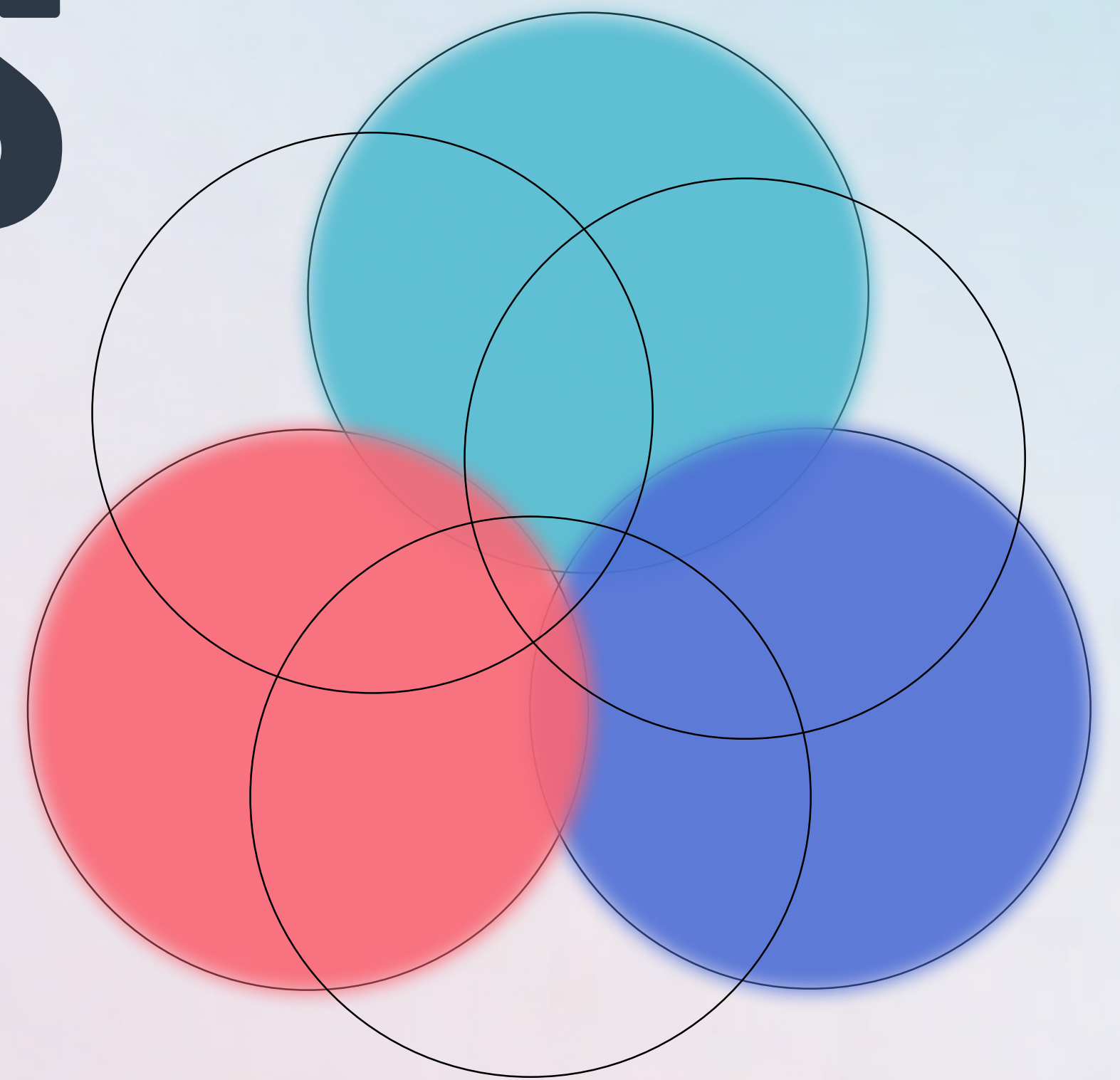


**M&A EXCELLENCE**



# **MANY ENTITIES INTO 1 TRUTH**

**A practical guide to consolidating ERPs**



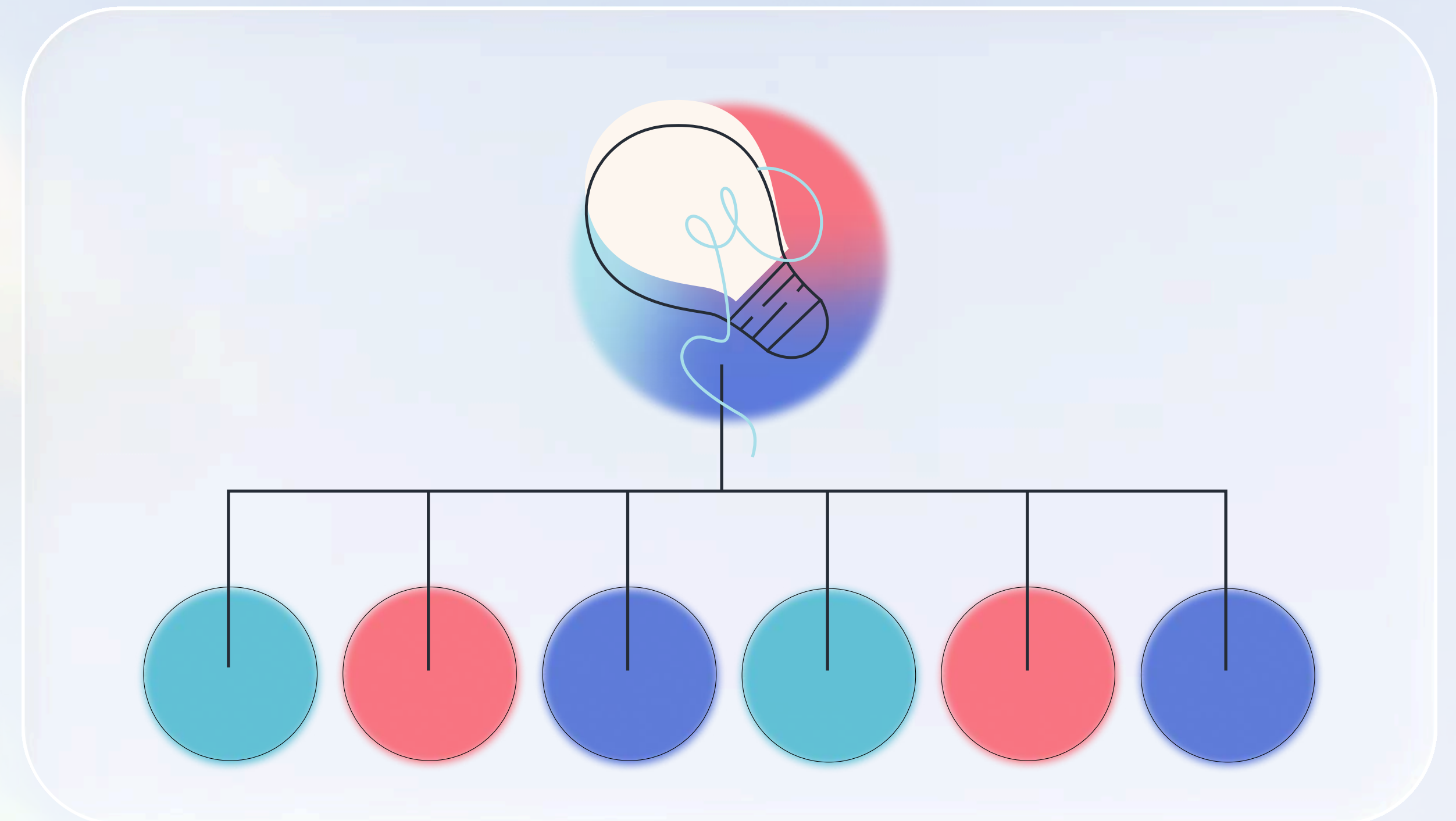
**M&A is all fun and *gains* until it's time to integrate the businesses. Then you run into a challenge: Should you consolidate the new company's financial systems, build an integration, or defer? You must decide this in an environment of extreme uncertainty: You'll almost never know enough about the target company's workflows.**

Those workflows are probably a partial mystery even to those working there. Most communication is unspoken. Most knowledge, undocumented. Most systems are improperly wired, and any two databases will tend to not cooperate.

Further, there is something unique and wonderful about that acquisition target that made it worth acquiring. Your challenge is to consolidate duplicate systems and information flows without stripping away what made it unique. To reduce without subverting. To standardize, but not de-specialize. There are few more difficult challenges, nor fruitful opportunities.

In this guide, we share the insight from several authors who, together, have led dozens of ERP evaluations and migrations. They offer you a field manual for assessing those opportunities and deciding when to consolidate and how to best achieve one financial truth.

**“Your challenge is to consolidate without stripping away the uniqueness.”**

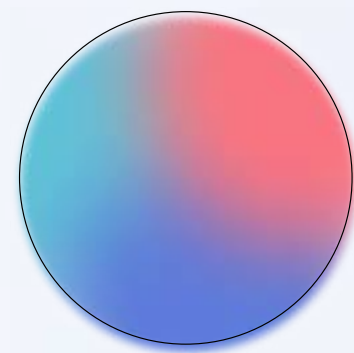


# You have five choices when integrating

**01**

## Consolidate

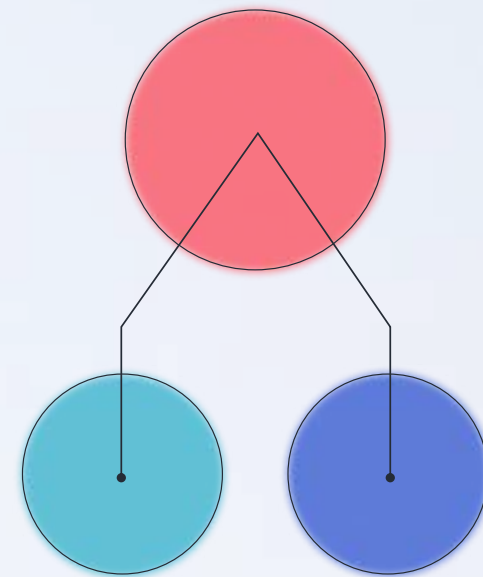
Use your core ERP.



