

WHITE PAPER

How IT and the Business Cope with Acquisitions and Divestitures



The Unique M&A Environment

The news hits the wire. Your company is acquiring another company, 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 be complete. 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 plans and budgets for the foreseeable future just got completely muddled. Many approved projects may immediately be paused or even eliminated to make room for the integration or divestiture work that must be done. In the case of acquisitions, one of the concerns that requires attention is system and business process rationalization and consolidation.

This is because the acquiring entity will become responsible for all products and compliance immediately after the acquisition completion date. While many organizational issues 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 before the corporate change. Additionally, the process will remain "as-is" until the consolidated complaint management system is in place.

Business Executives are under considerable financial pressure to reduce or eliminate redundant roles and computer systems to achieve cost savings. The compatibility of IT systems and business processes is often underestimated regarding what it takes to combine the information both companies manage. "Information" refers to the combination of documents and content, plus the attached metadata and the business processes themselves or just data, in a data-centric system (QMS, Registrations, Safety, etc.). A significant portion of the work effort during this period focuses on consolidation, harmonization, and migration of information among many GxP and other regulated business systems.

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. Some IT organizations may not have experience conducting a migration project or have done it very infrequently, so answering these questions can be a significant challenge.



First Steps and First Roadblocks

One of the initial agreements between the divested company and the acquirer is called a TSA (Transition Services Agreement). The TSA outlines the terms and details surrounding initial and ongoing system usage while the companies are in the “in-between” state. Included in the TSA is an “end date” for use, meaning there must be a plan to transition from the legacy system.

For mergers, a decision on which system to use – the acquiring company or the acquired company’s system, must be made. In the case of divestitures, an understanding of what data/content remains with one company and what goes to the new company. It’s also important to understand who has access to each system, what permissions they need, and the duration of their access. At this point, System Administrators must also understand data structure and related business processes.

For divestitures, the early stage can be tricky to navigate. IT teams representing the two entities are not yet allowed to communicate directly. They must devise plans for the separation, migration, and harmonization of data in a new system without having complete information about the system. The challenge is compounded when data or documents are comingled and not easily segregated. These silos make figuring out the project details in the TSAs and planning project budgets and timelines extremely challenging.

Too Much Ambiguity Can Slow Executive Buy-In

Between misunderstandings about the amount of work involved and uncertainties regarding the price tag, gaining funding approval from senior management for a migration project can be a tough sell, and estimates are often based on incomplete data, compounding a difficult situation. 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 from Point A to Point B."

Even if two companies do happen to use the same technology platform, their implementation and integration of the platform will rarely have any similarities. Consider any of these influences that can affect the different platforms:

- Customizations, integrations, and configurations to either or both systems
- Different release versions of the same technology
- Applications sitting on top of a single technology platform may vary and/or come from a different vendor (i.e., FirstDoc on Documentum, Ennov on Documentum)
- Companies have different processes and interpretations of requirements, including required / optional data and data formats
- Systems doing the same jobs at both companies but were built based on a series of past acquisitions, all using different technologies

One of these factors can create a hurdle – imagine having to deal with all of them! Hundreds of systems may be at each company, each doing high-value, compliance-related work. Changing any or all of them is a time-consuming, risky, and costly effort. These systems often provide input to or output from other systems, thus complicating the issue. Senior management will need a budgetary estimate before they can approve funds for a project, but the CIO and his team 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. Often, an estimate is prepared to put a proposed budget and timeline in place, but it's usually inaccurate.

If neither company has budgeted or planned for a migration, the final IT environment will contain silos of information trapped within various technologies as they move closer to their final days of contracted support. Procrastination can end up costing unnecessary fees. If information systems and processes still haven't been harmonized by the end of the TSA date, software licenses must be renewed, maintenance costs will continue, and the migration will still need to happen. This puts tremendous pressure on IT, the business, and any vendors participating in moving the data. Instead of asking people to put together a good plan and then figuring out the completion timeline from the scope of the work, TSAs often force teams to put a plan together that starts with an "end date" and moves backward. When this happens, these same teams find they are late before the project begins.

Moving Forward and Making Progress

This type of complex project targets data migration but also has impacts throughout the organization.

Organizational Change Management

Organizational Change Management (OCM) is a critical component. All stakeholders need to understand what the system and/or process change is, why it is happening, when it is happening, its impact on their work, and the value it brings. OCM demands consistent and effective communications about the project to increase organizational and leadership buy-in and to mitigate compliance risks.

