faster deliveries, speedy customer service interactions, and sleek websites where they can find answers and place orders with one click.

ACG is no exception. But in our case, the customer is you—the ACG member.

To that end, we're working with a digital experience platform called Company.com, which helps companies of any size get past siloed data and disparate technologies to provide a frictionless and connected customer experience. Our goal is to make it easier for you to renew your membership, register for events and access all of ACG's resources as seamlessly as possible. Company.com is also one of our endorsed partners and a great resource for any organization looking to improve their digital experience.

Another step we've taken to improve the ACG member experience was hiring our first chief customer officer. Stephanie McAlaine is the former executive director for ACG Philadelphia and has been with ACG for more than 20 years. She is actively working to introduce new offerings and enhance our events, starting with InterGrowth in Las Vegas in April. One planned change is an industry-specific emphasis to deal sourcing and programming.

While at ACG Philadelphia, Stephanie developed the Private Equity Executive Roundtable for portfolio company leaders. The success of that group helped inspire this magazine, which covers leadership and operational issues. Members also receive *DealMaker*, which focuses on M&A. We know one size doesn't fit all, and this change allows us to create more targeted content as the ACG community grows.

Customized offerings, a seamless digital experience and fresh ideas are all part of a broader effort to ensure ACG is delivering value to you, our members—and that we've earned our place in your busy schedule. //

A stylized, handwritten signature in black ink, appearing to be the initials 'TB' followed by a flourish.





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Senior Credit Facility  
Sole Lead Arranger and  
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“Digital transformation” was a buzz-phrase even before the pandemic; now, using technology effectively and harnessing data across the organization is essential for competing in the modern business world. Yet undergoing the large-scale change that comes with new systems and processes can breed resistance—or even resignation—among employees. What does it take for a company to undertake a successful digital journey, while bringing its people along for the ride?

### 36 **CHAIN REACTION**

Production bottlenecks, driver shortages and backed-up ports are among the supply chain snags that have thrown businesses of all sizes for a loop. Larger enterprises have the advantage of resources and leverage with shippers and suppliers, while middle-market companies have had to get creative. Midsize business leaders and private equity operating partners share what they’ve done in the face of supply chain challenges and how it may affect their approach in the long term.

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26

YEARS IN BUSINESS

7

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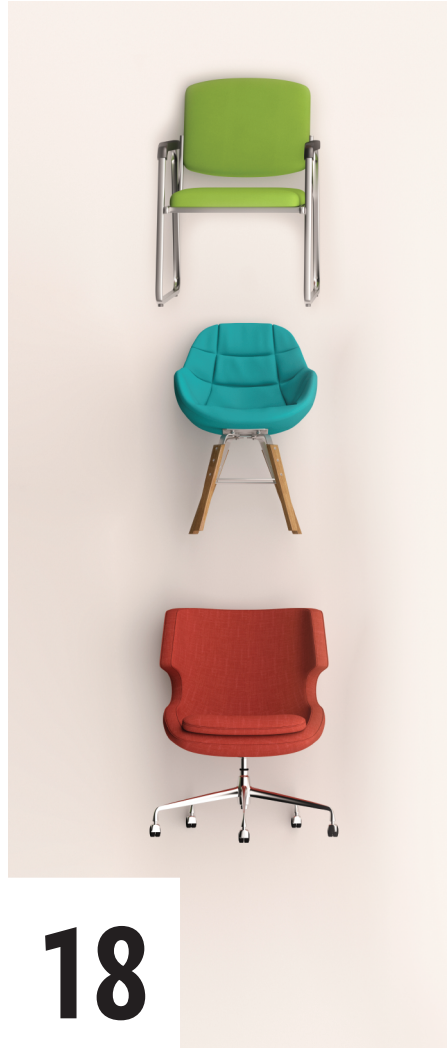


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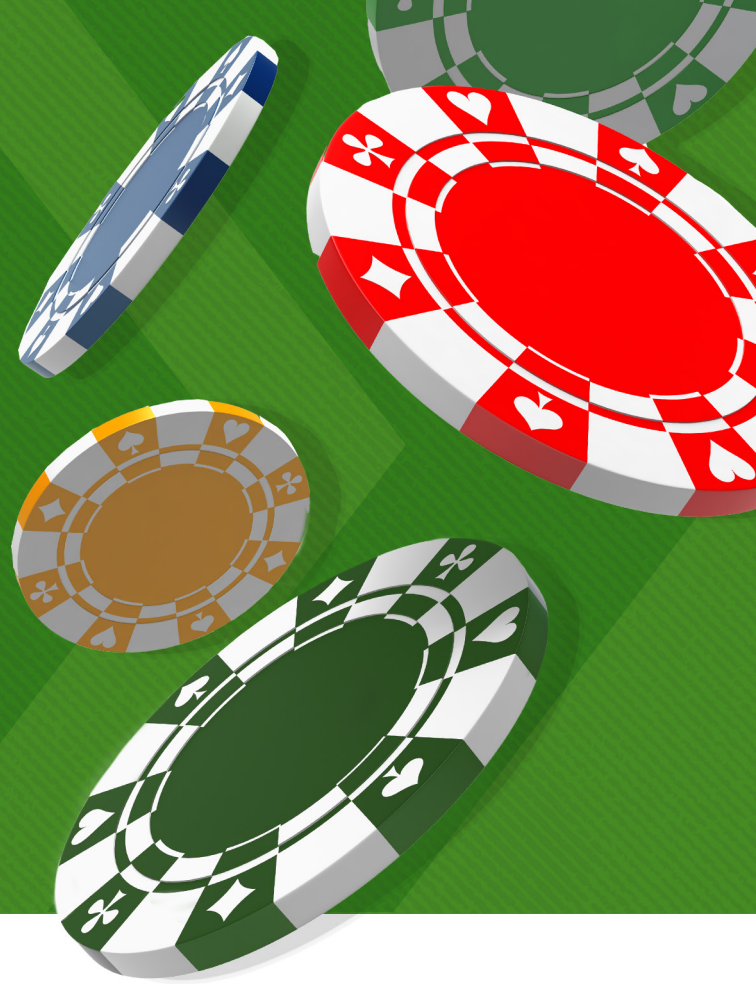
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**Vaccinations Required**

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For more information about the conference and to register, go to [intergrowth.org](https://intergrowth.org). We can't wait to see you there.





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## THE WORKPLACE

How to collect and protect COVID-19-related health data from employees.



Our clients are getting a lot more questions from their employees [about COVID-19-related data], and they're being scrutinized more closely in their collection practices.

**RYAN BLANEY**

*Head of the Global Privacy & Cybersecurity Group, and Partner in the Healthcare Practice, Proskauer*





# Resignations Shake up Cybersecurity, Labor Relations and the C-Suite

BY KATHRYN MULLIGAN

**C**ompanies across the country are feeling the effects of the so-called Great Resignation, as employees leave their jobs for new roles, passion projects or, in some cases, a break from their work lives.

Those resignations each create individual tremors that together are shaking up the economy in 2022 in some surprising ways, including in cybersecurity, labor unions and the C-suite. Here are three trends to watch in the coming year.

## Log4Shell Game

Late last year, the thinly staffed and overworked cybersecurity community found itself faced with yet another emergency—considered by some to be the worst they’ve seen.

Known as Log4Shell, the vulnerability stems from a flaw in the open-source Log4j framework used widely to log system activity in the popular programming platform Java. The vulnerability, which first made headlines in December, puts companies and government entities worldwide at risk of data theft, malware and loss of control to threat actors. In a cybersecurity alert, Jen Easterly, director of the U.S. Cybersecurity and Infrastructure Security Agency (CISA), called the vulnerabilities “the most severe that I’ve seen in my career.”

Log4j is found in millions of applications and devices

used by organizations in both the public and private sectors. “It’s used in just about every application,” said Malia Mason, manager of governance risk strategy at RSM US, in an episode of the Middle Market Growth Conversations podcast.

Mason expects the fallout to continue throughout 2022, creating a major challenge for the cybersecurity community and, in particular, for middle-market companies, which tend to have fewer cybersecurity and IT resources at their disposal. “If you don’t have eyes on your environment right now, in order to search for this thing, then that puts you at severe risk,” Mason said. “Can you watch out for this in addition to everything else you have to watch out for when it comes to cybersecurity?”

The cybersecurity field has been plagued for years by a lack of skilled talent to fill open roles. The proliferation of threat actors and ransomware attacks has added stress and long hours for cyber professionals, according to Mason, and the Great Resignation has hastened the exodus of cybersecurity talent. Many companies have turned to third-party vendors and managed services providers to fill the gaps.

Having sufficient resources will be key to addressing new risks created by Log4Shell. CISA has published guidance



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for addressing vulnerabilities, including identifying affected products, updating software and monitoring systems for suspicious patterns.

Companies that fail to act face the threat of not only hackers, but also enforcement action. The Federal Trade Commission warned in a statement on its website that it “intends to use its full legal authority to pursue companies that fail to take reasonable steps to protect consumer data from exposure as a result of Log4j, or similar known vulnerabilities in the future.”

Those “reasonable steps” will fall to members of the cybersecurity team this year—if they’re still around.

## State of the Union

The pandemic introduced “essential worker” into the vernacular, and with it, renewed appreciation in society for grocery store clerks, factory workers, nurses and others on the front lines. That outpouring has contributed to growing public support for labor unions during recent organizing efforts and worker strikes.

Seth Ford, a partner at law firm Troutman Pepper, expects unions will continue to feel emboldened and encourages private equity investors and portfolio companies to train their managers accordingly.

Nearly 200 large employer contracts representing 1.3 million workers are set to expire this year, according to *Bloomberg Law*. Ford notes that will happen against the backdrop of a union-friendly National Labor Relations Board, rising inflation, continued pandemic-related safety concerns and a tight labor market.

Over the past year, organizing attempts have made headlines as workers at Amazon warehouses, Starbucks and other companies sought to unionize. Meanwhile, there were 346 strikes and work stoppages in 2021 as of December, according to Cornell data reported by NBC. They included strikes at John Deere, Kellogg and Nabisco.

“Many publicized strikes include disputes over efforts by unions to re-capture concessions they have made in previous years, signaling that, for many unions approaching negotiations, now is the time to press for gains they were unable to negotiate in previous bargaining cycles,” Ford said in an email.

In the current tight labor market, many companies are offering incentives proactively for workers to stay, which can also serve to preempt organizing. In unionized workplaces, it can stave off greater concessions down the road.

“Even within organized businesses, we have seen that some businesses have been opportunistic in meeting with unions over COVID pay and other pandemic-related issues to raise wages mid-term in an effort to incentivize retention and avoid later demands for sharp wage increases at the bargaining table,” Ford said.

In cases where a company’s workers have or are considering organizing, Ford says manager training is critical. It can help the company avoid being caught off guard by an organizing campaign. The training can also address the type of disconnect that often leads workers to organize in the first place. “Routinely, organizing efforts are catalyzed by poor relationships between potential bargaining unit employees and their first-line management team, and union avoidance training can be one step towards improving such relationships,” Ford said.

If and when that bargaining unit is certified, “manager training on the details of a company’s obligations (and rights) under applicable labor agreements becomes key to saving resources otherwise spent on time-consuming grievances and unfair labor practice charges,” he added.

## Seats in the C-Suite

Thanks to the Great Resignation, vacated positions have created an opportunity for employers to rethink the nature of open roles and who they want to fill them. Increasingly, companies are adding positions at the top tasked with evaluating talent and hiring decisions, along with HR policies and workplace culture.

Data analysis of hiring trends published by LinkedIn last fall showed that the title of chief diversity and inclusion officer saw the highest growth—111%—as a proportion of C-suite hires during the 12 months ending Aug. 31.

