



Transformation Change Readiness

People, Culture and Leadership

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| Background

Background



750 organizations providing similar services in the market

Anticipate major consolidation (to 250) over the next several years

Cross selling will evolve into a major driver of profitable growth



180 employees (knowledge and transactional workforce)

15% can work from any location

Headcount (only) is currently used for budgeting and workforce planning



\$200M revenue

Mergers and Acquisitions in the pipeline will increase revenue by 50%

Potential Mergers are identified by the Board

Potential Acquisitions are targeted by the Client Leadership Team



Centralized Leadership and Management structures

Considering a more dynamic business performance analysis (real time) approach (broader than financials)

Not a “Holding Company”

M&A Motivations

General

 Aggressive (Proactive)	Increase Market Share	<ul style="list-style-type: none"> • Accelerate growth • Reduce earnings variability • Increase buying power and leverage
	Access to New Regions	<ul style="list-style-type: none"> • Accelerate access to customers in other areas of the country or world • Diversification of customer base • Reduction of risks associated with the economic and political aspects (risks of being in only one, or a few, regions) • Access to global competitive strength
	Access to New Capabilities	<ul style="list-style-type: none"> • Synergies through combining capabilities and offering greater value for customers • Access to financing for a smaller organization being acquired (with innovative solutions) • Also, access to additional leadership, management skills, and talent
	Ability to Offer Whole Product Solution	<ul style="list-style-type: none"> • Positioning to be the “single provider” in markets where customers do not prefer “best of breed”, or do not wish to manage multiple providers • Increase vertical integration (secure suppliers, materials and third party providers)
 Defensive (Reactive)	Lower Operating Costs	<ul style="list-style-type: none"> • Synergies through consolidation (economies of scale) • Purchase assets at a bargain price (especially where the acquired company is underperforming and would see an immediate benefit for operating under improved governance and/or business systems) • Potential reduction in tax liabilities (carry forward, set off, capital gains, etc.)
	Eliminate a Competitor	<ul style="list-style-type: none"> • Increase won-loss ratio • Maintain, or increase, margins by eliminating competition which may have been eroding margins through aggressive pricing or contracting tactics
	Improve Customer Service/Quality	<ul style="list-style-type: none"> • Increase customer renewal rate • Additional references and case studies • New or improved metrics and measures

Client

1. Increase market share

- expand urban centers (where relocations are underway)
- increase footprint of rural

2. Improve scalability of the business

3. Acquire talent




- process complexities
- change agility
- leadership (not just subject matter experts)

| Assessment

Current State Assessment




Part 1 of 2

If portfolio (“Holding Company”) approach used, the checkmark would move more towards “yes”. For accounting, the checkmark is more towards “no”.

	Merger	Acquisition
<div>Leadership</div> <div></div> <div>Have we considered the leadership styles and competencies needed to maximize this growth strategy?</div>	<div>No</div> <div>Partially</div> <div>Yes</div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div>	<div>No</div> <div>Partially</div> <div>Yes</div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div>
<div>Culture</div> <div></div> <div>Will our current culture effectively support rapid growth?</div>	<div>Not Well</div> <div>2</div> <div>3</div> <div>4</div> <div>Very Well</div> <div>5</div> <div><input type="radio"/></div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div> <div><input type="radio"/></div>	<div>Not Well</div> <div>2</div> <div>3</div> <div>4</div> <div>Very Well</div> <div>5</div> <div><input type="radio"/></div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div> <div><input type="radio"/></div>
<div></div> <div>What will be the primary barrier to overcome?</div>	<div>Answer: Need to sharpen up on definition of culture (2 sentences or less)</div> <div>Potential financial barrier- (capital plan moving forward, not use up all dry powder)</div> <div>Understand companies’ compensation analysis philosophy</div>	<div>Answer:</div>
<div>Products and Services</div> <div></div> <div>Do our Product and Services teams currently operate collaboratively?</div>	<div>Not Well</div> <div>2</div> <div>3</div> <div>4</div> <div>Very Well</div> <div>5</div> <div><input type="radio"/></div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div> <div><input type="radio"/></div>	<div>Not Well</div> <div>2</div> <div>3</div> <div>4</div> <div>Very Well</div> <div>5</div> <div><input type="radio"/></div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div> <div><input type="radio"/></div>
<div></div> <div>Do we reward innovative thinking?</div>	<div>No</div> <div>Partially</div> <div>Yes</div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div>	<div>No</div> <div>Partially</div> <div>Yes</div> <div><input type="radio"/></div> <div><input checked="" type="radio"/></div> <div><input type="radio"/></div>

