After the Deal: Success Factors for Post-Merger Technology Integration

Deal activity in life sciences might be down but it's certainly not out. The sector's M&A volumes seemed to peak at $414 billion in 2019 after a series of landmark deals, including BMS acquiring Celgene (worth $74 billion) and AbbVie purchasing Allergan ($63 billion). While the same pattern of mega-deals has not played out in 2023, biopharma companies of all shapes and sizes continue to seek tie-ups to improve operating margins and expand R&D pipelines **[Figure 1]**, including Pfizer's $43 billion takeover of Seagen.
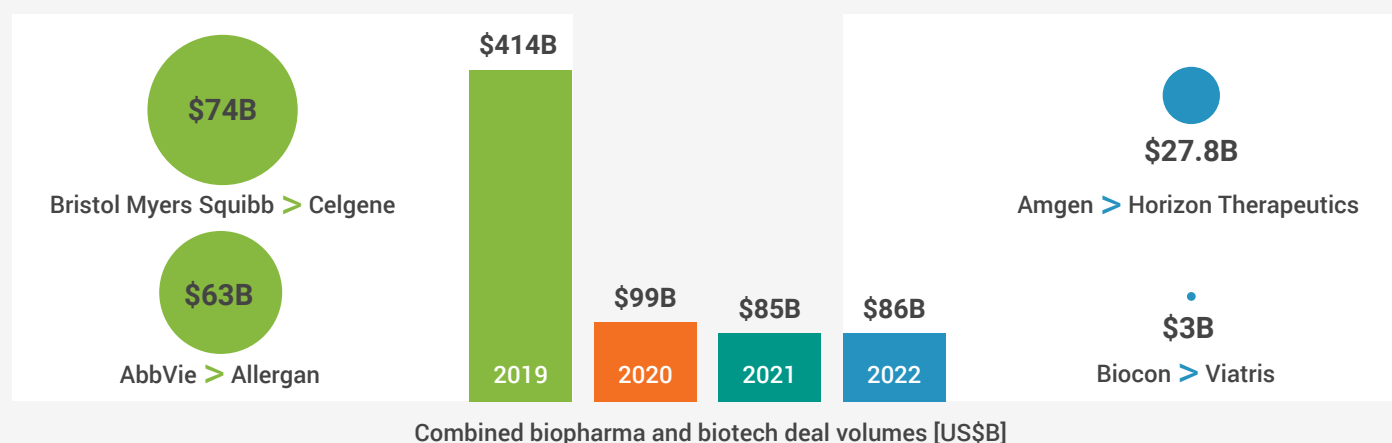
The move to consolidate is also visible in other industry segments — including contract service manufacturers and generics, which tend to operate at higher volumes and lower margins than the rest of the sector. IT synergies often dominate post-merger improvement activities: potential benefits range from lower infrastructure costs and headcount to reduced spending on supporting functions once systems have been integrated. Integrated data also brings top-line

benefits by enabling merging companies to be more agile and make better decisions.

There is no guarantee, however, that a newly merged IT organization will deliver any of these outcomes. The stakes are high, as any interruption to business continuity in biopharma can delay drug launches and force patients to wait for new medicines and therapies. Overall deal success can be upended by insufficient resources and unrealistic timelines. Delivering on planned IT synergies means aligning at least two distinct company cultures and steering the combined organization through prolonged change.

To realize the full benefits of a merger, your IT and business functions need a well-defined approach so they can hit the ground running on integration **[Figure 2]**. A strong governance structure for the integration program must be ready from day one and continuously revisited.

