Careful Planning Critical to Successful M&A Integration

When a global pharmaceutical and medical device company acquired another organization's product portfolio, it faced the daunting task of integrating the new products into its existing portfolio and processes—a challenging and often underestimated aspect to an acquisition.

Faced with a mutually agreed-upon six-month window for completing the integration, the company tapped Integrated Project Management Company, Inc. (IPM) to develop and execute an integration plan that would meet its aggressive deadlines.

ENHANCING A PRODUCT LINE

With a global footprint, the company specializes in developing and marketing pharmaceuticals and medicinal technologies. The company enhanced the existing product line through acquisition of a competitor's portfolio, R&D pipeline, and manufacturing facility.

After the deal was closed, the company had to integrate these products into its own product portfolio and processes, including registration and labeling changes and satisfying preexisting contracts and orders with wholesalers and other customers.

RACING AGAINST THE CLOCK

The two companies agreed to a six-month transition service agreement (TSA)—an aggressive timeline for an integration involving multiple work streams and requiring the oversight of teams at six different locations. A major objective was to complete the integration of the product line into the acquiring company's enterprise resource planning (ERP) system two months prior to the TSA expiration—without interrupting ongoing operations.

The project team faced multiple challenges with the tight turnaround time, including ERP standard operating procedures (SOP) changes and end user training, and informing wholesalers of the need to update their systems with enough time prior to the go-live. This required nearly all of the company's U.S. teams to collaborate on data migration, support training, and setting up systems and processes to accept, fulfill, distribute, and invoice orders for the product line without disruption to customers.

To reach these goals, IPM and the company team designed integration plans for ERP system sub-teams to promote management of required activities, team member accountability, program information management, proactive risk management, timely issue resolution, and document management.

Much of the work centered on a location that manufactured the product line and also needed to manage product quality aspects of clinical and technical support through the company's global quality and ERP systems. This meant implementing and learning new systems, and ramping up production output—a process that typically takes a year to complete. With IPM's direction, the local team accomplished this in under three months, with all production orders and direct material purchases processed through the ERP system.

PUTTING CUSTOMERS FIRST

As part of the original plan, the transition was designed to be seamless for customers, with all products now shipping through the company's distribution center and reflecting the company's brand.

To make things clear to customers, IPM and the project team developed a comprehensive communication plan outlining which customer contracts would be affected and what information they needed. Key communications included initial press releases, specific notifications to former customers and suppliers, and product announcements to current wholesalers and direct customers. The commercial contracting group worked with customers and wholesalers to ensure their contracts and systems were updated for the transition.

On the R&D side, the product line's legacy Innovation and Development team added new scientists and engineers to support product development, secured additional space, and moved some capabilities to lower-cost R&D centers worldwide. The move was designed to increase productivity and result in an estimated cost savings of $15 million per year within three years. Over the next 10 years, the company plans to more than triple the size of its product portfolio.

SETTING THE STAGE FOR THE FUTURE

Today, the manufacturing site is operating as planned. All systems were successfully migrated so the company could disconnect from the acquired company's network before the TSA expiration, a goal that was met on time.

Additionally, IPM's assistance helped the company lay the groundwork for current and future improvements. Although the manufacturing plant was already using the plant maintenance module in its ERP system, the company's other U.S. production units did not have that module in place. Bringing this capability to the other sites will improve maintenance at these other facilities. Standardizing the methods and approach outlined in the SOP will drive further consistency across the company's production facilities in the U.S.

CHANGE MANAGEMENT

Many strong relationships formed between the acquired company's employees and others within the organization. IPM developed a change management plan that identified the key stakeholder groups and what each group needed to understand and do. This fed into a detailed action plan that outlined and tracked the engagements and communication necessary to manage the relationships and drive the change.

IPM was on site at the manufacturing facility frequently during the project, working shoulder to shoulder with the company during the ERP cut-over.

Throughout the changeover, IPM directed the processes required to keep the teams focused on moving toward total integration. The relationships this created will allow for future collaboration and best practice sharing between the production sites.