PTDA
Channeling the Power of Industry

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The **Power Transmission Distributors Association** is the leading association for the industrial power transmission/motion control (PT/MC) distribution channel.

A Tale of Three Integrations

Mergers and acquisitions are on the rise across all industries and the PT/MC marketplace is no exception. Not even a global pandemic could sideline M&A activity. Economies of scale and scope, increased market share, tapping into new markets and fresh talent—all can bring great reward. But what obstacles do companies anticipate? How do they ensure clear, seamless communications to customers as well as to business partners and suppliers about what they can expect? How do they make certain their most valuable asset—their employees—feel engaged and cared for? What is the measure of success?

There is no standard roadmap for strategizing and navigating an acquisition and integration. Highlights from recent interviews with executives from three PTDA distributor member companies shed light on the ins and outs of strategizing and executing a successful vision.

Motion

An active participant in the M&A market, Motion set a new bar earlier this year with its acquisition of Kaman Distribution Group (KDG). When the largest distributor in the PT/MC space acquires the third largest, one can imagine the strategizing.

"We knew KDG as a competitor, and we respected them as one," says Motion President Randy Breaux. "We also knew there was alignment: strategic, cultural and good talent. We were attracted to the prospect of expanding our business in the areas of automation, fluid power and conveyance over the years—essentially three companies in one. We were able to add that business into our existing businesses and it's been a very nice fit. The automation business is now part of Motion Ai, which is our automation intelligence business. The fluid power business we combined with the Motion fluid

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power business into a new brand, Mi Fluid Power Solutions. We are in the process of consolidating the traditional KDG branches into Motion branches. Customers are enjoying the benefits of the added value services Motion provides, suppliers are enjoying the benefit of scale Motion now brings."

A 60-person integration team, with Breaux at the helm, began with straightforward communication from the top down. "Somebody once told me, 'Just tell people the truth; they can handle the truth but what they can't handle is not knowing what the truth is,'" says Breaux. "We try to be very direct and transparent and not have hidden agendas. When we acquired KDG, that's exactly what we did."

Because Motion designed a solid integration plan, Breaux says the communication plan was simple. "First, we communicated with our own people, but also to the team and employees being acquired. Their lives were going to change in a big way," he says. "I filmed a weekly video update for the first few months for the employees of KDG to keep them informed of next steps and that, I think, really put their mind at ease. Having them all hear the same message removes a lot of the guessing and builds team camaraderie early on."

Credibility can slip quickly if messaging isn't synonymous across all channels and levels. Breaux says continuing with video updates has worked well. "I record a monthly video which is released to all employees two weeks into the month, once we have our updated financial numbers, and I address the state of the business. We also conduct site visits, so we get to meet and know some of the new teammates."

Beyond communication lay the task of physically relocating the newly acquired employees to bring them into the Motion fold. "Part of the rationale behind the acquisition was to merge

and consolidate locations within the same market to reduce the footprint and associated costs, but not reduce the number of employees," says Breaux. "We first bring the two branches together into the same building and allow them to work closely with each other, so they begin to understand each other and develop relationships. Once that is established, we bring them onto the same systems. The KDG employees have been the biggest surprise in the acquisition because they've been so happy to be part of Motion. They understand we're not going to be looking to spin them off in the years to come, they're part of the Motion team now and they will be for the rest of their careers if they choose."

Breaux says Motion has gone through a cultural transformation in the last four or five years. "Rather than having everybody think of their business unit or branch as singular, we want them to think more collective and team oriented," he says. "We've branded that initiative as One Motion. What's good for one should be good for all and what's good for all should be good for one. That idea is a natural fit with the KDG acquisition, so whether you're in a branch, or our automation group or conveyance group, we're still One Motion."

"The bottom line is you must communicate with people. The one thing people want out of a job is security; they want to know they have a job and if you don't give them that peace of mind, then you'll encounter other issues. Transparency and communications are second only to having a solid acquisition strategy. If you don't, it will wreck you."

Allied Bearing & Supply

For smaller companies, like Allied Bearing & Supply, the job of not only overseeing an integration but also being hands-on for the management and day-to-day processes falls to the father-son leadership team of Jim and Mike McLain. Allied acquired Stephens-Harris and its staff of six employees in late 2019.

"You don't just flip a switch," says Mike. "There's a great deal more hands-on learning than you might find at a larger company. In the beginning, they worked out of their office, so we didn't really change anything. In March 2020, we began remodeling our offices so we could bring them over."