Current State Assessment

Part 1 of 2

		Merger					Acquisition				
<div>Customers</div> <div></div>	How prepared are our account management and customer service teams to take on new customers?	Not Well 1	2	3	4	Very Well 5	Not Well 1	2	3	4	Very Well 5
	Do you provide consistent customer experience across all products and services?	Inconsistent 1	2	3	4	Consistent 5	Inconsistent 1	2	3	4	Consistent 5
<div>Management</div> <div></div>	What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?	Major 1	2	3	4	Minor 5	Major 1	2	3	4	Minor 5
<div>Organization</div> <div></div>	Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?	No		Partially		Yes	No		Partially		Yes

| Considerations

Considerations *Part 1 of 2*



Leadership

Have we considered the leadership styles and competencies needed to maximize this growth strategy?

***“Partially+”** was selected*

Adding 50%+ more business volume to the current leadership and management structure will require careful planning and organizational design (optimal ways to integrate the acquired and merged organizations). Additional complexities will also need to be considered (e.g., acquired/merged organization may be operating at lower margins, new customer experience expectations may surface, new vertical industry requirements may be present, and talent shortages may be hindering growth).



Culture

Will our current culture effectively support rapid growth?

*You scored a **“3”***

Client does not consider itself a “Holding Company”; however, a phased culture integration approach may be more effective where the starting point resembles how a Holding Company would approach culture integration. That is, start by treating the M&A like an addition to the portfolio (as a Holding Company would) by focusing initially on integrating back-office functions. As the functional integration reaches a stable point, consider what cultural and brand attributes of the acquired company should be maintained in some form, and what cultural and brand attributes of Client should be incorporated by the acquired company (e.g., those behaviors and loyalties that are vital to the continued growth and profitability of the business coupled with the employee experience needed to achieve a highly motivated and engaged workforce).



Products and/or Services

Do our Product and Services teams currently operate collaboratively?

*You scored a **“3”***

Most improvement and innovation decisions are currently being made in a “localized” manner. That is, self-contained within a specific department and/or business unit. There may be opportunity to leverage these more broadly through a broader and more formalized innovation lifecycle management approach (one that is designed to be streamlined (decision making), not heavily bureaucratic, and rewarding).

Do we reward innovative thinking?

***“Partially”** was selected.*

Considerations *Part 2 of 2*

Customers



How prepared are our account management and customer service teams to take on new customers?

Do you provide consistent customer experience across all products and services?

You scored a “4.5”

Scoring a “3” (or above) may indicate you have capacity to absorb an influx of new customers. However, be deliberate in the allocation and alignment process by paying close attention to customer satisfaction, relationships, and complexity.

You scored a “3”

Opportunity to define the ideal customer experience(s).

Management



What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?

You scored a “2” indicating some modifications will be necessary to improve workforce planning and forecasting aligned with business scenarios.

Relative to the workforce, carefully evaluate the Seller’s approach to workforce planning and forecasting, driven by the forecasted business demand. Make sure your understanding matches the Selling company’s true practices and look for opportunities to leverage best practices from both organizations (a key focus area for due diligence and integration planning).

Organization



Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?


“Partially” was selected.

Carefully evaluate the Seller’s organizational structure and how it will support your growth or add increased complexity. Be prepared for cross-training on business practices, especially approval processes (HR, Procurement, IT, Travel and Expense, etc.), workforce management policies and procedures (especially regarding leave of absence and time off), and business operational metrics (what is measured and why, available reports and how to access and use them effectively, etc.). These

| Next Steps


Next Steps – 1 of 4

People

- 
1. Define desired end-to-end customer experience (start with high volume interactions; consider design thinking approach with a few key customers)
 2. Refine workforce planning and forecasting capability (scenario and role based), including a mapping of roles to on-site, hybrid, and remote locations, and fulltime, part time and temporary (contingent) designations
 3. Consider approaches to retention bonuses (for acquisitions), long term incentives, cross-selling incentives, and equitable total rewards

Next Steps – 2 of 4

Culture

- 
1. **Develop phased culture integration strategy (repeatable for future acquisitions); synchronized with broader integration strategies**
 2. **Identify and develop desired behaviors with the future in mind (i.e., after the industry reaches a tipping point on consolidations)**
 3. **Refine rewards and recognition (and link to desired behaviors)**
 4. **Develop initial “Innovation Lifecycle” process and infrastructure (and link to rewards and recognition)**

