



Impact Point Co.

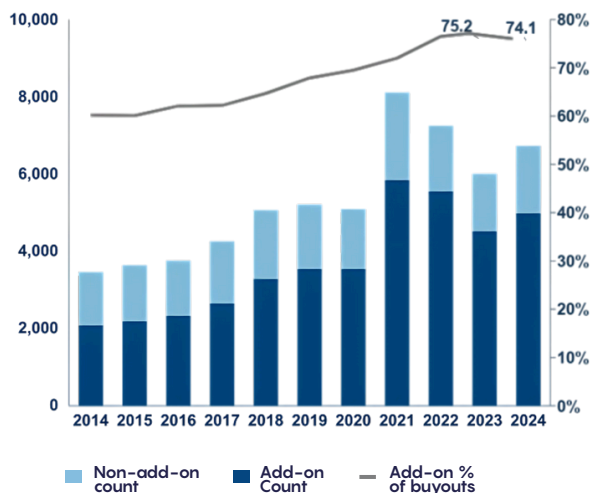
Unlocking Value from Add-Ons: A Guide to Overcoming the “Frankenstein Effect”

Introduction

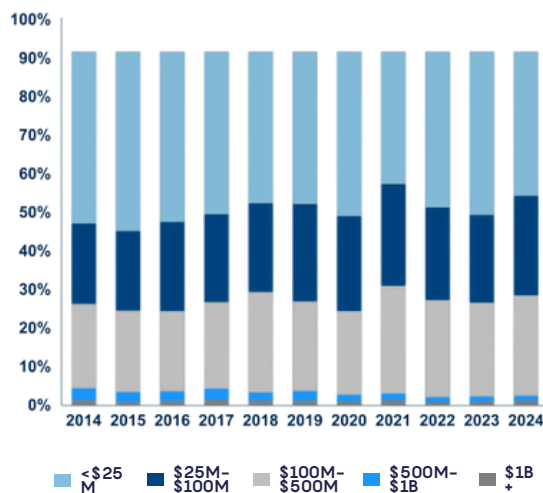
Add-on acquisitions are a proven path to driving growth for private equity (PE) firms pursuing a buy-and-build strategy. In fact, they are so popular, **add-on deals represent upwards to 75% of US PE buyouts.**

The challenge PE buyouts face is that many add-ons remain siloed without proper integration, leading to inefficiencies, redundant processes, and missed opportunities. This fragmented structure—often called the **"Frankenstein Effect"**—undermines portfolio company performance and limits return on investment.

US PE Deals: Add-On vs Platform Deals



US PE Deals: Count by Size Bucket



Our Contributors



Faisal Haque
Principal



Chad Stacey
Partner



What's Inside

The "Frankenstein Effect" Explained

Unlocking Add-On Value and Overcoming the "Frankenstein Effect"

Preventing the "Frankenstein Effect"

Case Study: Turning Disconnection into Opportunity

The "Frankenstein Effect" Explained

The Frankenstein Effect occurs when add-on acquisitions are left partially integrated or entirely disconnected from the platform company.

This fragmented structure introduces several risks:



Redundant Processes

Overlapping functions create inefficiencies, increasing costs and slowing decision-making.



Misaligned Systems

Unintegrated technology platforms hinder data visibility and limit reporting capabilities.



Cultural Disconnects

Diverging leadership styles, values, and team structures reduce alignment and collaboration.



Missed Synergies

Without proper integration, value-creation opportunities such as procurement savings, improved pricing models, or customer cross-selling may go unrealized.

These issues compound over time, leading to underperformance and stagnation.

Common challenges that arise from multiple add-ons for serial acquirers.

Inefficiencies (e.g., sales, operational, financial) resulting from a lack of fully integrated platform.

Value Creation Erosion due to disparate processes, systems, and resulting organization within platform.

Lack of "One Team" Culture throughout the company.

Attrition – key human capital begins to leave.

The "Frankenstein Effect"



Each 'Frankenstein' has hidden value waiting to be jolted to life.