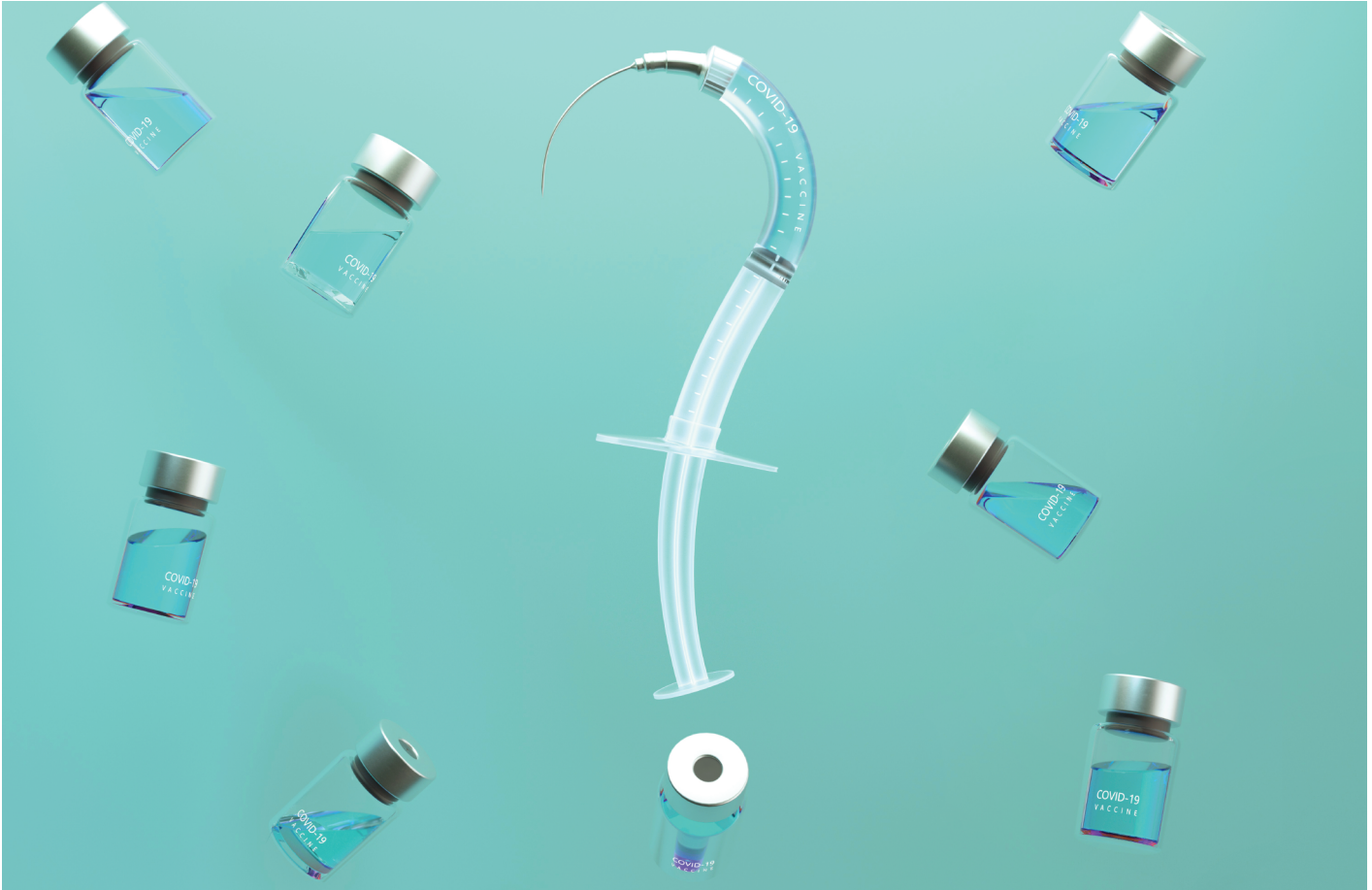
Also among the 10 fastest-growing titles were chief people officer (61%) and chief talent officer (36%). “Both these titles reflect the multi-decade evolution of the old personnel office, or even the human relations department, into something more strategic,” LinkedIn Senior Editor at Large George Anders wrote in a post about the data. The company based its analysis on nearly 120,000 C-suite positions in the U.S., as listed on LinkedIn profiles.

Private equity firms in 2021 exemplified the trends revealed in LinkedIn’s data. Blackstone announced that it had hired a global head of diversity, equity and inclusion last June. KKR followed suit in September with the appointment of a chief diversity officer and head of talent management. Meanwhile, many firms, including those in the middle market, are adding chief talent and chief human resource officers to help identify and foster leaders for portfolio companies.

Several of the other fast-growing roles in LinkedIn’s report reflect a focus on business performance, such as chief growth officer (43%) and chief revenue officer (37%).

Amid the continuing pandemic recovery, companies appear to be appointing executives with specialized skillsets to drive growth, and to hire and retain the talent needed to stay competitive. //





# COVID-19 Mandates Bring New Security Risks for Employers

How to collect and protect employee health data



**RYAN BLANEY**

Head of the Global Privacy & Cybersecurity Group, and Partner in the Healthcare Practice, Proskauer



Companies are finding themselves in new territory as they collect information about employees' COVID-19 vaccination status and test results. Whether they're doing it to comply with government mandates or of their own accord, companies are now in the business of collecting and protecting sensitive employee health data.

Ryan Blaney, head of the global privacy and cybersecurity group at law firm Proskauer and a partner in the firm's healthcare practice, explains what employers need to know to protect employee health information—and shield themselves from the legal and reputational damage that could stem from a data breach.

Below is an edited and condensed version of the interview with Blaney recorded for ACG's GrowthTV.

### What are some of the challenges you're hearing from clients as they track COVID-19 vaccination or testing data from their employees?

**Ryan Blaney:** We've seen a transition from voluntary disclosure to more mandatory disclosure, and that often changes the attitudes about an employee disclosing certain information. We've found that a lot of our clients are getting a lot more questions from their employees, and they're being scrutinized more closely in their collection practices.

One of the things that we get questions about is whether the Health Insurance Portability and Accountability Act (HIPAA) applies. HIPAA is a federal law designed to protect patient health information from being used, stored or disclosed without a patient's permission.

Our clients, who generally tend to be middle-market employers, are having to respond to questions from their employees who are saying, "I can't turn this over because you, employer, are violating my HIPAA privacy rights." That's one of the main

misunderstandings that we run into. Yet HIPAA generally does not apply in this context, and it certainly doesn't apply to the individual. It's a narrow federal statute that applies, essentially, to covered entities and business associates of those covered entities—doctors, hospitals, a health plan.

### What should a company consider as it decides how it's going to collect vaccination and testing data from employees?

**RB:** The first decision that any company has to make is whether they're going to collect this data in-house or use a third party. Certainly, if they're doing it in-house, there are risks associated with that collection. Are you going to be asking someone to email a copy of their vaccination card, for example? If so, you're going to have to scrutinize your own

### What can a company do to mitigate its risk of exposing sensitive data, and what's at stake if a breach occurs?

**RB:** First of all, what is being collected is important. If you have a security incident where the data is breached, who is going to hold the company accountable will depend on what type of information is being collected.

We advise that you collect only the minimum necessary amount of information. For example, maybe you don't need to collect information about *where* an employee got their vaccination, or details beyond what's on their card. Maybe you just need to collect whether they got the shot or not, rather than whether it was Pfizer or Moderna. Limit collection to what you absolutely need to accomplish your goal, which is to protect other members of your workforce and your company as a whole. That limited collection will then mitigate



If you do ever have a breach, the regulators that are going to come after you are going to be the same ones that investigate other privacy-related breaches.

email systems and decide whether you're comfortable that they're secure enough to receive this type of information.

If you're not comfortable collecting vaccination data in-house, are you going to use a third party to act on your behalf? Well, now you have other issues. This third-party vendor is going to have access to your employees' personal information, so you're going to have to ensure that the third party has in place security and a reputation of being able to handle sensitive data. You'll have to do your diligence around that vendor so that you're comfortable with those aspects.

some of the risks if there is a breach.

The other thing that I recommend is to control access to the information, and limit it to a small number of people and know who they are. Not all managers should have access to this information.

If you do ever have a breach, the regulators that are going to come after you are going to be the same ones that investigate other privacy-related breaches. These are state attorneys general, and potentially some federal agencies—perhaps the Department of Labor. If on the off chance it was health information that was covered by HIPAA, you would have the Health and Human Services Office of Civil Rights. >>





THE STAND-UP //

## The Workplace

The other risk is a potential class-action lawsuit, with private plaintiffs. California, for example, has certain privacy rights that other states don't give.

The last piece, which I think is probably the most important in terms of potential risks, is the threat to your brand. If there's media coverage, which there could be, especially if it's a high-profile brand, you'd have to defend yourself publicly.

That blow to the brand can be especially damaging for middle-market companies that are looking to get investors and trying to show that they have great practices around privacy and other things. If you have to deal with coverage in the media of an

incident, and now all your employees' COVID-related information is out there, that can be problematic.

### **In a worst-case scenario where a trove of employee data is compromised in a breach, what should a company do in response?**

**RB:** First and foremost, you need to make sure that the breach is no longer occurring. If it's a ransomware attack or bad actors were in your system, you need to make sure they are no longer inside and put in place safeguards.

Then, you need to gather the facts of the incident and understand how the breach occurred.

The other thing is to be transparent. But you have to understand that

anything that you say to your employees who are impacted is timed with certain disclosures to regulators.

There are all sorts of state laws that stipulate when you can make notifications to a regulator versus the impacted individual, and those are going to be triggered by general privacy laws. In most states, even if the healthcare information isn't covered by federal law, it could potentially be covered by state privacy laws and state data protection laws. You're going to have to do an analysis and make sure that you're complying with state laws, including in the state where the person impacted resides. You have to make sure that you comply and that you notify regulators in a timely way. //

# GrowthTV

## Now Playing: Middle Market Trends

GrowthTV highlights top deals, covers newsworthy trends and features in-depth conversations with middle-market investors and business leaders to help foster growth and innovation.

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# People First

INSIGHTS INTO FOSTERING EFFECTIVE WORK CULTURES AND CAREER ADVANCEMENT



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PEOPLE FIRST //

## Human Capital



# How to Maintain a Rock-Solid Culture During Funding and Growth



**DR. HEIDI JANNENGA,  
PT, DPT, ATC**

Co-founder and Chief Clinical Officer,  
WebPT

**R**aising capital isn't always necessary for a company's survival—but it has the potential to help accelerate growth, improve scalability and provide the exciting opportunity for others to engage with the product, people and mission. However, if you're thinking of taking on investment funding, be prepared for both the pros and cons that come with it—specifically, the impact an influx of capital can (and will) have on your company's culture.

To achieve long-term success, it's important to learn how to cultivate and protect your company culture. Doing so is particularly vital in times of rapid growth when a company's culture is most at risk of falling apart. Protecting the “secret sauce” that helped you succeed enables you to scale the culture and ensure it grows with you. For this article, we are taking the position that your company is in a solid position and funding partnerships will be used to grow and scale the business, rather than as a bailout. In the latter scenario, a culture change may be prudent.

### **The Importance of Scaling Culture**

The heart of any company is its people, and culture is what steers them. Culture represents the organization's pulse, driving behavior, decision-making and ultimately, achievement.

Culture shapes employee motivation, affects productivity and performance, and determines how management and staff interact in the workplace. However, this philosophy shouldn't just apply to employees, but to all company stakeholders (e.g., customers, vendors, shareholders, surrounding communities). To protect the culture and keep it rock-solid during times of fast growth—particularly when taking on investment—companies must scale their culture to match the pace of growth.

In my experience, taking on an investor who does not share the values underpinning the company culture is a recipe for disaster. In building out your diligence checklist, it is critical that cultural alignment is a top priority. Most investors do not want to be operators, but there are some firms that do. Depending on what the needs of the business are, and what the vision post-investment looks like, I have found that it's essential to match expectations of the founders or management team with those of the funding partners.

### **Building a Solid Foundation**

To create a scalable, winning culture that can stand its





**Maintaining a solid company culture with a strong DEI focus is not pie-in-the-sky ideology; it's a grounded philosophy that applies across all industries.**

ground through change, it's essential to recognize the components necessary for success in the era of conscious business. These include maintaining a people-first approach to business, creating a diverse and inclusive workplace, and hiring slowly with values and character as preeminent prerequisites. So, where do you start to build a strong foundation? At WebPT, we aimed to do the following:

- Build a company that has a “North Star”—a clear vision with tangible goals around which decisions are made. This type of company will fulfill customers’ deep-seated needs, not just their own wants and desires, and empower employees to be self-managing, self-motivated and self-directed.
- Appoint leaders who are wicked smart, with experience from diverse industries and a passion for scaling company culture while maintaining the grassroots connections that served it so well initially. We made it a point to develop strong values all stakeholders could buy into and follow, regardless of the circumstances.
- Prioritize diversity and inclusion to foster an equitable culture. In both the rehab therapy and technology industries that my company operates in, we’ve seen racial inequities prevail in the healthcare system. On the healthcare side, this has been partly due to a lack of diversity among providers. Being a female-, person of color-founded company, improving diversity, equity and inclusion (DEI) has been a priority since the beginning to create a better experience for all—as well as deliver better outcomes for underserved populations.
- Put clear intention around the culture journey, with documentation of the company’s core values, and record team commitments. These concepts should be a basis for developing a common language. Employees should be encouraged to integrate core values into their daily tasks, talk about them in team meetings, and use them as a framework for performance metrics in which accountability runs both ways.

For our team at WebPT, these principles have become a lived mentality. This people-first approach isn’t just an idea we posted on a wall somewhere. Even with hundreds of employees, we make it a point to encourage, not micro-manage. We support a culture that empowers people to find intrinsic motivation to do the right things, using good

processes to identify and groom leaders who believe in this leadership style.

### **Fortifying Your Company’s Values**

Business leaders must remember that values don’t drive a company; they drive people. And for these values to have meaning, everyone in the organization must embrace them. This meaning gets magnified—and is often tested—when strategy and culture collide, especially when tough decisions are made.

For example, when WebPT sought investors, it was important to us to keep our culture and autonomy intact during growth periods. For this reason, we were meticulous about the investors we ultimately decided to work with because we wanted to make sure they aligned with our culture, believed in our vision, and supported our desire to stay within the rehab therapy niche.

