

# SteelBridge

# Insights

*A management consulting view  
of private capital's evolution*

## **CRM Selection**

*Building a better Private Capital marketplace*



### Key Highlights:

- Managing investor communications and contacts is crucial to fundraising.
- Selecting and implementing an appropriate CRM solution brings several challenges to be addressed.
- The benefits of selection and implementation are clear once addressing challenges up front.

## Introduction

Constituent communications is a critical function for all Private Capital firms. Sending the correct documents to the correct contact seems like a fairly easy proposition, however, it is alarming how often this isn't the case. Firms that rely on Outlook or Excel for organizing their investor contact information have inherent risks, especially as fund sizes grow. As firms have increasing demands put on them from investors and regulators, organizing these requests and having a system to track and send documents is of utmost importance to operations being successful.

It is therefore not surprising that a CRM system is one of the first software purchases that a growing firm will make, but choosing the right one can be very challenging. The market is saturated with all types of industry-specific and general-use CRM systems. Some promise easy integration with fund accounting systems but cost over \$150 per month per user. Others are very basic, bare bones CRM systems that can cost less than \$25 per month per user.

Navigating the world of CRM systems specifically for the use of private capital firms is the purpose of this SteelBridge Insights edition. We will examine the specific challenges, potential solutions, and the benefits that a Private Capital firm will experience in selecting, implementing, and using a CRM system.

## The Challenges

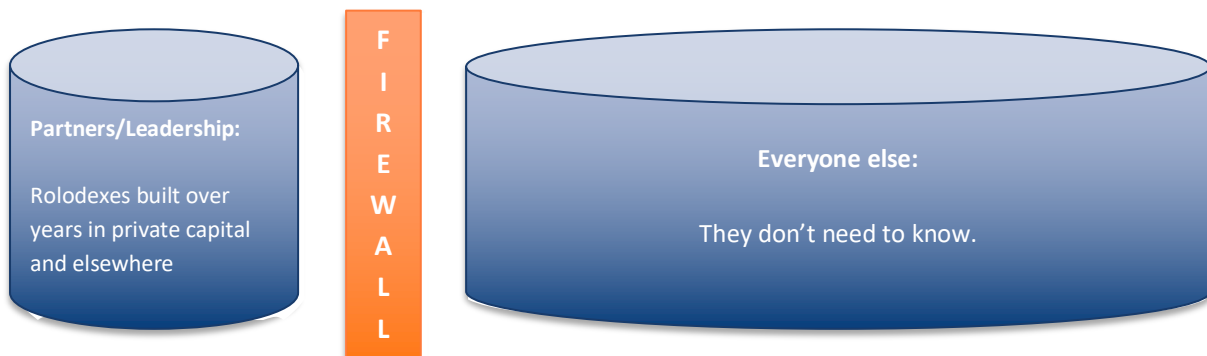
### Understanding current contact landscape

The largest challenge in understanding the current contact landscape is to understand the needs of the silos or groups that typically exist within a private capital organization. For larger funds, for example, this could be the difference between the CRM functionality needed by a deal team sourcing for specific types of portfolio companies and an Investor Relations team sending communications to well-established investors. For smaller funds, this could be a collection of individual partner rolodexes who might be hesitant to share their black book of contacts that they have built up over a career in private capital.

For larger funds, silos may exist as true organizational/departamental structures, resulting in conflicting needs.



For smaller funds, the issue could be a little more political...



Whatever the size or scope of the private capital firm, figuring out what the requirements are for all the current and future users, the pain points, the volume and type of contact data, and the level of sensitivity of that data such as Federal Tax ID numbers, is critical for understanding what type of CRM system would be most suitable so that the selection phase of a CRM is the most fruitful.

### Selecting a CRM

With the landscape above in mind, selecting a CRM is one of the most critical information technology decisions that a private capital firm will make. Cost and budget considerations should be taken into account and carefully balanced with needed functionality. Selecting the wrong system, however, then having to switch systems again in the future can quickly erase any early savings from implementing a less expensive, less robust CRM solution.

Additionally, CRM is one of the most frequently overlooked or glossed-over considerations, particularly in light of what the anticipated future state of the private capital firm will be. In our experience with CRM systems, we find firms don't correctly anticipate the growth rate of their funds and investor base, which is the most likely cause for costly re-implementations.

Accurately forecasting the future number and size of funds under management, number of investors and prospective investors, or number of potential users of the CRM system can assist with offsetting the costs of selecting the proper system. Then, closely coordinating the implementation of the selected CRM in conjunction with fund accounting and portfolio management software can ultimately be a time- and money-saving proposition, especially in the early stages of firm development.

