

Teaching Case

IT System Integration: Global Medical Acquisition of Health Tech Case Study

Mark Russo
mark.russo@quinnipiac.edu

Bruce White
bruce.white@quinnipiac.edu

Information Systems
Quinnipiac University
Hamden CT 06518

Abstract

Mergers and Acquisitions are just part of life in business. For example, in the health care technology field in 2012, Veritas Capital Partners acquired Thomson Reuters' Healthcare. Other major active acquisition companies included: Medical Transcription Billing, T-System Technologies and Sharecare.. In this case study, a larger health technology company (Global Medical) acquires a smaller health technology company (Health Tech). But, as the case unfolds, there are major problems with getting the smaller company integrated into the larger company – including decreased in production and falling behind on deliveries

Keywords: Merger, Acquisition, Health Technology, IT

1. THE PHONE CALL

"Hello, this is Steve Winters," Steve said as he answered the phone in his office. "Good evening, this is Stephanie calling from Mr. Thompson's office." Steve was somewhat expecting the call, but he still found himself unprepared for it. "Yes, how can I help you, Stephanie?" "I wanted to call and let you know that Mr. Thompson and some of the executive board will be traveling to the Health Tech campus tomorrow and he'd like to set up some time for you to update him on the latest developments of the Health Tech acquisition. They'll be arriving tomorrow at 9am, are you available?" Steve knew this wasn't really a question and he couldn't say 'no.' "Of course," Steve replied, "I'm looking forward to seeing Mr. Thompson again and bring him up to speed. I'd love to give the team an update. I'll see them at nine." However, that wasn't true – Steve was not looking forward to seeing the CEO or the

rest of the team. Nor would he love to give them an update on the terrible progress being made on his latest assignment: the smooth integration of the Health Tech business into a part of the Global Medical conglomerate. It was one of the company's most significant acquisitions in years and it was facing some trouble.

Steve grabbed his coat and headed for his car. It was yet another late night at the office trying to fix the problem. "But what was the problem," Steve thought to himself on his drive home. "The acquisition of Health Tech was a perfect fit for us. The customers love their product if we could only build without all these manufacturing problems. Maybe these guys from Health Tech aren't exactly what we thought they were...or maybe we aren't." Steve's mind kept racing through these thoughts as he drove home down the virtually empty highway. It would only be a few more hours before he had to turn his car

around and head back to the office to prepare to explain the problem and a solution to Mr. Thompson and the rest of the board. But what would he say?

2. BACKGROUND

Global Medical is one of the largest healthcare companies in the United States. They sell a variety of medical devices and pharmaceuticals and have been one of the great American success stories in business. Global Medical developed a strong brand name that became synonymous with innovation and healthcare. Global Medical used technology not only in their products, but also in the way they managed their business. They established a network of distribution centers and sales reps across the country and the world to efficiently move products to customers in short notice. Their company has been recognized for their effective use of IT to manage parts of their business such as their raw material, document control, and distribution management.

Health Tech, on the other hand, is a different story compared to Global Medical. Through the years Global Medical was an industry giant, Health Tech was struggling to exist as a business. Sam Knox started the company out of his home and built it from the ground up. Sam had previously worked at a metal machining shop where he worked for years making screws, bolts and other fasteners. Unfortunately, Sam was in a bad car accident that required several orthopedic screws to repair broken bones in his leg and back. When the bill came and he saw the price tag listed next to those pieces of hardware, it caught his eye. Sam wasn't able to go back to work, so in 1998, he enlisted the help of his two sons who had experience in the medical device field to start their own business in Atlanta. They worked mostly with the standard hardware at first to generate a cash flow, but ultimately intended on transitioning the business into the medical arena. They sought the advice of local doctors and displayed the ability to make specialized screws to fit the exact needs of the local surgeons. Essentially, they had the ability to make customized products for the surgeons' needs. The surgeons loved the idea and the product. They were looking for this type of service for a while and couldn't wait for Knox to start producing their product. But the Knox family didn't have the expertise or capital required to comply with the regulations of the FDA.

