

# The Ultimate Guide to Capital Markets Relationship Management

How Dealmakers and Firms Can Harness the  
Power of Networks and Capitalize on Opportunities



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# Contents

- 3** Letter from the Executive
- 4** Building Strong Relationships in the Capital Markets Industry
- 5** Identifying and Maintaining Key Relationships
- 7** Understanding Relationship Scoring
- 8** Streamlining Relationship Management within a Single Source of Truth
- 9** Deploying a Purpose-Built Solution



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# Letter from the Executive

As we reflect on how drastically our lives have changed during the past 2 years — navigating what seems like perpetual uncertainty around the way we work, travel, and interact — one thing remains crystal clear and more pertinent than ever: the value of maintaining solid relationships.

We work in an industry that has long thrived on interpersonal connections once accustomed to discussing potential deals over dinner and drinks. This way of doing business has been severely challenged by the COVID-19 pandemic, and it may yet take a long time before things return to a prepandemic normal. Despite this abrupt industry adjustment, capital markets firms are continuing to grow; it's now easier than ever to work with people across different geographies. Networks are getting larger and harder to maintain at a time when complacency can easily take hold.

There's really no way to overstate the value of maintaining relationships across your entire network. Investing energy in relationships helps you remain top-of-mind among industry partners when new opportunities arise, and achieve a better reputation and more credibility across the markets. Although these factors have always been important, relationships now matter more than ever for two important reasons — competition has grown increasingly fierce, and the world has become more globally connected, yet more remote, than ever.

As we found in our most recent edition of the [Dealmaker Pulse Survey](#), a majority (57%) of respondents expect competition for assets to rise in the coming 6 months. Although there are reasons to be optimistic, more firms are chasing fewer deals — and chances of success depend, in many ways, on the size and scale of the organization. Smaller firms find themselves with fewer chances to get in front of the most sought-after opportunities — an inherent challenge best combatted with strong relationships. Furthermore, dealmakers want to see every available deal on the market, including add-on opportunities, co-investments, mergers, capital raises, and other types of deals. The wider and stronger the dealmakers' relationships are, the better their market coverage.

Although relationships now matter more than ever, the challenge of maintaining them is becoming more difficult. To address this challenge, leading firms in the capital markets industry are taking advantage of technology that can support the relationship management process. In this highly competitive world where firms — and potential networks — are growing in size, technology has become critical for keeping relationships warm.

At DealCloud, this technology is exemplified in something we call Relationship Intelligence — the automatic capture of emails and meetings with contacts in your network. This technology helps dealmakers understand who they're connected to across different companies, and quickly measure the strength of those connections. As a result, dealmakers can not only save countless hours chasing down data points — critical time that gives competitors an advantage — but also improve their own reputations and stay one step ahead of the pack. The DealCloud Relationship Intelligence solution represents a new layer of insights that combine a firm's contact and relationship data with DealCloud's client and engagement lifestyle data, empowering clients to leapfrog their peers.

This brief examines the importance of maintaining relationships, identifying and sustaining those relationships, staying organized using relationship scoring, and using DealCloud to streamline relationship management within a single source of truth.

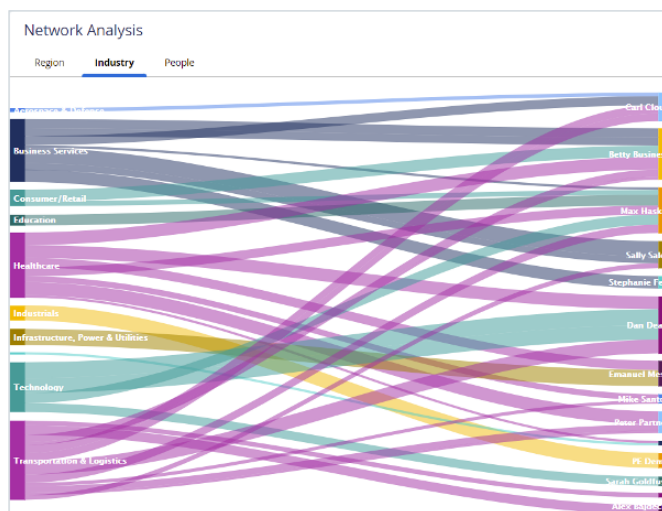
## Building Strong Relationships in the Capital Markets Industry

Relationships are the backbone of many industries, but none more so than in financial services. Few sectors demand and reward the intentional and authentic cultivation of relationships as much as finance does. Relationships remain key for sourcing better deals for your firm and building a respected reputation across the industry.

