

## **M&A SUCCESS: BUSINESS RATIONALE MUST DRIVE CRM ASSIMILATION**

Rather than Beginning with Technology Selection or a “One Size Fits All” Mindset, CRM Assimilation Strategies must be based on the Business Behind the Acquisition

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## PLANNING FOR CRM ASSIMILATION

What is the best way to approach the customer relationship management (CRM) practices of a new business unit? Here is one scenario that Innoveer regularly witnesses: A parent company's vice president of sales meets his or her counterpart in a recently acquired business unit for the first time — months after the acquisition — at the initial CRM integration project meeting. The corporate mandate: assimilate the new business unit onto the centralized CRM system as rapidly as possible, no questions asked.

What is wrong with this scenario? To put it simply, companies must not assume that the conventional wisdom — “we need to bring the new acquisition onto the main CRM platform as soon as possible” — is true. Often, this is the right approach, but sometimes forcing a business unit (even a small one) with different sales processes onto the centralized CRM system may do more harm than good.

In fact, Innoveer has worked with many organizations that chose to delay or even avoid CRM assimilation after a merger or acquisition. In some cases, the pause is brief, but still sufficient for blending customer-facing practices and addressing people and process issues. In other cases, companies may first invest time to develop a new business unit's CRM proficiency, and occasionally, companies will study the business case for assimilation and conclude that it is not the correct strategy. Many Innoveer clients, for example, rely on a central CRM platform, but also have business units which use different solutions because they better suit their needs.

## THE ART OF M&A

Mergers and acquisitions are a time-tested strategy for achieving numerous business goals. Proctor & Gamble and Gillette combined to bring more selling power to bear on the consumer goods marketplace via cross-selling, enhanced marketing efficiency and increased brand awareness, by applying the P&G feel to a greater range of products. In the pharmaceutical realm, giants such as Pfizer have used mergers and acquisitions to expand into the burgeoning medical device marketplace. Meanwhile, Innoveer high-technology client PTC has used numerous acquisitions to rapidly expand its customer-base and sales reach.

While M&A activity has obvious business potential, it also creates complexity for business

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planning, sales practices, call centers, enterprise architectures and IT operations. Successful CRM projects, then, require careful planning, as opposed to simply an “all at once” or “wait and see” approach.

## THE BENEFITS OF A GOOD PLAN

An effective plan for assimilation leads to rapid uptake of CRM tools and practices without sacrificing a new business unit’s unique — and valuable — capabilities or customer-facing strengths. Furthermore, by putting business goals first and understanding existing customer-facing practices, an effective CRM strategy then qualifies the right technology for supporting those business goals, and delivers it at an appropriate pace.

Providing business groups with technology matched to their needs fosters employee buy-in, which helps to overcome resistance. This leads to more effective and coordinated sales and marketing operations, increased opportunities to cross- and up-sell, a single opportunity and sales pipeline and more accurate operational intelligence for business leaders. Finally, a careful CRM plan allows the combined business to project a single customer face, which supports more efficient and relevant marketing, sales and service operations, as well as higher levels of customer satisfaction.

## BUSINESS GOALS MUST DRIVE ASSIMILATION

Accordingly, post-M&A CRM projects must begin by studying business goals and sales practices: What are the similarities and differences between the enterprise and the new business unit? Are there opportunities to unify practices? Do distinctive differences exist that should be preserved for the sake of customer satisfaction, efficiency and revenue? With today’s powerful integration capabilities creating the requisite single view of activities, might an alternate CRM platform better meet the needs of a very different business unit? The answers to these questions should set a company’s CRM assimilation strategy and timeline.

Based on its experience in helping companies create successful CRM programs, Innoveer has identified four strategies for achieving CRM implementation success following M&A activity: immediate integration if there is a strong business case for complete assimilation

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and sales practices are already similar, a slight delay if customer-facing practices must first be harmonized, a longer delay if no CRM practices yet exist in one business unit or even no assimilation at all if it offers no business upside.

## IDENTIFY BUSINESS RATIONALE

How should organizations define their CRM assimilation strategies? Start by understanding the business rationale behind the M&A activity:

1. Why is the company acquiring the new business unit?
2. What is the underlying business strategy?
3. What capabilities does the new business unit offer?
4. What capabilities does the enterprise need to support the new business unit?
5. What are the long-term business goals and plans?

It is important to spend the required time to identify sales practice similarities, differences and opportunities — to unify them and ensure that distinctive differences are preserved. Also, remember that when business practices differ, changing them too quickly may sacrifice employee buy-in — crucial for CRM project success — as well as sales and customer satisfaction.

## TIMELINE: DRIVEN BY BUSINESS GOALS

How quickly should companies bring new acquisitions onto centralized CRM systems? Let business requirements and existing CRM maturity levels dictate the assimilation timeline.

- **Immediate: Rapidly Standardize Sales Practices, Pipelines and Reporting**

If there is a business reason for the acquired company's practices to be completely assimilated, and if they are already largely similar to the parent company's, then CRM assimilation should happen almost immediately. In these cases, the underlying business rationale is often to achieve cost savings — in terms of eliminating technology and reducing head-count — from merging CRM systems. Companies with more complementary CRM practices, however, may also look at CRM assimilation to increase revenue by enabling cross-selling and up-selling across product lines.

