Questions to Ask When Your Software Vendor Has Been Acquired

WHITE PAPER

Mergers and acquisitions are frequent in today's rapidly-evolving business environment. For customers who depend on software from the acquired vendor, the impact of such transactions can be significant and extensive. From support disruptions and delayed software updates to total product discontinuation or forced platform migration, there are many variables that could negatively affect the customers. This paper outlines some key questions you should ask your vendor and yourself when your meeting management software provider (or a supplier that you're considering) has been acquired, to help you determine whether it's time to consider switching to an alternative.

Corporate mergers and acquisitions are an almost daily occurrence in today's dynamic business landscape. Consolidation is particularly common in the software industry, where the financial barriers to developing a product can be high, and the pressure for rapid innovation are overwhelming.

While such transitions may have minimal impact for users of consumer-oriented products, it's a different story for customers who depend on software solutions as key enterprise support systems. In a best case scenario, customers may experience temporary support disruptions, changes in key relationships, and delays in expected product updates. At worst, they may suffer through support headaches and product issues only to ultimately be forced to switch platforms or vendors entirely when the acquiring company mothballs the original offering.

Of course, not every acquisition may be bad for the original vendor's customers. If your vendor was having financial difficulties or their product was lagging behind the market, clients may feel that things can only get better. But if the product was behind the times, it's unlikely the new owner acquired your vendor to keep the aging platform going. It's more likely they wanted small pieces of it to incorporate into their own platform, to gain access to any talented staff, or simply to give the acquirer the inside track when you seek a replacement. And even if the acquirer does intend to maintain the laggard platform, they may face an uphill battle to catch up to the rest of the market – all while better solutions already exist for customers to turn to.

If your meeting management software vendor has been acquired, you need to start asking the acquiring company and yourself some tough questions about the future of your current solution and whether you'll need to migrate to another platform. Even if you were just considering choosing the acquired vendor and not yet a customer, the answers will be critical in determining whether the solution is still your best choice.

Below are some key questions that will help you determine what the change means for your product – and more importantly, for your organization – in both the short term and long term. Some of these questions you can ask the acquiring vendor directly, but others you will need to ask and answer for yourself through research and watching the company's actions. Even if the acquirer answers the questions truthfully at the time, the fact is that in any acquisition, many aspects of the future aren't yet known in the first few months. Plans often change as the two companies come together.

1. Who is the acquiring company?

Taken literally in its simplest form, this should be an easy question to answer. Yet in the early-2018 acquisition of a British Columbia-based meeting management software vendor by an American company, the acquired company declined to name the acquirer. While many acquisitions create customer concern, this curious anonymity is likely to generate an even greater amount of fear, as users ask themselves why the company won't disclose its identity.

In most cases, however, the name of the acquiring company is known, allowing you to do more background research. What is the company's reputation? For example, if your vendor had a great track record of support, but the acquirer was known to the contrary, what can you expect? Does the acquirer have experience in your particular market – such as government, education or healthcare? Even if they are strong in one market, that doesn't mean they truly understand the needs of another. And if this is a new market for them, will they be committed to it long-term?

2. Do they already offer a similar solution or solutions?

The answer to this question will provide your first, and possibly most important, clue as to the future of your existing solution. It rarely makes sense from a business standpoint for a company to continue developing, supporting and marketing two similar product lines. At some point – not immediately, but sooner rather than later – it is likely that the acquirer will consolidate the product offerings, either by combining their capabilities into a new platform or discontinuing one and rolling its unique features up into the other. If your original vendor's product was clearly superior to the acquirer's similar solution, yours may be the one that survives the cut. Often, however, the new owner's existing solution will be chosen as the path forward, both for the comfort level of their incumbent R&D teams and to minimize backlash from their established customer base.

3. Why did they acquire my vendor?

Understanding the new owner's motivations for acquiring your vendor will also provide valuable insight into the likely future of your solution and the impact on your organization. Was the goal to complement or expand their

existing portfolio, buying an existing product so they could get market faster than they could build one themselves? If so, your current solution may have a healthy future. But if they were only interested in particular components or features of your solution, they may add those elements to their existing platform and discontinue (or in vendor-speak, "sunset" or "end-of-life") the product you currently depend on.

Alternatively, the new owner may have acquired your software vendor in an effort to expand into new markets or business areas. That may initially sound promising for the future of your solution, but only if the company is committed to this effort for the long haul. History is littered with examples where companies acquired other vendors to dip their toes into new spaces, only to abandon the initiative when it didn't quickly produce the desired results.

Just as troubling, of course, is when a company does an acquisition simply to eliminate a competitor and gain access to its customer base. Continuation of your existing solution is highly unlikely in this scenario, with the acquirer quickly turning its attention to getting you to migrate to its own platform.

4. Have they acquired other companies previously?

The new owner's track record with any previous acquisitions can provide insights into what you can expect to experience. Did they discontinue the acquired company's solution, forcing people onto their own alternative? Did many of the acquired vendor's staff choose to leave after the transaction? If that happens again, a lot of your key relationships may change, and any further development of your solution may be impacted. Did many customers jump ship, switching to an unrelated competitor's solution? Each acquisition is different, so history might not repeat itself – but the results of past acquisitions may be indicators of the company's philosophies and strategies.