Over time, we've seen the methods for managing relationships evolve. When our networks were smaller, cultivating relationships were less complex – and technology was considered a nice-to-have rather than a must-have. Today, as we've become more deeply connected to peers across different industries and geographies, CRM technology has become vital for managing the complex web of relationships within – and beyond – every firm.

For example, imagine meeting a potential contact and only getting their name. Decades ago, this likely wouldn't have yielded a strong business result. The advent of LinkedIn gave us the ability to more easily find and connect with people of interest. Today these capabilities have become even more supercharged. Relationship Intelligence unlocks the ability to not only track and maintain these relationships but also gauge the strength of your entire network while learning the best ways to engage with them.

Another reason relationship management has become so crucial within capital markets is because many firms are organized by industry groups, regional groups, service groups, deal teams, and other sorts of groupings. This segmentation creates silos that prevent information from being shared more broadly across the organization. For example, members of a firm's tech, media, and telecom (TMT) team are likely to be connected with others in the industry who share their same vertical expertise. They're also more likely to maintain a majority of their relationships within the geographic location where they're based.



Although these limitations are understandable, they're unfortunate; removed from their silos, these connections could open doors to new opportunities for other firm colleagues who work in different service lines or sectors. Without an industry-specific CRM solution and relationship management approach, seemingly close opportunities may never cross paths – a significant missed opportunity for the firm.

Relationship Intelligence increases the likelihood that the firm can leverage the same source or deal participant across different industries, geographies, and service lines when opportunities arise, unlocking new potential for deal origination or networking with target companies.

As the firm grows, so does its network – potentially exacerbating the issues that silos present. More growth means more second- and third-degree relationships to potentially benefit the firm, but it also means these relationships are harder to manually maintain.





## Identifying and Maintaining Key Relationships

Finding and developing key relationships takes dedication and awareness. Relationships need to be nurtured, even during times when new deals aren't being evaluated – which isn't always easy.

Through our work with firms of all sizes, we've identified best practices for identifying a key relationship, determining the health of your relationships, keeping connections warm even during slow periods, and ensuring relationships remain active even when key contacts leave the firm.

### Identifying Key Relationships

The first step in proper relationship management is determining which connections require consistent communication and effort. First, gauge how connected these contacts are to your firm, and identify someone who can introduce you to contacts at these target companies.

Commonly asked questions for capital markets firms include:

- ✓ Even if this contact may not make sense for an immediate deal, do they know someone who could open up doors for me and my firm?
- ✓ What information does my firm already have on this contact and their firm?
- ✓ Could the relationship lead to a potential deal in the future?

Once you've applied subjective analysis to identify worthwhile contacts, determine what kind of attention they need and what methods they'll be most receptive to. Would a quick email exchange a few times a year suffice, or should you offer to meet in person? This will likely change drastically depending on the nature of the relationship.

### Understanding the Health of Those Relationships

Once you've determined who to engage with and the proper communications cadence, you need to keep a reliable reading on the health of those relationships. On the most basic level, staying on top of relationships can make you a more effective dealmaker who understands the health and sentiment of your connections. Strong relationships can also lead to new deals and continued success, but you need to be confident you're nurturing the right contacts. Putting too much effort into relationships that don't provide any value leads to wasted time and effort.

Key indicators of relationship health include:

- ✓ Date of last engagement with a contact or firm
- ✓ Type of engagement with a contact or firm (lunch, office meeting, golf outing, drinks meeting, Zoom call, text message, or other communication)
- ✓ Frequency of engagement during a certain period of time (monthly, quarterly, annually, all-time, or another interval)

Conversely, neglecting key relationships can lead to fallout or churn, which likely keeps that relationship from producing new opportunities. If you wait too long to respond or don't take an active interest, a contact may not care enough to engage with you in the future. The right technology support can help you avoid relationship fallout.

