How IT Copes with Acquisitions and Divestitures

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After an acquisition or divestiture is announced, IT must achieve a smooth and accurate transition.

What is the most effective plan?

The news hits the wire. Your company is acquiring another or it's being acquired. Or maybe it's selling off a product or division. The stock market reacts and the terms are proposed, including an approximate timeframe for when the transaction will finalize. While the two companies negotiate the final terms, they must obtain the approvals of the SEC, FDA and any other relevant regulatory bodies around the world.

During this time and before the ink is dry, employees within both companies try to figure out, "how will this affect my team and me?"

While that information cannot, nor will not, be divulged immediately, speculation abounds on both sides of the wall – and this causes great angst among all parties. The realization quickly sinks in that the IT plans and budgets for the foreseeable future just got completely muddled. Many approved projects may immediately be delayed or even eliminated in order to make room for the integration or divestiture work that must be done.

One of the early concerns that requires attention is system rationalization and consolidation. This is because the acquiring entity will become responsible for all products and compliance after the acquisition completion date. While there are many organizational issues that will drive the process, the consolidation of the requisite systems will gate the timeframes for any real organizational change. For example, the only viable means to process a complaint the day after a merger, acquisition or divestiture is to complete the complaint process in the same manner (in the same system) as it was done prior to the corporate change. Additionally, the process will remain "as-is" until the consolidated complaint management system is in place.

Compatibility of IT systems are often underestimated in terms of what it takes to combine the data both companies manage. Data refers to the combination of documents and content, plus the attached metadata. A significant portion of the systems' work effort during this period and after is about how to consolidate, harmonize and often migrate information between two or more different systems. It could also be just data for systems that are data-centric.

In both organizations, the respective IT teams know they are in for a major undertaking, but they don't know when it will happen, how to best approach a solution or what the entire project will cost.

Unfortunately, even answering those questions can be a major challenge.

First Steps and First Roadblocks

One of the initial agreements put in place between the divested company and the acquirer is called a TSA (Transition Services Agreement). The TSA outlines all of the terms and details surrounding initial and ongoing usage while the companies are in the "in between" state. Included in the TSA is an "end date" for use - meaning that there has to be a plan for getting off the system - and this often requires the separation of data on a system either by migrations or divesting.

Here's where things get a little tricky: initially both sides are not yet allowed to communicate directly. Everyone must put their plans together for the separating of data and content, then migrating and harmonizing everything into the new systems – and this must be done without having all of the information about the other system.

This roadblock makes figuring out the project details in the TSAs and planning project budget and timelines extremely challenging.

Too Much Ambiguity Can Slow Executive Buy-In

Between misunderstandings about the amount of work involved and uncertainties of the price tag, gaining funding approval from senior management can often be a tough sell.

From an executive's point of view, it may not seem too complicated to move Company A's technologies and systems to Company B's technologies and systems. Especially if both are using the same platform (such as SAP, Documentum, Argus, TrackWise, Veeva or Liquent to name a few). It's hard for someone not closely involved to understand why a migration might require so much time and funding "just to get their information into our systems."

In fact, even if two companies do happen to use the same technology platform, those two platforms will not be absolutely alike. Consider any of these influences that can affect the different platforms:

- Customizations to either or both systems
- Different release levels of the same technology
- Applications sitting on top of a single technology platform may be completely different and/or from a different vendor
- Companies have different processes
- Systems doing the same jobs at both companies but were built based on a series of past acquisitions, all using different technologies

Even ONE of these factors can be a tricky hurdle – imagine having to deal with all of them! There can be hundreds of systems at each company, each doing high-value, compliance-related work. Changing any or all of them is time-consuming, risky and costly work.

Senior management will need *a number* before they can approve funds for a project, but the CIO sometimes cannot prepare an informed cost approximation because he/she doesn't have full knowledge of the other company's systems and technologies. Without this information, it's hard to know how many similarities and differences they'll need to work through during the migration project or how much time it will take.

If neither company has budgeted or planned for a migration, then the final IT environment will contain silos of information with technologies as they move closer to their final days of contracted support. Procrastination can end up costing unnecessary fees. That's because if information systems and processes still haven't been harmonized by the end of the TSA date, software licenses will need to be renewed, maintenance costs will still continue and the migration will still need to happen.

This all puts tremendous pressure on IT and any vendors participating in the effort of moving the data. It often requires that instead of asking people to put together a good plan then figuring out the completion timeline from the scope of the work, TSAs force the companies to put a plan together that starts with an "end date" and moves backward. When that happens, teams often find out they're already late in getting started.

Deciding How to Move Forward

IT and the business and vendors must work together to discuss and decide if systems from Company A and Company B will be combined or used simultaneously but independently in the short term. Once the decision has been made to move forward with a migration, the next decision is whether it is possible to *strip out* or *migrate in* all data and content by the IT organization, or if it is something that can or should be contracted out.

If you're an organization that has a propensity to acquire or sell off different products, divisions or sites, it might make sense to have a strategic team within IT that reports to the CIO. This team's purpose will be to review the "what if" scenarios when diversification of the company is being considered. This team may be led by a Senior Director of M&A IT. Early involvement by the CIOs organization with this team is key to keeping ahead of the systems integration curve.

Many companies believe the least expensive and fastest way to complete a migration is to handle it themselves. If an internal team has a lot of experience and resources or software to help, this could be true. However, sometimes teams believe they can manage a migration because they already have a tool or tools in place when, in fact, those tools were purpose-built for a past job that's much different than the one at hand. The original tools were not likely built for use across a broad spectrum of technology platforms. As soon as the requirements or technologies change, teams relying on legacy or/and custom tools may not be able to handle it alone.

In addition, the people within IT have generally not migrated or divested data across a broad spectrum of technologies. Experiences do not necessarily carry across different systems and are oftentimes not relatable when it comes to migrating technologies and systems.

In situations like these, bringing in a migration expert can take the pressure off IT teams and ensure a smooth and actuate transition. One common mistake is assuming that the largest vendors are the best, but that is not always the case. Look for a migration partner with experience migrating content and data and has a comprehensive understanding of your technologies, your processes and your industry.

About Valiance Partners

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Our team of migration experts have performed over 500 GxP migrations for nearly 100 customers. By introducing early data-level analysis and automating post-migration testing, we have redefined migration best practices. Our methodologies and experience deliver results that speak for themselves.

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Valiance Partners is a leading vendor for high-risk data and content migrations when compliance and business risk demand “getting it right.”

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