FIGURE 1: LIFE SCIENCES DEAL VOLUMES AND EXAMPLES OF KEY DEALS (2019 TO 2022)

$74B — Bristol Myers Squibb > Celgene

$63B — AbbVie > Allergan

$414B 2019 · $99B 2020 · $85B 2021 · $86B 2022

$27.8B — Amgen > Horizon Therapeutics

$3B — Biocon > Viatris

Combined biopharma and biotech deal volumes [US$B]

Sources:
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FIGURE 2: KEY PHASES OF POST-M&A INTEGRATION

STEP 1

Plan

Develop approach that covers people, processes, data, and technology to **unify IT systems, driven by a joint vision highlighting the business benefits and synergies** to be gained post-integration

Establish a **cross-functional governance structure** to drive and monitor integration progress

STEP 2

Map

With the future vision in mind, **map current IT landscape** to provide a **baseline view of systems as well as user requirements** across all involved organizations

Document **systems that should be decommissioned, require data migrations, or with licensing considerations** to be addressed as part of the integration

STEP 3

Execute

Initiate the execution phase with **IT system consolidation across all involved organizations**, prioritizing systems and users supporting business-critical processes

Harmonize business processes to accommodate planned IT changes, **simplifying** processes

Define, prioritize, and **measure KPIs** to **track the IT integration** and business value unlocked

Change

Enable change throughout each phase of the integration. Communicate early and often across the merged organizations about upcoming changes, **incorporating influential voices** from a dedicated **internal change network**

During the *Plan and Map* phases of an integration, **assess change readiness** of the organization, **identify impacted stakeholder groups**, categorize by **function, role, and type of impact**, and evaluate appropriate communication channels

During the *Execute* phase, engage and equip **change champions to deliver key change and adoption activities**. Measure your **pre-defined KPIs** regularly and adjust as needed

Source: Veeva Business Consulting

In the planning phase, your organization needs to clarify the benefits of integration and share its vision for desired end-state capabilities, spanning technology, data, processes, and people. The objectives and activities for IT integration should stem from the business goals, ensuring close alignment between business and IT from the outset.

Starting with the business objectives makes it easier to determine the right digital strategy for the combined organization. This is what Gilead found when it integrated two recent acquisitions (Kite Pharma and Immunotherapies) while implementing quality management software. Amit Chachra, Gilead's senior

IT director for enterprise platforms, notes that the priority for his team was to incorporate acquired therapies into the Gilead ecosystem as soon as possible. Once it had set this clear business objective, Gilead executed against its defined future state and decided to standardize with Veeva Vault Quality.

During mapping, your team should establish a baseline view of business processes across the merging companies and a harmonized view for the new organization. This understanding will help you execute the IT strategy based on business needs, including which systems to decommission first, required data migrations, and user requirements.

For example, Chachra believes it became easier to align the acquired operations once Gilead had standard quality processes in place.

In the execute phase, your teams will consolidate and simplify the system landscape across the merging entities, prioritizing systems and users that support business-critical processes. It's important to define and start measuring KPIs at this point, so your organization can track the business value made possible by the integration.

During the final stage, you will need a robust change management strategy to ensure end-user adoption, reinforced by frequent communication between business and IT.

Success factors for post-deal integration

FIGURE 3: INTEGRATION SUCCESS FACTORS

Plan
Develop a cross-functional plan for change
—
Specify expected synergies from the deal and what's out of scope

Map
Map your current systems and processes
—
Review the integration plan based on what you've learned

Execute
Disentangle your systems
—
Achieve first-time-right migrations

Change
Define the right organizational design and operating model
—
Tell your M&A success story

Source: Veeva Business Consulting

Whether your existing system landscape is paper-based or electronic, there are common items to address during post-deal integration.

Develop a cross-functional plan for change

There may be some anxiety over the prospect of prolonged change management in the immediate post-deal phase. This is normal. However, if cynical attitudes become embedded, they can undermine integration success. Your IT function can address potential misalignment by specifying which synergies are expected and what is out of scope. Once there is clarity on objectives and scope, it becomes easier to define the integration plan and confirm workstreams, projects, milestones, and success metrics so teams know what to expect.

Map your current systems and processes

Start by mapping the business processes that the new organization needs to support. The requirements will depend on the companies involved: a vaccine player acquired by a biopharma company will have distinct needs from the medical device arm of a new organization. Once these processes are defined, it's easier to specify all relevant systems and evaluate them across key areas: user access and satisfaction, compliance, cyber security, and contract dates to name a few criteria. These ratings can help determine which systems to keep or eliminate.

Once your teams have identified all instances of duplicate systems across the merging entities, decisions must be made on which ones to maintain.

