BARON
Strategic Partners

+1.617.365.3411

baronstrategic.com

Integrating Two Companies? Don't Lose Sight Of The Customer

While increased M&A activity may be celebrated in many corners, there is cause for concern since the pre-merger hype does not always live up to the post-merger reality.

Google recently announced that it was buying Motorola Mobility, yet another indication that mergers and acquisitions are back in style. In fact, M&A activity is on track for a five-year high this year. While the increased activity may be celebrated in many corners, there is cause for concern since the pre-merger hype does not always live up to the post-merger reality.

McKinsey reports that while 80% of mergers are done for revenue reasons only 12% actually result in revenue increases. A recent Wall Street Journal article highlighted the challenges Oracle is facing as it attempts to integrate Sun is one example of how companies go wrong post-merger, but it's certainly not alone in facing the post-acquisition blues. A $300 million company I know bought another $300 million company. Combined revenues the following year dropped to $400 million.

Post-merger confusion and fear are the dominant emotions experienced by customers, your sales people, and your product team. These feelings can doom your merger unless they are dealt with quickly and effectively.

Ironically, at the time when customers and sales people are at the highest risk of defecting, most companies focus on internal matters. They are driven by financial concerns and efforts to immediately reap the benefits of the newfound synergy. Topics such as changing organizational structures, eliminating redundancies, and integrating IT systems often take precedence over communicating with customers and reassuring sales people.

I discussed how to make a merger work from the perspective of your customers with Bob Hatcher, one of the country’s leading sales consultants focused on the high-tech industry and a veteran of numerous mergers and acquisitions.

FAST COMPANY Originally published via Fast Company

We feel there are two critical areas that require significant focus in order to increase the odds of a successful merger or acquisition.

- Redefine the product strategy and positioning
- Retrain the sales force

Your product strategy is now confusing

Unless the acquired products are completely synergistic, or not even remotely related, you have a product integration problem. For example, frequently one or more of the acquired products has considerable overlap with the native products.

Here’s a quick outline of what to do:

1. Put sales personnel on the product integration team. This team should be composed of product managers, development people, product marketing, and sales. Then, set up a series of discussion databases (forums) on your internal network to facilitate collaboration and discussion. The forums will become the central clearinghouse for the team to pose questions and answers. Make sure there is a moderator for each forum and that senior management reads and participates.
2. Listen directly to customers, unfiltered, about the confusion they feel following the merger. Convene a series of “product councils” where you bring in trusted customers and ask their opinion as to how the products relate to one another. Don’t be afraid to be vulnerable here: Ask them, and they will tell you. Ask very simple questions like "If you were me, how would you position these products next to each other?" and "Where are the overlapping features and functions?"
3. Use the results of the product councils to map out the product planning and positioning. For each product in the portfolio, ask what specific problems it solves, what is unique about it versus the competition, and what the product is or isn't.

Your sales force is now confused!

The impact of a merger on the sales force is huge. Here is a summary of the issues you’ll run into.

1. Each product has a set of “unique strengths,” only some of which will be applicable to a specific customer. For the sales rep to be able to present these unique strengths he or she must know what questions to ask, so make sure your sales team is equipped with those questions.

2. Because the new product strategy can be confusing, sales reps need a matrix of how the products fit together. What works with what, etc. They need to know terms of the service contract. One of the issues with the Oracle/Sun merger was that Sun had different service terms for their products than Oracle. Clarifying these is huge. Remove all uncertainty.

3. Knowing that competitors will pounce on any FUD (fear, uncertainty, or doubt) the sales team needs to know the relative strengths and red flags of the new product lineup versus each competitor. We have found that a simple matrix that they can carry around is very important.

4. Make sure the sales team knows how they will be compensated. As you redefine the product positioning and unique strengths it is critical that the sales team knows the structure. Let's face it, most sales people are "coin operated" in that their compensation plan will dictate behavior.

At a time when customers are most at risk of defection, the newly merged company focuses inward to manage the integration. If you want to make a merger work, keep your eye on the prize--and the prize isn't inside your HQ. It's your customer.

Yes, companies need to integrate systems, processes, people, accounts, marketing, and so on to be successful. But the best way to organize that activity is from a customer retention and acquisition perspective. Prioritize and focus on removing anything that can have a negative impact on your customers. If not, you'll likely be in that 80% that fail.

--Author Neil Baron can be reached at nbaron@baronstrategic.com