## Keeping Relationships Warm

In our busy lives, it's easy to let a significant amount of time pass between communications with a key contact. Although this type of lapse is understandable, it's imperative to consciously recognize and intentionally address this potential inhibitor.

Technology can help. Imagine identifying an investment opportunity with a potential portfolio company that's getting a lot of media and industry attention. You learn that one of the company's executives is somebody you previously worked with — someone you knew well and enjoyed being around but haven't spoken with in years. If you haven't taken the right steps to nurture the valuable relationship with this contact, you've done yourself and your firm a significant disservice.

Deals move quickly, and you never know what's right around the corner. Even if a contact doesn't seem a likely fit for a potential deal at the moment, it's useful to determine if they could be someone who could lead to a deal in the future — and touch base with them on a regular basis.

Scale-friendly ways to keep contacts warm include:

- ✓ Deploy email marketing campaigns to contacts to announce closed deals, fundraises, new hires, and other relevant news
- ✓ Stay active on social media (we recommend LinkedIn and Twitter at a minimum), sharing your travel and conference plans, industry expertise, and other useful information with contacts

## Maintaining Connections as the Firm Changes

If you or your contact have left your last place of employment, it can be difficult to ensure your relationship stays intact. It's all too common to get to know someone well, then struggle to maintain a solid connection once they move to a new firm. Conversely, if you made a strong connection with one person at a firm that's an excellent target for you, it can be hard to maintain the firm relationship once your main point of contact departs.

To address this lapse, investigate your contacts' connections and ask for introductions, if that seems appropriate. Technology that houses the information you need in an accessible and transparent way can smooth this process. The best CRM systems integrate data points about deal activity and dealmakers to bolster your success.

Using relationship management and relationship intelligence solutions can reduce the risk of losing relationships when key people leave the firm or retire. This technology can also help integrate deal activity and relationship health in a single place, which saves critical time and builds efficiency.

Main benefits of key person loss-mitigation strategies include:

- ✓ Reduced risk of key information and institutional knowledge loss
- ✓ Decreased negative impact on remaining staff
- ✓ Improved service to clients, limited partners, and other stakeholders
- ✓ Less disruptive processes when turnover occurs