Regardless of the business rationale, the benefits of rapid CRM assimilation are that companies can standardize sales practices and reporting as quickly as possible. This then

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leads to increased sales efficiency and customer insight, and the ability to create a “single face” for all customer-facing activities.

- **Slight Delay: Harmonize Sales Practices before Imposing Technology**

If the assimilation will likely take some time — for example, some business practices and policies differ widely and must be aligned — then these business processes must change first. Technology cannot drive people and process changes, or overcome employee resistance. Rather, the CRM system must follow.

For example, one of Innoveer’s clients acquired a new business, primarily to gain its customer base. It then immediately loaded the new customer information into the centralized CRM system and made it available to all salespeople, who predictably began using it. Unfortunately, clients began receiving similar calls from multiple salespeople. This disrupted deals-in-progress — not to mention the new business unit’s morale — and led to decreased sales efficiency, revenue and customer satisfaction. Hence the company would have achieved more rapid and successful CRM assimilation had it first spent time addressing prerequisite people, process and customer changes.

- **Longer delay: Foster Mature CRM Practices First**

If the new business unit lacks any CRM processes at all, consider introducing a hosted CRM software application such as Salesforce.com or Oracle CRM On Demand. Starting with hosted software may seem counter-intuitive, but such software is cost-effective, and can be rapidly configured and released. Furthermore, using it as a springboard may be the most rapid way to assimilate a business division with less mature CRM practices.

For example, to expand sales into a new region, one of Innoveer’s high-technology clients acquired a smaller competitor with a similar business model that already operated in the region. However, the new business lacked mature CRM practices: all contacts, opportunities and sales were tracked using a combination of Microsoft Outlook and Excel. Therefore, the parent company developed an 18-month plan for fostering CRM maturity. This began by introducing Salesforce.com to enhance the business unit’s CRM proficiency, and will end with a migration to the centralized CRM platform. This approach avoids overwhelming

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employees or customers with sudden, colossal changes, and gives the business unit the requisite time to reach CRM maturity.

- **No Assimilation: When CRM Integration Offers No Business Benefits**

If the new business unit has a completely different sales model and business practice, and for good reason, integration may offer no benefits. For example, one Innoveer client — a veteran of many acquisitions — acquired a company with such a different business model that bringing it onto the same CRM application made no sense, and indeed might have been devastating since its sales techniques, lead management, sales cycles, sales channels, service model and even customers differed completely. Furthermore, not even its sales forecasts were compatible: while the parent company projected revenue based on one-time item sales, the new business unit offered a service with annual, renewable contracts.

In this case, avoiding assimilation actually produced numerous benefits. For starters, the business circumvented adversely impacting sales and marketing efficiency, as well as customer satisfaction. In addition, the business preserved a crucial competitive capability: a division with sales practices tailored to the burgeoning services market. In fact, business leaders predict that they will expand on these practices in the future to create new sources of revenue.

CRM ASSIMILATION STRATEGIES				
	Immediate	Slight delay	Longer delay	No Assimilation
<b>BUSINESS RATIONALE</b>	Clear business reasons to completely assimilate new business unit	Business processes and policies of new business unit must first be aligned with centralized approach	CRM practices do not exist in the new business unit and must be introduced before assimilation	Integration offers no benefits: business processes and policies of the new business unit differ for good reason
<b>CLEAR BENEFITS</b>	Standardize sales practices and unify reporting, forecasts and pipelines as quickly as feasible			Retain distinctive capabilities and maintain customer satisfaction
		Smooth the transition to centralized CRM, and overcome resistance		
			Avoid overwhelming the new business unit	

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## CRM ASSIMILATION SUCCESS

A CRM assimilation program offers companies multiple benefits: to standardize, streamline and coordinate sales, marketing and service processes; capture new business opportunities; unify reporting; and attract and retain more customers — all without eliminating any valuable new business capabilities. The previous examples illustrate, however, that the fastest way to successfully assimilate a new business unit's CRM practices may not be immediate assimilation.

The path to assimilation begins not with technology or arbitrary timelines, but rather with business goals. Project teams must first address required process and cultural changes, and only then select the required technology. By undertaking a CRM assimilation strategy in this manner, companies will gain more accurate business intelligence, enhance their customer-facing capabilities, ensure high levels of customer satisfaction and increase sales and marketing efficiency and opportunities from cross-selling and up-selling.

## ABOUT INNOVEER

INNOVEER SOLUTIONS, an award-winning customer strategy and solutions consultancy, provides advanced customer management services to high-technology, life sciences and insurance companies, among others, in the areas of planning and strategy, technology implementation, and optimization. The company's deep industry knowledge, broad technical skills, and Multishore methodology enable organizations to address their critical customer-facing issues and achieve an integrated view of all customer information. With an exclusive focus on customer management since 1998, Innoveer has worked with more than 300 organizations to increase their overall business growth, improve internal efficiency, and enhance the customer experience.

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