Next Steps – 3 of 4

Leadership

1. **Develop ideal acquisition target profiles and conduct initial research**
2. **Develop full lifecycle M&A Playbook (including people, culture, leadership, and technology aspects)**
3. **Form ongoing M&A planning, risk mitigation, and response team (HR, IT and Operations)**
4. **Develop initial TOM (Target Operating Model) view(s) (including governance, people/roles, processes, technology/tools, and critical data/information sources)**
5. **Identify leadership competencies needed to lead, manage and operate the future state TOM**



Next Steps – 4 of 4

Technology

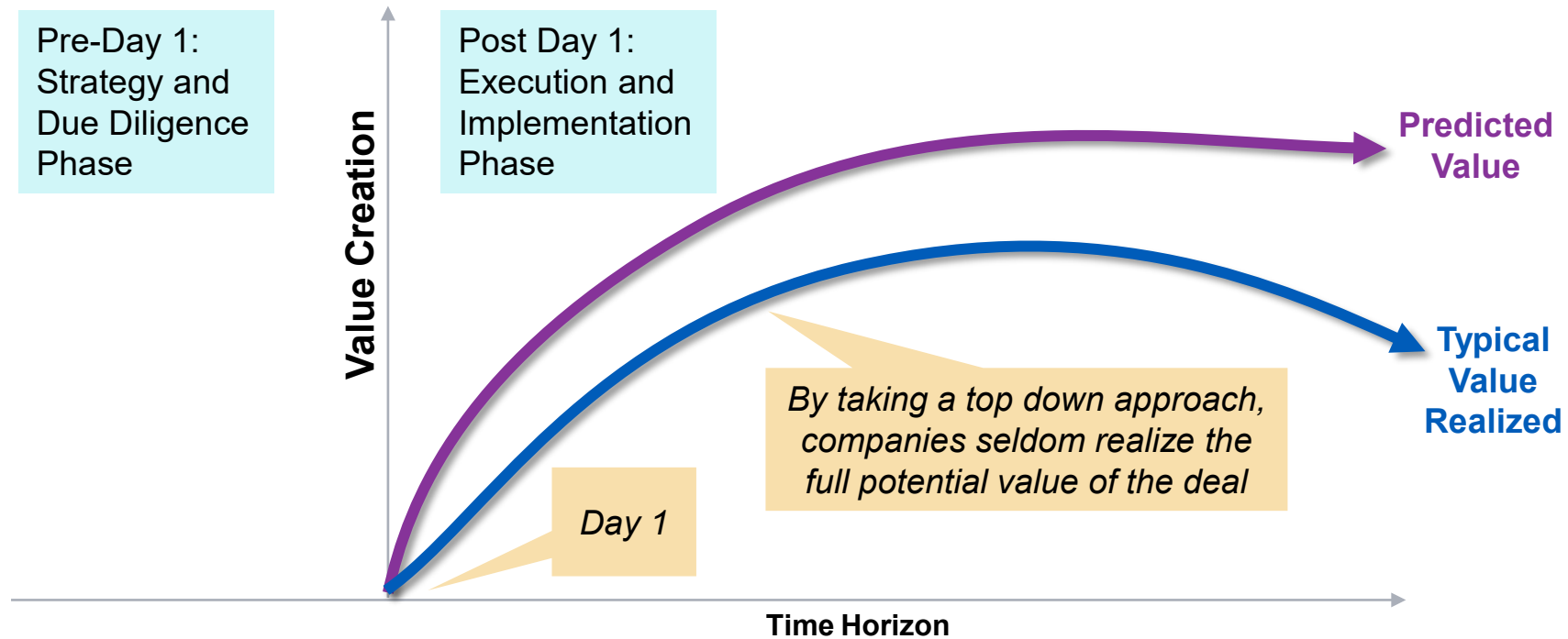
1. Leverage desired customer experience to identify technology, data, and resource needs, and assess readiness to enable the desired experience (digital assessment)
2. Identify technology gaps in TOM and develop strategies and timeline to fill the gaps (e.g., source new technology, organically build solutions, leverage acquired organization(s) platforms)
3. Consider opportunities to consolidate and leverage technology and services spend (and consider opportunities to outsource some of the administrative activities to lay the foundation for improved scalability)