The investors we ultimately chose to partner with embrace WebPT’s culture and manner in which we run the business. I believe our steadfast commitment to our people—and thus, their continued buy-in to our core values and ability to execute to our vision—was the prime reason for our funding success.

### **The (Real) Bottom Line**

Maintaining a solid company culture with a strong DEI focus is not pie-in-the-sky ideology; it’s a grounded philosophy that applies across all industries. Creating a community around our products and services and treating all those involved as stakeholders has resulted in larger profits and shared overall success that would not have been possible otherwise.

Empower your employees and customers to achieve greatness by building a company with a rock-solid culture—one that celebrates diversity, empowers employees and prioritizes accountability and people. Then, when it comes time to scale to those next levels of growth, you’ll be prepared for the challenges that come with success. //

**DR. HEIDI JANNENGA, PT, DPT, ATC** is co-founder and chief clinical officer of WebPT, which provides EMR and practice management software for outpatient rehab therapy. The company has completed four acquisitions and undergone multiple funding rounds since it was founded in 2006. Today, it’s part of the Warburg Pincus family of brands, having partnered with the investment firm in 2019.





PEOPLE FIRST //

## Human Capital



# Portfolio Company CEOs Are Focused on DEI, but Lack a Clear Path Forward



### DAN HAWKINS

Founder & CEO, Summit Leadership Partners

Private equity firms have typically lagged when hiring and retaining a diverse talent pool, particularly in senior-ranking positions, but that is changing as leaders within the private equity space are making diversity, equity and inclusion a focus area. Private equity companies are performance-driven environments that would benefit from the improved financial returns associated with a more diverse workforce. Yet, despite the desire to increase DEI, many corporate leaders are struggling with implementing and executing DEI initiatives.

A recent survey by Summit Leadership Partners found that most portfolio company CEOs—95%—said DEI is a focus area for their company over the next one to two years. However, roughly 2 in 5 CEOs admitted they lack a formal strategy for DEI efforts. One-quarter of respondents reported that although they have a formal strategy, they have not moved forward with objectives yet.

These responses reveal a significant gap in talent diversity efforts, indicating management teams lack the tools they need to increase diversity. Overall, 83% of portfolio company CEOs do not feel their company is on the right path for meeting their talent goals, according to the survey.

Specific to DEI, CEOs reported challenges in several areas. Just over half said they are experiencing difficulties finding and retaining top diversified talent. Additionally, 38% said management teams lack the support and capabilities to lead DEI, and 37% reported that diverse talent is not historically represented in their industry. Interestingly, 36% of respondents said they have contrasting views with the private equity board on how to increase DEI.

DEI concerns can vary by industry. For example, 50% of healthcare companies consider management team support/capabilities a challenge in carrying out DEI efforts compared to 30% of manufacturing companies and 28% of tech companies. Manufacturing companies consider the return on investment of DEI initiatives as a more significant challenge in carrying out DEI efforts than healthcare companies.

Despite the reported challenges, companies are investing in several strategies over the next one to two years to improve their DEI efforts. Most portfolio company CEOs who took part in the survey—91%—said they are changing





**Increasingly, there is a greater emphasis on preparing leaders first, then hiring diverse talent, which is a more productive approach. Leaders have a greater influence on attracting diverse talent and making people want to be there.**

their efforts to attract, develop and retain talent over the next one to two years. Just over one-third—35%—said they are increasing their current efforts, while 22% said they are completely reimagining their efforts.

With guidance from the top, the DEI push will begin at the ground level. CEOs reported that their top strategies to improve DEI include changing company culture to be more inclusive, focusing on efforts on diverse recruiting, and measuring and tracking diversity metrics.

Companies are moving away from the diversity training they embraced as the first line of action in the past. Implementing specific DEI training ranked fifth on the list of strategies to improve DEI, revealing a change in traditional thinking where attending a class was the initial approach.

Increasingly, there is a greater emphasis on preparing leaders first, then hiring diverse talent, which is a more productive approach. Leaders have a greater influence on attracting diverse talent and making people want to be there. Summit Leadership Partners has found that leadership behaviors and setting the tone for the organization are far more impactful than diversity initiatives, training or posters on the wall.

Diversity initiatives contribute to culture, which is one of the top reasons employees either stay with or leave a position. It is critical to lead from the front regarding diversity and inclusion and create a fearless and open organization where people can be themselves. It is also

important for CEOs to be vulnerable and open to new learning opportunities.

Talent is central to value creation plans, and the pandemic has driven home the point that business performance is increasingly dependent upon talent. That is evident as CEO pay is increasingly tied to diversity goals in the public sector. Consider that 33% of S&P 500 companies now use a diversity measure in compensation or mention diversity in explaining executive pay.

Corporate diversity has become a sustainability metric used in setting executive pay as companies look to increase the share of women and minorities in their workforces. Plus, limited partners are increasingly asking private equity investors what they are doing around environmental, social and governance, and, more specifically, diversity and inclusion.

It is clear that CEOs will need to focus on DEI efforts to create more equitable and inclusive workspaces, attract better talent and improve financial outperformance. For companies to achieve their full potential, investors and leaders will have to invest in the human capital along with the short- and long-term talent management practices that will bring the vision to life. //

**DAN HAWKINS** is the CEO and founder of Summit Leadership Partners. He advises boards, CEOs, investors and business leaders on strategy execution and value creation through leadership and organization performance.

MOST PORTFOLIO COMPANY CEOs

95%



SAID DEI IS A FOCUS AREA FOR THEIR COMPANY OVER THE NEXT ONE TO TWO YEARS

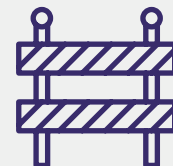


2 in 5

CEOS ADMITTED THEY LACK A FORMAL STRATEGY FOR DEI EFFORTS

1/4

OF RESPONDENTS REPORTED THAT ALTHOUGH THEY HAVE A FORMAL STRATEGY, THEY HAVE NOT MOVED FORWARD WITH OBJECTIVES YET







PEOPLE FIRST //

## Peer Profile



# Leading with a Steady Hand

## MARTIN OKNER

President & COO, dpHUE

BY KATHRYN MULLIGAN

**W**hen much of the economy shut down in the spring of 2020, it sparked a run on essentials—canned food, toilet paper, and for some, hair color. Stylists across the country shut their doors while their patrons scrambled for at-home alternatives from beauty brands like dpHUE, which saw demand surge during the pandemic.

“Obviously when salons closed, there was a massive rush toward hair color and color maintenance products because nobody wanted to go gray, even in lockdowns, right?” says Martin Okner, dpHUE’s president and chief operating officer.

The company’s offerings—which include products that preserve and boost color, touch-up roots and maintain overall hair health—had become a hot commodity. That proved to be both a blessing and a challenge, one that required the steady leadership style that Okner has honed throughout his career.

Since Okner joined Minneapolis-headquartered dpHUE five years ago, the company has achieved almost 10x sales growth. He oversees the company’s core growth strategies, as well as all finance and operations functions. He estimates

that digital strategy now accounts for about 75% of his time, which includes supporting the digital side of dpHUE through business strategy, analytics and financial reporting.

The company, which was founded in 2011, sells directly to consumers on dphue.com, as well as through retailers like Ulta, Sephora and Amazon. It also sells its products to hair stylists and offers an app for salon professionals who want to sell dpHUE products to their clients in exchange for a commission.

The increased demand for hair care and color products during the lockdowns has remained strong as consumers continue to seek solutions to help maintain their hair color between salon visits, according to Okner. He adds that growth within the business is also being led by offerings like dpHUE’s Apple Cider Vinegar line and a hair brightening collection it launched last year with television personality Kristin Cavallari. That has all happened during a period of disrupted supply chains, something that dpHUE has had to manage carefully.

The company has tried to get ahead of the disruption by “providing suppliers with advanced forecasts and looking at





**Planning and time management is really paramount, because at the end of the day, the only thing that really is finite in this world is your time.**

ways that we can pull forward the purchase order placements with our suppliers, and having minimum quantities on hand at any given time,” Okner says. “If our supplier keeps enough raw materials on hand to produce at least a month’s worth of supply of an item that might be one of our top sellers, we can plug the holes in demand that we might experience as a result.”

### **A New Partner**

Joining dpHUE was a return for Okner to the branded consumer goods industry where he spent more than 16 years of his career. His resume includes roles at Cadbury, Philip Morris and Revlon.

After leaving Revlon, he co-founded strategic advisory firm SHM Corporate Navigators. As a managing director, Okner advised middle-market companies, family businesses and private equity portfolio companies on market differentiation and growth strategies. He has also been an active member of the Association for Corporate Growth and chaired the boards of both the ACG New York chapter and the global organization.

Those experiences led to a deep understanding of private equity and extensive relationships within the middle-market PE community, so he was familiar with the model when Prelude Growth Partners invested in dpHUE in September 2020. Terms of the deal were not disclosed.

Prelude provides “capital and operating support for category-disrupting consumer brands,” according to its website. One of its co-founders hails from L Catterton while the other previously held senior roles at Johnson & Johnson and Estee Lauder.

In addition to the founders’ expertise, a notable benefit of the partnership has been the opportunity to network with Prelude portfolio companies, according to Okner.

Last year, dpHUE implemented a new ERP system. Okner and his team spoke with CEOs, CFOs and heads of supply chain at the other portfolio companies about available options, the modules that would best fit dpHUE’s needs, and lessons learned from other companies’ experiences.

Okner credits those peer-to-peer conversations with dpHUE’s successful ERP implementation in July: Even with over 4,000 lines of data to import via integrations, the migration had a 99.999% success rate and no interruption to the business.

“That was really a testament to my team, to the approach

that we took, and the guidance and support at Prelude and the other portfolio companies,” he says.

For other executives whose companies are about to partner with private equity, Okner recommends mastering basic financial reporting capabilities before the deal, especially for businesses in the consumer space. “You want to be able to segment and analyze your business profitability by channel and business by product franchise,” he says.

Another piece of advice: “Keep your deal room and your transactional information organized.”

Clearly labeling documents and making sure that the nomenclature matches the due diligence checklist helps keep everyone on the same page. “Why not provide the ability for everybody to get to the answers or insights quickly? I think that’s just a really key aspect of due diligence,” Okner says.

### **The Scarcest Resource**

Overseeing the day-to-day finance and operations of a fast-growing middle-market company—not to mention supply chain disruption, an ERP implementation and a new funding round—has underscored for Okner the importance of discipline around how he spends his time.

“One of the things that I am very focused on is maintaining my calendar in a way that really maximizes how I feel I can best impact the business on a day-to-day basis, and then also reserving that time for thought for more strategic projects and more strategic things that I’d like to bring into the organization,” he says. “Planning and time management is really paramount, because at the end of the day, the only thing that really is finite in this world is your time.”

He credits careful time management with helping him stay focused on good business fundamentals. Setting aside time for strategic thought also prevents meetings from overrunning his calendar, which can shift the focus away from the long-term priorities of the business.

“As an executive, I think, keeping set on the fact that life will continue, and as you look beyond the moment in time that you’re in, you have to be very mindful of what you want the outcome to look like,” he says. “That involves thought and decision-making, and if you fill your calendar with a lot of reactive, reactionary-type meetings where you’re not necessarily reserving the time for thought, you’re going to lose sight of that vision.” //





PEOPLE FIRST //

## On the Move

### SHANE LLOYD

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Baker Tilly, an advisory CPA firm, has appointed Shane Lloyd as its first-ever head of diversity, inclusion and belonging. Lloyd previously worked as a lead consultant at Cook Ross, an organizational development firm hired by Baker Tilly to assess its diversity, equity and inclusion (DEI) strategy and plan. Following Cook Ross, Lloyd joined Amazon to advance the e-commerce company's DEI efforts within its worldwide consumer organization as the inclusion and engagement lead, and later as global diversity, equity and inclusion learning leader. His background also includes working within higher education and public health.

### STEVE SPINNER

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MidOcean Partners, a New York-based alternative asset manager specializing in middle-market private equity and alternative credit investments, announced that Steve Spinner has joined the firm's executive board as an operating partner. Spinner has over 20 years of experience across multiple industries, and most recently served as chairman and CEO of United Natural Foods, a wholesaler of grocery, proteins and produce. In his role at MidOcean, Spinner will work across the platform to bring insights and resources to the firm's consumer and business services verticals.

### RICH GOODE

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Gauge Capital, a growth-oriented middle-market private equity firm, announced the appointment of Rich Goode as an operating partner. Goode will advise on Gauge's current portfolio companies and new potential opportunities within the healthcare services and technology sectors. He is a veteran in the healthcare industry with over 20 years of



experience. Goode is the founder and CEO of Goode Advisory Services, a strategic, operational and financial advisory firm focused on healthcare and technology companies. His previous roles include president of corporate services and CFO at Dallas-based Children's Health, and CFO of Cook Children's Health Care System.