**02**

## Run in parallel

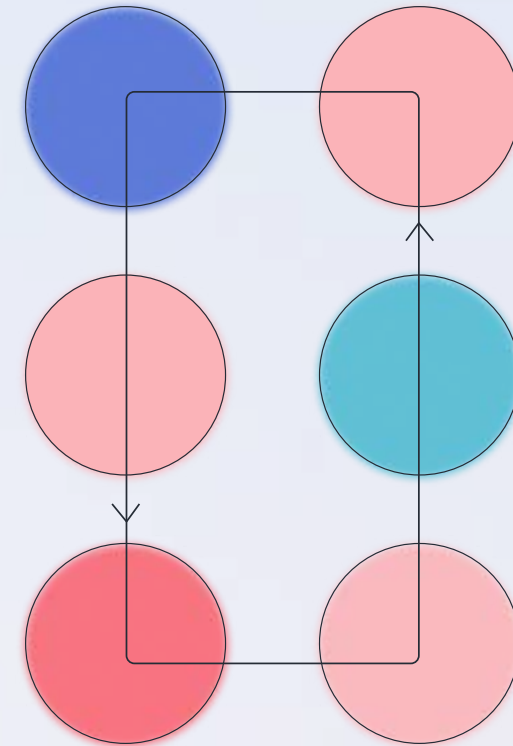
Maintain one core with many satellites.



**03**

## Connect/hybridize

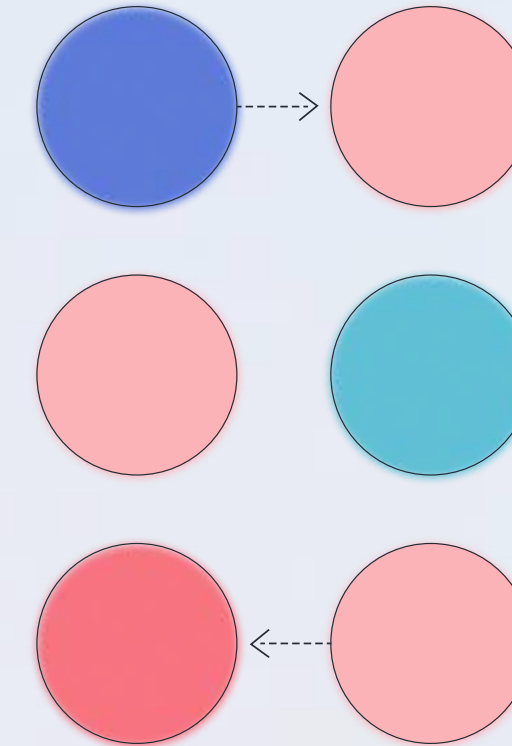
Keep apart, build a data integration.



**04**

## Separate

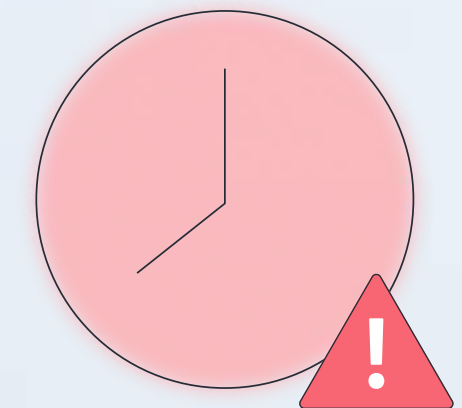
Keep apart, transfer via spreadsheets as needed.



**05**

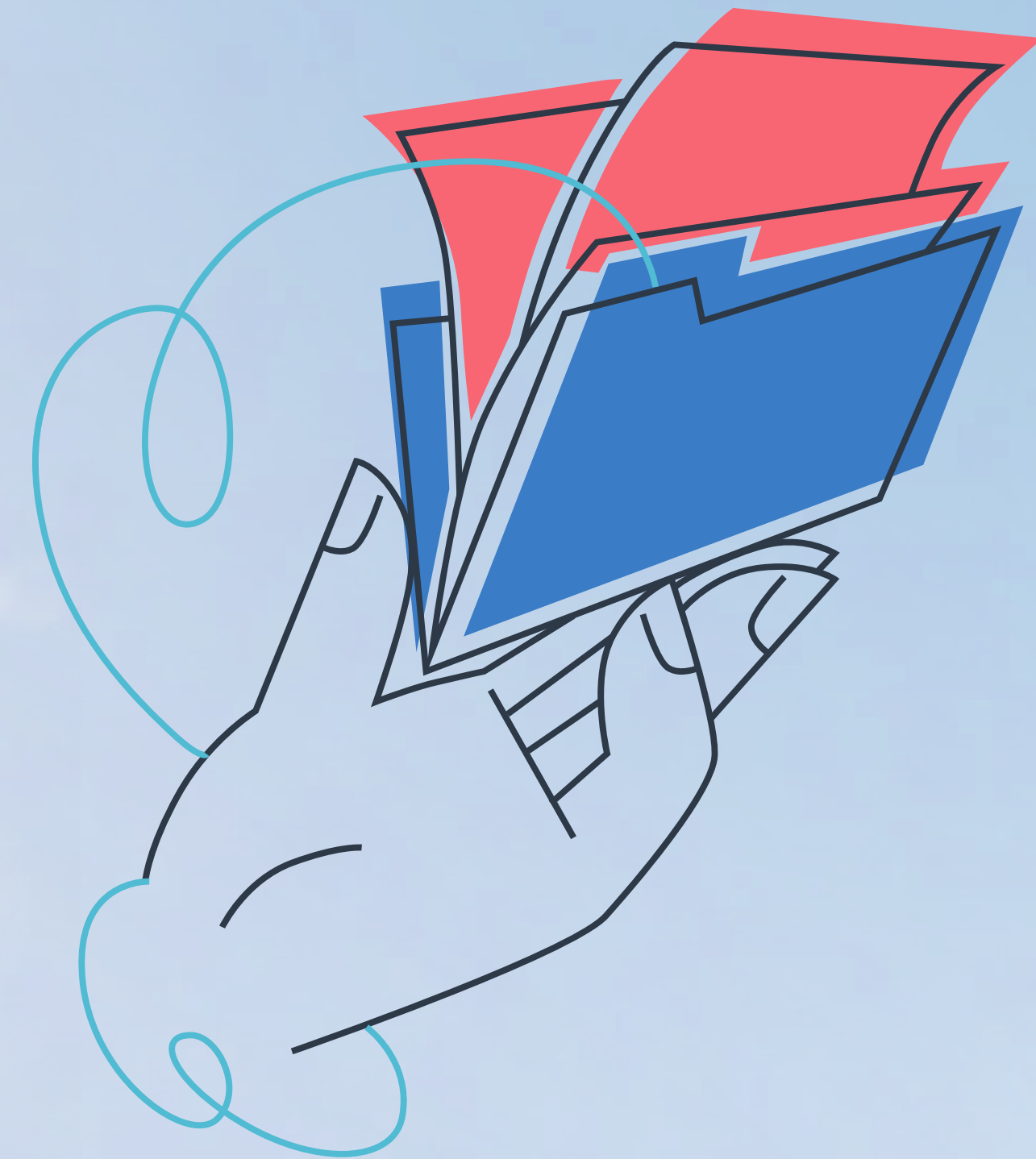
## Defer

Delay the decision.



# Inside this guide

- 5** Your task: Standardize without subverting
- 8** A synergy brainstorming board
- 13** Your five choices
- 19** A step-by-step integration process



# Your task is to standardize up to the point value erodes—then walk back

**As businesses grow, they generate complexity as a sort of byproduct: more SKUs, more support teams, more regions, more departments, more centers of excellence.**

Complexity like this is good because in the short run, it helps you adapt to your market and customer. But it comes at the obvious cost of speed, and tangles up your work systems. By the time a company is a decently sized, matrixed organization, data moves slower and it's harder to report and adapt.

All else being equal, you do not want to allow this newly acquired company to inject yet more complexity into your company's financial information flows. If you can, you want to consolidate the acquired company's ERP into your ERP by migrating those reports and workflows over.

And yet this is directly opposed to your other goal: to preserve its uniqueness.

## Your twin goals

- 1 Consolidate as far as possible
- 2 Do not cannibalize the target company's competitive uniqueness

You likely acquired the new company for its unique capabilities. It's a specialty store with a cult following, professional services organization with a culture of engineering rigor, a software company with a reputation for usability, a grocery chain that manages to grow while spending nearly nothing on marketing. Often, those advantages are logistical: food facilities only rated for certain stock, located in a specific region. Or a fierce culture built on shared belief and generous benefits. Consolidating can weaken those networks and advantages. Recall that 57% of acquirers ultimately destroy shareholder value, according to KPMG.

### **57% of acquirers ultimately destroy shareholder value.**

Your job in those early days is to walk the factory floors and talk to everyone at all levels to understand where that unique value lies, and what systems support it. Because the converse can be true, too. A company could be uniquely successful *despite its operations*. When Uber acquired the ridesharing company JUMP Bikes, for example, the integrating team was surprised to learn that JUMP Bikes had no ERP. It was working out of spreadsheets, and losing millions of dollars of bikes per year. In that scenario, they had everything to gain from consolidation.

## **Better to *under-integrate***

Trust takes decades to earn and days to ruin. Inspect before you modify. Delaying the integration can cause harm too, but usually less than a hasty rip-and-replace.



# You may deploy the same ERP differently for different businesses

A good ERP provides the right balance of structure and flexibility—rails to guide but malleability to support the company’s advantages. A flexible ERP can look completely different depending on the business it’s deployed for. Reevaluate your options each time. Technology is always changing.

**“I’ve even seen ERP deployed differently between business units, and that’s because of how lean they are, or the deployment schedule. Maybe you can only launch one site at a time, and that changes the build.” - ERP Advisor**

## AREAS OF UNIQUE ADVANTAGE:

- ✓ People
- ✓ Process
- ✓ Partnerships
- ✓ Technology
- ✓ IP
- ✓ Capital

## TO QUICKLY AUDIT A COMPANY FOR UNIQUENESS:

- ✓ Talk to the company’s customers.
- ✓ Review its order forms.
- ✓ Review the “home” menus in its financial software.
- ✓ Ask how orders flow through the systems.
- ✓ Ask what metrics each team watches.

# A mood board for brainstorming synergies

You can add dollars to the bottom line simply by integrating the new company's financial systems with yours and with other owned companies.



A shared services agreement can increase sales.



A single customer point of contact can help with retention.



Joint sales plans can reduce revenue leakage.



Shared facilities can offer higher returns on a smaller footprint.



Unified customer data lets you send targeted offers.



The businesses can provide services to each other.