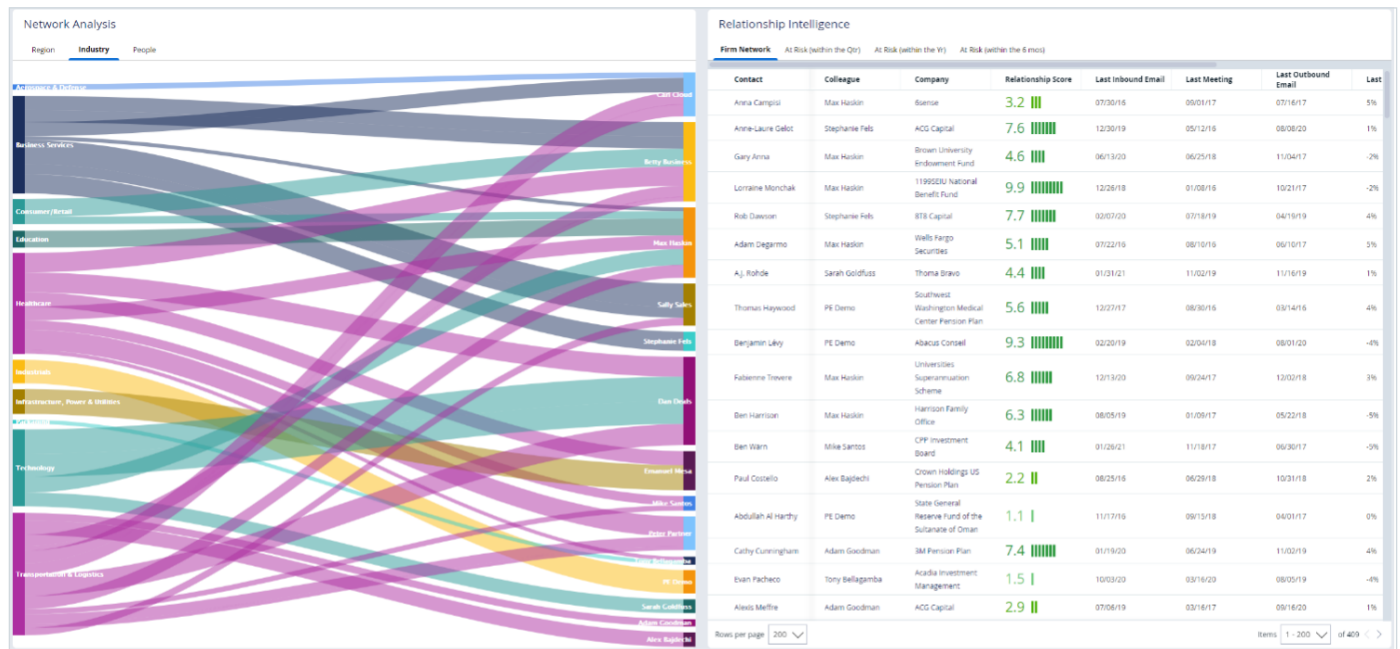


## Understanding Relationship Scoring

Once you've determined how to identify key relationships, evaluate the health of those relationships, track ongoing relationships, and prevent relationship churn, it's time to understand how to quantify and repeat relationship intelligence. This process starts with relationship scoring.

Relationship scoring helps you understand the quality and strength of your relationships, quickly and automatically, based on objective metrics. It is, in many ways, crucial for effective relationship management.

This highly successful approach quickly provides context on each relationship, and helps teams quickly grasp the overall value – or potential value – of a given entity. Relationship scoring models can be customized to meet the unique needs of your firm's network and, ideally, deliver optimal results.



**Here are a few considerations for developing a robust relationship scoring system, based on our approach at DealCloud:**

**1. Select a categorization system that’s intuitive for your firm**

- Although most people often think of a Tier 1, Tier 2, Tier 3 model, this might not always be the best fit. Instead, consider other ways to classify relationships using descriptors – such as “No Influence,” “Low Influence,” “Normal Influence,” or “High Influence” – to better convey the potential impact a connection could provide. When determining your classifications, consider looking at the number of quality deals each relationship could generate; Is it 20 or more a year? 10? Perhaps none at all?
- Whatever categorization system you choose, make sure that it’s applicable to other business development activities, factors in outliers, and makes intuitive sense on an ongoing basis.

**2. Ensure a long shelf life**

- CRM systems should evolve over time and adapt to the changing nature of a growing firm. When evaluating a relationship scoring system, consider how the firm’s needs will change, and determine what’s likely to remain the same over time.
- Although it’s difficult to predict the future, try to adopt a CRM system that will last for at least 5 years. In most cases, this timeline should survive the lifecycle of a fund.

High Influence	Normal Influence	Low Influence	No Influence
20+ Quality Leads Pear Year	10+ Quality Leads Per Year	5+ Quality Leads Per Year	0 Quality Leads Per Year

**3. Obtain the necessary buy-in**

- It’s critical for decision-makers leading the process to gather buy-in from the whole team. This may require someone shadowing the most prolific users to better understand the impact of relationship scoring on a day-to-day basis, or gathering tips and tricks from others who have a particular approach that they prefer.

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“DealCloud Relationship Intelligence easily surfaced relationships that we had previously identified as important but where our interactions were not at the level they should have been. In addition, it quickly and visually shows the depth of our firm’s relationship with a contact or company.”

SCOTT SALPETER, PRESIDENT, CASSEL SALPETER & CO.



# Streamlining Relationship Management within a Single Source of Truth

DealCloud Relationship Intelligence identifies who knows whom and establishes relationship scores based on the volume, recency, and type of engagement by passively harvesting metadata from Microsoft Exchange emails and events.

We've identified six ways that dealmakers use DealCloud to streamline their relationship management approach and achieve better results more quickly and efficiently.