Business Process Optimization

As the new system strategy takes shape, it's important to take a broader view of the supporting processes to ensure they are aligned with compliance goals and leveraging relevant standards where applicable. An efficient process should result in quality deliverables and support quicker, more accurate, and timely decisions. Process optimization ensures that old processes don't hinder an investment in new technology.

Data Quality

To understand the full scope of a migration project, it's important to understand the quality of data being migrated. Is critical data reliable and accurate? Does the data require cleaning or enrichment prior to import into the new system? How does the data support compliance efforts? Investigation into these questions helps to shape the project, develop a more accurate scope, and understand how the data should be handled in the future system/process. These answers also help the team to design and implement automated

testing strategies that reduce human error and improve compliance. A migration project can be a significant effort, so it's essential to ensure that the data is adequately prepared and ready for migration.

Resourcing Strategy

IT and the business and vendors must work together to discuss and decide if Company A and Company B systems will be combined or used simultaneously but independently in the short term. These planning discussions need to start early and in a collaborative manner. Once the decision has been made to move forward with a migration, a resourcing strategy should be defined.

Will the IT organization conduct migration activities, or will the project be outsourced? Most IT organizations do not retain this type of specialized expertise on staff. However, they can typically offer extremely valuable input into the vendor selection process and insights into the organization's technology infrastructure.

Some organizations that have a propensity to acquire or sell off different products, divisions, or sites, have a strategic team within IT that reports to the CIO. This team's purpose is to plan for and review the "what if" scenarios when the company's diversification is being considered. A Senior Director of M&A IT may lead this team with a partner on the business side. Early involvement by the CIO's organization with this team is key to keeping ahead of the system integration curve.

Many companies believe the least expensive and fastest way to complete a migration is to handle it themselves. This could be true if an internal team has significant experience, resources, or software to help.

Most IT organizations over the years have become lean organizations and don't have experience in all technologies or the software/tools to complete migrations across many platforms. Their teams are not typically staffed to support the myriad of systems needing to be harmonized in a short period of time.

An Experienced Technology Partner Adds Value

Sometimes teams believe they can manage a migration because they own a tool or tool sets that were purpose-built for a previous project. These tools don't usually transition to support new projects with different data types, technologies, and processes. Like the tools, migration experiences do not necessarily translate across different systems and are often not relatable when developing and implementing successful migration strategies.

Contracting with a technology and migration expert can take the pressure off IT teams and ensure a smooth and accurate transition. It's important to seek a partner with experience and a comprehensive understanding of your content and data, your technologies, your business processes, and your industry requirements.

Foundational life sciences technology experience is essential to pharma, biotech, and medical device data migration projects. An understanding of the complex, multi-dimensional regulatory, IT, business, and data standards and governance requirements is key to success. Not all migration projects are the same. Many critical nuances are only visible to trained and experienced data migration professionals specializing in life sciences projects. NNIT and Valiance represent this small but elite group of professionals. We have attracted and retained the industry's best, most experienced migration expertise and surrounded them with business and technology advisory teams who help clients get more from their technology, processes, and data investments.



About NNIT

NNIT is the leading life sciences digital partner. Its holistic approach to content and data-driven processes ensures efficiency and compliance across regulatory, quality, clinical, safety, and production processes.

Valiance Partners, an NNIT Group Company whose sole job is the migration of GxP information for Life Sciences, is the expert in Health Authority-regulated GxP data migrations when compliance and accuracy are at stake. We bring proprietary software and unparalleled knowledge of regulatory implications, business processes, and precision to every client engagement. We support dozens of platforms and provide advisory services and support that ensure every single migration is a success.

Our team of migration experts has performed over 750 GxP migrations for over 170 customers. We have redefined migration best practices by introducing early data-level analysis, data discovery, migration simulation software, and automating migration verification/testing. Our methodologies and experience deliver results that speak for themselves. Our software reduces the risk and time to validate the entire migration process. Our process involves test migrations to ensure the migration to production systems is as accurate and complete as possible.

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In the case of
acquisitions, one
of the concerns that
requires attention
is system and
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rationalization and
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About NNIT

NNIT is an international consultancy in the development, implementation, validation and operation of IT for the life sciences industry. We create value for our clients by treating their IT as if it was our own. And of course, we meet the industry's strictest regulatory requirements. We apply the latest advances in technology to make our clients' software, business processes and communication more effective.

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