**To get you started, here are examples of how integrations add value:**

**A food distributor was able to launch unified promotions**

In this example, the parent company integrated the specialty meat subsidiary so it could join in on one shared holiday promotion with the produce subsidiaries. And a unified services agreement made buying from all easier, earning the parent company more wallet share.

**A media company diversified its revenue streams**

An online magazine known for journalistic reporting bought an affiliate marketing site known for high-integrity reviews. The parent company pulled the reviews into its news app and its news articles into the review site. Eventually they stretched the advertising network to cover both—mixing two advertiser audiences and increasing ad sales.

**“You probably have some customers who are on contracts, and others with no arrangements. You do business with both every week, but most don’t have an MSA. They don’t even know all that you offer.”**

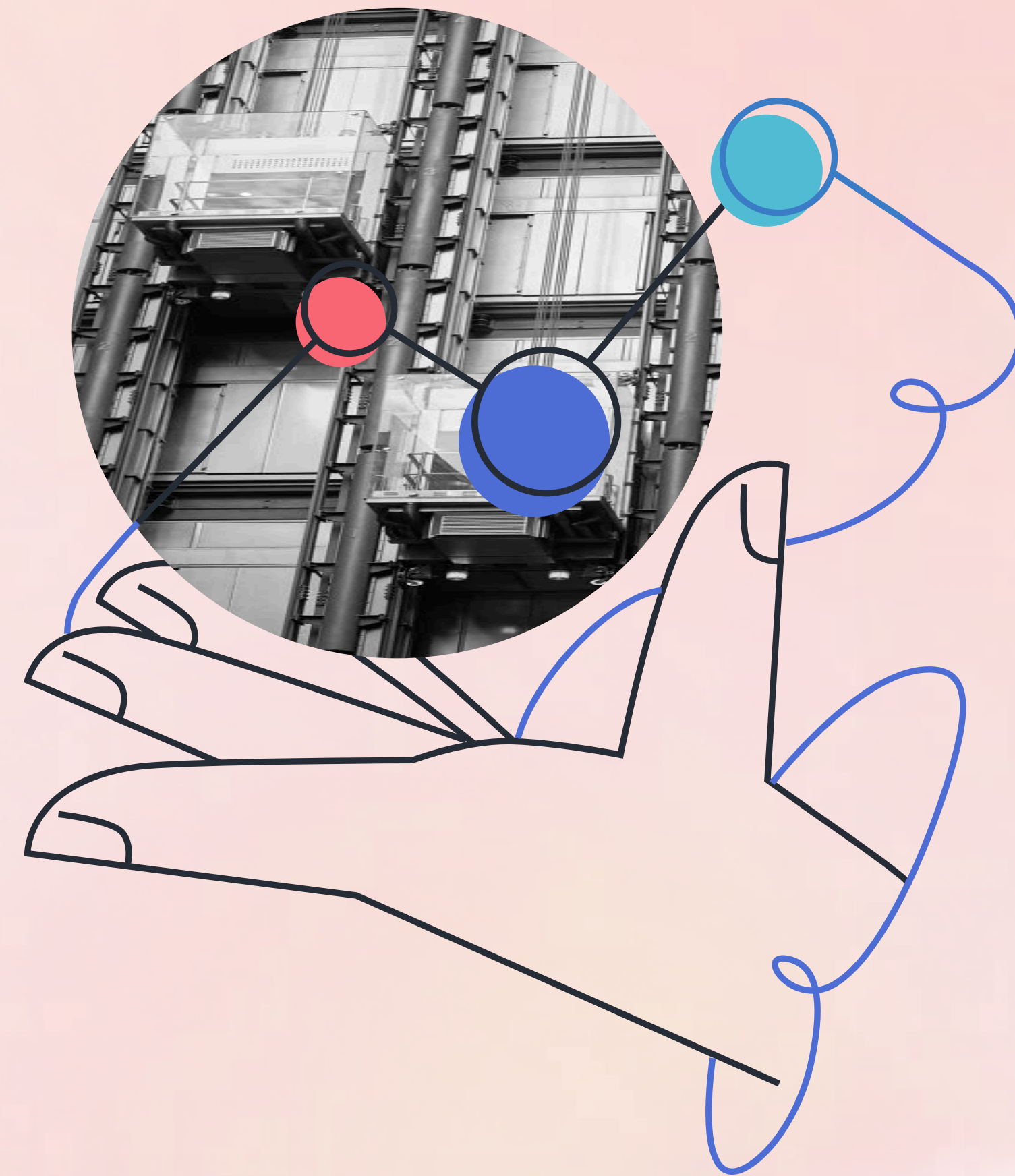
- ERP Advisor

### **An elevator manufacturer integrates horizontally**

This manufacturer acquired its top implementation partner. The goal was to shore up its own ailing professional services department, and also launch new products—which it did by co-building an app-based training software and predictive maintenance subscription. It then sold both into its global install base.

### **A national distributor unifies its pricing schedules**

The national team wanted better insight into kickbacks and earned income on paper contracts. By using optical character recognition and phones and tablets to digitize all paperwork, they gained far more visibility into pricing schemas. They found significant savings by standardizing offers.

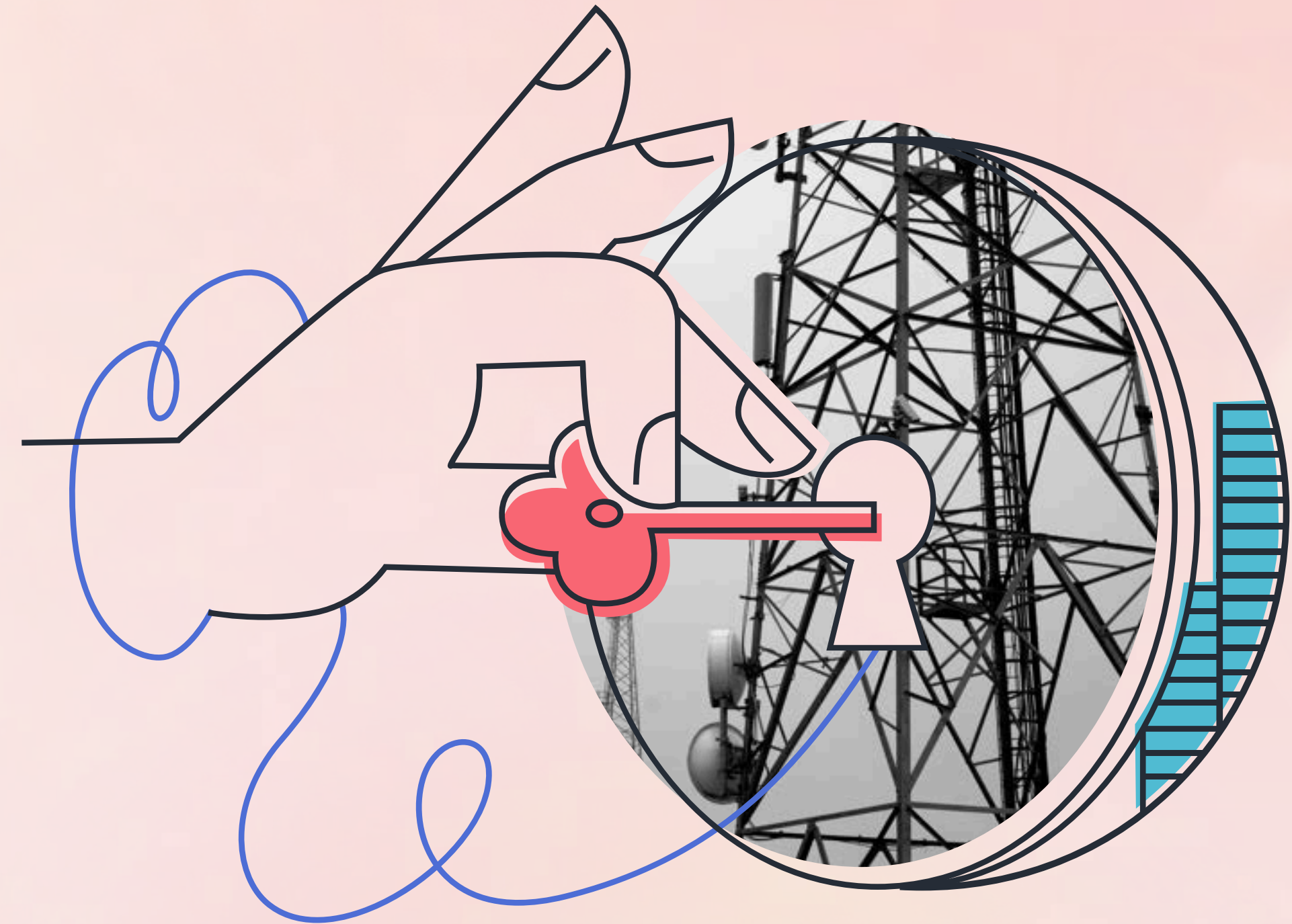


## A big-box store upgrades its inventory tech

This chain acquired a small, tech-forward competitor and rolled its order-inventory software out across all locations. This united online and in-store stock inventory data. For the first time, employees could confidently check inventory at other locations. This change recovered a few percentage points in leaked revenue.

## A telecom company closes its commission loopholes

This company initially deferred integrating half a dozen acquired companies. But years in, they decided to complete the work as part of a modernization effort where they demolished the longstanding team silos: wired, wireless, and app. They united all sales teams into one and consolidated 12 legacy systems. This produced immediate savings by eliminating longstanding loopholes where salespeople could pad their commission by canceling products in one system to reopen them as a new sale in another.



### A jewelry store expands

This jewelry store chain perfected homegrown sales software and method for operating at theme parks. This technology and strong sales culture were a competitive advantage, and when they began acquiring smaller chains in different locations, they rolled out those systems and methodologies for an immediate sales lift at every location.

### A healthcare system consolidates roll-up financials

This health system was on a spree of acquiring clinics and halted when the back office and accounting grew too complex; every clinic had its own P&L. Some clinics also owned other clinics. The period-end closes for the parent company started taking months. Leadership initiated a “year of efficiency” and moved all clinics onto one ERP that could handle many sub-entities and sub-ledgers.