"Part of the trick was making them feel like they belonged here," adds Jim. "There was more skepticism on both parts as to how things would meld."

The transition wasn't seamless. The Stephens-Harris team brought tremendous brain trust but not solid systems and protocols. "Most of their orders were handwritten then entered into the computer, so that brought a learning curve," says Mike. "Also, while both our companies had some overlap in product, the majority of product lines were ones they didn't work with and vice versa."

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"The 'how to' part can become time consuming. The newest employee we have joined us four or five years ago. Then, we bring in the other team who understand what they're doing, but don't know how to do it on our system. In many ways, it's a larger challenge than just bringing in someone completely new to teach from the ground up."

Despite the growing pains, Allied channeled the diverse business acumen and experience of both teams into opportunity. "Capitalizing on the strengths of each other allows us to grow the business in different directions than before," says Jim. "They opened our eyes to new avenues for business."

"They are good at taking something, shuffling the parts and making it do something different," adds Mike. "That was a niche for them but moving that process to a computer was very difficult. We were faced with questions like, 'How do we deal with this? How do we build it? How do we process the orders that are coming in for machine repair?' That's where our learning curve was steep."

Creating efficiencies extended beyond billing and computing. Allied had never operated a machine shop, whereas Stephens-Harris was a fabricator, designer and builder of conveyors. Allied also inherited an antiquated injection molding machine in the acquisition. They opted to scrap it and find a suitable supplier who offers competitive pricing on the needed parts.

"The acquisition brought us into that arena a bit," says Jim. "We can't do everything they do because we don't have that much space, but we can work with other people to get it done," says Jim.

Not all issues resolve so quickly. "Website migration is one of the things we didn't do particularly well, and we continue to focus on improving," says Mike.

"Overall, our top concern was the smooth integration of our employees," says Jim. "There were a few people who were long-time employees of Stephens-Harris and were troubled with the change, and I'm proud of the way we managed their concerns and helped them get acclimated. By keeping the employees happy, you'll keep the customers happy."

"For the smaller companies engaged in an acquisition, I think flexibility and communication is key," says Mike. "It's easy to say but one of the hardest things to do. When something goes wrong you can't just finger point. You must remain focused on finding a solution."

"Have patience, work hard on employee integration, keep an open mind and be flexible," says Jim. "You have to work hard and expect something to go wrong."

FICODIS

With plans to grow from a $290 million to a $500 million business in the next three years, Canadian-based FICODIS is fueling its pipeline through its acquisition of independent distributors that provide products to manufacturers and small, mid-size and large enterprises. Currently, FICODIS employs 600 specialists across 35 companies. Rather than consolidate its newly acquired distributors, FICODIS employs a different approach.

"Our model is very unique," says Frank Mascia, executive vice president, FICODIS. "We are part of a Descours and Cabaud, a €5 billion business, yet our business model is to remain a company of small distributors to maintain a privately held, family business culture. We acquire companies but wish to retain their independent culture. In fact, we go out of our way to not change the local business, instead focusing on empowering the company leaders to remain."

The acquired company joins one of four specialty product groups established by FICODIS, but as Mascia shares, "Our goal is not to convert them and make them a FICODIS brand. For example, we prefer to keep Reliable Bearing Co., Ltd. as its own brand."

Once acquired, and with little to no formal employee integration needed, FICODIS directs its attention to providing the independent distributors with additional tools and coaching to help them evolve and advance their business. Because companies and locations are not fully absorbed by FICODIS, employee management and communication remain largely in the charge of the individual distributors.

"We create processes to offer companies back-office support. For example, we'll put them on our B.I, or business intelligence system, so they clearly see their sales numbers and how their business is developing and on track to evolve. One of the challenges with the small businesses is they always get stuck on how to scale further." Frank's role is to coach and mentor the leader so that they begin working at a higher level within the specialty group.

As with any company, FICODIS has distinct criteria in determining the proper fit. "We first want to ensure the leader of that company is of our entrepreneurial mindset," says Mascia. "The second thing is that they truly are specialists in their business. We drive synergies through back-office support, assisting them with finance and other things, but the front end of the business, the actual sales side, we keep intact and counsel them in taking the business to the next level. Lastly, we ensure they geographically align with our goal to grow within the Canadian provinces of Quebec, Ontario and in the northeastern United States."

"We're about maintaining a group of specialists and to be a house of brands (which are the companies themselves). The FICODIS model is not to integrate companies, dilute specialties and become a house of generalists. We are a group of entrepreneurs who empower leaders to scale their existing businesses," says Mascia. ■