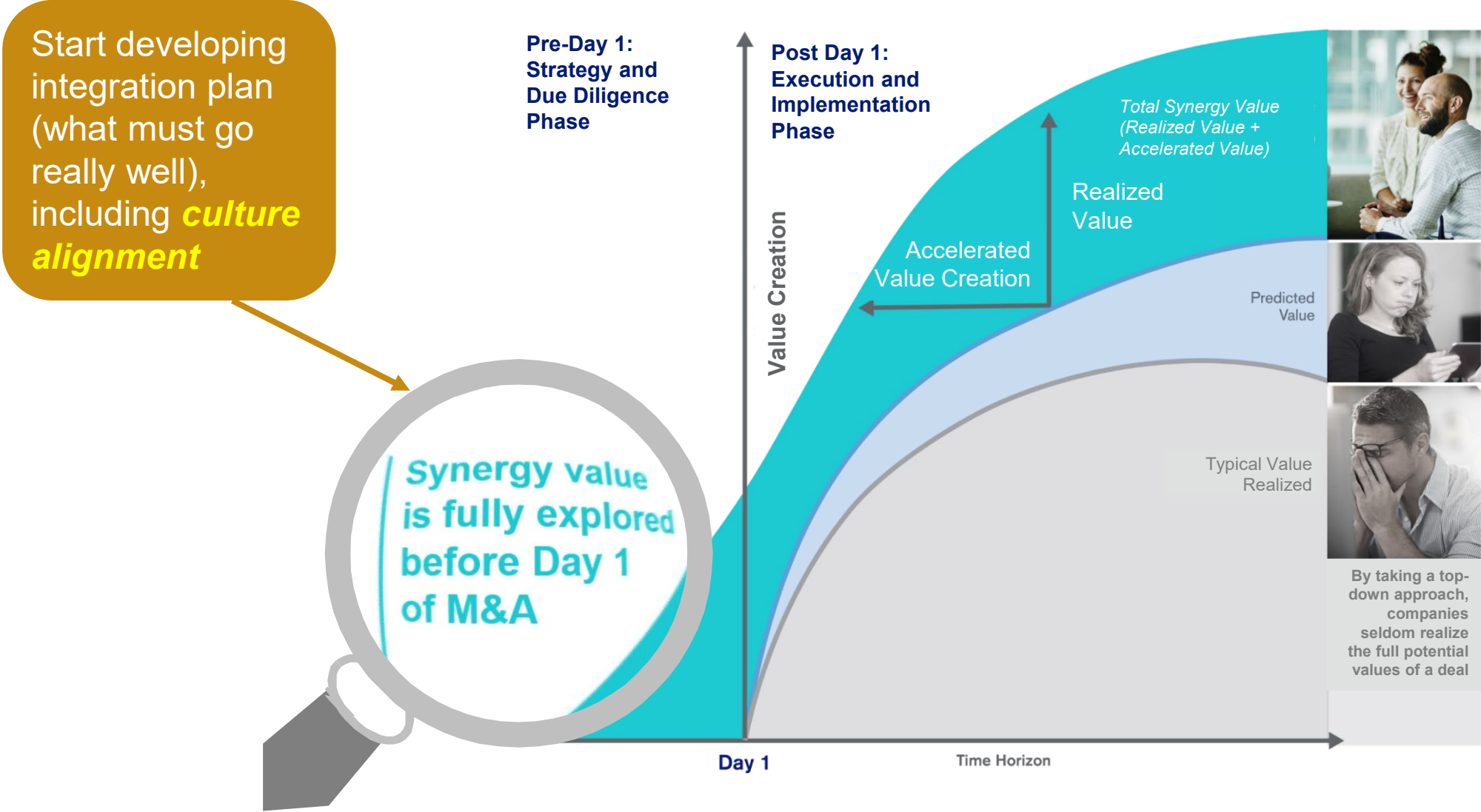
| Appendix

Typical M&A value realized

Typically, M&A planning and due diligence are done in a compartmentalized approach with little-to-no coordination with the functional teams. Then, the actual integration activities are managed by the functional teams leaving them to chase synergy targets that were developed by the transaction team.



Maximizing Synergy Value



Why is Organization Culture So Important in M&A?