**“I had one site that was on its own perpetual inventory system and their inventory counts were always off. They couldn’t manage the margin component of the P&L to get the cost of goods. It was causing revenue to leak. In that instance, deciding to consolidate wasn’t just about synergies, it added dollars to the bottom line.”**

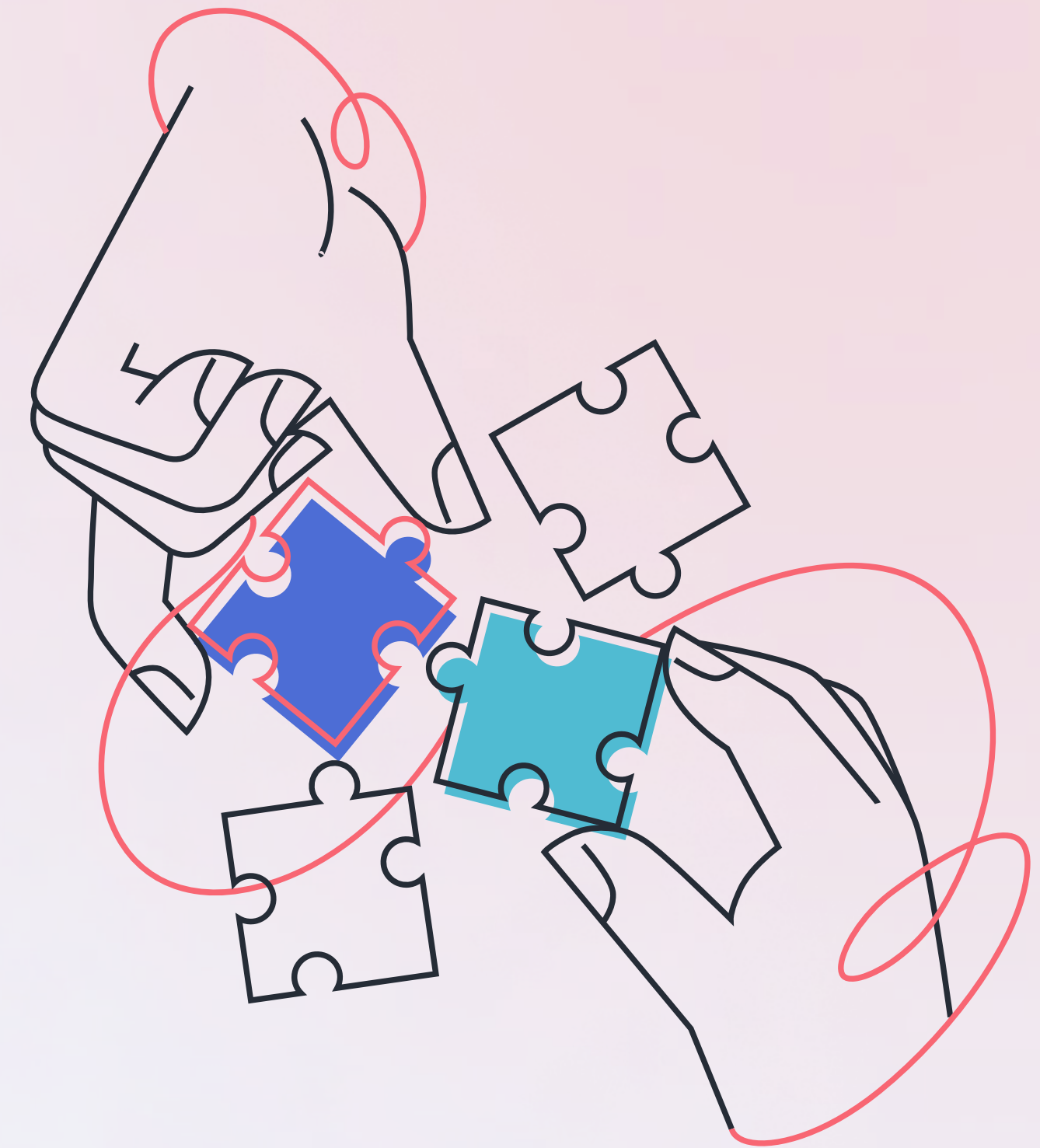
- ERP Advsiior

# Your 5 integration options

**You can't run an efficient business group without unified customer classifications, accounting methods, and reporting. And yet consolidation isn't always the answer. Sometimes it's better to run systems in parallel, or on rare occasion, keep them entirely separate.**

It's a risky choice you now face. Your integration decision today impacts accounting. It impacts how you manage the customer relationship. It impacts your growth targets and whether you stay within your budgets. It determines how and whether everyone's key metrics work. If the integration fails or stalls, it can leave your team doing all that work manually in spreadsheets, potentially for quarters or years.

You have a lot to gain by consolidation or integration—provided it is practical and likely. Next, we explore your five options. In the following chapter, we discuss how to proceed.



# 01. Consolidate

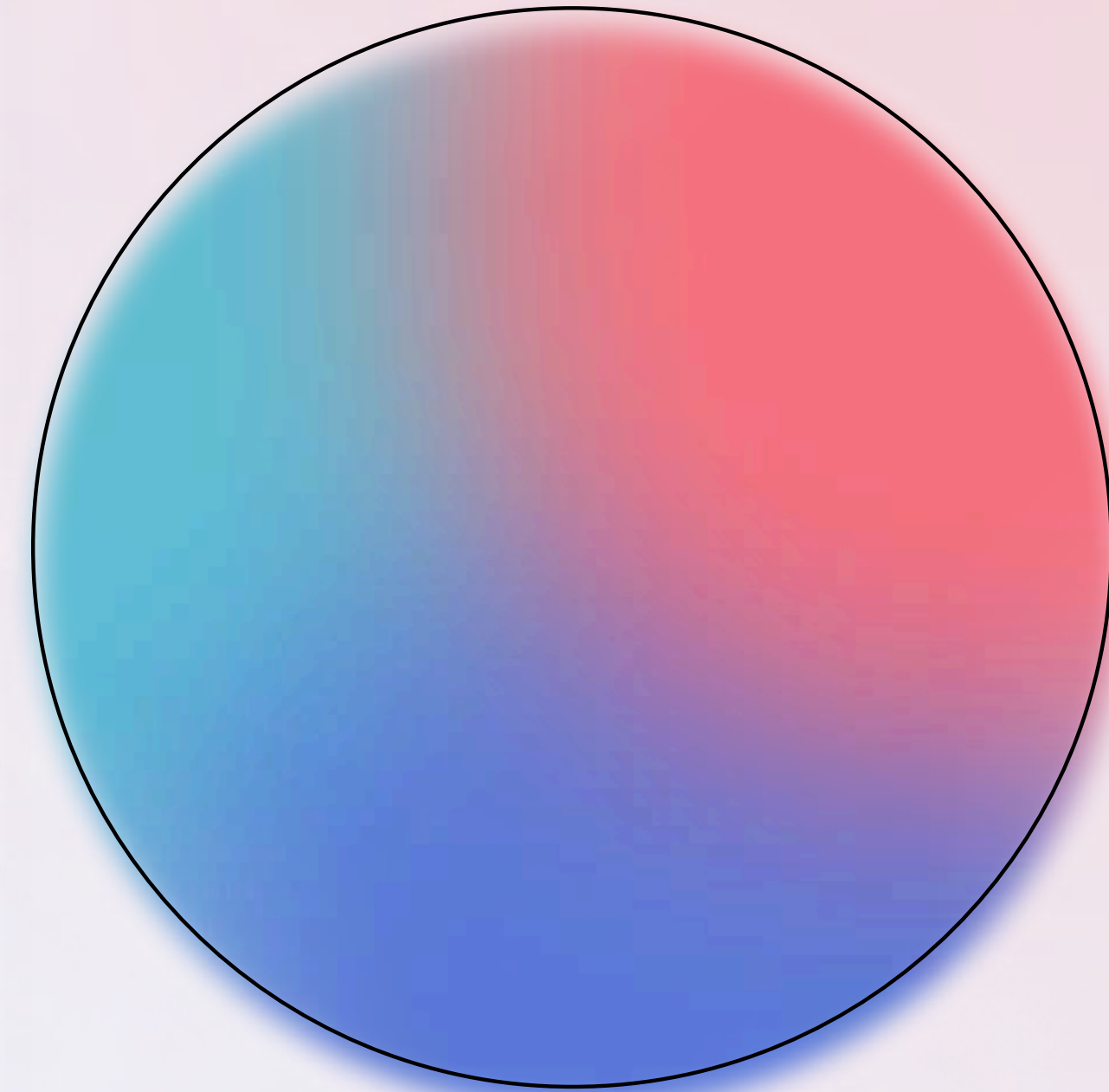
Migrate the majority of the target company's data and systems into the parent company's ERP. It's the cleanest long-term but expensive and disruptive in the short-term.

## + Pros

- Best long-term solution
- Unified data and reporting
- Interoperable teams and systems

## - Cons

- Disruptive—must align with fiscal years
- May degrade uniqueness, unless ERP is flexible