## Aggregating Your Firm's Relationship Network

A firm's expanding relationship network creates a critical competitive advantage if its dealmakers can easily leverage data-derived insights. DealCloud Relationship Intelligence provides a centralized knowledge base that users can access through the DealCloud web portal, the Microsoft Outlook info pane, and the DealCloud mobile app. By tapping into the firm's daily Microsoft Outlook activity, DealCloud discovers and assesses the strength of your firm's relationships with no additional effort.

## Sourcing Deals Through Professional Networks

A significant majority of private equity deals are generated through dealmakers' professional contacts, making a private equity firm's collective network its most valuable source for surfacing and winning new investment opportunities. With DealCloud Relationship Intelligence, firms can skillfully scan their network for lucrative referrals, discovering who at the firm maintains relationships with target companies and service providers — like lawyers and accountants — to facilitate warm introductions.

In just a few clicks, dealmakers can get answers to questions like "Which biotech experts do my team members know?" or "Which public company CEOs in the retail sector have members of my team contacted during the previous year?" Dealmakers can quickly determine the clearest and most influential path to a company's leadership while other firms are still cold calling.

## Increasing Proprietary Deal Flow

Proprietary deals predominantly originate from existing relationships. This means firms need to develop connections with management teams — and their advisors and bankers — well before those companies ever come to market. DealCloud Relationship Intelligence provides dealmakers tools to assess how well the firm is covering and managing those relationships, and expose potential coverage model gaps. The software helps you stay connected with industry experts, lawyers, consultants, bankers, current and former management team members, executives, and other deal participants who could all play a useful role in executing a transaction.

## Communicating Effectively

DealCloud helps users stay informed of recent communications across the firm, giving dealmakers visibility into conversations and providing informed and consistent messaging when meeting with clients and prospects. Because the DealCloud platform includes email and web marketing capabilities, you can leverage a mix of relationship and activity data — such as email opens, clicks, and unsubscribe activity — to tailor communications to the right people at the right time.

## Reducing Key-Person Risk

When key professionals leave the firm, they take with them a vast body of knowledge about people, companies, and relationships. DealCloud Relationship Intelligence lets firms build a centralized knowledge base that survives the tenure of individual employees. DealCloud helps eliminate the substantial risks associated with employee attrition. For example, in preparation for a key dealmaker's retirement, firm leaders can proactively identify which relationships might be at risk and plan to transition those contacts to other professionals within the firm.

## Boosting Value Creation in Portfolio Companies

Private equity funds create value in portfolio companies to generate a meaningful return on their investments. Facilitating relationships with prospective clients, channel partners, talent partners, consultants, and other entities in their networks provides the critically important strategic support that portfolio companies need to succeed. A relatively small number of firms currently make these kinds of introductions for their portfolio companies; however, the vast majority of dealmakers believe that these connections are crucial to their success. DealCloud Relationship Intelligence helps build bridges by quickly surfacing relationships and identifying introductions to drive incremental value, which ultimately builds enterprise effectiveness.

## Deploying a Purpose-Built Solution

The power of relationships simply cannot be overstated, and although these connections have always mattered, they've become more pertinent than ever before. As competition increases within the capital markets and the opportunity arises to source more potential relationships, the challenge of maintaining relationships has become truly daunting.

Fortunately, capital markets firms have access to industry-specific technology – such as DealCloud Relationship Intelligence – providing clarity into this process, guiding best practices for maintaining relationships, helping assign value to them, and prioritizing individual engagement amid busy schedules. Perhaps most importantly, technology now lets us access a single source of a truth and stay organized in our approach to relationship management – often the hardest part of the job.

DealCloud Relationship Intelligence also helps score connections so that firms can manage connections and access insights; dealmakers can identify the last time their firms engaged with a contact and evaluate how to prioritize maintaining this connection. Understanding the full ecosystem of connections within a firm, and knowing who to go to when a potential deal arises, provides insights that were never before possible.

Maintaining relationships can be time-consuming, but with the right mix of technology and a thoughtful, logical approach, firms and dealmakers can overcome barriers and make better use of network connections.



If you're dealing with the challenges outlined in this brief, please reach out to [sales@dealcloud.com](mailto:sales@dealcloud.com) to learn more about how DealCloud can help.