- In the midst of organizational change, culture takes on an even more significant role in employee engagement and commitment:
 - Organization structure and reporting relationships are changing
 - People are being asked to believe in new leaders
 - Day-to-day roles and responsibilities are being redefined
 - Prior relationship-driven ways of working may no longer be effective
 - Processes, tools and systems may be different
 - Physical location and proximity to colleagues may be different
 - Managers with new employees and employees with new managers are learning how to work with one another
 - Job security fears are likely, and a desire to “prove oneself”

Culture sets expectations and a common denominator by which people prepare for and respond to these changes.



Maximizing Synergies



Creating the “Right” Culture for Success

Culture

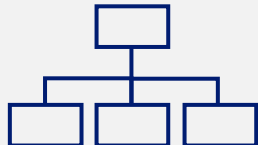


Noun | cul·ture | \ˈkəl-cher\

Ideas, behaviors and symbols that demonstrate what is expected, reinforced and rewarded within a particular group

In other words...

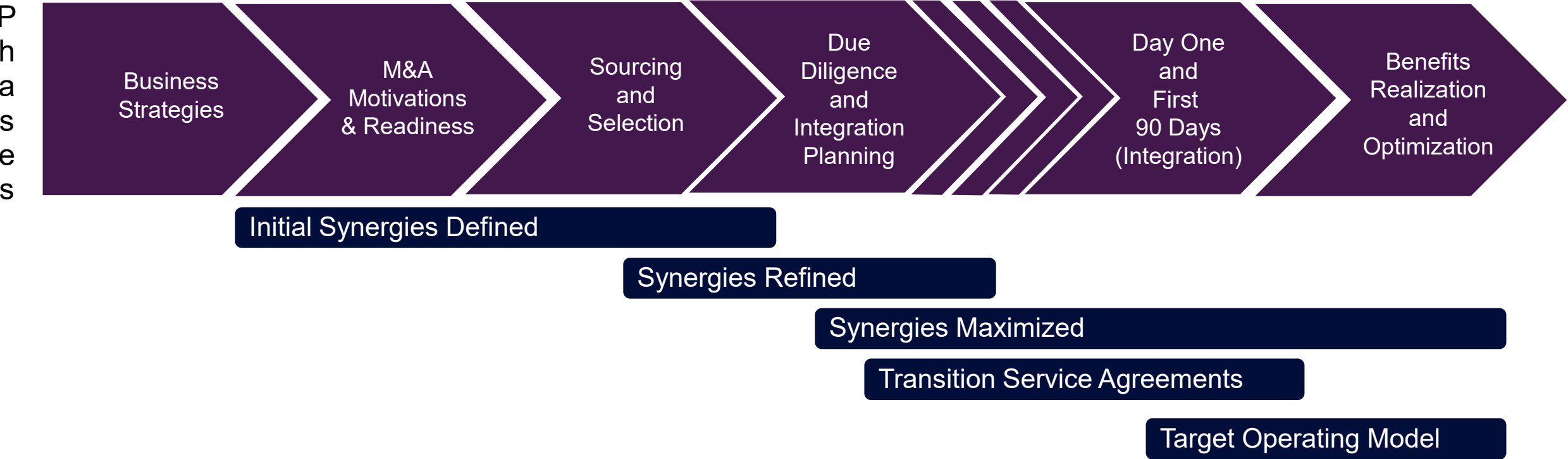


How we do things around here.