# 02. Run in parallel

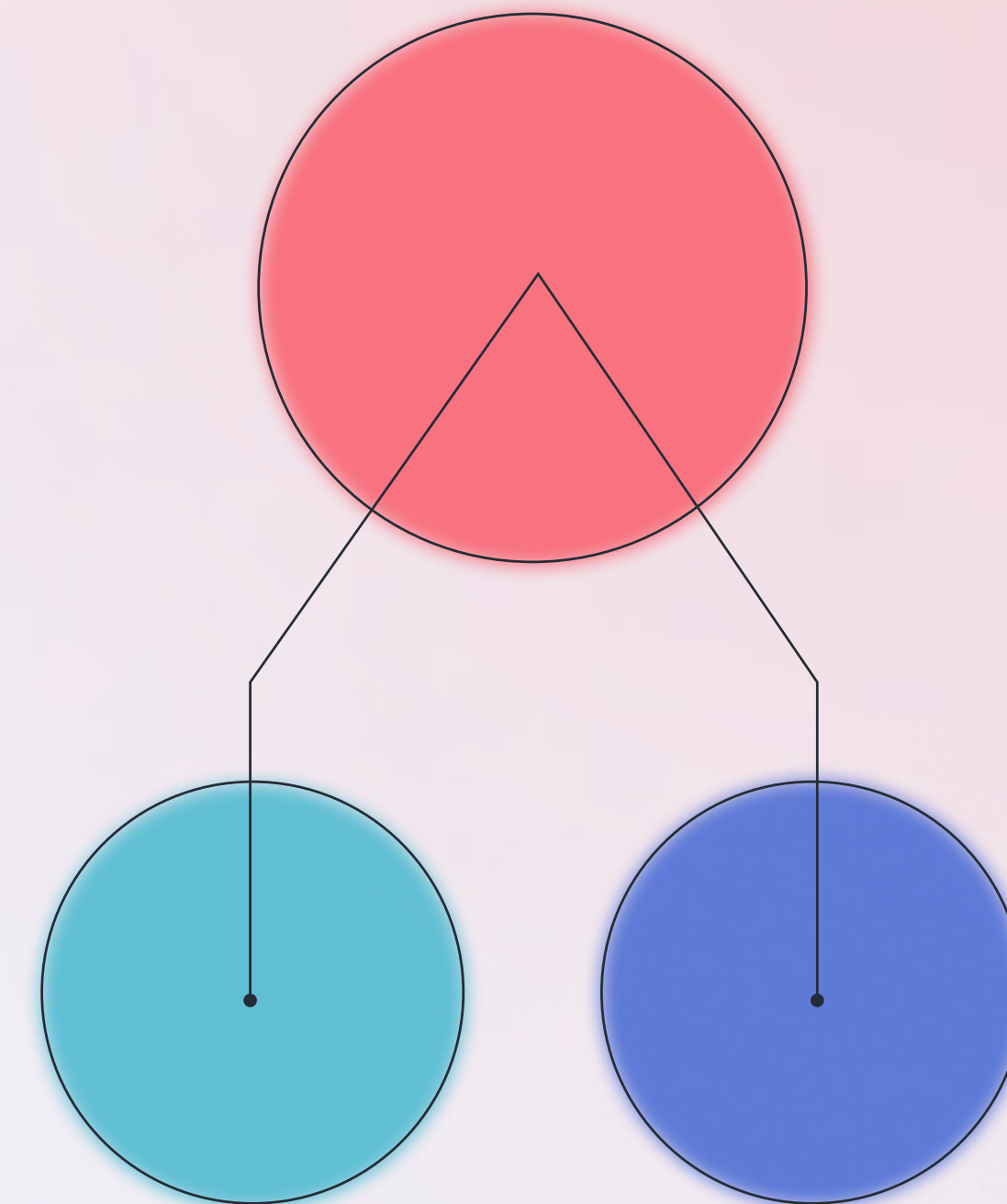
You can implement a core ERP system for key financial and manufacturing processes, while allowing regional or specialized systems for other functions. This is known as a “core and satellite” approach.

## + Pros

- May preserve each company’s specialty
- Offers a workable yet temporary bridge
- You can build an integration for some data

## - Cons

- May preserve inefficiencies
- Creates data reconciliation issues



# 03. Hybridize

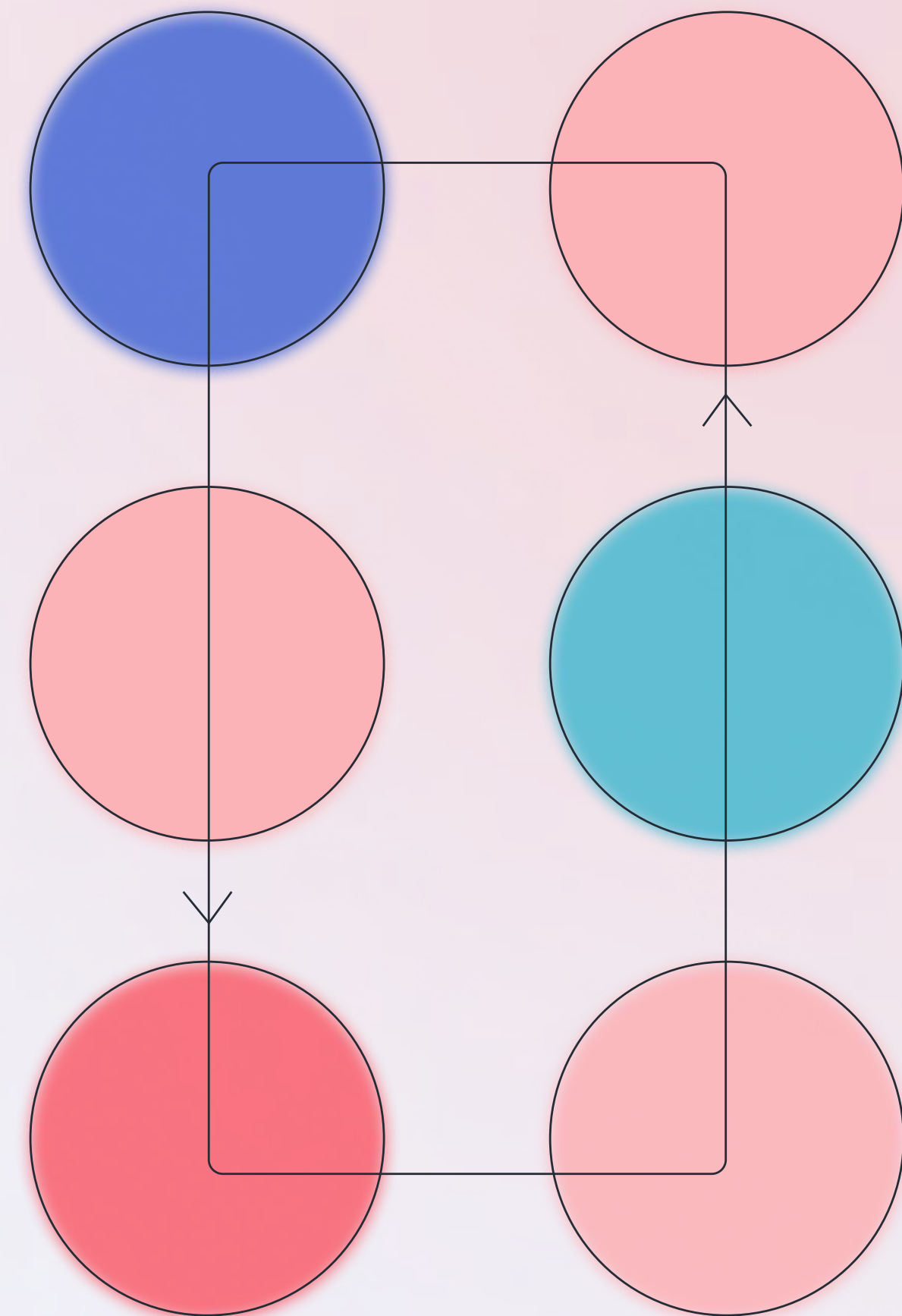
Keep the acquired company's ERP, or only migrate some modules but preserve others, and connect it all via master data management systems and middleware. This is common when the acquired company has a meaningfully better system in one regard that directly supports its unique advantage.

## + Pros

- Offers a workable yet temporary bridge

## - Cons

- Preserves key unique features
- Creates complication
- More system fees, less purchasing power
- Data reconciliation issues



# 04. Separate

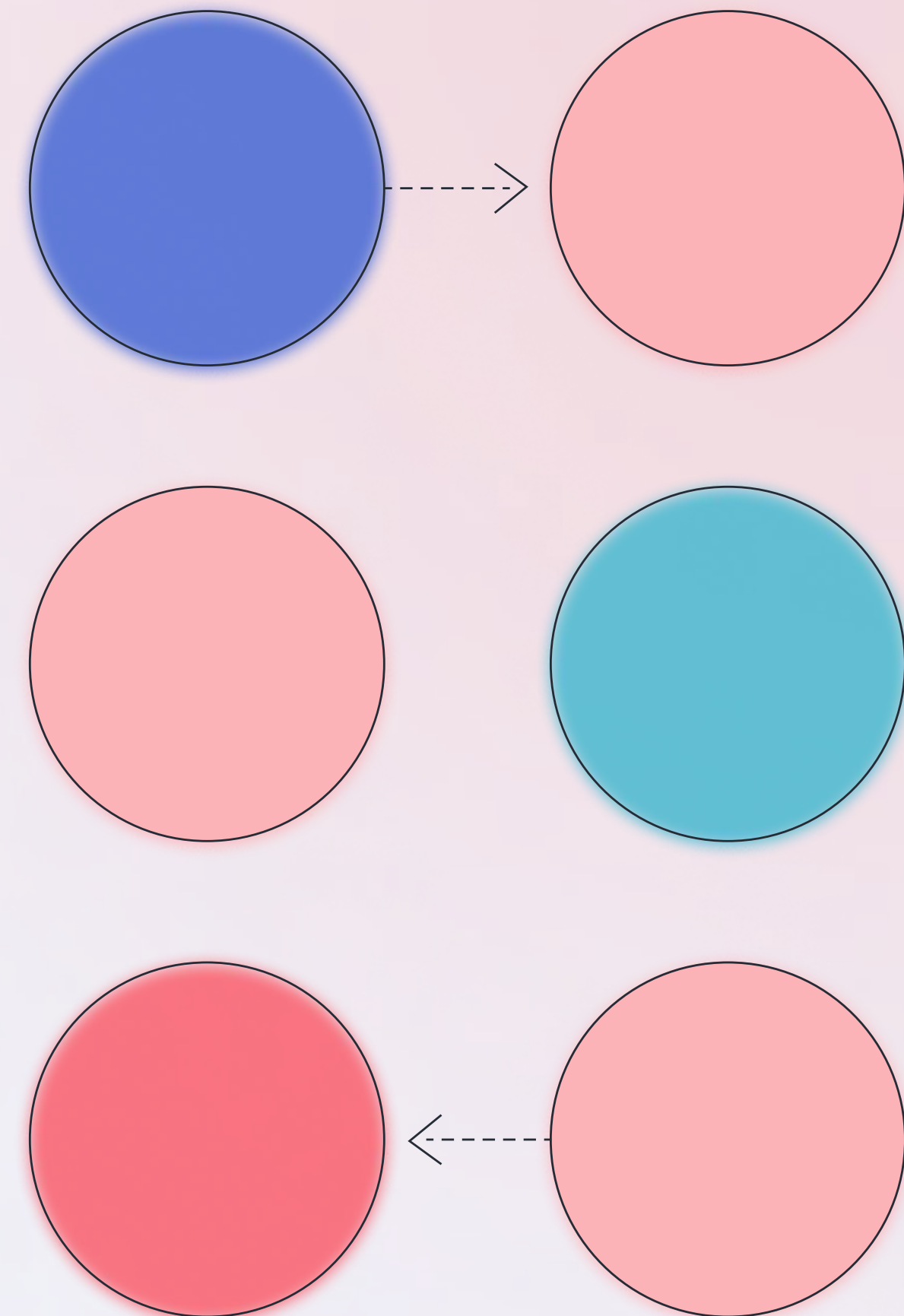
This is rarely a good idea. It occurs where the newly acquired company's accounting and structures are so different, there is no easy, meaningful transition. Or where the subsidiary is functioning so well on its own, there is no sense in slowing it down.