System decisions will be driven by business needs and taken jointly by the business and IT functions.

If two organizations are using the same system, the most suitable configuration could be the one that already has the most users, data, and documents. This reduces the effort and complexity of migrating to a new system. The decision is more complicated if the merging organizations are using distinct solutions from multiple providers. In this scenario, it's important to consider the full system landscape before making a selection, as a decision made in one domain (e.g., clinical) may affect other domains.

At this point, it's worth reviewing the integration plan with leadership and adjusting the overall vision, strategy, and funding based on what you've learned. Some synergies of the deal may surprise you.

Disentangle your IT systems

Over time, your company might have acquired distinct and disconnected systems for clinical data and operations, quality and manufacturing, safety, regulatory, medical, and commercial.

Even systems that do not sufficiently meet your business's needs will continue to absorb resources. As a starting point, it's worth gathering feedback on the level of customization required by each system, whether it contributes to any data or process silos, how accessible it is to third parties (e.g., CROs), and the impact (positive or negative) on relevant KPIs **[Figure 4]**.

The consolidation process becomes much easier when you have clear insights into all these areas. Typically, your business function will lead on specifying user requirements for the new organization while your IT function will determine the most effective technology strategy by choosing between platform and best-of-breed and eliminating duplicated systems.

Achieve first-time-right migrations

Migrations are an underestimated stumbling block for biopharma and contract services. Prior to undertaking a migration, the responsible team in your organization should dedicate sufficient time to understanding the format of documents and data that will transition

FIGURE 4: KEY QUESTIONS FOR SYSTEM CONSOLIDATION

	What systems do you have in place? Who owns these systems and how are they currently being used?
	What are the challenges of using these systems?
	How customized are these systems to business needs?
	What are the costs associated with maintaining your current systems (e.g. resource, effort, licenses, fees, upgrades, support contracts, validation)?
	Are your systems able to respond to changing business needs?
	Are legacy systems in silos or connected?
	Do the systems generate critical data and reports to support the business?
	Can third parties and CROs access your systems? How complex is that process?

Source: Veeva Business Consulting

to the new system. The licensing details of a legacy system can impact the go-live date for the new solution — which in turn determines the timeframe for the migration.

Veeva customers usually migrate materials from one Veeva Vault to another, or from a legacy system to a Veeva Vault for the first time. When AbbVie acquired Allergan in 2020, it was one of the top ten pharma deals of all time. As both clinical organizations used Veeva, the integration was a 'lift and shift'. The team prepared thoroughly for migration, devoting six months to cleaning and mapping data in the Allergan system, and rationalizing 673 document types.

The timings and resources for a successful migration must reflect the scope **[Figure 5]**. AbbVie, for instance, paused other non-critical initiatives to focus on integration. Questions to help your team prepare include:

- Is it a document-only migration, data-only, or data and documents?
- With or without an audit trail?
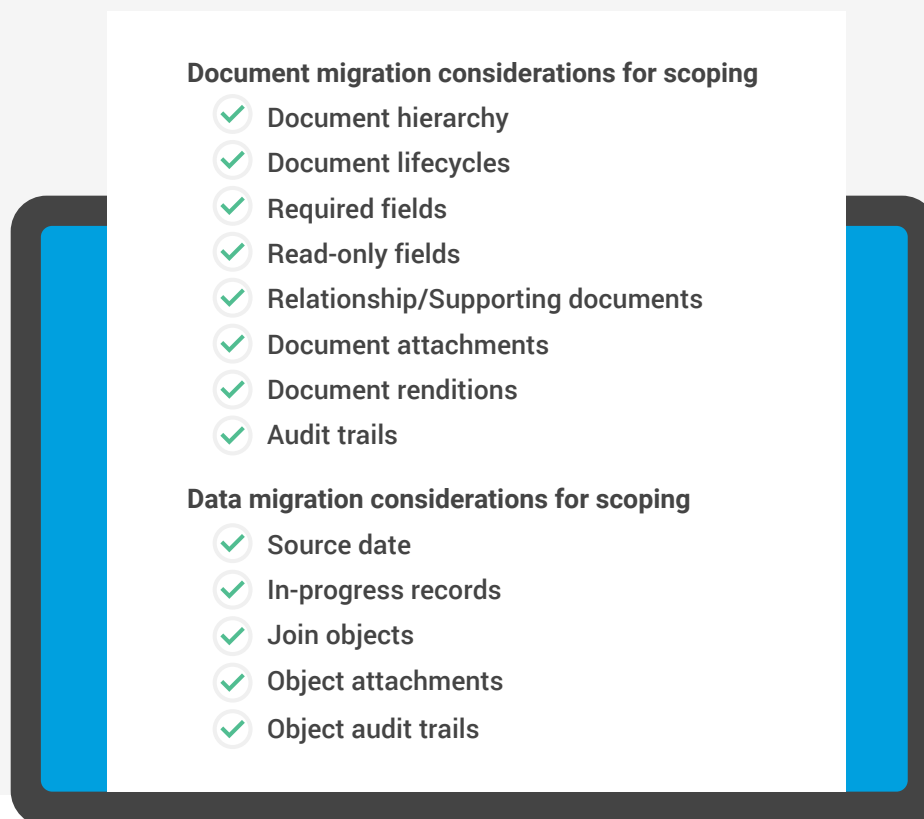- Are signature pages included?