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## ADAM KURITZKY

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Private equity firm One Rock Capital Partners announced the addition of Adam Kuritzky to its team of operating partners. Kuritzky brings over 15 years of leadership and executive consulting experience in scaling and enhancing the sales and marketing functions for public and privately-owned companies. Working alongside his fellow One Rock operating partners, Kuritzky will be responsible for assessing sales and marketing strategies at target companies and One Rock's portfolio companies, post-acquisition. Prior to joining One Rock, Kuritzky most recently served as executive vice president of sales and marketing in North America at Proactis.

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## CHRIS REEF

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InTandem Capital Partners, a healthcare services-focused private equity firm, has added Chris Reef as an operating partner. Reef is a previous business founder and former CEO of a healthcare services company. He will draw on his leadership and operating experience to help accelerate growth for InTandem's portfolio companies. Prior to joining InTandem, Reef worked most recently for Grey Mountain Partners and served as executive chairman of Sunbelt Transformer and Dimex Corporation.

## BRIAN REESE

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T Sportline, a leading designer, marketer, distributor and e-commerce retailer of premium-branded aftermarket parts and accessories designed for Tesla and other electric vehicles, announced that Brian Reese has joined the company as CEO. Reese has over 22 years of experience fueling premium direct-to-consumer brands with innovative products in the automotive aftermarket. He joins T Sportline, which is backed by middle-market private investment firm Kian Capital, having most recently served as CEO of Driven Lighting Group, the leading source of premium-branded automotive enthusiast lighting products. Kian exited Driven Lighting Group in September.







PEOPLE FIRST //

## On the Move

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### ISABELL DATTOLO MISIASZEK

Isabell Dattolo Misiaszek has joined Proven Partners Group as CFO. Based in Elgin, Illinois, PPG is a leading provider of outsourced contract manufacturing and packaging services, and a portfolio company of private equity firm Tilia. As a financial C-level executive with over 25 years of experience, Misiaszek brings to her new role a leadership style focused on collaborating and creating a culture of continuous improvement. She most recently served as CFO of The Sureway Group, a metal fabricator based in Franklin Park, Illinois.

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### KRISTIN SCHROEDER

Welsh, Carson, Anderson & Stowe (WCAS), a private equity firm focused exclusively on the technology and healthcare industries, announced that Kristin Schroeder will join the firm's technology talent team as an operating partner. Schroeder has 15 years of talent experience spanning executive search, corporate recruiting and talent advisory. She served most recently as senior director at Bain & Company, where she led the private equity and financial services verticals in the Americas for the Bain Executive Network. In her new role, Schroeder will work with the firm's technology portfolio companies to build best-in-class leadership teams.



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### SHAUNA SMITH

Savory Management Group, a Mercato Partners' fund, announced Shauna Smith's promotion to CEO. Smith previously served as president for the \$100 million fund, which invests in compelling, up-and-coming restaurant concepts. With over a decade of executive management experience in the food and beverage industry, Smith leads Savory's team of industry veterans and supports all Savory portfolio companies in their pursuit for brand efficiency, revenue growth and site replication. Prior to Savory, Smith co-founded Four Foods Group, a multi-brand restaurant operations and investment company that built and operated 170 restaurants across the U.S.



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## NOREEN SUING

Consolidated Hospitality Supplies (CHS), a multi-brand, shared services hotel distribution company, has appointed Noreen Suing as CFO. Suing brings more than 25 years of experience in distribution and service businesses, and has worked within private equity-backed, private and publicly held companies. Suing joins CHS—a portfolio company backed by HCI Equity Partners—from Allied 100, a national distributor of health and safety products and services. Her time there culminated in the successful sale of the business. Suing’s new role marks her return to the hospitality industry, having served as vice president of finance for the American Hotel Register Company from 2012-2015.



## ALEX AVERITT & SCOTT PAGE

Atlanta-based Wittichen Supply Holding Company, part of Gryphon Investors’ portfolio, announced it has appointed Alex Averitt as CEO and named Scott Page as CFO. The company is the newly established parent of Wittichen Supply Company, a wholesale distributor of HVAC supplies and services. Averitt is a proven C-suite business leader with a track record of building stakeholder value. He comes to the company after three years as COO at BlueLinx Holdings, a wholesale distributor of building materials and

industrial products. He has extensive distribution and branch operations experience, and a history of successfully managing acquisitions and integrations.

As CFO, Scott Page will oversee the finances and resources of the company and its affiliates. He most recently served as CFO at Royston Group, a manufacturer of custom merchandising fixtures and specialty equipment for the retail industry.





PEOPLE FIRST //  
**All Hands**

# The Most Valuable Lesson from 2021: Employees Want a Positive Work Experience



**DIANE ALBANO**  
Chief Revenue Officer, Globalization Partners

The global work environment has changed dramatically over the past two years. The COVID-19 pandemic transformed the way we think about work relationships and work-life balance. What has become more apparent is that employees want to be successful in both their jobs and their personal lives; to achieve this, they look for jobs that offer a balanced environment and enjoyable collaborations.

According to an article in *Harvard Business Review*, today's workforce is proactive. Employees want to undertake a more active role but will quit if they do not feel comfortable with the work experience and look for a place that offers them what they want.

In this article, we will discuss what makes a positive work experience, the obstacles to achieving it, and how it can be used to attract talent.

## What Is a Positive Work Experience?

As an employer, it's important to determine which factors can hinder or improve overall employee sentiment. Globalization Partners' Global Employee Survey gathered information from 15 countries and 1,250 employees, whose responses revealed the top five aspects that contribute to a positive work experience. They are: having a good work-life balance (50%); being part of a team (41%); having the right equipment (38%); being listened to (36%); and being compensated appropriately (36%).

People no longer want to work for a company that doesn't value their opinions. Employees want to be part of a team where their voices matter.

There is a correlation between



listening to employees' input and talent retention. This information is more relevant than ever. The two biggest trends in hiring are the so-called "Great Resignation" and the global skills shortage. It might seem contradictory that companies can't find employees, even when people around the world are quitting their jobs.

The solution to this paradox is simple: Companies need to stop viewing this as a skills shortage, but rather as a skills relocation.

Employees lean toward companies that offer them balance. The remote work environment showed that there was a viable alternative to the traditional in-office jobs that gave employees flexibility like never before.

## The Disconnect Between Employees and Executives

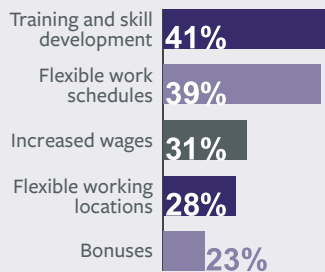
If employers already know what employees are looking for, why are so many still struggling to attract and retain talent? Future Forum Pulse research found that there is a disconnect between the views of executives and employees. This survey, answered by 10,568 knowledge workers in positions ranging from executives to employees, delivered a few key results:

- 66% of the executives are creating post-pandemic workplace policies without employee input.
- 66% of executives believe they are "very transparent" with workplace policies; only 42% of employees agree.
- 44% of the executives want to work from the office every day; only 17% of employees agree.
- 75% of the executives want to work from the office three to five days a week; 34% of employees feel the same.
- Overall job satisfaction for executives is 62% higher than it is for non-executives.

### TOP FIVE ASPECTS THAT CONTRIBUTE TO A POSITIVE WORK EXPERIENCE



### INCENTIVES OFFERED BY EMPLOYERS TO ATTRACT TALENT



This data reveals a significant difference between the perception of executives and employees. If your workforce does not feel like they're part of the organization, they will leave. This fuels both the "Great Resignation" and the so-called skills shortage. Employees have the tools to look for work that makes them feel fulfilled, and relocate their skills if desired.

## How to Improve Your Work Experience

The proactivity of today's workforce is not an obstacle—it is an advantage for companies that understand it. Better work experiences boost productivity and talent retention. Employees want to stay where they feel part of a team and are willing to work toward improving the culture and overall success for

themselves and for the company. By taking care of their people, organizations enhance their performance and results.

So how can a company start improving its work experience? ManpowerGroup's Employment Outlook Survey asked 45,000 employers in 43 countries about their hiring plans and found that 69% currently cannot find the talent required for their companies. To compensate, employers are offering incentives to attract talent, such as training and skill development (41%); flexible work schedules (39%); increased wages (31%); flexible working locations (28%); and bonuses (23%).

This is congruent with the results found by Future Forum Pulse: 76% of employees want flexibility with where they work, and 93% want flexible work schedules. It also checks out with Globalization Partners' survey, which showed that 50% of employees want to improve their work-life balance, and flexibility is the key to doing just that.

Talent is not hiding from companies; people are looking for a workplace where they can be part of a team that appreciates them, and to develop professionally without sacrificing their personal life. People are empowered—they can look for a job in any part of the world, and this is good for companies. Organizations that understand the value that this flexible workforce offers will be the winners of the current war for talent. //

**DIANE ALBANO** is the chief revenue officer for Globalization Partners, a global employment platform and named industry leader. Use their AI-driven, automated, globally compliant platform powered by in-house worldwide HR experts, to hire anyone, anywhere.





# SimpleFi Solutions HR Planning and Analytics

Eric Blondin, Partner - VP Platform & Technology, SimpleFi Solutions, LLC

**HR Planning and Analytics** is a typical process we help improve and is often one of the priorities before and after a transaction to understand real human costs and how they are spread out across the company. One of the challenges though is often how everything is in multiple systems, under various formats and analyzed in various spreadsheets that are then aggregated in a standard format. Any required change may take days as everyone must go back to their detailed information, adjust and feed it back to the standard template.

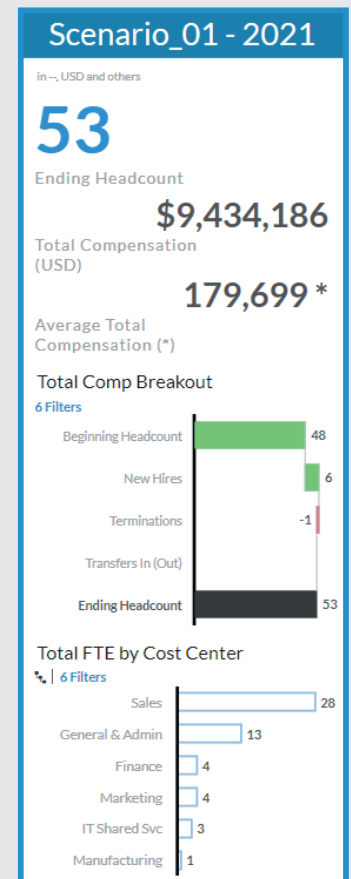
This is where **SimpleFi Solutions** can help you gain efficiency while at the same time improve the accuracy of your plan and actuals reporting. Our experience has shown us that a good portion of these plans and reports contain a common baseline, based on the employee's location, his position and contract amounts (Base salary and bonus target) against which standardized drivers can be maintained in a central location instead of repeating the same task in each spreadsheet. Typical centralized drivers would be Benefits, Taxes, and Merit %.

All that Department-heads are then required to maintain are their list of active employees along with current salary and bonus targets. The rest of their time can then be allocated to value-added analysis and decision-making. Additionally to this bottom-up approach to feed the plan and the top-down definition of plan drivers, management can go through simulations testing various assumptions with their impacts on Headcount, Benefits and Taxes. Imagine you want to relocate some positions from one call center to another in a different country; what is the actual long term cost or saving? Since taxes and benefits are maintained for each location, you are able to quickly see all the Financial facts.

These planning principles are what we have built into our HR Planning content using SAP Analytics Cloud. Along with native integration with most systems where you may be managing your HR information, it includes web-based input forms, where you can go through the process detailed above, and reports to review and analyze the results. Contact us for a demo so you can make up your mind about the great potential this solution has. Implementing our pre-packaged solution is a question of just a few weeks after which you have a working solution. This is also highly customizable, so if you want to make sure it integrates perfectly with all your existing and upcoming processes, we can work with you to define a target solution along with a detailed project plan.

## Typical Centralized Drivers

- Benefits
- Taxes
- Merit %







# Features

AN IN-DEPTH LOOK AT TRENDING ISSUES FACING EXECUTIVES AND OPERATORS



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It's happening to everybody. There's not a single step in the supply chain or a single company that's not feeling the effects.

**OLIVIA MONTGOMERY**  
*Senior Supply Chain Analyst,  
Software Advice*

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## TREND FEATURE

Digital Transformation Takes More Than Tech: Building a culture around large-scale change.

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## COVER STORY

Chain Reaction: Creative solutions to supply chain challenges.





**Features**

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*Daniel  
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# Digital Transformation *Takes More Than Technology*

Where people fit into a company's digital journey









## Features

**M**iddle-market companies are mulling digital transformations in order to stay competitive, but adopting technology and operating in new ways isn't always easy for everyone in the organization.

Whether it includes adding new software systems, integrating processes or harnessing data, a digital transformation can bring uncertainty or fear for employees at all levels who may not understand the goal or see its benefits. They might resist changes to their roles, worry that their jobs are at risk, or even resign.