## + Pros

- Sometimes preferable to the alternative
- If you do this, still standardize classifications and codes

## - Cons

- May preserve uniqueness
- Guaranteed data reconciliation issues
- Severely limits your synergies



# 05. Defer

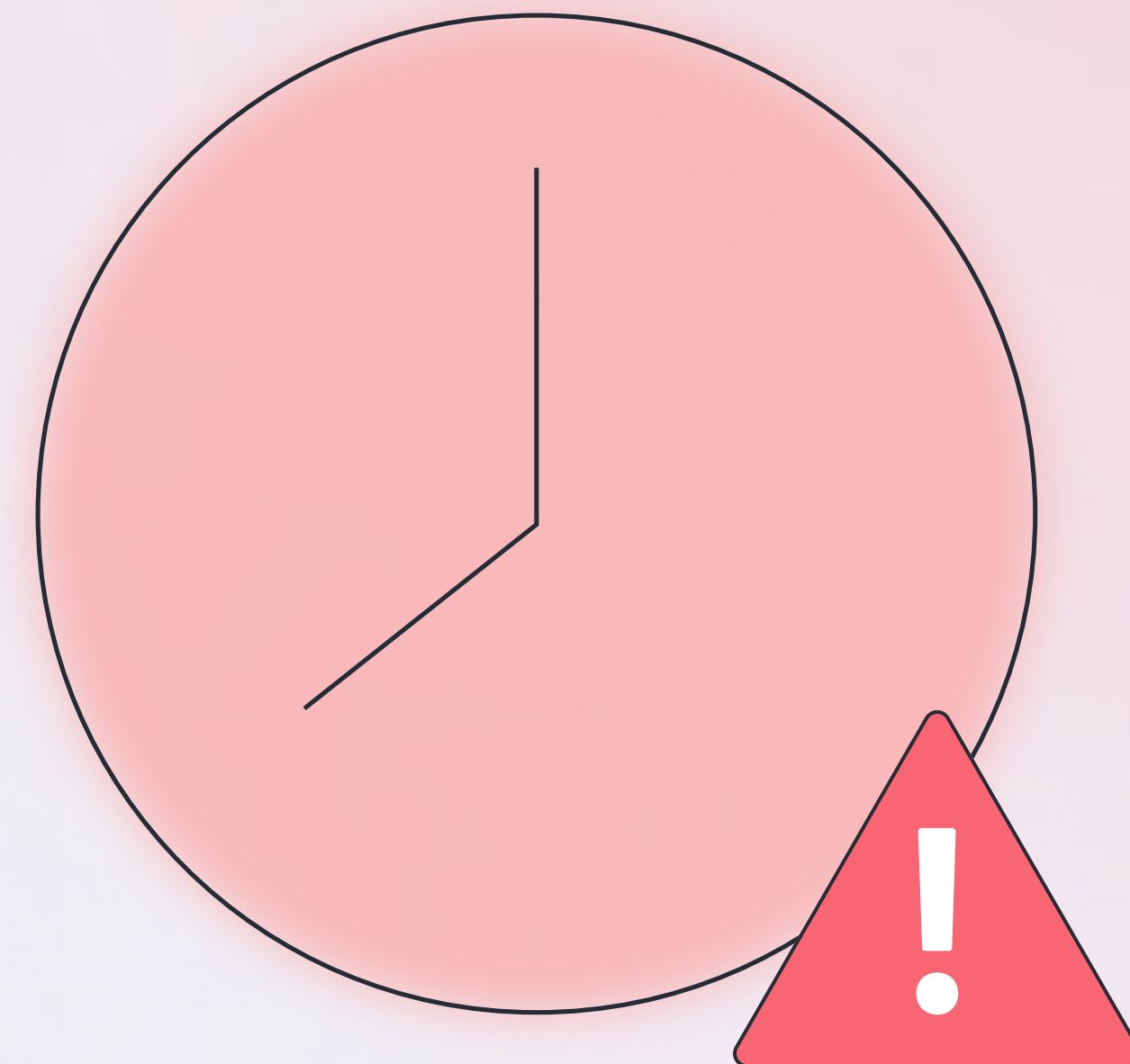
In some cases, it makes sense to defer the integration because you're limited on resources or because the target's systems are so convoluted or unclear, it will require more research.

## + Pros

- May be wiser than a quick, wrong move

## - Cons

- Prevents most synergies
- Creates data reconciliation issues

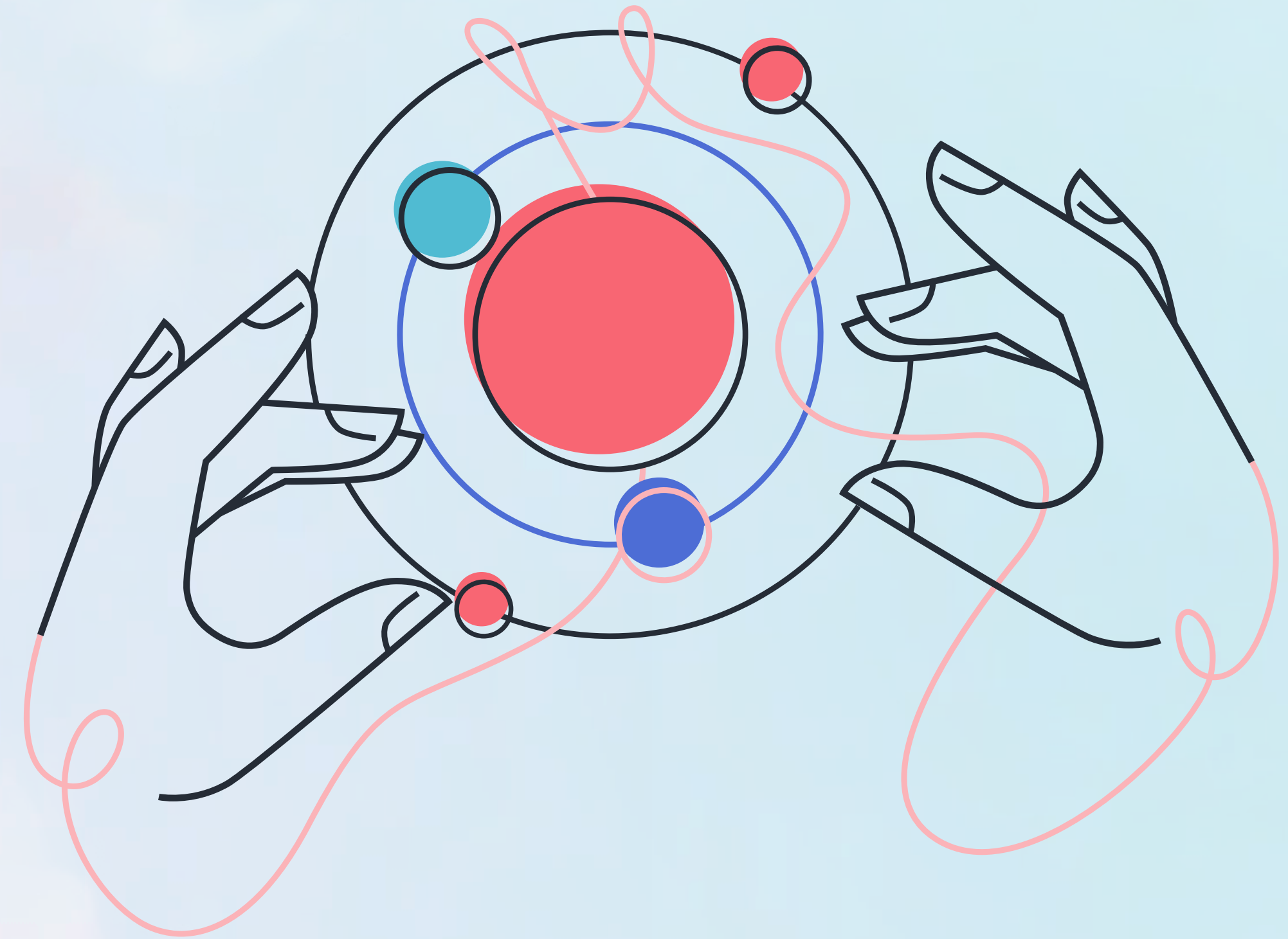


# The 9-step integration process

**There is, unfortunately, no such thing as a harmless integration.**

There will always be costs. Some employees will resist learning a new ERP system no matter how advanced it is, because it demands time they simply don't have. There will be details and technicalities where you have to reallocate and reapply transactions and tagging. Some bugs will affect customers, who may similarly resist learning anything new. There can be failed reporting, lost invoices, and blame.

However, this integration is about maximizing the opportunity while reducing the harm, and the equation is never perfectly balanced.



# 01

## Identify the capabilities of both the core and target ERP

What can you do with it? What can't you? What functionality is native, and which is custom? How are the customizations maintained, and are the people who implemented them still around?

### To quickly audit for uniqueness:

- ✓ Talk to the company's customers.
- ✓ Review its order forms.
- ✓ Review the menus in its financial applications.
- ✓ Ask how orders flow through the systems.
- ✓ Ask what metrics each team watches.

Ride along with heavy users of that ERP and look into all the connected databases. Look at journal entries, look at inventory management, and look at the home screens of all those systems. The homescreen and menus tell me almost everything about what you can do in there.

If you're dealing with more than two ERPs, create a matrix of capabilities that identifies what you have in each of those categories—what you'd gain, and what you'd lose.