<p>Portfolio Approach</p>  <p>Variations in cultures maintained for strategic purposes</p> <p>Minimal impact to either company's respective cultures and practices</p>	<p>“PAC MAN” Approach</p>  <p>One company absorbs the other, creating one, dominant culture</p> <p>Acquired employees transition to other company's culture and practices</p>	<p>Blended Approach</p>  <p>Best of both cultures, blended to create a new culture</p> <p>New culture is designed to support post-Day 1 business strategy</p>
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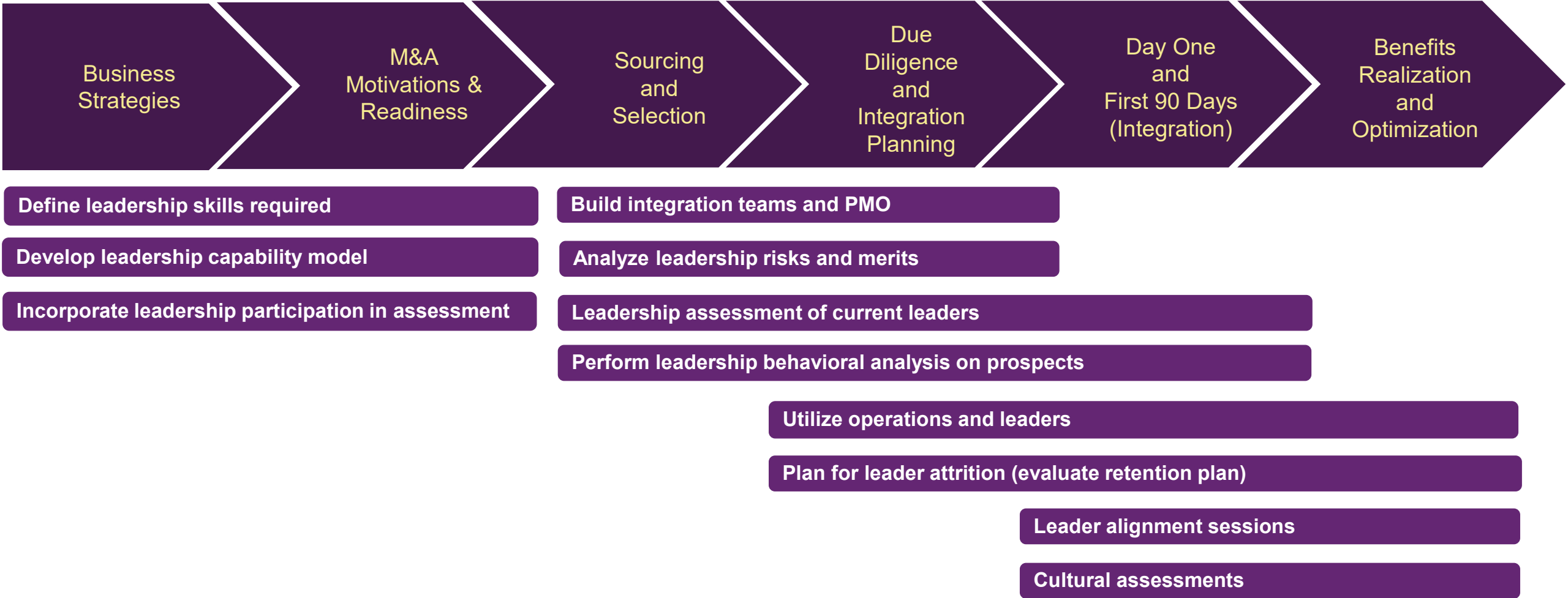
M&A Playbook

The **M&A Playbook** outlines the sequencing of phases, activities, and steps, along with a set of standards and templates applied to facilitate the selection and integrations associated with any acquisition or merger



M&A Playbook

Leadership Best Practices



Segal Solution Snapshot: Mergers & Acquisitions



Overview

The foundation of deal-making in 2021 continues to focus on recalibrating strategy and accelerating the adoption of technology in the wake of COVID-19. As uncertainties have lifted, business leaders are confident in a strong economic recovery, as macroeconomic indicators, including positive GDP rates and high consumer price index (CPI) rates, promise growth—further whetting the appetite for mergers and acquisitions (M&A). -- PwC

Top-5 Targeted Sectors (U.S.)

- Technology
- Healthcare
- Finance
- Leisure & Recreation
- Telecomm

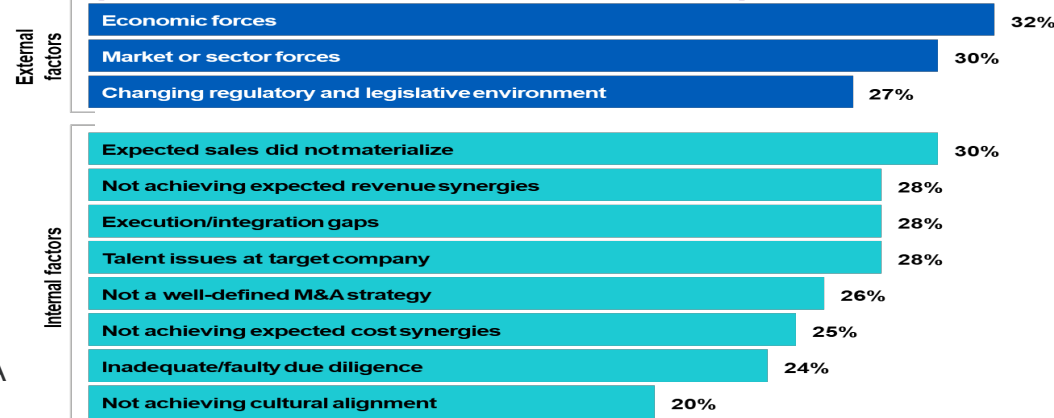
Market size



HC Metrics on the rise:

SEC filings and M&A due diligence

Top Reasons M&A does not meet expectations



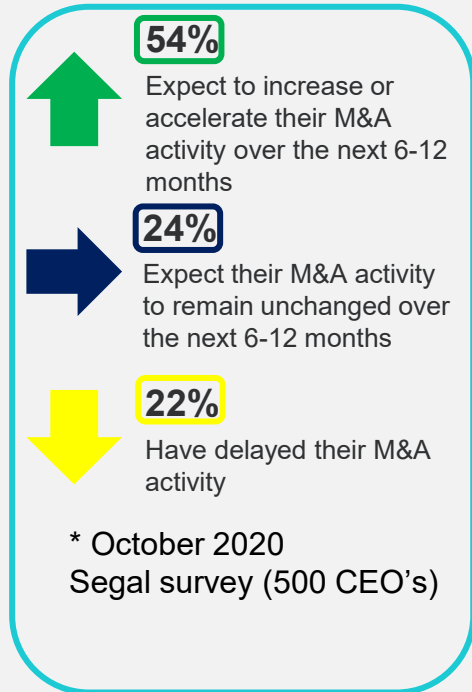
Motivations

Accessing **new capabilities and talent**, Increasing **market share**, and Access to **new regions** remain the top three primary M&A motivations.



Legislative & political issues

Concern and uncertainty over tax risk will continue for some time. When there's tax reform and tax legislation, there are new rules, and it takes many years for those rules to be explained in detail and understood. In addition, we're in an environment now where the IRS, because of staffing issues and manpower issues, is limiting its willingness and ability to provide rulings, which is another way of gaining certainty. For example, one area where the availability of a ruling used to be routine is a corporate spinoff, and today that is no longer as [readily] available. But despite tax concerns, M&A is on the upswing. During the onset of the pandemic, M&A screeched to a grinding halt. Since October and November, it has been busy, nonstop.. -- Fortune Magazine, July 2021



How Segal can help

Segal has a broad set of capabilities to assist a Buyer or a Seller at any stage of the M&A process. Pre-deal Readiness Assessments and preparedness consulting, people, HR and workforce management due diligence, Day-One readiness, culture, change management and communications planning, integration, and post-close synergy realization.

Market Dynamics

Tech, healthcare help propel 2021's huge year for M&A worldwide

Global M&A flourished in 2021.

Deal activity rebounded from the COVID-19-induced slowdown in 2020 and blew past previous records, reaching *nearly \$5 trillion in combined deal value*.

Strong public equity markets undergirded the resurgence, reflecting high business confidence and providing the swelling ranks of public companies with increased buying power.

Now, as inflation persists, supply chain and labor shortages continue, and stock markets falter, we are watching to see whether M&A activity slows in 2022. Companies will face a higher cost of capital and margin pressure due to increased input costs.

Nevertheless, *the outlook for 2022 is overwhelmingly positive* as companies across sectors use M&A to navigate technological change and the growing importance of ESG themes.

Unprecedented PE fundraising, especially by the largest funds, also puts a floor under M&A activity.

Interest rates and antitrust scrutiny will be themes in 2022.

Breaking activity down by geography, both Europe and North America contributed to 2021's record year. Having avoided a no-deal Brexit, the UK & Ireland region continues to attract buyers due to the supply of fundamentally strong but undervalued companies, while Germany's renewed focus on digitization and sustainability is creating M&A opportunities. In North America, a robust macroeconomic climate enabled numerous gargantuan tie-ups. A few industry-specific highlights: Financial services buyers are acquiring digital and fintech assets to keep pace with aggressive tech adoption among consumers and businesses. In healthcare, growing health spending is enticing new players such as brick-and-mortar and e-commerce retailers and cloud computing giants into the fray. Technology accounted for a growing proportion of M&A activity even as regulatory pressure grows in China, the US, and Europe. Meanwhile, the energy and materials & resources sectors improved from 2020's slump but have yet to witness a full resurgence despite soaring commodities prices.

North American M&A activity



Source: PitchBook
*As of December 31, 2021