

3i Group

In an industry where personal relationships drive deals and, therefore, profitability, who you know can be as important as what you know. This was the challenge faced by the London-based 3i Group PLC, one of the largest private equity and venture capital firms in the world.



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ROD PERRY,
3I'S DIRECTOR
OF TECHNOLOGY &
HUMAN RESOURCES,
AND A MEMBER OF
THE FIRM'S BOARD
OF DIRECTORS

Creating a Global "One Room" Company

3i's diverse team of investment professionals pride themselves on having the types of high-level strategic relationships that gain them entry into the most exclusive private equity placements and venture deals in the industry. Indeed, chance conversations by colleagues at the water cooler or in the hallway about what they're working on often lead to the discovery of strategic relationships that can tip the balance in 3i's favor. This is the advantage that smaller firms have when everyone is housed under the same roof and able to share information about deals and relationships — however informally.

But with success comes growth and expansion. Over 250 investment professionals and 500 professional staff operating out of 31 offices in 13 countries now constitute the 3i team. As growth threatened to stymie the spontaneous interactivity among its professionals, 3i's management team had to grapple with the challenge of how to preserve their "one office" advantage when client teams were dispersed around the world.

"How can someone in our London office possibly know that a colleague in Milan holds a relationship that could make the difference between winning and losing a deal?" asked Rod Perry, 3i's director of technology and human resources, and a member of the firm's board of directors. "We have professionals who have never even met one another, and yet we're competing with organisations that do business from one office, where people can shout at each other from across the room."

3i understood that technology could be the key to helping the growing organisation maintain its stealth and agility despite its dispersed geographical reach, but it would require a revamping of most of the firm's major underlying IT systems. The firm migrated to Microsoft Exchange Server and Outlook as their primary e-mail platform and to Microsoft's Sharepoint portal as a means of transparently presenting disparate back office information to investment professionals.

The firm had been using a chat room on its intranet to allow people to quickly communicate with one another and ask questions. However, that system met with only limited success. "Our people are busy, so they couldn't constantly be monitoring the intranet for information requests," recalled Perry. "This translated into unnecessary delays and lost opportunities." Perry

knew the firm needed a Client Relationship Management (CRM) solution. Given the diversity of products on the market, the challenge would be finding one capable of tracking, managing and exposing complex relationships. "We wanted to give people the ability to communicate with anyone else within the organisation and to understand who they've been interacting with, what their relationships are and what they've been doing," said Perry. "This essentially eliminates the barriers between offices." After an extensive search, 3i selected LexisNexis® InterAction®, a CRM solution specialising in relationship capital management.

Setting the Stage for Success

In actuality, CRM is a business strategy supported by technology. Accordingly, the success of any CRM deployment requires the right combination of people, processes and technology. Mindful of the strategic importance of 3i's InterAction deployment, Perry knew that the implementation team had to align the firm's resources properly to ensure the firm would achieve its objectives. "We had management buy-in and made it a point to communicate our expectations that the system be adopted by everyone," said Perry.

Convincing highly paid investment professionals to share their contacts and relationships with the centralised system would be another hurdle to overcome. These individuals live and breathe through their personal network of relationships, so the arguments would have to be compelling.

3i used a carrot-and-stick approach to foster adoption. The positive reinforcement involved demonstrating how investment professionals would directly benefit from the system. "We showed them how InterAction will save them time, make them money and make them look good in the market," said Perry.

To support these positive measures, the firm also tied the employees' incentive bonus system to their use of InterAction. For instance, 3i's annual review process includes measures for how much individual users have contributed to the shared knowledge in the system. "We measure contribution based on how many contacts they have and how they've maintained and shared that data within the system," explained Perry. As a result of these efforts and the value that investment professionals receive from the system, 3i has achieved near-universal adoption.

Measuring Value

A significant component of 3i's business is derived from leveraged buyouts.

And the stakes of winning these competitive deals are high. On average, 3i invests approximately £39 million of equity in a typical buyout deal, and expects to double its investment in return. So any tool that can deliver an inside edge over the competition is well worth the investment.

Once a company decides to put itself or one of its subsidiaries on the auction block for sale, ordinarily it will retain the services of an investment banker that will hold a public auction with the goal of maximising the sales price. If 3i is able to get involved in the process before the company goes to public auction, it can negotiate favorable terms without the middleman and win a lucrative deal in the process. That's where InterAction comes in.

When an investment professional learns that a target company might go on the sales block, time is of the essence to contact that organisation before news of its sale becomes public. But cold calling the target's mergers and acquisition manager is not enough. To gain credibility, a personal connection is required.

According to Perry, in less than two years since its initial rollout, InterAction has already helped internal teams uncover relationships that have contributed to six deals that were subsequently awarded to 3i. In one instance, 3i wanted to approach a German company to buy one of its French subsidiaries. The UK team members leading the acquisition did not personally have the high-level relationship needed, so they turned to InterAction to determine if another firm member might.

Utilising Who Knows Whom™, one of the relationship capital management features built into InterAction, the team uncovered a colleague working out of the Milan office who had a relationship with the target company's mergers and acquisitions director. This colleague agreed to secure the needed introduction and the deal was subsequently awarded to 3i. The firm expects to garner profits in the £13-25 million range from the buyout.

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In another international deal, 3i wanted to buy out the Spanish subsidiary of a French company. The system revealed a strategic relationship with the key decision-maker. By leveraging this connection, 3i ultimately secured the deal in which it will invest £13-25 million and expects profits of two to three times that amount.

While the ability to uncover strategic relationships is a primary benefit of InterAction, the value of the system to 3i goes far beyond this capability.

For instance, coordinating who on a deal team is doing what and with whom can be a logistical challenge subject to embarrassing errors and mishaps. This problem evaporates when everyone on the team logs their activities into the centralised repository, making it easy for anyone to obtain a global perspective on the history and status of a deal.

"Demonstrating our competency and coordination to clients is extremely important," said Perry. "Now users can see in real time the current status of any deal and coordinate with other team members — regardless of their locations or time zones — simply by reviewing the history in InterAction."

The Bottom Line

Like most professional services industries, the private equity and venture capital markets, first and foremost, are relationship driven. Investment professionals need skill, talent and track record to close the deal. But getting in the door in the first place requires the right personal connection.

Armed with a CRM solution that provides relationship capital management capabilities, 3i has proven that growth does not have to signal the loss of agility, flexibility and responsiveness. By creating an IT infrastructure that connects a geographically dispersed workforce and exposes their complex network of relationships, 3i has made a one-room office its global reality.