ERP	Accounting <small>Highlighted = critical</small>	Ordering	Inventory	CRM	Record to report
ERP 1	GL • Multi-currency • Multi-entity • Localization • Etc.	Platform for ACH Online ordering platform	Allows bundling		
ERP 2	GL • Localization	Online ordering platform			
ERP 3					

# 02

## Audit the workflow and data flows—create process maps

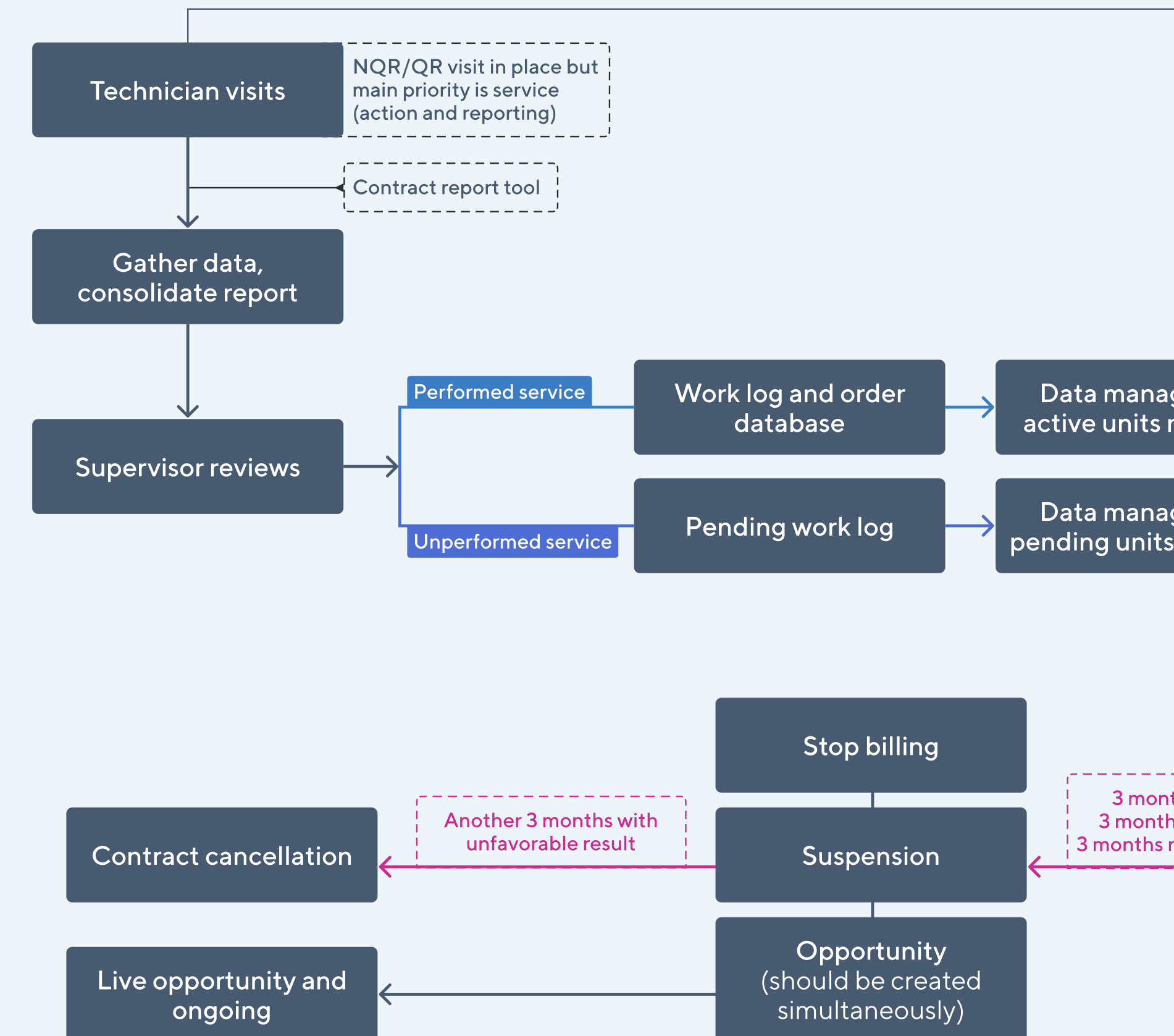
Start with the due diligence documentation, and go further. How does information find its way into the ERP? Create a series of process flow diagrams for the critical workflows to understand the databases, connections, and unknowns. Any area that's blank, or has a question mark, is an area for further investigation.

Sometimes data types are hidden, as when an older ERP was counting employee expenses as vendor bills, but now you can separate those out. Many data sources not traditionally hooked into the ERP belong in it, like people data (expenses, payroll, commission, payroll tax) and asset data.

### Questions:

- ✓ How does information find its way into the ERP?
- ✓ Who are the downstream consumers of that information?
- ✓ What are people doing outside the systems?
- ✓ What are the sub-entities, and how does the accounting roll up?

### Operation process flow



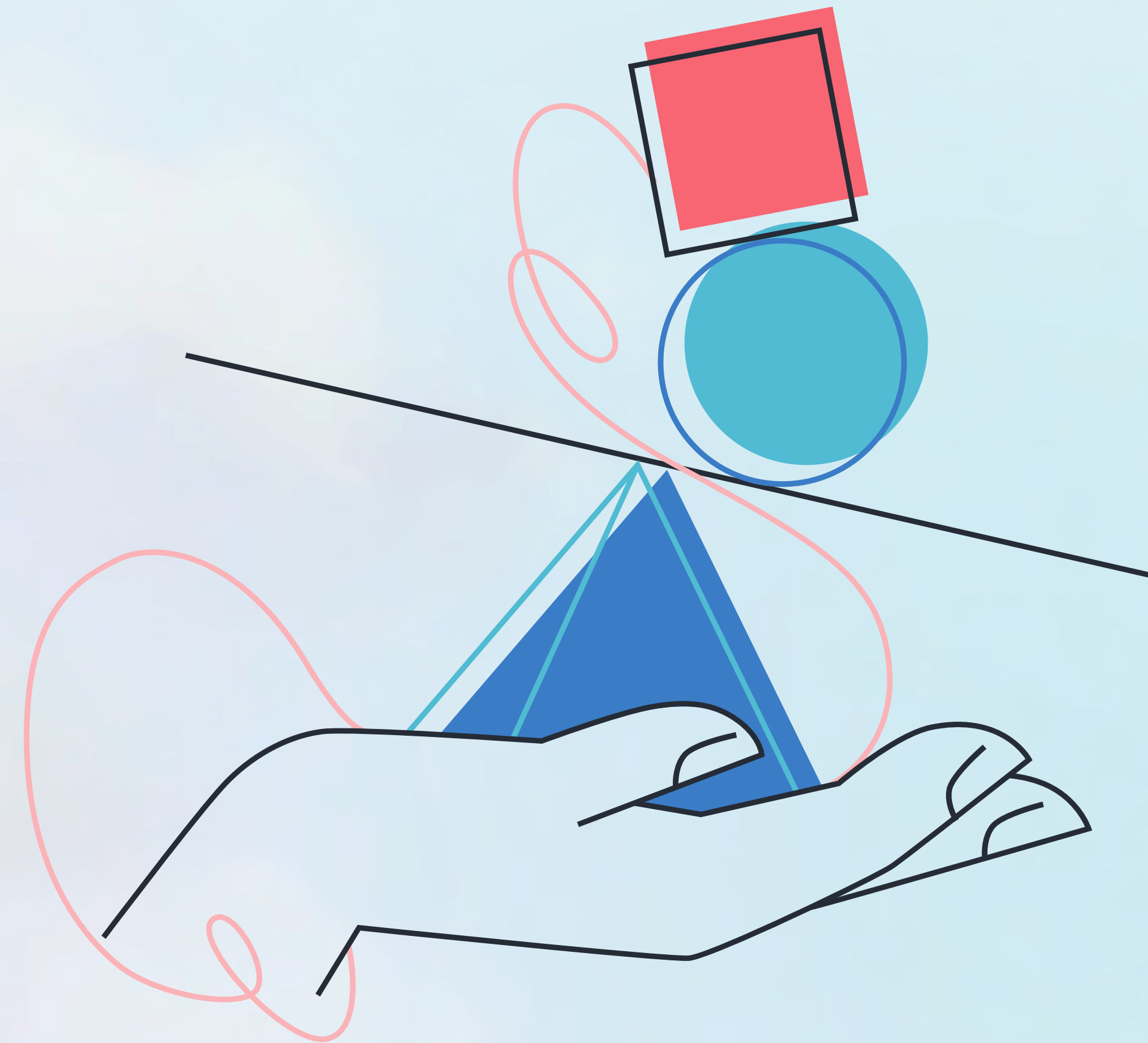
# 03

## Present on that company's unique advantages

Given all you've uncovered, what about the people, partnerships, IP, process, and technology are critical to the company's competitive advantage? How does the ERP support or hinder that advantage? Specifically, what modules, features, and capabilities?

### Areas of unique advantage, again

- ✓ People
- ✓ Partnerships
- ✓ IP
- ✓ Process
- ✓ Technology
- ✓ Capital



# 04

## Make a recommendation

Before you can recommend, there are a few final considerations. Everything may point to consolidation, but maybe it's mid-year and the company is about to enter into the Black Friday/Cyber Monday season. Or maybe the company's IT experts are completely focused on other projects. The recommendation could be a "Yes" on every level except timing, in which case, it's a "Defer."

### Your presentation should include:

- ✓ The recommendation
- ✓ Rationale, cost/benefit analysis
- ✓ Summary of unique advantages
- ✓ Timeline
- ✓ Necessary team size and roles
- ✓ Opportunity
- ✓ Risks
- ✓ Process
  - ↳ Select systems
  - ↳ Select implementation partner
  - ↳ Change management
  - ↳ Clean data
  - ↳ Etc.

### YOUR CHOICES, AGAIN

Consolidate

Run in parallel

Hybridize

Separate

Defer

# 05

## Build the team

Staff the team. If you are completing multiple integrations this year and will continue to integrate more companies, consider building a transformation center of excellence. It's a smart way to build knowledge around what does and doesn't work. So much learning occurs in each migration, only a dedicated migration center can ensure you capture it all and avoid repeating mistakes.

