

Role of the CIO in Making Mergers and Acquisitions Successful

Mergers and acquisitions in the life sciences industry, like in other industry sectors, provide opportunities to redefine business models. Understanding opportunities for transformation, and architecting the change through informed decision-making and enhanced standardization and automation make the role of CIOs more significant than ever before.



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The last two years have seen significant mergers and acquisitions (M&As) in the global pharmaceutical and medical devices industries. The closed deal value increased from about USD 170 billion in 2014 to about USD 403 billion in 2015. The year 2016 has been relatively slower. Deals initiated until early second quarter of this year totaled about USD 121 billion, returning the pace of M&As to 2013 levels.

This pace is being attributed to volatility in equity markets and developments in the European Union. However, there is another theory that explains the slowdown in M&A activity. Analysts and executives are cautious about the excessive debt-laden financing from previous years and the ability of the merged entities to deliver promised synergies. While there is little that executives

can do to control the volatility in global financial markets, they have a significant opportunity to leverage synergies.

Multiple industry studies have shown that more than 50 per cent of targeted synergies are tied either directly to technology or technology-led/technology-enabled processes. Let us therefore take a moment to focus on the CIO. The CIO's role can be viewed through the prism of the dual mandate: To "run better" via efficient and seamless integration and operations of the joint entity from day one of the merger, and to "run different" by unlocking opportunities to innovate and create value through new technology-led business models.

Streamlining the merged entities and having them operate in unison is table stakes;

M&A Phase	Application Rationalization	Infrastructure Consolidation	IT Organization Design and Vendor Management
Diligence	<ul style="list-style-type: none"> Validating the scope of applications Determining application rationalization objectives 	<ul style="list-style-type: none"> Conducting current state assessment of infrastructure (end-user computing, servers, networking and data centers) 	<ul style="list-style-type: none"> Determining current state IT operating model, sourcing strategy and spend
Strategy and Planning	<ul style="list-style-type: none"> Data gathering plan/tools Finalizing scoring criteria and assessment model 	<ul style="list-style-type: none"> Capacity and performance planning, aligning with application rationalization teams Planning for data center migration/consolidation 	<ul style="list-style-type: none"> Determining future state of all service, software, and procurement contracts & licenses
Execution	<ul style="list-style-type: none"> Data gathering and analysis Developing business case 	<ul style="list-style-type: none"> Establishing infrastructure command center Capacity optimization and performance 	<ul style="list-style-type: none"> Renegotiating or purchasing new contracts or licenses Defining new interim and final org. structures

Synergy avenue	Role of Technology - Illustrative
Strengthening pipeline	<ul style="list-style-type: none"> Bio-marker research to extend beyond analytical markers to pharmacological markers Integrating early development data from disparate sources to enable better selection and pivotal study design
Extending reach	<ul style="list-style-type: none"> Analytics driven decision-making for choice of markets, product portfolio Social media listening and analytics to build new markets
Drug-device combination for drug delivery	<ul style="list-style-type: none"> Automatic trigger to initiate dosing based on pharmacokinetic parameters (automatic dose calibration), aiding medication compliance Remote communication to HCP enabling dose monitoring and control
Drug-device combination for diagnostics	<ul style="list-style-type: none"> Understanding genotype to enable targeted drug delivery Continual data gathering and analysis for continuous approval for additional indications

is not surprising. Therefore, the role of the CIO and the CIO's team is critical from the outset in shaping the success of any M&A.

Each of the scenarios discussed here requires a discerning ability to get the right data at the right time from possibly disparate sources and converting that data into intelligence for enhanced decision-making. The onus of attaining synergies will continue to increase and the need to optimize application value realization will be more relevant. New processes may need to be defined, which are likely to be technology-led, rather than being just technology-enabled. The following table outlines representative means of uncovering value for each of the avenues.

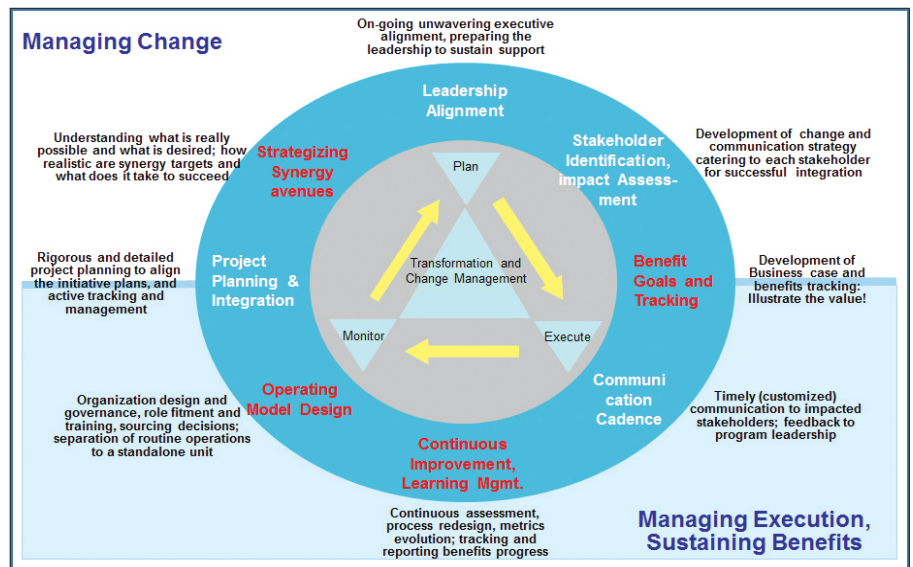
In order to attempt something along the lines of what is suggested here, the CIO

companies that fail to accomplish basic performance are at risk of losing value. The following table summarizes CIO's core "run better" responsibility through major M&A phases.

The "run different" responsibilities are critical to uncover the true value of the merger. Attaining synergies, after paying for restructuring and acquisition premium, requires discipline and changing status quo. Typical targeted synergies, besides cost takeout or those related to efficiency, include strengthening of pipeline and enhancing reach into complementary markets or existing markets with complementary product portfolio. Of late, drug and devices are also coming together; companies are trying to uncover synergies in the ability to combine drug-device for better and targeted delivery, and the ability to package diagnostic tests along with the drug product. In any of these (or possibly other) scenarios, the importance of diligence from target screening to close, and then during execution cannot be emphasized enough.

Studies across various industries conducted by multiple industry bodies and consulting companies suggest three predominant reasons for failure to attain targeted synergies: (a) inadequate focus on the integration strategy and preparation, (b)

The following figure illustrates the starting point for CIOs in these changing times.



improper execution after deal closure, and (c) organization's inability in executing the change. The underlying theme across these factors is the lack of involvement, participation and ownership of the right individuals or teams at appropriate times. In the life sciences industry, typically about 50% of synergies targeted are related to IT, that is, rationalizing the application portfolio and optimizing the realization of application value to provide enhanced benefits. Based on the synergy avenues discussed here, this finding

organization needs to undergo a radical change. The CIO needs to be empowered and also held accountable. Only then the true value of M&As can be realized. This also means that some of the current core "run better" responsibilities of the CIO must be managed by a separate team from the one that is responsible for innovation and value realization. This requires a rethink of the organization and the operating model. ■