Conversely, if the purchasing company has not done any past acquisitions, that too can raise concerns. Cohesively integrating two separate companies, their people, their products and their roadmaps can be very complex and time-consuming. Companies with established integration processes and past acquisition experience may have a higher chance of success, from shortening customer-impacting disruptions to retaining more of the acquired vendor's staff.

5. How will this affect my organization in the short term?

With any acquisition, company management will tell the acquired vendor's customers that it's "business as usual" in the short term, and that the future is brighter than ever. Sales and support staff will try to reassure customers that "nothing's going to change," even as they face uncertainty about their own futures within the new organization. As most customers who have gone through a corporate transition have experienced, even if nothing may immediately change on the surface, that's rarely the case behind the scenes. Changes are inevitable as companies merge, and planning of those changes generally starts even before the acquisition is announced.

Even with the best intentions by the acquiring company, it's very difficult to completely shield customers from the impact of the initial transition. Integrating the two entities takes real and significant effort by both the acquiring firm and the acquired. This can detract from the day-to-day operations of your vendor, as people whose focus would have been on product roadmaps, development or support find much of their time consumed by integration activities. Planned product updates may be delayed while the companies' respective roadmaps are reviewed and rationalized. Key staff uncomfortable with the new company's culture may depart, changing your points of contact. And customer service may suffer temporarily – or beyond – as the support teams combine forces and consolidate their systems and processes.

6. Are the reasons I chose my current solution still valid?

It's likely that you meticulously researched your current meeting management solution before committing to it, and that many criteria factored into your decision. How many of those reasons now change with the acquisition of your vendor? For example, you may have chosen your vendor because their roadmap aligned with your organization's plans and vision, but that roadmap may change significantly based on the new company's business priorities.

Even aside from more mundane issues such as fluctuating currency exchange rates, acquisitions can be particularly concerning for Canadian customers, who may have specifically wanted a Canadian vendor. Data sovereignty is an important concern for cloud-based services, where the standards and regulations for data privacy, security and government access to information vary between countries. Even if your data continues to be hosted in Canada, a change of vendor ownership to a U.S. company

can significantly impact the legal protection surrounding your information.

Similarly, a cross-border acquisition can also lead to a shift in the jurisdictional focus of the solution. You may have chosen your system for its alignment with the procedures, standards and legislative processes in your own country or territory, but the acquisition may shift the product's focus to the new owner's jurisdiction in terms of business rules, legal framework, government regulations and cultural norms.

7. Is my business still important to them?

Small software companies are typically acquired by larger organizations. If you were a customer of a small vendor that truly valued your business, will you get the same level of attention from a much larger company with thousands of customers? While your original vendor may have been happy to help tailor their solution to your unique requirements, even adding features and customizations to meet your specific needs, the new company may be less accommodating to individual customers. And if your points of contact change within the new combined organization, you may find yourself going from having a trusted relationship with key vendor personnel to simply being a customer number in a database.

8. How long will they continue to support my current platform?

As discussed extensively above, there is a very real possibility that the acquiring company will ultimately discontinue the solution you currently use. How long will they continue to develop and service your original vendor's offering before that happens? While most acquisitions start with reassurances of ongoing support, it doesn't hurt to ask your provider this question directly. They may not have concrete answers yet (or they might have them but not be willing to disclose them), but it's also possible that they have a clearly-defined plan for your product's future that they're willing to share – even if you might not like what it reveals. More often than not, though, you'll need to look for clues and tell-tale signs to determine the answer for yourself.

9. Will I have to migrate to another solution in the future?

Ultimately, this is the fundamental question that all of the preceding queries are trying to answers. If your current solution seems "safe" in the hands of the acquiring company, you can carry on with the promised "business as usual".

But if there are any hints that the acquirer's plans and business priorities may require you to ultimately switch products, perhaps it is best to start planning for that change now. Even the smoothest transitions take time and effort, and it's easier to plan them when you're not under the immediate pressure of an announced "sunset" date for your existing solution. You'll also want to take the time to research solutions from providers other than the new acquirer. While they'll likely offer incentives to move you onto their own new offering, that platform may not be the best solution for your particular needs. Take this opportunity to explore other vendors and their solutions, and you may find an even better fit for your organization.

Ask Today, and Keep Asking

Your meeting management system is too important to your organization to take a "wait and see" approach if your vendor has been acquired. Start asking these questions of your vendor and yourself right away – and keep asking them again in the coming months. The answers often change as the new company learns more about the people, technology, platform and customer base they've acquired, and as they determine how it best fits in – for their benefit, not yours – with their overall business plans.

If you decide that you do need to start looking at alternative solutions, be sure to check out eSCRIBE. Read our case study about the benefits the City of Fort Saskatchewan gained when they switched to eSCRIBE from a solution that had been acquired by a competitive vendor, and contact us to learn why more than half of Canada's largest municipalities use eSCRIBE.

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