### An integration team should consist of:

- ✓ Executive sponsor
- ✓ Information technology representative
- ✓ Project managers
- ✓ Finance representative
- ✓ GM of that operation
- ✓ Learning and development

### Also consider including:

- ✓ Warehouse/production leader
- ✓ Merchandising

### And in larger projects:

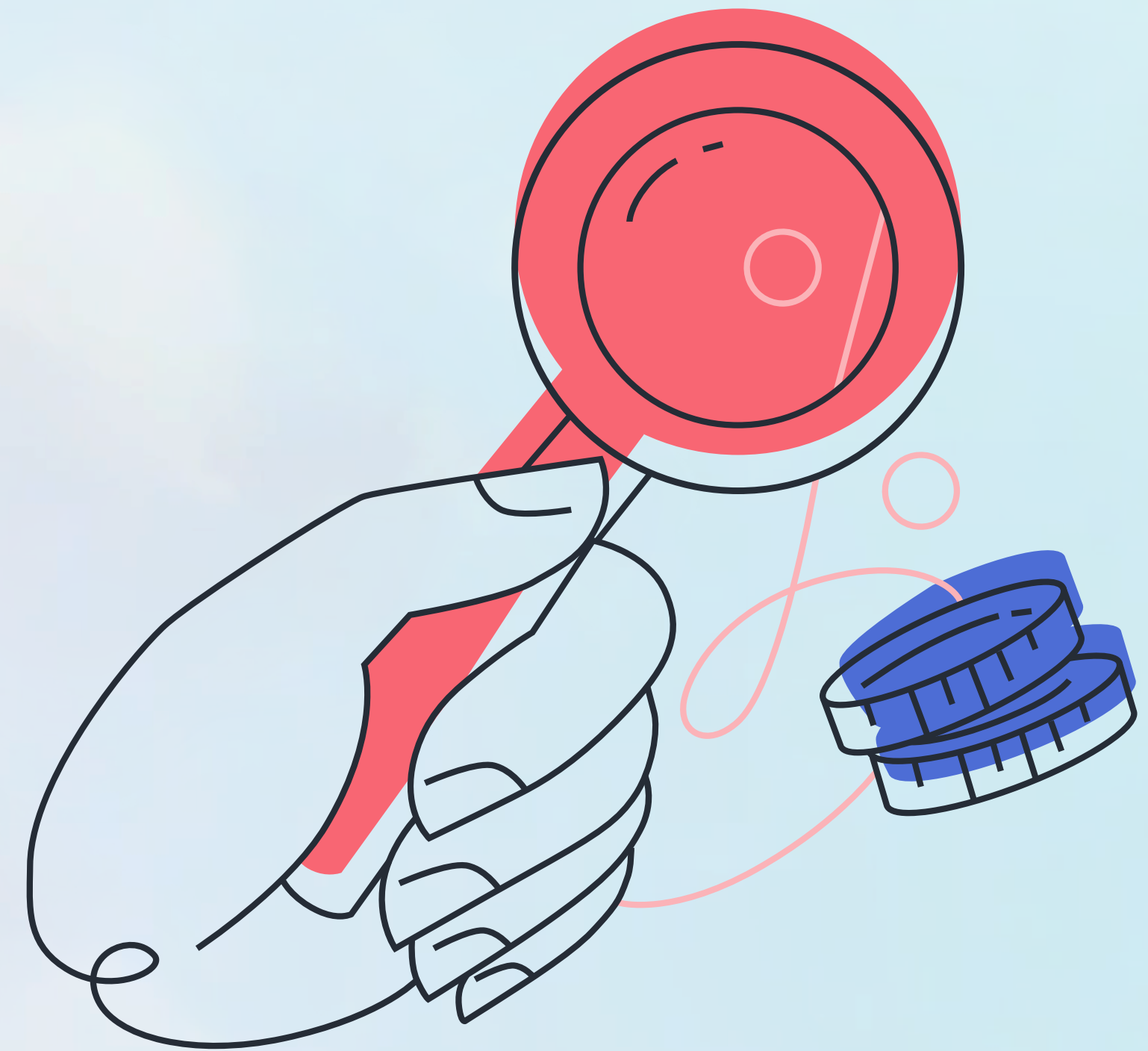
- ✓ Human Resources
- ✓ Legal

# 06

## Evaluate the ERP(s) and sign contracts

Even if you are consolidating another ERP into your current ERP, revisit yours anew—especially if it has been a while. Technology is constantly changing, and it's usually worth running a request for proposal process, if for no other reason to learn and to remind your current ERP partner they need to continue to win and rewin your business.

**30 questions to ask when evaluating an ERP →**



# Define a rollout process and timeline

Consider that some sites will go live earlier than others, and it's best to start with those that are the most ready and most technically proficient. Also start with the readiest teams, and the hand-raisers on those teams. A few motivated champions in each department can help smooth the work far better than any volume of email or incentives ever could.

## The process:

- ✓ Audit the data and information flows.
- ✓ Build the data warehouse.
- ✓ Extract and transform all reporting and data.
- ✓ Plan for downtime.

**“Wherever there will be downtime, the leader of that business must be present. You need sponsorship from the highest level because if there are calls to be made that impact the bottom line, they must be responsible.”**

- Amanda Bond, Solutions Engineer, Everest

# Implement, test, and train

Once the ERP module(s) are built, test everything in a simulated, sandbox environment. The quality of your sandbox matters—a live sandbox can be refreshed in seconds and lets you test with real production data, not just a partial dataset. This can substantially reduce the risk of a rollback at launch time.

Involve the learning and development team in building a curriculum for retraining all the various functions that'll interact with the ERP. However challenging you think change management will be, it will be harder—and in dimensions you cannot foresee. It is the number two factor that kills ERP implementations behind technological constraints.

Conduct thorough user acceptance testing (UAT) in the sandbox. Test with people at both junior and senior levels. Stay silent and allow them to struggle—every misunderstanding or mistake tells you what you either need to change about the interface, or train for. People should feel comfortable doing their job before you proceed. The risks of rushing this are panic—and a painful, expensive rollback to the old system while you sort bugs out.

## Use a false go-live date to speed up testing

A false go-live date can help everyone adopt the system quicker. Suddenly feeling like they will have to use the new system can inspire users to discover scores of issues they hadn't seen before.

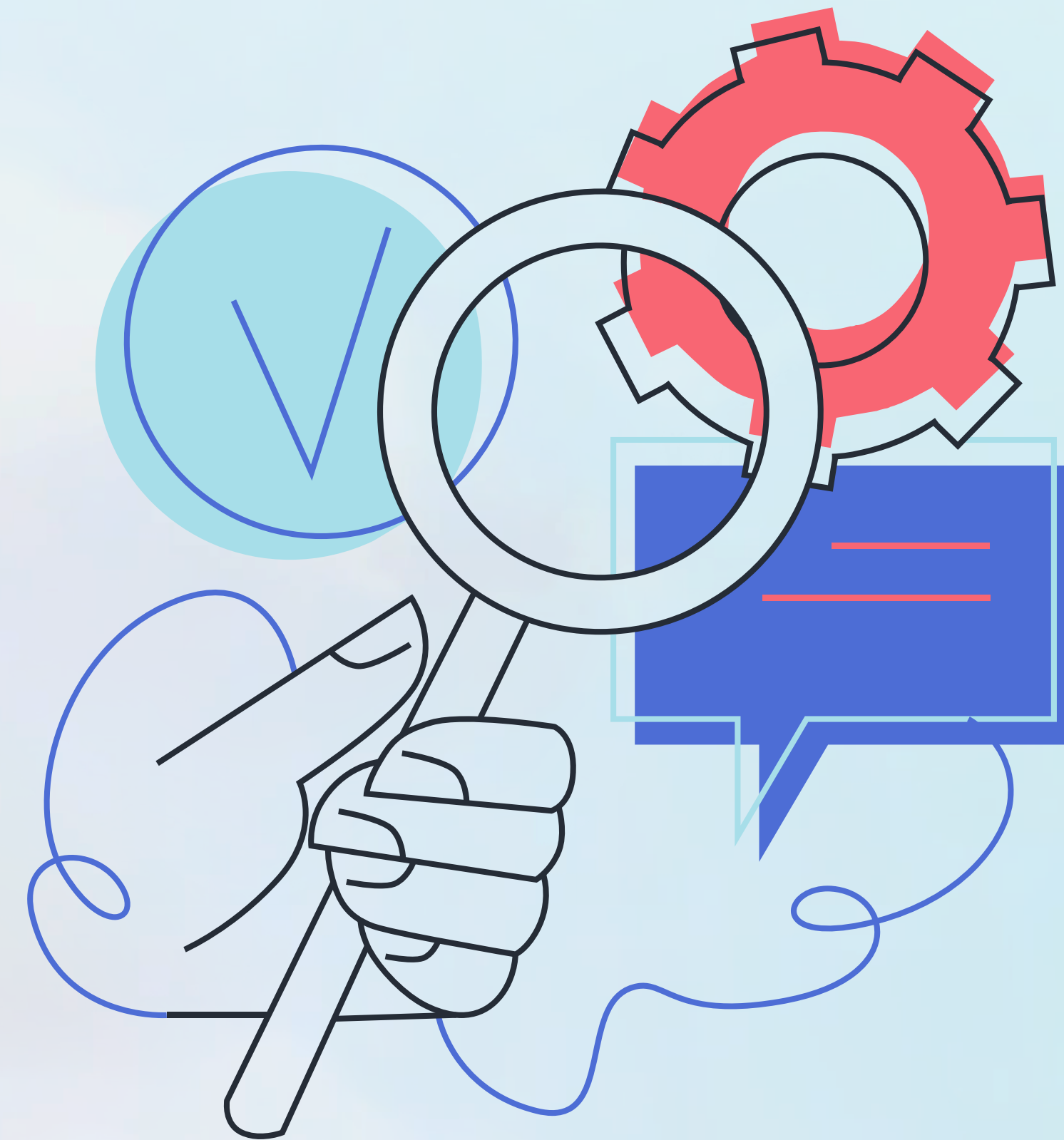
## Set your go/no-go criteria in advance

E.g. “Unless we have 90% functionality live and working without error in the sandbox by November 1, we will not proceed with the selective rollout.”

**“There should be a lot of testing going on. Build a big document with all the scenarios that accomplish all the workflows you diagrammed.”**  
- ERP Advisor

# Troubleshoot

No implementation ever goes perfectly, and when it goes wrong, it's typically a failure in testing. There were hidden workflows or data flows that nobody actually understood, and small kinks in the data pipeline caused everything to back up. This is normal. Again, your mission is simple: To consolidate as much as possible without causing harm and degrading that company's unique specialness. Sometimes more integration isn't possible, for now.



# MANY ENTITIES INTO 1 TRUTH

**Throughout this guide, we've endeavored to explain how to unite multiple entities into one financial truth, so you can realize all the benefits of having acquired a new company. But we left something important out.**

As vital as people and process are, technology is playing an increasingly important role. Finance teams are acting a lot more like technology teams, and whereas ERP systems didn't change substantially from 1990 to 2020, we're suddenly in a new era. Now they are quite different. AI is the first technology ever to be able to continuously reduce the complexity of systems. It's the first time employees can chat with an ERP system to complete work without learning the interface. It's the first time your team can chat to generate a whole new personalized treasury management app tailored to your business.

To learn more about the future of ERP, schedule time to learn about Everest.



## The AI-native ERP built for change

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