Unlocking Add-On Value and Overcoming the Frankenstein Effect

Portfolio companies should conduct add-on integration assessments to provide a clear path to value creation to overcome the Frankenstein Effect and fully realize value from add-on acquisitions. This approach combines integration assessments, strategic planning, and targeted execution.

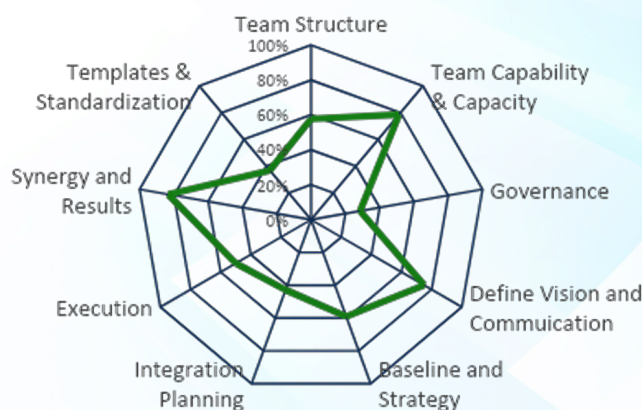
Conduct an Add-On Integration Assessment

Rapidly assess level of integration across each add-on

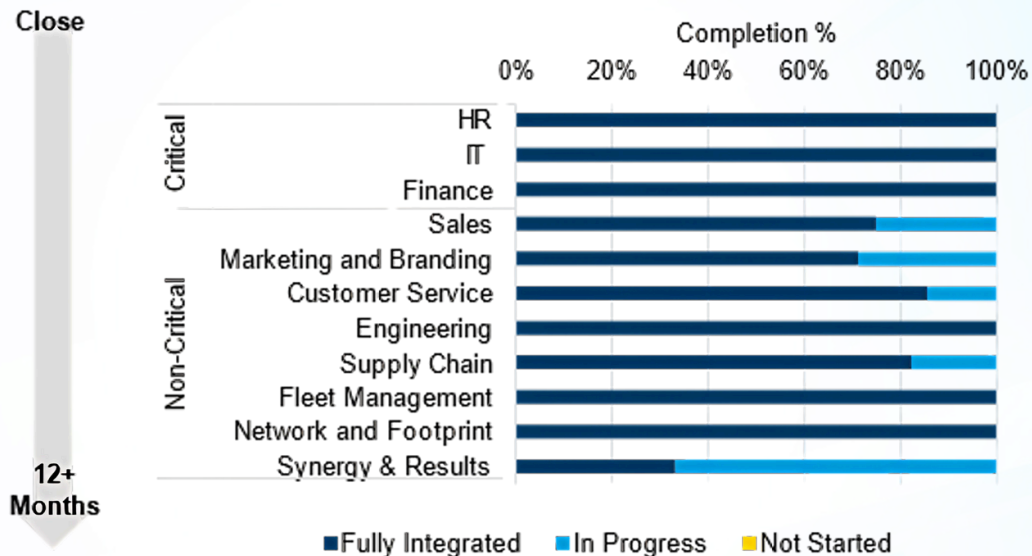


First assess a platform's merger integration capabilities, ability to scale and grow by taking on multiple add-ons over a short period of time.

Platform M&A Integration Capabilities



Next assess each add-on to understand the level of current integration with the platform.



Now with the assessments completed, **what do you do next?**



Remediate issues and execute integrations based on the assessment output(s)



Align on and document future vision, growth strategy, desired outcomes, and critical value drivers for success



Conduct 'lessons learned' exercise encompassing ownership, leadership, employee, and client feedback



Develop a repeatable methodology, collaborating with key stakeholders to encourage inclusivity / adoption, mitigate risks, and establish a foundation of sustainable growth

Preventing the Frankenstein Effect

With add-ons being a critical aspect of value creation, it is imperative to prevent or minimize the “Frankenstein Effect” from occurring. Prevention entails some strategy development on the front end and as well as proactive planning.

