

M&A: Cultural Alignment More Important Than Numbers to Two MSPs



When managed service providers (MSPs) consider merging, there is always a lot of talk about the numbers. While balance sheets and potential upside are important, there is an often-overlooked factor that demands founders' serious attention. A shared culture can do more to improve post-merger employee retention than any other factor, according to two executives from a leading MSP.

Shared Values Beat Numbers in MSP M&A

Cogent Growth Partners, the country's leading buy-side intermediary with more than 150 completed transactions to its credit, brought two MSPs, Ntiva and 3Points, together. Executive Vice President and Partner Bruce Teichman has built relationships with the principals from both companies over the years. He instinctively knew that their shared "client and employee first" cultures would spark interest from both sides.

Acquirer Ntiva Inc., is a top national IT services provider that supplies businesses across the U.S. with advanced technology expertise and support, including managed IT services, strategic consulting, cybersecurity services, cloud services and telecom solutions. In addition to capitalizing on organic growth opportunities, Ntiva has completed 12 acquisitions since the company was founded two decades ago.



"Our company exists to grow people," said Steven Freidkin, CEO, Ntiva. "Technology is an accelerant to that growth. As soon as a founder or executive says to me, 'This isn't about people. We can hire college kids and replace them every two years' I know that company is not for us. I want to find companies that align to our CORE values (Care, Ownership, Responsiveness, Excellence)."

—Steven Freidkin, CEO, Ntiva



3Points, the Chicago-based MSP firm Ntiva bought in 2019, offered expert IT support and services to businesses that wanted to leverage their IT assets as tools for innovation and positive change. At the time, 3Points was known for excellent service to

its clients, investing in its people and delivering IT solutions to protect their clients' business operations.

"As a dominant company in the small-to medium-sized Chicago business market, we had other offers, but Ntiva was looking for a cultural fit, which was important to us," Steve Banke, former CEO of 3 Points, said. "We knew our employees wanted the upward mobility that comes with being part of a larger organization. If we were going to be acquired, we wanted to do it intentionally and stay with the acquiring firm. Bruce knew that a culture fit was more important to us than the numbers."

How One MSP Executive Judges Fit

Culture is not only intangible, it can be elusive, especially to an outsider. How do MSP executives evaluate culture especially during the relatively short period of time companies considering a merger take to size each other up. "I'm not saying our culture is better than other companies, we are unique and purpose-driven, which isn't for all, but we are looking for a cultural match when we make an acquisition," Freidkin said.

Are there indicators that give potential acquirers valuable insights into an organization's driving principles? "Culture comes up early and fast," he said. "We look at the way the other company's executives communicate and respond. How long does it take for them to call you back? If you want to join our rocket ship, you need to match us culturally, which in this example is quick response, something very key to our culture."

Once the culture issue is settled for Freidkin, what makes him pursue a transaction? He explained that 3Points stood out from its competitors for two reasons. First, 3Points' commitment to delivering excellent service to its clients and providing upward mobility for its employees resonated with the Ntiva CEO. Secondly, 3Points' mature organizational structure outshone its competitors' buildouts, which offered Ntiva a business model it could leverage.

"I was impressed with the care they put into their company," Freidkin said. "3Points owners had always done what was right for the business even if wasn't advantageous for themselves. They invested where they needed to and sacrificed near-term

value for long-term gain. I could see that they stayed true to their values. Additionally, they had a sophisticated regionalized organization that we could adapt.”

Being able to scale into a larger organization, capable of providing all the IT services and support a company needs, was paramount for 3Points as it continued its march to market dominance. “The cost of going it alone and scaling is prohibitive,” Banke said. “Smaller MSPs will be constantly bootstrapping to scale. For us, we knew we’d have to partner or be acquired to reach that goal. We were not looking to be acquired but when we met Ntiva we saw we could achieve our long-term goals faster as part of their organization.”

Cultural alignment: Key to Employee Retention

For Ntiva and 3Points, cultural alignment proved to be a most effective talent retention strategy. Not only did the new organization avoid the high cost of turnover, which on average is estimated to be six to nine months of an employee’s salary, retaining valuable IT talent allowed Ntiva to consistently deliver the excellent service and support that has become its hallmark.

“If you can’t do everything for the client, you leave the door open for a competitor to come in,” Banke said. “This merger was better for everyone – the clients and the employees. A significant number of 3Points’ key employees stayed on after the merger with Ntiva and are still here today. The things that we and Ntiva

agreed to do for the 3Points team members was upheld, and expectations from both sides were fulfilled.”

Both of 3Points’ top executives continue to work for Ntiva three years after the merger. Kevin Doyle, former president of 3Points, is now the general manager of Ntiva’s Midwest operations, while Banke serves at Ntiva’s vice president of transformation.



“In my experience, most of the time if people leave, it’s because of a lack of cultural alignment,” Freidkin said. “We keep people after the transaction because they believe what we believe. In the 3Points transaction, both the principals and the majority of its former employees are still with us today.”

—Steven Freidkin, CEO, Ntiva



Whether you are looking for an MSP to acquire or want to scale faster by joining a larger organization, keep in mind that finances are a starting place for decision making. The numbers need to make good business sense for both sides but don’t overlook the potential and long-term value of the transaction. Cultural alignment can be the difference between keeping or losing hard-to-replace IT talent.