- Will in-progress records and active workflows be required?
- Does the security model need to change?
- Which team owns the extraction and transformation?

Define the right organizational design and operating model

Once your teams transition from legacy processes, the deal can reach its full potential. As your organization's new IT function moves into the next phase, integration success heavily depends on users from both companies following standardized processes on a common platform.

It can be challenging to define the right organizational structure and processes even when two entities have the same core activities. For instance, the merging organizations could each have manufacturing, clinical trial sites, and drug marketing that operate from different regions; or activities that are outsourced in one organization but undertaken in-house in the other.

FIGURE 5: CHECKLIST FOR A SUCCESSFUL MIGRATION

Document migration considerations for scoping
- ✓ Document hierarchy
- ✓ Document lifecycles
- ✓ Required fields
- ✓ Read-only fields
- ✓ Relationship/Supporting documents
- ✓ Document attachments
- ✓ Document renditions
- ✓ Audit trails

Data migration considerations for scoping
- ✓ Source date
- ✓ In-progress records
- ✓ Join objects
- ✓ Object attachments
- ✓ Object audit trails

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Merging organizations with distinct cultures are also unlikely to speak the same language. When Veeva customers decide to harmonize with Veeva Vault, they often align definitions for business terms across both companies.

Early visibility of the end-state will help your teams adapt to standardized business processes — for example, if some activities are brought in house or outsourced for the first time due to the new approach. Updating procedural documents on the post-integration state, and making training materials, SOPs, and job aids available early, will contribute to a smoother transition. Clear and consistent communication can make all the difference for affected functions and people whose roles may change, e.g., legacy product managers, data entry and management teams, and central and regional regulatory/CMC functions.