At that point in early 2008, Sam sought and garnished the financial backing of some venture capitalists. The business was still partially run by Sam and the family participated heavily in the manufacturing operations. However, it was re-named Health Tech to signify the "rebirth" as a new company with some additional financial power. The Knox family had created a solid company with potential to grow further, but they lacked an expertise in areas outside of manufacturing. They managed to gain traction in the local southeastern United States orthopedic surgical suites but there was room for growth throughout the remainder of the United States and perhaps internationally. As part of the agreement to provide financial investment, the venture capitalists insisted that they were allowed to create an executive board to serve with Sam to plan and execute a growth strategy for company. They hired experts with leadership experience that included Marketing, IT, Manufacturing, Sales, and Supply Chain to serve on the board.

3. THE GREAT RECESSION

In late 2009, the venture capitalists were hit hard as financial institutions were collapsing. Even the largest investment banks on Wall Street were going out of business, so it wasn't long before the other investments made by the venture capitalists that funded Health Tech were all dried up. Health Tech could have made it on their own had the investors left at a different time and for a different reason. But since the United States employment was hit hard – especially in the southeast – there were fewer people with health insurance coverage. Hospitals were also being hit by the reduced amount of patients and the economy. They were opting for cheaper products of the competition rather than the high-quality, customized products made by Health Tech. Even if other areas of the country were economically better, Health Tech didn't have sales, distribution and support in areas beyond Mississippi to the west, and Tennessee and South Carolina to the North. Health Tech was in trouble of maintaining their survival. Unemployment rates really slipped in the United States during late 2009 with the southeastern United States being hit harder than most other regions.

4. THE BOARD MEETING

The executive board of Global Medical is having their monthly meeting – their org chart is shown in the appendix as figure 1. Sharon Walters, VP

of Marketing was presenting to the board. "We've been waiting for an opportunity like this for years. Now is the time – it is here. The unfortunate realities of the challenging economy are that many businesses are falling on hard times. Health Tech is one of them. They have a strategic position in orthopedics in the southeastern United States. We've looked into them before, but the investors felt like they could grow their own business and were asking for too much money. I believe we can and should buy them now. They are struggling due to the economy and a lack of cash flow, so they have to be more willing to sell at a lower price. The bottom line is that their product is still good and we have the resources to grow the business elsewhere while times are tough in the region. When the economy comes back, we'll have a wonderful strategic advantage with their products in our portfolio. Thanks for your time and attentiveness." The board thanked Sharon for her presentation. In addition to the CEO, Phil Thompson, the VPs of R&D, Marketing, Sales, Operations, Finance and Legal began discussing the proposal of acquiring the Health Tech. It is a topic they have discussed before and had concluded that it would be a good fit for the right price. With their recent loss in financial cash flow, Health Tech might just be willing to sell at a price that Global Medial would be willing to pay.

After some lengthy discussions, Phil Thomson summarized the meeting: "Ok, I'd like to recap our conclusions. I'm hearing that marketing likes the idea of completing this acquisition. They like that the customized screw products would supplement our orthopedic division. Also, the southeastern United States has been a market where we've struggled to get a foothold with our other businesses for years. However, we will be able to use the relationships and reputations developed by the Health Tech brand to get into the southeastern market (as shown in figure 3 of the appendix). Karla, from sales said that they will be able to have their current sales reps in the region support the sales of the acquired product lines with minimal additional headcount. Furthermore, Karla believes that once they offer the Health Tech products, they will be able to generate additional pull-through sales of our other healthcare products and pharmaceuticals. Betty, from operations, believes that we can make the acquisition happen rapidly if we move several key operations managers into the Health Care manufacturing plant at first. They should be able to integrate our manufacturing expertise and computer systems into their facility quickly. The long term plan will be to bring their

manufacturing in-house and shed the assets and real estate that make up Health Tech's current operations. Betty says Operations will have our systems up and running in Health Tech's facility in less than 60 days and we'll have their products fully integrated into one of our manufacturing facilities within 18 months. Walter from legal has requested that we all make a trip to the Health Tech plant in Atlanta to get an on-site evaluation/audit of what we're acquiring before any final decisions are made. I think this might be one of the big opportunities we've been waiting for years. I'll expect marketing and sales to get with their people and get forecast estimates for new sales figures related to this potential acquisition over to Harry's team in finance. The same for everyone: if Finance needs some information from you for this evaluation, let's get that completed in the next two weeks. That will give Harry Wellman two weeks to crunch the numbers and see what offer price makes sense. We'll reconvene next month where you will all present and defend your estimates and Finance will discuss their projected price proposal. Thank you everyone, good work, let's get this done."