1. Integration Approaches Aligned to Deal Thesis Impact On The Operating Model

In the context of M&A, **not all add-ons are created equal** — and treating them as such can result in missed value. Integration archetypes help to guide PE firms and portfolio companies in making smarter, more strategic decisions.

Each archetype reflects a different integration need based on a company’s role in the platform and its long-term strategic importance. Some add-ons require full integration to unlock synergies and eliminate duplication. Others should remain standalone due to unique brands or operations. And some land in the middle — requiring partial integration to enable shared services or central oversight without disrupting key operations.



Preservation
(minimal to no integration)

Target is primarily left to run autonomously, maintaining it’s identity and values



Symbiotic
(best of breed model)

Shared resources, processes, and best practices based on what is optimal for the combined entity



Hybrid
(partial integration)

Select functions, processes, and/or systems are integrated into Parent; the remainder are left alone or integrated at a later point



Absorption
(e.g., tuck-in)

Parent fully absorbs the target into its ongoing operations

Without a clear integration thesis, add-ons often default to the “Frankenstein Effect”

The archetype framework helps investment and operating teams:



Prioritize resources where full integration delivers the most ROI.



Prevent value leakage by addressing shadow organizations and redundant structures.



Speed up decisions by establishing a repeatable approach for future acquisitions.



Balance control and autonomy, especially in multi-brand or multi-market portfolios.

By assigning the right archetype early, companies can build a scalable operating model while respecting what makes each add-on valuable.

2. Define the Target Operating Model (TOM)

Establishing a well-defined TOM provides a strategic blueprint for aligning people, processes, and systems.

A successful TOM has three fundamental attributes:



People

Define scalable structure which clarifies team responsibilities and to reduce role ambiguity and increase accountability



Processes

Outlines core processes to operate the business (e.g., order to cash, procure to pay, hire to retire)



Technology

Deploy technology stack with the right mix of internal and external support systems / service providers

3. Implement a Repeatable Integration Playbook

A standardized playbook ensures consistency and minimizes disruption during future integrations.

The central elements are noted below:



Defined timelines and milestones for integration activities



Templates and tools for functional alignment (e.g., Finance, HR, IT)



Clear accountability for integration owners

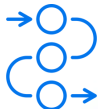
4. Identify and Prioritize Value-Creation Levers

Firms that focus integration efforts on value-driving activities see the fastest results by incorporating these common levers:



Cost Synergies

For example, align procurement strategies and reduce vendor redundancy.



Revenue Synergies

Establish cross-selling opportunities and improve customer retention.



Operational Efficiencies

Streamline shared services, such as Finance and IT.

Case Study: Turning Disconnection into Opportunity

A PE-backed company with five add-on acquisitions was experiencing severe fragmentation—disconnected teams, redundant functions, and siloed systems.

After conducting an integration assessment and implementing a repeatable integration approach, **the company realized measurable improvements:**

10% Total Cost Reduction

Through role consolidation and tech rationalization

Streamlined Reporting

By aligning financial systems and KPIs across business units

Faster Decision Making

Enabled by a unified leadership structure and clear spans of control

Increased Scalability

With a defined operating model ready for future add-ons



This transformation not only improved day-to-day efficiency — it also positioned the platform for long-term growth and a stronger exit valuation.

Conclusion: Build a Scalable Foundation for Growth

Add-on acquisitions offer significant growth potential for middle-market PE firms and their portfolio companies. However, achieving such value requires disciplined integration planning and execution. Firms can minimize disruption, unlock synergies, and drive long-term portfolio success by assessing gaps, defining a clear TOM, and implementing repeatable frameworks.

Contact Impact Point Co. to explore actionable steps for enhancing your portfolio's integration process.

Impact Point Co.

Impact Point Co. is a management consulting firm specializing in Office of the CFO and M&A Ops solutions tailored for the middle market. Founded by professionals from top-tier consulting firms, IPC teams work closely with Operating Partners and Management teams in rapidly delivering value creation solutions to PE-backed portfolio companies.

Contact us: <https://impactpoint.com/>