In a tight labor market, middle-market companies are striving to hire and retain employees and don't want to lose them because of a mismanaged or poorly executed digital change.

What can middle-market companies do to move forward on a digital journey while bringing their people along for the ride?

Kelley Powell, CEO of MacLaurin Group, says a company's leaders should first recognize that there will be doubters. Her firm provides technical and data expertise for small and middle-market companies, both founder-owned and investor-backed.

"When you take on a big initiative, there are going to be people who will question it," Powell says. "They are going to ask 'Should we be doing this?' Or, 'Why are we investing in this?'"

She recommends discussing any digital transformation honestly and openly with employees. "You have to be really authentic and transparent about what you are doing and what the goals are," she says.

Doing so can stave off misplaced fears. Employees who feel in the dark about a company's digital transformation and how it may impact them or their jobs tend to imagine dire possibilities.

"If people don't know what to expect, they are going to come up with their own scenarios, and I've found those are worse," Powell says. "I recommend almost over-communicating during a digital transformation."

"Brutal honesty is part of it," she adds. "You may have to tell people that their jobs are going to change or go away (in their current form). But it is also an opportunity for personal growth."

### OVER-COMMUNICATE

Being transparent and honest with employees and communicating goals was a strategy Clark Twiddy followed when his company, Twiddy & Company, a 40-year-old vacation rental business in North Carolina, invested in a new customer relationship management system that connects with customers and compiles interactions across text, email and phone calls in one place.

The company implemented the system about two years ago. Asked if he would do anything differently, Twiddy, who is president of the company, says he would communicate with employees more often about the transition.

"There is no such thing as over-communicating," says Twiddy, who introduced the project in a large, all-employee meeting and then planned to revisit it in 90 days.

It soon became clear that the time between meetings was too long, and that misinformation was swirling among employees. The company deployed C-suite executives and department heads to meet weekly in small groups of five or six staff members to discuss the transformation. Employees were more likely to ask questions or voice concerns in small groups.

"We saw better adoption of change at the small group level because we were able to draw out resistance," he says. "It's easy to sit in the back of the room in a big group and hide from change. People are more likely to be open in small groups."

During the transition, Twiddy repeatedly referred back to the company's culture, which relies on shared goals and a team-like atmosphere, to help ease his employees into using the new system.

One area the company was seeking to improve with the CRM system was its phone hospitality





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**It's easy to sit in the back of the room in a big group and hide from change. People are more likely to be open in small groups.**

**CLARK TWIDDY**

*President, Twiddy & Company*

service, which wasn't meeting customers' or employees' needs.

The new CRM system collects more information to answer common customer questions, such as whether they can check in early, or whether a rental property has a Keurig. Yet some employees balked at having to enter more data than they had to previously.

"Some employees said, 'I know I can do this faster if I do it my own way,'" says Twiddy. "I told them that once we got into the habit of using the system and get through the data collection phase, it will make everyone's jobs a lot easier."

## **EXPLAIN THE BENEFITS**

Another middle-market firm that recently adopted a new technology solution is PDC Machines, located outside Philadelphia.

Starting about a year ago, it implemented a new enterprise resource planning system. The software is used to manage day-to-day business activities, including accounting, procurement, project management, supply chain operations and risk management and compliance.

"ERP implementation is enormously painful, regardless of the size of your organization," says Kareem Afzal, CEO of the family-owned company,



## Features

which manufactures hydrogen compressors for hydrogen-fueled cars, buses, planes, trains and other vehicles.

The company converted from a homegrown system and “the change was very hard on people who are used to doing things a certain way,” Afzal recalls.

One common issue arose when employees failed to close out transactions correctly, which in turn affected billing, inventory and other aspects of the business.

“Our team would go back and retrain people and make visual work instructions with screenshots,” he says. “That helped as a good reminder for people until they got the system down.”

He says it’s also important for a company to explain how a digital transition will benefit employees—by automating a cumbersome process, for example.

“When folks see how the digital transformation affects their day-to-day work and how it makes things more efficient and smooth, they buy into it,” Afzal says.

### FIND THE RIGHT PARTNERS

Afzal says that PDC Machines, which grew from 87 employees to 220 in January 2021 and expects to grow to 350 by mid-year, often relies on the expertise of its private equity partner, Arcline Investment Management.

He says Arcline helped his company deal with the challenges of adopting the ERP system and has a dedicated person working with them on digital strategies.

“They’ve been a godsend,” Afzal says. “When we need help or resources, it’s one call or email and they deploy it in a day.”

Partnership is a two-way street, and investors who are betting that technology solutions can improve a company’s performance need to make sure that they’re backing leaders who share their mindset.

“Culture in general is something we find to be very important,” says Andrew Dunn, a managing

partner of One Equity Partners, a middle-market private equity firm with more than \$6 billion in assets in the healthcare and technology sectors in North America and Europe. “In a lot of the companies where we are investing, we are looking for people who can really be our partners in transforming operations and transforming scale.”

One Equity often relies on its digital services portfolio companies to help with due diligence and assess a company it is considering taking a stake in. That approach is similar to one taken by Brad Armstrong, partner at private equity firm Lovell Minnick Partners, who says a target company’s digitalization opportunities are top of mind when weighing an investment.

As part of due diligence, the firm wants to understand how its investment will enable the target company to flourish.

“We really try to look at what the opportunity set is, with an eye to where we can add value,” Armstrong says. “That’s an area where we can bring ideas and best practices to the table and be a little bit of a change agent.”

Lovell Minnick has an individual on staff who can assess a target company’s technology resources, leadership and opportunities. This can be particularly useful for companies that do not have a chief technology or chief information officer on staff and may need outside help to decide what a digital transformation should entail and how to tackle it.

### ASK THE RIGHT QUESTIONS

A common pitfall for companies as they enhance their tech capabilities comes when choosing a third-party contractor to work with on a technology project.

“We’ve seen some missteps,” Armstrong says. “Sometimes it involves engaging the wrong party. For example, a company might engage an external resource whose expertise is in a different form of digital marketing than they need. It might be that they hire a firm that is more business-to-consumer in focus, instead of business-to-business.”



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When looking for a consultant, Tye Howell, managing director of data and digital, at private equity firm Blue Point Capital Partners, advises getting recommendations from your business network or asking a PE partner or other connection for suggestions.

“We keep a Rolodex of people we have worked with—with private equity-backed companies and with PE firms—and who have had demonstrated success,” Howell says.

Before hiring a contractor, he recommends that a company outline the scope of its project and talk with several contractors about their interests, expertise and results.

“You want to pay for value, not just the hope of it,” Howell says.

A critical aspect of that value is the impact on customers, something that Armstrong suggests inquiring about when identifying the right partner.

“We always ask potential contractors, ‘How is this going to improve the customer experience?’ Because ultimately, if you can improve the critical

the tone for the cultural shift needed to create a tech-enabled enterprise.

Powell points out that CEOs and other business leaders who view new technology as an investment to grow their businesses, rather than simply as another expense, are better positioned to succeed.

Communicating the value of the investment internally will help employees understand the need for change, and that open communication should extend to outside partners as well.

Having moved quickly to implement a new CRM system at his vacation rental business in the middle of a pandemic, Clark Twiddy saw how critical contractor relationships are to a project’s success.

“If the health of those relationships isn’t strong, those are the first relationships and alliances that could not sustain a crisis,” he says.

He has adopted a new habit of checking in with contractors to ask them questions like: “Are you comfortable with our digital strategy? Do you know what we are trying to achieve? Do you have any questions about us as a firm? Do you know what



**In a lot of the companies where we are investing, we are looking for people who can really be our partners in transforming operations and transforming scale.**

**ANDREW DUNN** *Managing Partner, One Equity Partners*

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infrastructure associated with the customer’s journey, you’ll see positive long-lasting effects throughout the business,” he says.

MacLaurin Group’s Powell points to another area to focus on when hiring a contractor: The company should ensure it will retain ownership of intellectual property for the work done by third parties.

“You do not want this to come up as an issue at the time of a future sale,” she says.

## **RELY ON RELATIONSHIPS**

As much as technology itself matters for a digital transformation, it isn’t enough to guarantee success. It takes people to implement and use new systems and tools, and leaders’ attitudes set

to expect from us today? Are we being candid with you about what we don’t know?”

Digital transformation was already a buzz-phrase before 2020; now, effectively employing technology has become a competitive necessity. For Twiddy, open and honest communication with third-party contractors is critical to thriving in today’s business environment.

As he sees it, “The stronger those relationships are, the more resilient we are as a company and the more we will be able to compete with national firms.” //

**ANNEMARIE MANNION** is a former reporter for the *Chicago Tribune* and a freelance writer who covers business.



# Chain Reaction

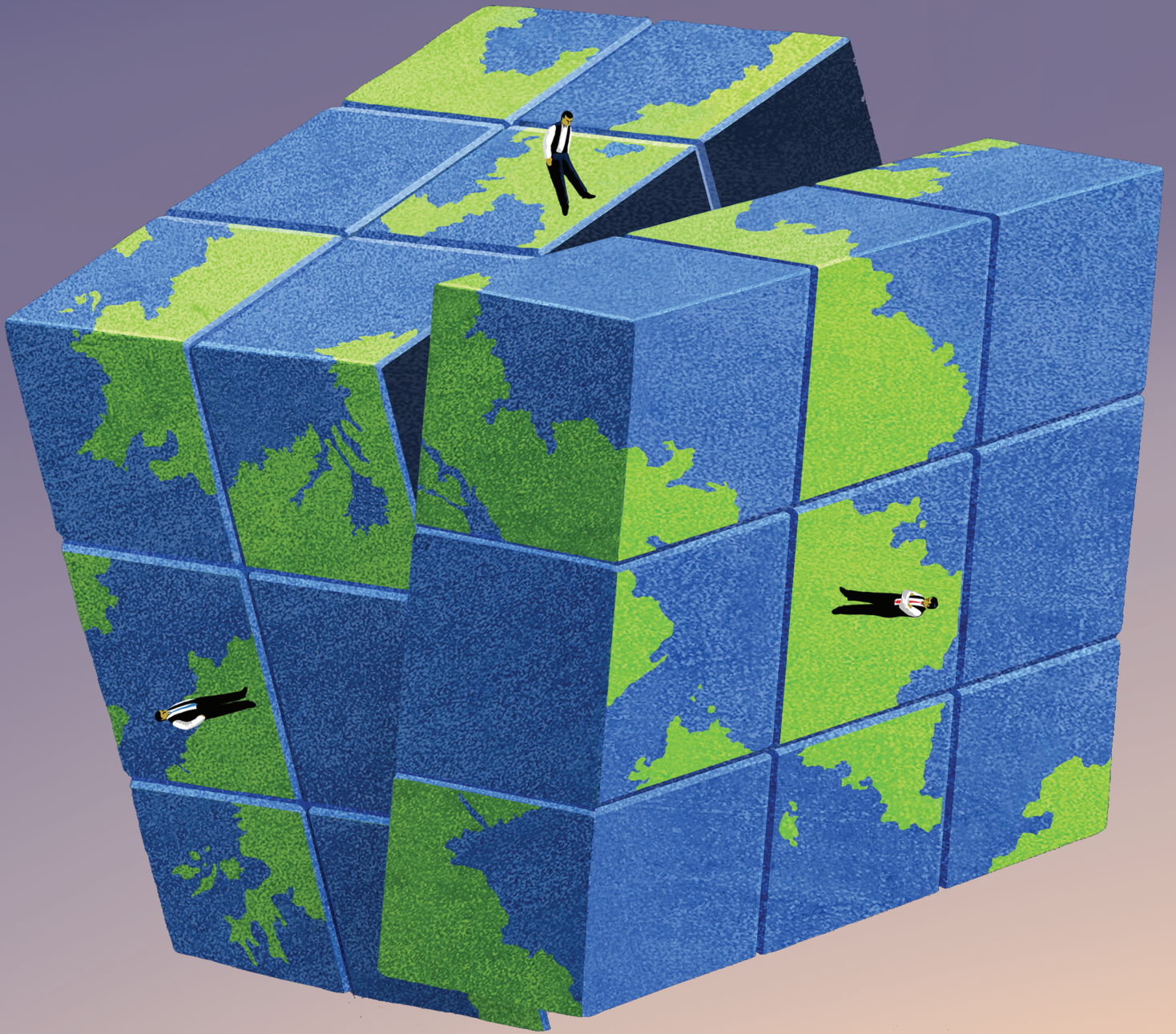
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WRITTEN BY  
*Jen A. Miller*

ILLUSTRATIONS BY  
*Michael  
Glenwood  
Gibbs*

How midsize businesses  
are responding to  
supply chain disruption









## Features

**W**hat started out as a rush to find toilet paper in March 2020 has turned into a full-blown supply chain crisis. Everything from lumber to kitchen appliances to cars to hotel mini-shampoo bottles is in short supply.