5. ACQUISITION ANNOUNCED

After the Finance Department of Global Medical crunched the numbers, they came up with a price that was appropriate for Global Medical to offer and Health Tech. Phil Thompson contacted Sam Knox to see if he'd interested in selling his company and offered a price. Sam Knox didn't have much of a choice – he lost his financial support and sales were hit too hard for Health Tech to survive on its own. The experts hired by the venture capitalist had invested much of Health Tech's money in upgrades to the company's IT and Marketing. These investments appeared to improve efficiency and started to grow the customer base. However, these investments were made during an unfortunate time. Just as the large investments in hardware, software, and implementation were made, the effects of the recession starting hitting Health Tech hard. If Health Tech hadn't extended themselves so far or the venture capitalist hadn't gone under, they may have had the resources to ride out the storm. But that wasn't the case. Knox wasn't willing to take the chance. He had become very close to most of the people that worked for him at his small company. They weren't wealthy but they made a decent wage working for Knox. The company was a tight-knit group and he worried how his decision, whatever it was, would affect them.

Sam struggled with the decision. He had made a decent amount of money through the sale of a portion of his company to the venture capitalists. His concern was more about his family and friends that worked for him than his own financial situation. If he didn't sell the company, they could lose everything as Health Tech went bankrupt. On the other hand, if he sold to Global Medical, his employees may feel alienated, let down, and they may lose their jobs anyway in addition to their friendship with Sam. After much debate, Sam decided to take the chance in selling his business to Global Medical. It would keep his people employed for at least a few more months and most likely for the foreseeable future with the new company. With a heavy heart and a tear in his eye, Sam Knox announced to his employees that he was selling the company to Global Medical effective April 1, 2010 and teams would be present soon to start the transition process.

6. GLOBAL MEDICAL VISITS HEALTH TECH

The Global Medical executive board was just about to depart for a trip to Health Tech to make a final assessment before the acquisition was official. Before he left his office for the trip that would take the better part of a week, Phil Thompson made sure all his loose ends were tied up. As he walked out, he stopped by the office of Mike Randolph, the VP of Information Systems at Global Medical. "Mike, I know this is late notice, but I need you to skip this trip and stay behind at the office to make sure your team completes that upgrade to the data center," Phil said. "Are you sure, Phil? I don't mind traveling for a day or two and then flying back early. While I'm gone, I can check in with the team via email and then come back to make sure the job gets finished here," Mike replied. Phil said, "No, that's OK, we can handle this one. It is straightforward and should be nice and easy. All of that traveling would be a headache and unnecessary. We'll give you a call if something comes up. They recently upgraded their IT systems anyway, so I'm sure there won't be any major weakness there. We'll see you next week."

The board traveled down to the Health Tech facility in an industrial part of Atlanta. Shortly after their arrival, Phil Thompson spoke to the employees at Health Tech and tried to reassure them as many naturally feared for their future. He was sincerely concerned. He recognized they had created a great product and although they had fallen on hard times, Global Medical would be a partner in their revival as a successful

business and help push it through the hard times toward a bright future. He also introduced Steve Winters to them. Steve was given the special assignment in charge of ensuring that the merging of the two companies went smoothly. He would be located on site at Health Tech for the couple months it was going to take to complete the integration. After his CEO was through, Steve introduced himself to the employees of Health Tech and briefly laid out his plan for a successful transition. After Steve spoke with the employees, he and the two leadership teams met in the conference room to make sure there were no surprises in the acquisition and transition plan. As they sat down, the leadership teams reviewed a previously agreed upon agenda of items to cover. That agenda appears below in figure 2.

