RAPID onboarding of acquired companies to your ERP

By Johani Marais, Channel Manager Africa, Epicor Software Corporation, discusses how businesses can quickly make the most of an acquisition with the "RAPID" ERP methodology.

Many companies don't gain successful economies of scale and resource synergies from a merger or acquisition because they are unable to rapidly consolidate disparate organisations and business systems.

For example, making the most of an acquired company's inventory can only happen seamlessly when multiple locations can consolidate under one system, allowing for direct sourcing or inventory transfers between locations rather than purchasing from within the same company. For every day that passes without true business integration, money is squandered. In fact, a 2004 study by Huang & Kleiner reported that in the first four to eight months following a deal, productivity may be reduced by up to 50 per cent.[1]

Organisations currently involved with or considering a merger or acquisition (M&A) path will be tasked with bringing those companies together. One of the most critical projects in this endeavor will be implementing the right ERP (Enterprise Resource Planning) system with a robust strategy. A properly executed onboarding approach will enable firms to gain an almost immediate return on investment by unleashing value in the scale of the new organisation. It will also capitalise on the synergies of the merger or acquisition.

This begs the question, what would be the best approach for often complex and difficult integrations? The answer lies in the "RAPID" methodology: a framework for executing a fast-tracked ERP implementation. RAPID is actually an acronym *within* an acronym:

- R.I.C.E (reports, interfaces, conversions, enhancements)
- Actions
- Policies
- Issues
- Decisions

[1] Huang, C.T., Kleiner, B., (2004), "New Developments Concerning Managing Mergers and Acquisitions," Management Research News, 27(4/5): 54-62.

As a firm undertaking an M&A begins to understand how the acquired company conducts business, it can use the RAPID approach to start capturing each business process, policy, and output in a workbook under the appropriate category.

Reports

The first area of consideration should be the reports used by the acquired organisation. This includes any business intelligence output, such as dashboards, printed reports, transactional information, external data sources, etc. It's important to cross-reference the outputs of the acquired company to existing reports used by the acquiring firm. If the information is not needed to conduct daily operations, then it's wise to determine if it's necessary to strategically manage the business. The cross-reference can serve as a navigation path for the acquired or merged companies' managers to find the needed information. Also, if reports need to be written, or dashboards created, this same list can serve as a way to understand the resources and time required to create them.

Interfaces

The next area of focus should be interfaces. Put simply, these are any systems that may push or pull information from the ERP system. Examples may include EDI, manifest systems, credit card processing, shop floor automation, and warehouse management. The acquiring firm may need to purchase additional products or modules from its ERP provider, so the acquired company does not regress in process automation or efficiencies.

Conversions

This step should encompass all activities related to data conversion or data transfer. Once a non-disclosure agreement is in place, it's important to request the relevant product master data file, item IDs, item descriptions, product classifications, and recommended vendors.

The greatest use of resources (and therefore the longest "bar" in a project plan Gantt chart) will likely be item master validation. Item validation is referred to by many terms, including matching, merging, or cross-referencing. The goal of item validation is to cross-reference the acquired company's item ID to your item ID, so that you have one item "master record" across all branches, locations and entities, allowing a firm to make the most of its assets. Starting this cross-reference early in the acquisition process will allow a business to aggressively complete the validation after the acquisition is finalised.

Similar to the item validation, the acquiring company will likely need to perform vendor/supplier and customer/ship-to validation. Also, validating core data (sub-tables, dependent records, etc.) is necessary to scale the business and report consistently across all entities. For example, cross-referencing the acquired company's product classifications/groups to the buyers' current product classifications/groups will enable the firm to identify the synergies of product types, and the additional product lines it may soon need to sell.

Actions

As the acquiring firm works through the RAPID process, the short-term actions resulting from each meeting should be tracked to completion. A project schedule is necessary for managing tasks, dependencies, resource allocation, and milestones. A running list of action items is important to track immediate tasks that may ultimately impact the overall schedule, if those action items or tasks are not completed by the required due date. (Think of an action item as a task with less than six hours of work effort required to complete, but too detailed to manage in a project schedule.)

Policies

All policies—especially customer-facing ones—of the acquired company should be documented, and policy changes should be communicated to the appropriate stakeholders. For instance, are any products non-cancellable/non-returnable, and which customers have exceptions to that policy? As the acquiring business streamlines the core data, certain policies may be uncovered. For example, if there's a customer with net 90-day payment terms, then a policy change and communication to that customer would likely be necessary to conform to the acquiring firm's standard payment terms offered.

Issues and decisions

As operational, personnel, or technical issues are uncovered, it is important to track those issues to completion with ownership and due dates. The resolved issues should have the decisions or solutions documented and filtered off the list. Often, an issue may resurface, and the solution will need to be revisited, so it is valuable to keep a record of the initial resolution handy.

Conclusion

Along with the technical migration, equally important projects to pursue during the M&A process should include:

- Human resources plans, systems and policies, such as: payroll, benefits, etc.
- Marketing: a co-branding program is typical, with the acquired company's logo being phased out over time
- Sales territory alignment
- E-commerce web site shopping permissions

Approaching each aspect systematically, via the actions, policies and issues and decisions execution steps of the framework above, will allow firms making acquisitions to properly scope the project, manage the strategic deliverables, and work towards a RAPID implementation.