A full 100% of retailers experienced supply chain disruptions leading into the 2021 holiday season, according to a recent Software Advice report. “It’s happening to everybody. There’s not a single step in the supply chain or a single company that’s not feeling the effects,” says Olivia Montgomery, senior supply chain analyst for Software Advice. She and other experts don’t expect current supply chain problems to ease until 2023, even as the COVID-19 pandemic subsides. That’s because a virus isn’t the only thing causing disruptions. The U.S. trucking industry is short about 80,000 drivers, according to the American Trucking Association—an all-time high—and they expect that shortage to grow to 160,000 drivers by 2030. Plus, Black Swan events, which are supposed to be rare supply chain disruptions, are happening more often. Since the start of the pandemic, supply chains have been affected by the debilitating February 2021 Texas winter storms, the March 2021 blockage of the Suez Canal, West Coast wildfires and trade battles with China, to name a few of the disruptors.

While larger companies may have the buying power and capital to weather the supply chain storm, middle-market companies have had to be more “creative in how to use their resources” to continue to operate, Montgomery says.

### IDENTIFY ALTERNATIVES, EVEN AT A COST

The challenges faced by MANA Products, which makes private label beauty products, have shifted since the start of the pandemic. The company is based in Long Island City, New York, and shut down entirely for two weeks in March 2020, except for two people who stayed on to accept material

shipments. MANA did that with an eye on being ready to start production again whenever it was safe to do so, says Bob Jaegly, CEO of the company.

While closed, MANA took time to create COVID-safe protocols for warehouse workers and evaluate the company’s product sourcing, which led it to buy more chemicals at one time than it had before. In addition, the company spent time and money on research and development to identify “back-up alternatives that perform equally as well, even if it costs more,” Jaegly says. “We’ve learned that we need to have dual sourcing on several of our formulas.”

Traub Capital Partners, a private equity firm that signed an agreement to purchase MANA on March 20, 2020, linked MANA to their connections in the chemical and freight industries. “They were the Air Force to our infantry,” says Jaegly. “Their network sped up our recovery.”

Having access to cash flow has also made a difference in allowing MANA to make those larger chemical purchases. This has helped the company continue to make customer orders on demand, even if the component parts of its products (like the tube for lipstick or packaging for blush) are arriving on a more erratic schedule.

“For 19 years, I worked at the company that made Lysol. You never heard the words ‘cash flow’ because you never thought about it,” Jaegly says. “In these times, if you’re a small or midsized company with sales going up and down, it’s a real challenge if you’re not well funded.”

### MANAGING EXPECTATIONS AND SLIMMING SKUS

Semiconductor chips were especially challenging to source in 2021. According to a Deloitte report, chips will still be in short supply globally through 2022, with some component lead times pushing into 2023. In 2021 alone, the chip shortage cost the auto industry \$210 billion, according to AlixPartners.

If multinational automotive companies are





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**In these times, if you're a small or midsized company with sales going up and down, it's a real challenge if you're not well funded.**

**BOB JAEGLY**  
*CEO, MANA Products*

having trouble sourcing chips, what can middle-market companies do? Ethan Klemperer, senior operating executive and head of the operating team at private equity firm Monomoy Capital Partners, says that as soon as the firm's executives realized chips were going to become a major problem, they worked with their portfolio companies to reset client expectations.

“Very early on we realized we were going to need to go on allocations for our customers,” says Klemperer. For one portfolio company that manufactures products with chips, Monomoy and the company's supply chain and operations

teams focused on making sure they could make enough to at least cover their overhead, and not over-promise on taking orders they wouldn't be able to deliver. “We knew we were going to be able to produce much less, and not lose our shirts in the interim,” he says.

The company also identified its best clients and the products they ordered, so instead of trying to make everything for everybody, the business focused on keeping those top clients happy. “If you're not a tier one customer, it's just not something we're going to be able to provide,” Klemperer says. The supply chain crisis “forced us to prioritize



## Features



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Historically, each of our companies would be negotiating with their own brokers, and given scale, were pretty limited to go direct to container companies.

**TRAVIS DZIUBLA**  
*Vice President of Operations,  
Lion Equity Partners*



SKUs and partners that were our best long-term partners.”

Monomoy also negotiated with customers to ensure they could manufacture products with different component parts, which had been difficult in the past. “If they had a certified component or part, they were not willing to go back and look at it again,” Klemperer says. After their engineers found an alternative to a certified part that was still able to provide the same specifications and capabilities, those customers finally budged. “We were able to go back to these companies and get them to allow for replacements or alternative parts, which is not something that had ever been allowed.”

## STRENGTH IN NUMBERS FOR SHIPPING

Ocean freight costs were a particular challenge for middle-market companies in 2021, with prices peaking in August at more than \$10,000 per 40-foot container, according to the World Container Index. Prices started to fall in the third quarter of 2021, but as of December, they were still 196% higher than the year before.

“Capacity goes to really large companies that are bringing volume and a level of certainty to ocean freight,” says Travis Dziubla, vice president of operations at private equity firm Lion Equity Partners. Those companies also have the money to spend on higher freight costs, or to jump the line entirely by buying control of the shipping means themselves. Walmart, Target, Home Depot, Costco and Dollar Tree all chartered their own ships to meet 2021 holiday demands, according to a *Reuters* report. Toymaker Ty transported products via 238 cargo air shipments to solve for the seasonal uptick in purchases. The move cost \$1.5 million to \$2 million per flight, according to company estimates.

Middle-market companies don’t usually have that option. Instead, they’ve had to be nimbler, says Dziubla. This could include splitting up orders that had previously gone on one ship to multiple ships. “It’s a matter of trying to find capacity, as much as it has been managing the price,” he says.

Middle-market companies can also band together through a purchasing association. “Historically, each of our companies would be negotiating with

## BEHIND THE STORY



**TRAVIS DZIUBLA**  
Vice President of Operations, Lion Equity Partners



**BOB JAEGLY**  
CEO, MANA Products



**ETHAN KLEMPERER**  
Senior Operating Executive and Head of the Operating Team, Monomoy Capital Partners



**GEOFF LURIE**  
Managing Partner, Traub Capital



**CHRIS NELSON**  
CEO, 1Concier





## Features

their own brokers, and given scale, were pretty limited to go direct to container companies,” Dziubla says. Instead of trying to duke it out for limited available spots, purchasing associations bundle the needs of smaller companies together so they can act like a larger one.

Three of Lion Equity’s portfolio companies have done that through the Enterprise Purchasing Group, which is an ACG endorsed partner, starting in November 2021. “It’s not taking over our entire program by any means, but it’s a really nice avenue for access to containers,” Dziubla says.

Doing what you can to meet timeline expectations—even if it costs more—can help outpace competitors right now, especially for manufacturers of luxury goods, says Tom Beerle, partner at private equity firm Bertram Capital. Bertram owns Perennials and Sutherland, which makes high-end fabrics. Focusing on delivery timing might mean “you’re having to absorb the higher freight costs, but in many cases for us it’s much more important in meeting customer expectations of delivery windows,” he says.

### TECHNOLOGY SOLUTIONS CAN BRIDGE THE GAP

In a survey of global supply chain leaders conducted in spring 2021, McKinsey & Company found that the vast majority of respondents reported that they invested in digital supply chain technologies during the previous year, with most investing more than they originally planned. McKinsey also found that almost every company had plans for further digital investment in the future.

Those kinds of digital investments depend on what a middle-market company needs. 1Concier, a Lion Equity portfolio company that serves the hospitality market, recently made a major investment in a modernized enterprise resource planning platform. “One of the primary drivers was to create more visibility into the cost structure so we could start seeing how much freight and supply chain was impacting us,” says Dziubla.

Having better visibility into “where is our container on the ocean, what port is it going into, how long is the lead time in that specific part of the supply chain, and how is it trending over time” is vital, he adds. The technology enables forecasting that helps businesses decide if they need to reroute a shipment, how far in advance they need to plan, and what steps they can take to avoid stockouts.

This is especially crucial for a company like 1Concier, which is shipping items like sheets and towels that take up space in a container and are expensive to ship. The company has now switched from stocking four months’ worth of goods to seven months, says Chris Nelson, CEO of 1Concier. He’s also seeing improvements on weekly status updates, which use red, yellow and green indicators. “We don’t have a lot of reds on it, and only a few yellows,” he says.

Better analytics can help with forecasting, and enable better decisions to ensure supply chains keep running, says Geoff Lurie, managing partner at Traub Capital. “The ability to plan distribution of your product based on historical performance of supply chain—in terms of lead times to get your product here—is bumpy at best during this supply chain crisis,” he says. Instead of looking back, analytics look forward to make predictions. They can use technologies like artificial intelligence to cull data from public and private data sources to inform supply chain and procurement professionals on how they can best keep their operations running.

While some technology solutions require making organizational change (with pricy capital investments), others do not. In order to find semiconductor chips, Monomoy Capital used bots to “scour the web to find people who were selling chips,” says Klemperer. “We were buying at eight times the price just to have it.”

While that might sound unwise, especially since chips only make up a tiny fraction of the cost of their portfolio companies’ products, “they prohibited us from being able to manufacture our



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product,” Klemperer says. “We were out there bidding on anything we could get our hands on at any price.”

## **BOLSTERING AND DIVERSIFYING SUPPLY CHAINS**

Companies that target timely delivery, which focus on getting products at the exact time they are needed and at the lowest cost, have faced high disruptions, especially if that price was achieved by working with one supplier. Those problems were exacerbated if the supplier was based in Asia, and not just at the initial outbreak of the coronavirus. Vietnam, for example, which is one of the world’s largest suppliers of clothes and footwear, locked down in the summer of 2021 during a surge in COVID-19 cases.

cost,” says Klemperer. “It’s a big shift for people when you’re going out there negotiating with your suppliers.” Instead, a company should ask how they can be good partners, instead of negotiating down to the penny, he adds.

Forward-thinking middle-market companies have also moved away from fairly lean operations to more robust contingency planning, where procurement professionals “who previously saw themselves as schedulers are now having to play this more tactical and strategic role and step up to try to manage the logistics of a supply chain network that previously worked for them,” says Dziubla.

Nelson adds that 1Concier has also done a deep analysis on its supply chain and is working to diversify the company’s manufacturing operations. That includes reevaluating vendors in places



**The ability to plan distribution of your product based on historical performance of supply chain—in terms of lead times to get your product here—is bumpy at best during this supply chain crisis.**

**GEOFF LURIE** *Managing Partner, Traub Capital*

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In a December Software Advice report, 22% of retailers said that relying on a single supplier was their greatest weakness leading into the 2021 holiday season.

Middle-market companies should be “moving away from a just-in-time mentality,” says Montgomery of Software Advice, who adds that this might be difficult since it’s been a dominant methodology for decades.

“Executives really need to start the conversation and lead the way in moving away from this mindset,” she says. “It’s OK to have more evergreen products, store products, and invest in warehousing space.”

Smart middle-market companies have been reevaluating their suppliers, and making sure they have alternate vendors for key components without which they can’t operate, even if it costs more. “We’ve stopped fighting for every dollar of

like Mexico and South America, where improvements in manufacturing capacity and quality have made them more viable options. These countries don’t necessarily rely on ocean freight to get items to the U.S., and their goods aren’t subject to the same tariffs that apply to goods coming from China.

While adding domestic suppliers can help mitigate future supply chain disruptions, it’s not “a magic bullet,” says Montgomery. Only 44% of consumers value or care that a product is made in America, according to research from Capterra.