They spent days digging through the details of Health Tech often working late in to the night. It was a long week for both teams. By the time Friday rolled around things had run as smoothly as possible with only a few minor details that made anyone pause with concern, but they were resolved very simply. By the time the teams started in on the Friday agenda, Phil noticed a slight problem. "Pardon me ladies and gentlemen, but as I look closer at today's agenda, I see that we plan to cover 'IT'," Phil started. "I have to acknowledge that I asked Mike Randolph, our VP of IS, to stay behind and take care of other business." "That's okay, Phil," Linda Kowolski responded. She was the IT expert hired by the venture capitalists to serve on Health Tech's board. She continued, "I'm sure everything is fine with our IT. We recently upgraded all the IT here in the last year or so. I'll just email a summary of the hardware and software we currently use to Mike and he can follow up with me if he has any concerns." The rest of the leadership teams agreed and they went on reviewing the remaining items and creating integration plans for each of them. At the end of the long week, they felt like they successfully completed all the necessary items to satisfy their due diligence investigation and were comfortable proceeding with the final steps of the acquisition. As everyone started to gather up their belongings, Steve Winters came forward and said, "Before you all leave, I just want to thank you all for your participation in this week's meetings. Thanks for putting together a great set of transition plans. I look forward to working with all of you and ensuring this integration of our two great companies goes as well as this week of teamwork has. Thanks again"

7. "LET'S DO LUNCH"

A couple weeks after the acquisition took place, Global Medical and Health Tech were working on integrating the two businesses into one. The integration, among many other details, required eliminating overlap in IT systems where they existed and training the employees on the new systems as needed. Brian and Heather are friends and worked for Health Tech before the acquisition. Brian worked as a documentation analyst where he is responsible for document revision control for every document in the company from Standard Operating Procedures (SOP) and Company Policies to employee training records and Engineering Blueprints used to control the design of the products they make. Heather worked as a purchasing agent where she is responsible for processing purchase orders for anything needed to conduct business as well as making sure that there is always enough raw materials on hand to keep manufacturing up and running.

Each just finished up a week of training on the Global Medical IT systems they are being asked to migrate to as part of their jobs. They met up for lunch and discuss their experiences. Brian said, "How'd training go?" Heather just gave him a disgusted look and sighs. "That well?" he says and chuckles. "How was yours?" Heather responded. "Actually, it went pretty well. Global Medical has this great PLM (Product Lifecycle Management) system. It should make my life a lot easier. Rather than having to carry around documents for signatures and approvals, this system allows us to process any document changes electronically," Brian explained. "How does that work? How do they approve a change then?" Heather inquired. Brian elaborated, "It is easy. Any employee can start a change to document on their computer, then they use this system to select the necessary approvers, and it routes a change notice to those approvers with the proposed change attached to it in an email. The approvers can sign off by entering a password if they agree with the proposed changes. If not, they can conference with each other within the system and discuss some amendments to make the document appropriate for approval. Once signed off by the managers, I get a notice in my email. I then review the format, implement the change and close out the change request. The system even stores the documents when they are changed and all users can search for any document they need to reference. It is going to make my life a lot easier. I won't have to spend half my day walking around trying to find a manager to sign