### Implementation

Once a firm has selected a CRM, the real work begins. Many private capital firms prefer to outsource the implementation of a CRM system because the data need to be gathered and cleaned, then signed off on before loading into templates. We have found performing these and many other tasks to ensure a successful implementation to be time-consuming and straining to teams who have other duties. Those aforementioned tasks include configuring workflow settings and creating the proper security when migrating sensitive investor data. In summary, the implementation is what will determine the usability and ultimate success of user adoption for a new CRM system.

### Customizations

Customizing a new CRM system will depend on a multitude of factors – the type of system implemented, the number of users, the upstream and downstream integrations needed, and a host of other considerations. A stand-alone CRM may require more customizations than, say, a system that integrates with fund accounting and portfolio management functions, as it will need to communicate with other systems to generate investor reporting and other needed functionality. Customizations could be as simple as preventing contact duplicates or requiring a user to enter an email address for a new contact. Likewise, they could be as complicated as a workflow that automates the entire fundraising cycle of a new fund as a prospective investor moves through the due diligence process towards signing subscription documents.

### Adoption/Training

User adoption for CRM systems can be an issue depending on the type of system selected. Ensuring user adoption has much to do with how the system was configured and the type of training given to the users. We've found in our long experience of implementing CRM systems that user training is critical to successful adoption. Training materials can be as simple as user process guides all the way up to videos that users can watch so they can see the clicks step by step. Putting the proper training material into place is a time-consuming task, but ultimately one that will be the difference between a system that gets used properly and meets its objectives to one that sits languishing because no one knows how to use it.

### Security

One of the final considerations, and perhaps the most important, is security. Ensuring that sensitive investor data is kept secure and that emails with potentially confidential investor information are routed to the right person is absolutely a requirement for any CRM system for the private capital industry. Also to be considered are implementing proper maker/checker rules. These rules ensure that information for contacts is double-checked by appropriate senior investor relations or deal team partners. Selecting an administrator for the system that can be trusted with seeing all aspects of the collection and dissemination of investor data is also something that must be thought out in advance.

### Solutions and Benefits

The benefits of a CRM system and the solutions available for a private capital firm are only limited by how the challenges are addressed in the previous section. Properly considering all the challenges during the selection, implementation, and daily use of a CRM system will come with some trial and error if the firm decides to implement on its own. Maximizing the benefits from a CRM solution will come from partnering with an experienced CRM implementation expert, as we will explore in this section.



### Communications

- The basics. Sending the right documents to the right contact. Some large LPs have over a dozen people handling various items, but the question is how to make sure the right person is receiving the correct documents. The big benefit of a CRM is that it makes getting the communications right much easier for the investor relations and deal teams. Having access to the proper communication flow can make the difference between getting a signed subscription document or losing an investor. Calling the right investment banker on the deal can yield a signed LOI – the wrong one a dead deal. CRM, when properly implemented, will empower an entire private capital organization to make the follow ups that are necessary to continue expanding the investor base and, consequently, assets under management.



## Fundraising

- The fundraising lifecycle for a private capital firm typically begins immediately after the final close of the previous fund. A CRM system is perfectly suited towards handling the multitude of back and forths between investors and the IR team as a prospective investor moves through the process of signing the subscription docs.



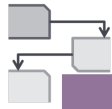
## IR

- Managing the current investor base, invitations to the annual meeting, quarterly conference calls, and specific fund update communications is exactly why private capital firms are interested in selecting a CRM in the first place. These communications can be stored centrally, distributed efficiently and, where appropriate, disseminated automatically.



## Deal Flow

- CRM systems are very well suited towards deal flow management. Many private capital firms adopt CRM systems to use them not only for fundraising and investor relations, but also to manage a sizeable deal flow with an even larger contact database of entrepreneurs, business owners, investment bankers, and operating partners.



## Workflows

- The CRM system, if implemented correctly, should be able to handle concurrent workflows for the deal sourcing, fundraising, and investor relations teams simultaneously. This process becomes even easier if an appropriate system is selected with the ability to interface with other firm technologies.

### Summary

Selecting and implementing the correct CRM system presents a myriad of challenges. We believe that the importance and value of communications and reporting, regardless of firm type and size, deserve the investment in building the right processes and solutions. By doing so, firms will ultimately lower costs, boost staff productivity, streamline communications and workflows, and increase the power of their communications.

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## About SteelBridge

SteelBridge is a boutique advisory services firm with deep expertise in private capital. We have a passion for helping our clients identify and affect change to improve process and technology for more effective organizations. We help general partners, limited partners, third party administrators, software vendors, and portfolio companies. At SteelBridge, we hold ourselves to the highest standards by providing exemplary services for our clients.

To learn more call us at 646.737.7960 x1001, visit us at [www.steelbridgeconsulting.com](http://www.steelbridgeconsulting.com), or join us on our Facebook and LinkedIn pages for more information:



***Let us show you why we are the leading boutique advisory services firm in the Private Capital space.***

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