Montgomery adds: “There’s just not that value to the consumer, and then the massive overhaul that would have to change to switch all supply chain traffic to domestic: It’s unrealistic.” //

**JEN A. MILLER** is a freelance writer and author of “Running: A Love Story.” She lives in New Jersey.



MIDDLE MARKET  
**Growth**  
// CONVERSATIONS

# VOICES OF THE MIDDLE MARKET

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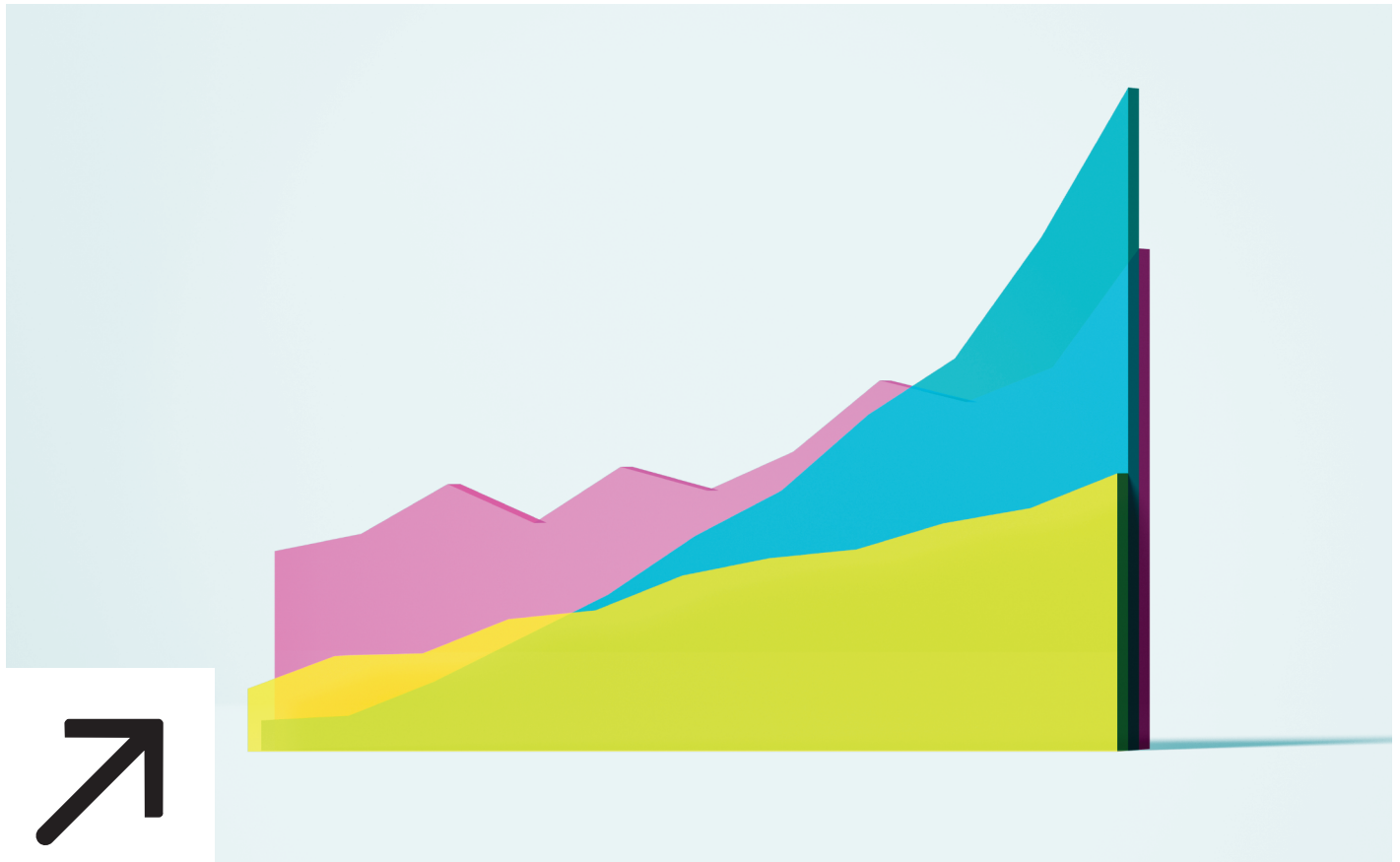






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Six key steps to follow for a successful M&A integration.



## Prioritize Marketing After the Deal Is Done



**CARL WHITE**  
Founder, MarketVisory Group

Imagine that you've been hired by a private equity firm—we'll call it PE Capital—to run a portfolio of four podiatry practices that PE Capital recently acquired. In total, there are 10 offices, eight podiatrists and multiple staff spread across your metro area. Each has a decent-sized patient panel with room for more. PE Capital told you they see potential in the practices to grow their patient panels; add higher value treatments; serve as a platform to buy more practices; and achieve cost synergies across the operations.

Marketing is integral to realizing the first three areas and can participate in the fourth. Unfortunately, many PE buyers and operating executives don't prioritize marketing after the deal is done. Instead, each office keeps doing what it's doing, which is what got their panels to decent-sized but not bigger. The sooner you put marketing high on your list, the faster PE Capital will realize its vision.

So, where do you start? Build and run a marketing plan common to all offices and tailored where needed. Here's what that looks like.

### Marketing Strategy

It's common to see similar offices doing different marketing activities without a good reason. That's what you find as you start to tour the offices. You've inherited a bunch of tactics. Strategy corrects that—it always comes before tactics.

The four essential elements of a marketing strategy are:

- **TARGET PATIENT TYPES.** Who are your patients? It's not enough to say "people with foot and ankle



problems.” Do they share commonalities of age? Disease state? Activity level?

- **YOUR CORE DIFFERENCE.** Why is your new entity valuable and different to those target patients? “We have experienced podiatrists” isn’t enough. They’re table stakes. Are you offering broader treatment variety? Is your organization easier to deal with than competitors?
- **PATIENT LOYALTY.** You want patients to be loyal, but that doesn’t happen on its own. What content and activities can you create to build loyalty?
- **TACTICS AND CHANNELS.** Which tactics and channels—website, paid promotions, social, email, PR, etc.—will you use to bring your content and activities to life?

## Implementation Plan

Now that you have a marketing strategy, it’s time to get it done. Often, marketing tactics are inconsistent. That never achieves results, and it wastes time and money. To be effective, marketing needs traction, which takes time and a religious devotion to consistency.

Here are the core components for consistent and successful implementation:

- **A MARKETING CALENDAR.** Create a marketing calendar for each office that shows what’s getting done and when. Build your calendars at a high level for the year. Each month, review the next rolling three months while refining your plan for the current month.
- **ROLES AND RESPONSIBILITIES.** Designate an owner for each tactic in each office. If you don’t, the tactic won’t get done.
- **MEASUREMENT.** Evaluate whether the tactics are working. Are new patient calls and form fills coming in? If not, why not?
- **COMMUNICATION.** Ensure everyone is on the same page. Do the doctors and staff know what the strategy is and what their responsibilities are for tactics? Can they communicate to you openly when they need to?
- **HIPAA COMPLIANCE.** Marketing and patient privacy overlap. Make sure the tools you use and people you assign to execute the marketing plan are HIPAA compliant per your HIPAA policies.

## A Common Plan—with Room to Customize

PE Capital should create a single plan for all of its practices, with room to tailor the plan to each office when needed. They’re all podiatry practices, so PE Capital’s vision to grow patient panels and add higher value

treatments can likely be implemented in similar ways across offices. Plus, it’s easier to understand and work through one plan vs. multiple.

It’s also more efficient. With a common set of tools, there are fewer to learn. Take the example of getting more patient reviews. You probably inherited different tools across offices for managing reviews. Instead, pick the best one and use it everywhere. That way, everyone learns the same tool, and it ultimately saves money. For subscription-based tools, subscribing to one tool for 10 offices usually comes with a volume discount. Then, once you’ve worked out the kinks, PE Capital will have a “marketing playbook” to use when they acquire more practices.

So how should you decide which parts of the plan to standardize and which to tailor?

**STANDARDIZED:** Patient types will be similar across offices, so the core difference that sets you apart needs to be the same across the organization. It’s the essence of your brand (i.e., the promise you make to patients), which should never waver across locations. There will be overlap in how you build patient loyalty and the channels you use.

Similarly, each office’s marketing calendar needs to look and work the same way. Use the same tactical tools and measure results for each tactic the same way.

**TAILORED:** One example where the plan can be tailored is sponsorship of local organizations, since the offices are in different communities. When tailoring other parts of the plan, use your judgment. Pressure-test tailoring something first: Does X really need to be different in this office from what we do in the other offices? If yes, do it, measure it and change it if you need to.

## Marketing Is Integral to Realizing a Practice’s Vision

We follow this playbook when we work with clients—marketing strategy religiously implemented. When you start a new assignment, you won’t know what you’ve inherited. Follow this approach and you’ll catch up. You’ll install an effective marketing plan that everyone can understand and implement. Most importantly, PE Capital’s vision will be on the road to reality. //

**CARL WHITE** is the founder of MarketVisory Group, a healthcare marketing agency. White has over 20 years of experience doing marketing in healthcare. For much of his career, he worked at Baxter and Hollister. He started MarketVisory Group five years ago to broaden his reach and help a wider variety of doctors, clinicians and patients. White is a Duct Tape Marketing Certified Consultant. He lives in Chicagoland.

# SIX ESSENTIALS FOR DRIVING A SUCCESSFUL MERGER & ACQUISITION INTEGRATION



**Bryan Graiff**  
Partner,  
Armanino LLP



**Amy Julian**  
Consulting Director,  
Armanino LLP

With increased merger and acquisition (M&A) competition and higher transaction prices, it's more important than ever to conduct appropriate due diligence and assemble a strong integration strategy. Before embarking on a transaction, utilize insights from benchmark industry data to ensure your chosen subniche has the best opportunity for yielding the highest return on your investment. After identifying your target, consider implementing these tips as you manage your M&A integration.

## ***1. Conduct pre-deal due diligence.***

Conducting robust due diligence is critical to ensuring the buyer fully understands their purchase. This phase can save dollars but also uncover issues that can lead to a completely different acquisition outcome. The due diligence process should include a quality of earnings review, tax diligence and structuring, IT and risk assessment, as well as a thorough predictive leadership assessment of the management team in place to assess their ability to successfully scale and grow under a new ownership structure.

## ***2. Establish a clear integration strategy that is aligned with the M&A rationale – before the deal closes.***

Integration blueprints are driven by the rationale and strategic intent of the acquisition or merger. A rigorous plan can increase the speed and success of the merger or acquisition. Setting guiding principles for the integration plan to determine which items to integrate and which to keep separate ensures the buyer keeps the objective of the deal at the forefront.

## ***3. Hire or appoint a strong integration leader.***

A strong integration leader is one that can quickly mobilize teams to support the combining of two organizations across all business units. This requires obtaining a high level of trust and commitment and demonstrating effective communication, problem-solving, organizational and

motivational skills. This leader should establish the governance bodies and decision rights at the beginning of a post-close integration to quickly achieve planned synergies.

## ***4. Clearly outline roles and responsibilities for integration planning and execution.***

The cross-functional integration team is responsible for delivering cultural, organizational and operational alignment across the companies while achieving calculated cost synergies. It is important that everyone understands their respective roles and responsibilities to successfully navigate a merger with high expectations and tight timelines.

## ***5. Don't underestimate change management and communication efforts.***

Uniting disparate cultures is often among the top challenges during an integration. For a successful unification, culture must be viewed as core to the business. This is accomplished by business leaders visibly prioritizing cultural integration across all levels and locations of the newly combined company. Each business function should have an assigned sponsor that owns an implementation plan with specific, consistent metrics.

## ***6. Drive cross-functional integration and digital transformation.***

To achieve maximum value, ensure enough attention is given to all functions in an organization during the integration, including commercial, operations and back-office functions. Investing in technology solutions to bring real-time data insights and create operational scalability can improve cashflow optimization and help maximize EBITDA.

**BRYAN GRAIFF** leads the transaction advisory practice and private equity industry group at Armanino. **AMY JULIAN** is a director in strategy & transformation at Armanino with experience driving M&A integrations from strategy to execution.



# Removing Friction from Your Digital Experience



**DAVID KRAMER**  
COO and Head of  
Product, Company.com



**ROSS SAVAGE**  
Senior Product Manager,  
Company.com

Customer experience is a lot like auto racing, where speed and accuracy make or break the outcome.

Auto racing design engineer Colin Chapman understood that when he streamlined his race cars at a time when others thought heavy, bulked-up engines would lead to victory. His simpler design led his racing team to six Formula One titles and a victory at the Indianapolis 500 between 1962 and 1978.

“Adding power makes you faster on the straights,” Chapman reportedly said. “Subtracting weight makes you faster everywhere.”

Like Chapman’s cars, a streamlined customer service experience gives companies a competitive advantage. But how do businesses remove friction when managing multiple digital experiences, like marketing, account creation, customer support and account management?

Knowing the best practices for a frictionless experience is paramount for business success with an increasingly demanding customer base, says David Kramer, COO and head of product at Austin-based Company.com, a digital experience platform (DXP) that allows companies of any size to get past siloed data and disparate technologies, providing a frictionless and connected customer experience.

We asked Company.com for a few best practices that can be implemented regardless of the platform. Here’s what they had to share:

**PROGRESSIVE DISCLOSURE:** Only collect information that’s necessary at the time. Don’t waste precious business resources or frustrate customers by asking for information

that’s not pertinent in the moment, advises Ross Savage, senior product manager at Company.com.

For instance, Company.com’s DXP only collects desired service information. The platform leverages progressive disclosure by removing unnecessary data collection; it only asks for more information as engagement deepens and new data is required.

“During the sign-up process, we only ask for what we need to get started, but any data we need for a specific product is only asked for when that product is activated,” Savage says.

**ONE-TIME DATA COLLECTION:** Never require customers to re-enter data twice. If you do, you’ll risk frustrating them by asking for the same information repeatedly.

Company.com’s DXP removes the need to re-enter data, Savage says. Also, the platform allows businesses to choose to pre-fill the data to give the customer a chance to change it.

For instance, one implementation of Company.com’s DXP, a suite of small business services, manages data across multiple products and services from a variety of companies. Using the DXP’s built-in identity and access management (IAM), subscribers gain instant access to multiple disparate products from different companies without having to re-enter their information or create a login for each service. In many cases, this cuts the number of steps by 50% or more when activating or subscribing to new products.

**SINGLE SIGN-ON:** Ensure users can easily jump across experiences and offerings. There’s no faster way to kill a cross-sell opportunity than asking for multiple logins, Savage says.

