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Medical Device Company Consolidations: Post-Merger Integration Considerations

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As consolidations continue to rise within the medical device industry, companies must take a systematic approach to maximize returns. Here's how

It's full-speed ahead for medical device mergers and acquisitions in this rapidly evolving, competitive healthcare industry. But consolidations for medical device companies — post merger, in particular — are complex, with myriad post-merger integration (PMI) considerations as they seek to maximize value for all stakeholders (shareholders, employees, customers). This requires:

- Achieving cost and revenue synergies
- Preserving and growing sales and market share
- Enhancing technology, systems, and product portfolios
- Streamlining operations and manufacturing 'Aligning business processes

- Establishing a corporate culture and acquiring human capital
- Managing the integration budget to realize ROI

Assuring sustained growth and profitability is no easy task, especially when the parent and its target are separated by borders and when the deals involve mega companies, as is becoming increasingly common among medical device consolidations. To do so requires a deliberate, strategic approach, one that manages internal resources deftly in order to balance ongoing operations (“business as usual”) with PMI activities.

PMI Methodology

Maximizing success requires a systematic approach, one that’s best realized through four distinct considerations:

Phase 1: Organize (pre-deal):

Commensurate with any consolidation is a great deal of uncertainty among stakeholders, especially personnel. To allay those concerns and facilitate the transaction, executives should have a clear and concise message prepared prior to the deal, communicating often and early to staff, suppliers, and others. Being able to articulate the why behind the acquisition is critical for people to gain a sense of belonging and purpose. As the remainder of the process builds from this phase, it’s critical that communication be open and transparent in order to gain trust and clarify personnel for key teams and processes.

Phase 2: Plan (day zero):

Phase 2 is defined by planning, creating a team charter that designates the individuals and teams that are going to control key processes. After a charter is in place, solidify milestones and expectations while developing a risk assessment. The latter is essential: planning for risk and adopting a course of action should the consolidation plan encounter

challenges (as is nearly always the case) will minimize disruptions.

Phase 3: Implement (day one to completion):

Phase 3 illuminates any gaps in the previous two phases while steering the consolidation toward completion. During this phase, executives should perform a complete assessment of the integration process, focusing on optimizing the key functions and technologies that were identified in the overall PMI plan. Training should also be addressed, which includes communicating to all personnel precisely what the end of the implementation process looks like. The acquisition process among medical device companies can last several years (IT-related activities are time consuming); communicating that timeline to staff will help manage expectations as well as ensure that resources are properly allocated.

Phase 4: Monitor (ongoing):

Success for any consolidation is determined long after implementation, when monitoring is critical. While you may achieve some of the pre-merger goals during the implementation phase, sustaining that growth is a more accurate measure of success. Precise monitoring includes establishing open issue reporting, implementing overall program dashboards, conducting regular reviews, and monitoring synergy metrics. It's critical to maintain focus on the complete customer experience. No matter project synergies, if your stock runs low and service fill rates struggle, customer loyalties will suffer, frustrating the goals of the PMI.

Success Factors

Even with a structured methodology in place, PMI success is not guaranteed and depends on a number of factors, including:

- **People and culture:** The true gauge of a merger's success depends on the ability to integrate disparate cultures and people; it determines whether growth can be

sustained.

- **Program Management Office (PMO) structure and approach:** Developing a systematic implementation plan along with a future-state integration plan sustains staff engagement and ensures integration teams operate cross-functionally.
- **Sales and cross-selling initiatives:** With a new synergy of products comes exciting opportunities. But don't lose focus on at-risk accounts and customers; they must be protected to preserve value.
- **Global operations:** Maintaining continuity of supply is critical for post-integration success. To do so requires mitigating supply chain risks and aligning all manufacturing locations to a strategic global operations plan.
- **Communication and change management:** Communicate frequently, consistently and effectively to internal and external stakeholders to avoid alienating parties.

The integration process is growing increasingly complex, and the process can't be left to chance. Preparation and communication are keys to achieving the goals of consolidation. Both must be part of a systematic approach to ensure operational consistency and fully leverage anticipated and emerging opportunities.



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