Sales Force Integration: Who's Minding the **Customer?**

During M&A negotiations, just after the deal is done and before the actual integration begins, it is easy for companies to take their eye off the customer as the new entity begins to take shape. As long as six months before a merger actually happens, leaders need to be thinking about how the company is going to run.

Literally, this begins by creating spreadsheets of the two merging companies: what they sell; what the costs and profit are; and in the same spreadsheet for both companies, adding in an extra set of lines at the bottom for synergies. There are going to be changes to both companies — and these changes are going to cost a certain amount of money and bring in new opportunities for revenue and growth. These are the synergies.

Synergies come from either cost cutting or revenue generation. Making staff changes — realignments and redundancies — is a critical part of managing these synergies. Companies may typically not be able reorganise the people in the finance departments until the IT systems have been fully integrated thus the "people synergies" might come 12 to 24 months down the road.

Before purchasing a company, acquirers need to formulate an estimate as to how much they are going to increase sales. This is what leads them to the price they are willing to pay to purchase the company. Thus, in sales (which includes everything from high-touch account management to telesales), companies can't afford to wait too long to sort out who will stay, who will go and who will be in new roles. Acquirers pay dearly for the revenue and profit of every customer they need to keep. If high-performing sales people decide to leave, they may try to take many of their customers with them. In other situations I have seen, sales people who were not sure they had a job stopped selling in case they were going to be laid off, and were planning to take their customers with them. If a product line gets changed as a result of a merger, sales people may think they are going to be made redundant because their product has been discontinued.

About the **Author**

Danny **Davis**

Danny A. Davis is the founding partner of DD Consulting. An M&A integration expert with over a decade of deal making under his belt, he has helped plan and run some of the largest mergers in the world, including the European side of a merger of two FSTE 100 companies, which had 180 projects across 30 countries and 26 functional work streams. Danny is a former trustee on the board of the Chartered Management Institute and Programme Director in M&A at Henley Business School. He is currently a guest speaker at London Business School on Strategy and M&A and sits on the Chartered Management Institute expert panel

danny.davis@ddavisconsulting.com

Some competitors watch for upcoming mergers in their industries, just waiting to steal the best management from a company in transition. They come in and lure people away by promising high performers guaranteed increases in pay. That's an easy sell, given the uncertainty of their futures. A big company buying a small one for its products doesn't need the client contacts and could let go of the whole sales team. Most won't do that, however, and will just let people leave of their own accord.

What's a Board To Do?

Mergers and acquisitions are disquieting for sales people and their customers. So the question for the board is: how are you going to play this? Do you aim to keep all of the sales people so you can keep all of the revenue? To do this, you might decide to pay more money to be sure people will stay (e.g. offer them a guarantee to persuade them to stay for two years). Answering these questions varies with every situation but consider these rules of thumb:

Maintain control of large customers.

In cases where the sales person's relationship to the customer is arms length, it is easier to make the cuts in the sales force to reduce costs. In other instances, it is not that simple. I worked on an acquisition where the target company had a highly valuable global account management team. This was in a fast moving industry, where large customers could defect rapidly. The acquirer wanted to instantly consolidate the customers that overlapped between the two companies but it also wanted to gain control of all the customers. We advised the company to approach the consolidation process with care and to consider defection of global account managers a very large risk as one manager could leave and take all the most valuable and newly acquired customers with him. So we decided to remove all the global account managers on day one of purchasing the company, not least to gain control of all of the most important customers. At that point we took over all of their customers and planned detailed customer visits from our global account management team. If we had not done this, sales people in both companies would have been uncertain about their jobs and the new company could have lost people from both sides and accounts from everywhere. The main aim was to ensure all sales people felt safe.

Ask a lot of questions.

Do you want the best individuals or the best teamwork? Or both? Is there a particular skill that is most important? Consider a company that has two sales forces, each with ten people, but it has been decided that they don't need all of them. One approach might be to make the reductions on the basis of high and low performers. Another might be to choose an equal number from each team, to communicate that the union of the firms is a merger of equals. Perhaps the new company has determined that there are particular skills that are going to be needed from their marketing and sales professionals to grow the new business, so they will focus on analysis of their skills. These are difficult decisions and there is no single answer. How you plan for reorganising the sales force depends on the reasons for the acquisition and what kind of sales force and account management structures are in place. It also is based on how much it will cost and how harsh a company is prepared to be in its approach.

Be fast and fair.

These are pretty basic scenarios where an acquiring company doesn't lose customers or revenue. But clearly they're not perfect strategies. Nor is it easy to plan ahead because, before a company is bought, the acquirer doesn't really have a clear view of how valuable its people are. It is easy to get rid of the wrong people: this is a difficult issue with which every merging company grapples. The alternative is to wait three months into the post-merger integration to see who the right people really are.

We had a situation with one client in which they said they had never made anyone redundant before and had no intention of doing so in the merger. Instead, they proposed to keep everyone for six to nine months to see how they performed. But what they experienced was three months of politics, with everyone feeling like they had to fight for their jobs. It was a poisonous atmosphere for everybody — some of the best people left and took their customers with them.

My own experiences have taught me it is actually better to be harsh (to let more people go faster), even if it means losing a few more of the people you should have kept. You can have the most fair and transparent selection process but, as you are asking people to make the selections, there is still going to be bias.

Be clear, not personal.

Eventually everything comes down to the names, personalities and personal circumstances of individuals but you can't make selections based on these factors until you have some guidelines.

When we work with clients, we like to see a CEO and board who are communicating clearly to everyone the direction in which they want to take the company. How do they want to run sales? How do they want customers to perceive the company? Do they want people who are from a particular country (because that is where most of the customers are from)? These become the guidelines for selecting the right people. It is market-driven and it is fair. Getting to the answers the board wants is very important.

In the best integration process, there will be information on progress coming back to leaders every week — for example, reports on who is staying and who is leaving. Every step is monitored. If incentive plans have not been put in place when it was determined they should be, the board and the CEO will be informed. Are the CRM systems in place and is money being allocated for training? When my firm is overseeing the implementation, we usually report based on exceptions: "everything is going well except for these four things." We will ask the board directly: how can you, as a board, help to push these things through?

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