Tell your M&A success story

It will take some time before the new organization experiences tangible benefits from the deal. That doesn't mean your teams need to wait until the integration has reached an advanced stage to measure value. Tracking data across financial, technical, and organizational performance highlights issues before they become critical and provides an opportunity to course correct.
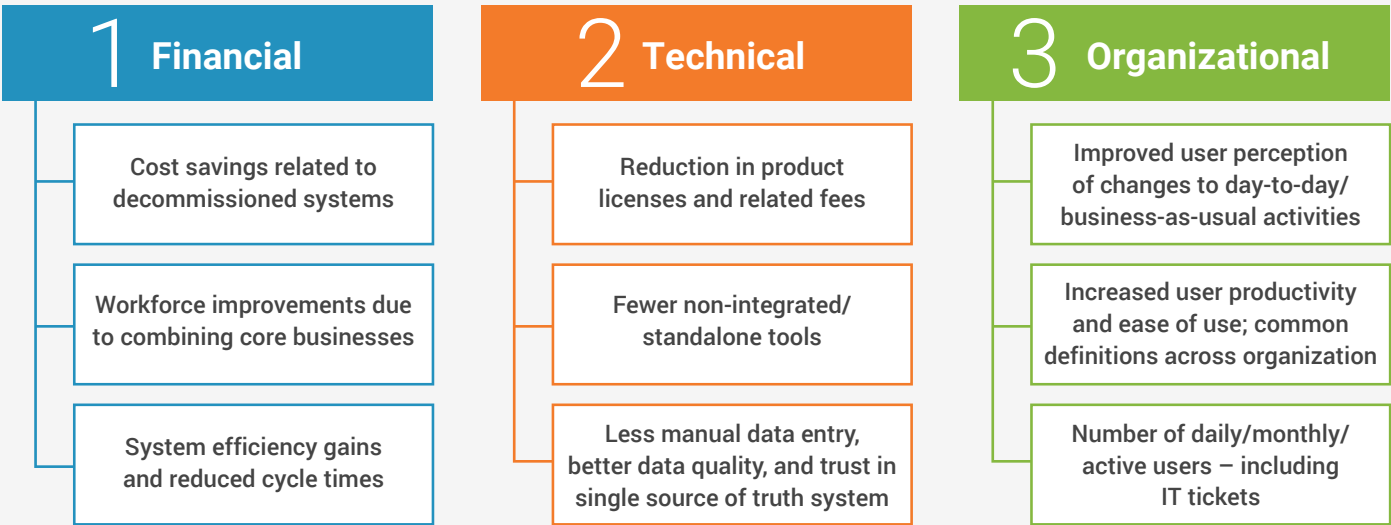
Realizing the full value of a post-merger technology integration means going beyond cost savings. Your teams should evaluate progress against the following three dimensions:

- **Financial:** Not just in terms of costs avoided after eliminating redundant systems but also the monetary value of reducing cycle times and inefficient processes
- **Technical:** A less complex IT system landscape should mean fewer product licenses, lightening the workload of both organizations and simplifying data management
- **Organizational:** A single cloud-based system should benefit end-user productivity, from routine tasks (e.g., minimizing the number of daily logins to disparate systems to find information) to strategic activities (e.g., facilitating collaboration globally and locally)

It helps to establish the right KPIs upfront when measuring integration success. To do this, both organizations have to determine which areas to evaluate during and post-migration **[Figure 6]**. Once the framework has been defined, it's important to specify ownership and timings for data collection (both qualitative and quantitative) and analysis. Being able to visualize the benefits will improve organizational understanding of your success story.

FIGURE 6: EXAMPLE KEY PERFORMANCE INDICATORS DURING AND POST-M&A INTEGRATION

1 Financial
- Cost savings related to decommissioned systems
- Workforce improvements due to combining core businesses
- System efficiency gains and reduced cycle times

2 Technical
- Reduction in product licenses and related fees
- Fewer non-integrated/ standalone tools
- Less manual data entry, better data quality, and trust in single source of truth system

3 Organizational
- Improved user perception of changes to day-to-day/ business-as-usual activities
- Increased user productivity and ease of use; common definitions across organization
- Number of daily/monthly/ active users – including IT tickets

Source: Veeva Business Consulting

Exceeding the sum of its parts

Post-deal integration can fail to deliver in biopharma and contract services for many reasons, and the stumbling blocks are surprisingly common. To realize the benefits of a technology integration, the new organization needs to unify multiple disconnected IT systems, simplify business processes, and align at least two distinct cultures while ensuring business continuity.

What are the most effective ways to enable change of this magnitude? In our experience, successful companies ensure they do the following:

1. **Set up the basis for change** by confirming the business goals and defining the vision for the future IT organization

2. **Plan the integration** by identifying impacted people, listening to their perspectives, and clarifying communication frequency

3. **Support impacted user groups** e.g., through cross-functional forums, creating space for feedback

4. **Track adoption** and the benefits realized throughout the integration

Biopharma, generics, and contract services will continue to consolidate. Companies seek tie-ups to boost margins and meet the increased demand for novel therapeutics. An effective integration strategy will ensure that your new IT organization exceeds the sum of its parts — just as the deal intended.

> **Speak to the Veeva Business Consulting team to define and execute your Veeva Development Cloud integration strategy**

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