The goal should be one login and password for all the ways a customer can interact with an organization; anything more is unnecessary, frustrating, and ultimately results in lost revenue. By doing this, Company.com’s partners have enjoyed one-click cross-selling and up-selling, along with improved net promoter scores.

“Don’t be afraid to add lightness by adding functionality on your platform, instead of just sending the customer to another experience,” Savage says. “Company.com’s platform adds new technology to allow better communication with vendors so that we can enable more simple and optimized experiences.” //

# WHAT IS YOUR DEAL?

**ACG**<sup>®</sup>  
Association for Corporate Growth



## Expand your network and fast-track your business goals with ACG Membership

ACG Members represent the most active and engaged professionals within the middle market.

They embody ACG's mission of driving middle-market growth by carrying out their own missions: to source and close deals, to grow their own organizations, to win business, and to continue developing their own careers.

And we help make it happen. When you join ACG as a member, you gain access to the exclusive network and benefit from the connections that ACG actively facilitates.

Does this sound like you? Are you among the middle-market's foremost, deal-making, business-growing, investment-finding, ladder-climbing, acquisition-targeting, talent-sourcing, hand-shaking (metaphorically speaking), professionals? Do you aspire to be?

If so, we encourage you to join ACG as a member and take advantage of the following benefits:

- ▲ **Invitations to Member-Only Events** - Collaborate with other ACG members and benefit from expert panels and industry insights. (Some events are just for fun.)
- ▲ **Member-Only Discounts** for just about all ACG-hosted events, including InterGrowth: the premier dealmaking conference in the middle market.
- ▲ **Access to – and a presence – within the ACG Member Directory:** Search for and connect with fellow ACG members with our exclusive directory of middle-market professionals.
- ▲ **A Subscription to Middle Market Growth® Magazine:** Keep up to date on news, trends, best practices and thought leadership in the middle market.
- ▲ **ACG JobSource®** - Post or search for a job on ACG's job board.
- ▲ Earn your MMP via **ACG's Middle-Market Professional Certification Program** at a discounted rate.
- ▲ **Member-Only Offers** courtesy of ACG's Partners
  - △ 6-Month Free Trial for FoundersCard
  - △ 2-Month Free Trial for CLEAR (or a \$30 discount for a year-long subscription)
  - △ Exclusive savings on a subscription to Grata
  - △ Pre-approval for a free membership to EPG
  - △ Enroll your company in the ParityINDEX®, a proprietary DEI measurement tool created by Parity.org.



**75%** of ACG Members do deals with other members

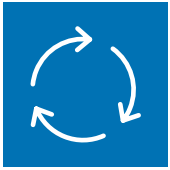


**86%** of ACG Members are either very or extremely likely to recommend ACG to a friend

**ACG**<sup>®</sup>  
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# The Wrap-up

A RECAP OF RECENT EVENTS AND TAKEAWAYS FROM THIS EDITION



## 52 BACKSTAGE

A Q&A about private equity legal spending, sponsored by Bodhala.

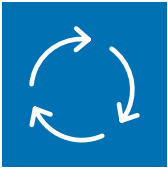
## 56 KEY TAKEAWAYS

Insights from the stories in this edition.



Legal is the largest indirect spend category in private equity, outside of people, and it is probably the least understood in terms of the opportunities to optimize it.

**RAJ GOYLE**  
CEO, Bodhala



# PE Firms Mull *Legal Spend*

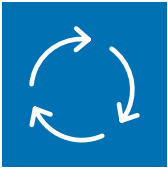
Legal is one of the largest spending categories for private equity firms today. In 2021, a group of private equity professionals came together to talk about how they manage legal spend and explore ways to save money while still getting the legal services they need to close deals and run a successful firm. The roundtable was sponsored by Bodhala, a legal spend management platform. What follows is an edited and condensed version of the conversation.

In Partnership with









**NOAH BECKER**  
CFO, LLR Partners



**BLINN CIRELLA**  
CFO, Saw Mill Capital



**DAVE GERSHMAN**  
Partner & General Counsel, Trivest Partners



**RAJ GOYLE**  
CEO, Bodhala



**JOSH LOFTUS**  
General Counsel, LLR Partners

**DANIELLE FUGAZY**, Moderator

**DANIELLE FUGAZY: What are some of the pain points for your firm when it comes to legal spend?**

**DAVE GERSHMAN:** When we started looking into our legal spend, it started with questions like: how much are we spending per deal, which seems like a pretty simple thing you should be able to answer. But when you start digging into it, it requires real digging. And the deal we would agree to on hourly rates was a game of whack-a-mole. They'd do it for one month and then the next month they'd be back to the rack rate and we'd have to call them on it.

**JOSH LOFTUS:** We're not focused on an individual hourly rate and getting a discount from that or what's appropriate for mid-level associates versus a junior associate. We're much more focused on a value-based spend for a project. If you tell me you're charging me \$200,000 an hour, and that's what I think the project is worth, you better be able to get it done in an hour. If it takes you more than that, I want 90% off your 10-hour rate. We're not really focused on an hourly rate, but rather on a value-based approach to the entire billing cycle and knowing what we expect something to cost going in, even if the time spent varies.

**DAVE:** We want to have good data, that's my first goal. My second goal is to know my spend. I can't have the hard conversations with law firms if I don't know what it's worth. If I got those two things done, that'd be great.

We did 16 acquisitions in one

portfolio, and I had to call the CFO of the portfolio company to get the data and get all the law firms' names to triangulate the data. We have now started adding these fields through our work with Bodhala, which is allowing me to pull and sort data. It's been getting it to where I need it to be and it has not been that painful.

**DANIELLE: Would you use this data as a benchmark toward investment professional performance and how they manage spend?**

**DAVE:** Our investment professionals view every dollar they put into portfolio companies as something we are grading them on. Our investment professionals are going to grade our portfolio management on a return to capital. Our investment professionals are our best negotiators. Having this data will arm them with better knowledge to let portfolio companies know, not in an accusatory way, what they are spending on legal.

**BLINN CIRELLA:** For many years we used a very large, well-known law firm to do deals, but we don't do large deals. We found over time our closing costs just kept creeping up, so we changed to a more reasonably priced mid-sized firm.

Our new firm does a great job. Our deal guys do own the relationship, but they all use the same firm because we get at least some buying power. But the question here is, "How do you know what you're supposed to be paying?" That's a really good question.



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**RAJ GOYLE:** So many professionals doing this work don't have any information to do the analysis. They're busy as hell, legal bills are basically ancient hieroglyphics, and they come six weeks after the work is done. By the time professionals look at these line items, they can't really make head or tails out of it. They are looking at the bill and saying, does this feel okay? With Bodhala's software, teams are able to see that their buddy at one law firm is three times more expensive than their new friend at a different law firm.

**DANIELLE: How do broken deal fees impact legal spend?**

**JOSH:** We've been relatively successful on broken deals. It was a pain point and something we focused on over the last two years. We would tell our repeat law firms that there is the cost of doing business for them too. Some of those deals don't make it to consummation, and the rate we're willing to pay without a portfolio company to show for it is significantly less.

**RAJ:** One of our big deliverables for our clients has been arming them with

is set up has certainly influenced the issues that plague private equity firms' in-house teams. The entire buy-side, sell-side dynamics in law are inverted. Clients should be demanding transparency, competition, data innovation, price discovery and the benefits of competitive forces—but there are none of those advantages. In fact, the advantages all accrue to the sell-side vendor—the law firms control pricing. There is no industry outside of oligopolies or monopolies where the sell-side sets the price except in law. The



**You don't want to be penny wise. We always want to get the deal right and get all the terms right because there's a lot more dollars at stake than saving \$25,000 on a deal.**

**DANIELLE: Would most of you agree that while you never want to waste money, legal cost isn't a front burner concern because it is considered a derivative of good dealmaking?**

**NOAH BECKER:** You don't want to be penny wise. We always want to get the deal right and get all the terms right because there's a lot more dollars at stake than saving \$25,000 on a deal. However, if you have a portfolio company that's doing lots of acquisitions and they're paying an extra \$25,000 or \$100,000 every time, you will want to focus on it. But at the end of the day, you need quality, and, with that quality, you want the best cost you can get.

**DAVE:** Once you have some data there's an opportunity to sit down with law firms and have a conversation about what you want from them and what you want to pay.

the data in negotiations to get more aggressive broken deal fees. Frankly, the law firm industry is one where if you don't ask you don't get. Law firm partners are trained to just charge if there isn't a squeaky wheel.

**DANIELLE: Raj, how has Bodhala tried to address some of the challenges faced by private equity firms?**

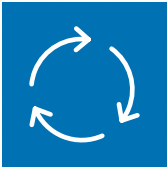
**RAJ:** Bodhala has been around for about five years now, but in that short amount of time, we've established ourselves as the leading legal spend optimization solution in the market. Legal is the largest indirect spend category in private equity and it is probably the least understood in terms of the opportunities to optimize it. Given this information, it may come as no surprise that mid-market PE is our largest growing sub-vertical.

The way the legal services market

whole industry has been set up for the benefit of those law firm economics.

But thanks to cloud computing, AI and machine learning, there's now an incredible amount of data that the buyer of legal services can have to make sure that they are getting the best value.

At Bodhala, we're disrupting the status quo. By leveraging sophisticated analytics and smart benchmarks, we're driving price discovery and competition within the legal services market. We're arming in-house teams with the transparency they need across key practice areas, timekeepers, deal types and tasks in order to make key business decisions and better understand the "should-cost" of their matters. With these insights, private equity firms can take a much more strategic approach to firm selection, performance tracking, rate negotiations and more. //



THE WRAP-UP //

## Key Takeaways

**CATCH UP QUICK:** From a supply chain hack to the risks that come with vaccine data, here are a few of the highlights from this edition of *Executive*.

### MIND THE GAP

Last year's Great Resignation shed light on the disconnect between employers and employees, and now there's data to support it. Future Forum Pulse surveyed executives, 66% of whom said they are creating post-pandemic policies without employee input. The same percentage believe they are "very transparent" about workplace policies, while only 42% of employees surveyed agree. *"The Most Valuable Lesson from 2021," p. 26.*

### STRENGTH IN NUMBERS

In the face of limited shipping capacity, some middle-market companies are banding together through purchasing associations to get access to shipping containers. Enterprise Purchasing Group is one such organization (and an endorsed partner of ACG) that helps midsize companies get a leg up at a time when space on ocean freighters is hard to come by. *"Chain Reaction," p. 36.*

### IT, MEET IP

A successful technology implementation often hinges on having good partners, so asking the right questions of contractors up front is a must. One area that's often overlooked is intellectual property. Before engaging a contractor, the client should inquire about IP rights to make sure the company will retain IP ownership for the work being done by a third party. *"Digital Transformation Takes More Than Technology," p. 30.*

### NEED-TO-KNOW BASIS

Employers that are collecting information about vaccine status and COVID-19 test results must protect that data or risk regulatory action, lawsuits and reputational damage. For starters, employers should collect as little information as possible to achieve their goals. Do they need to know which brand of vaccine, or where the employee got the jab? If not, don't ask. *"COVID-19 Mandates Bring New Security Risks for Employers," p. 12.*

### PRESCRIPTION FOR GROWTH

Marketing tends to be an afterthought following an acquisition, even though it can be an important tool for creating value. For a private equity healthcare practice roll-up, for example, it's wise to build and run a marketing plan that all of the offices can use, then tailor it as needed. The benefits include efficiency, simplicity and economies of scale—and ultimately, a path to achieve growth and profitability goals. *"Prioritize Marketing After the Deal Is Done," p. 46.*

### MAKE TIME TO STRATEGIZE

Planning and time management become especially important during times of uncertainty. They're skills that Martin Okner, president and COO of beauty brand dpHUE, says helped him as a leader during the pandemic. He recommends putting time on the calendar to reflect on the big, long-term questions that will shape the future of the business, so that the day doesn't get eaten up by reactive meetings and other pressing tasks. *"Leading with a Steady Hand," p. 20.*







## Announcing: The Private Equity Operators Council

ACG launched an exclusive Private Equity Operators Council in collaboration with SAP. This invitation-only community of Private Equity operating partners exchange ideas, access content and collaborate on solutions to value creation challenges in convenient and candid settings. You'll join a trusted community driven by and for middle market operating partners responsible for accelerating growth across the investment cycle.

If you are a Private Equity Operating Partner interested in becoming a member, please scan the QR code below and complete the brief questionnaire. We will evaluate responses and contact you if you have been selected to join this Private Equity Operators Council.



Scan this QR code with your camera app on your phone and click the link to take the questionnaire.







# HOW HILCO MADE TIME FLY

When it was time for World of Watches to monetize aged and excess inventory, Hilco Wholesale Solutions helped by purchasing more than 100,000 units up-front. Find out how our custom capital solutions, purchase and sale strategies can help your aged and excess goods fly off the shelf at optimal prices, without risk or channel disruption. [Contact Gary Epstein at 847.418.2712](tel:847.418.2712) or [gepstein@hilcoglobal.com](mailto:gepstein@hilcoglobal.com).

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