off on document changes. Our department should be able to process much more of these in a given day. Not only is the system great, but Paul from Global Medical is doing the training. I don't know if you've worked with him yet, but he's great. He did a great job of making the training interactive, he answered all the questions thoroughly, and just did an outstanding job explaining the details to us. By the second day, we were able to walk through the system on our own. By the end of the week, we were pros." Heather shot Brian another one of those disgusted looks. "I wish I could say the same," she said. Heather continued, "I swear they're trying to make things more complicated for us. Global Medical is having us shift over to their ERP (Enterprise Resource Planning) system. I don't get it. Our system was much better and less confusing. I know we both had ERPs and it makes sense to consolidate to one system, but they definitely chose the wrong one. I could barely get through the entire training. The instructor, Bill, was so boring. He didn't even know how to use the system in the way we need it to work for us. My colleagues, Jim and Sandy skipped the last two days of the training. They said they'll try to figure it out on their own. Maybe I should have joined them. I just don't think this is helping -- I don't know what I'm going to do when I have to use this on my own. I just knew this acquisition was going to be bad news." "Wow, that sounds painful, Brian responded, "I'm sorry to hear that it isn't working out better. At least they included you in training. Did you hear about what happened in R&D? They have to use the ERP from time to time as well, but no one ever told them we were transitioning to a new system. I guess the R&D staff at Global Medical never had to use theirs and they didn't expect R&D would need it here." "But it goes live in two days," Heather replied. "Yeah, I know. They were furious." Brian said, "Sam Knox demanded that they train our R&D staff immediately. So they're going to try to give them a crash-course tomorrow. A week of training crammed in to one day!" "Ouch. Maybe I don't have it so bad after all," Heather said.

The two friends continued their lunch while continuing to catch up on their experiences with the acquisition. When they finished their meal, they said goodbye and returned to their desks to continue working. On their way back, that each wondered how smoothly the acquisition was going. Were more people having the experience that Brian had? Were more people having the experience that Heather had -- or worse, what R&D was having?

8. MANUFACTURING FIASCO

Sal Valentino, a director in operations at Global Medical, was in his temporary office he had set up in the Health Tech facility. He was on-site to keep a closer eye on the integration process of manufacturing to the Global Medical standard. He was reviewing the latest data from the production line. When he looked it over, he was concerned. "Hmm," he said to himself, "they are still not performing as well as I thought they would by now." Sal was reviewing the efficiency data from the production line. Efficiency was measured by the amount of good units built per hour of labor. Then that value is divided by the target number of good units built per hour of labor. The values were much lower than he expected for the newly acquired line. He looked up the historical data to see where they were running before the acquisition. He was right. Something was not right. What was going on? Sal sent the data (shown in figure 4 below) to his boss, Betty Reynolds, the VP of operations at Global Medical. It showed that the efficiency dropped dramatically shortly after the Global Medical acquisition of Health Tech.

Betty saw the data and immediately called Sal on the phone. She agreed there were major problems they needed to address. If this acquisition was to be viewed as a success by the shareholders of Global Medical, production inefficiencies would not be tolerated in addition to the weak revenue stream resulting of the struggling economy. Investors would wonder why Global Medical made the acquisition if they didn't significantly grow revenue or profit soon. They'd demand a return on the investment or lose faith in the management of Global Medical. Betty was not happy. She practically yelled at Sal, "Why haven't they got it together? We should be up and running at full capacity by now. We're not even close to operating where they were when we took over. Do you think the Health Tech employees are just too incompetent to work with more advanced manufacturing and technology or are they just trying to sabotage the acquisition?" Sal didn't have an answer, but he agreed to go find out what the problem was immediately and fix it. "Good," Betty agreed, "please find out what's going on and do what you need to do to fix it immediately. Meanwhile, I'm going to have a chat with Sam Knox and see what's wrong with his people. This is just not acceptable."

Sal hung up the phone and went straight to the production line to investigate the problem in

person. When he arrived, he saw many of the manufacturing employees sitting around doing nothing. "Betty was right, they are trying to sabotage the acquisition," he thought to himself as he approached the line supervisor. "What on earth is going on?" he asked in an angry, stern tone, "how can you be sitting around doing nothing?" "We're shut down again, we ran out of material," replied Dave the line supervisor. "I don't know what you guys do at Health Tech, but this isn't the type of performance that is acceptable as part of Global Medical. You guys need to get on board now. Purchasing didn't order enough material to run the line?" "No, I misspoke," Dave explained, "the material is in the building, it is just in the warehouse and hasn't been moved to the manufacturing floor." The problem was, and has been, getting the material from the warehouse to the manufacturing line. The line has been shut down for a couple hours most days waiting for material to arrive from the warehouse. When it gets to Dave on the line, they have been working as hard as they can to hit their production targets. They have even worked overtime here and there to try to produce their quotas. Sal could see the expensive overtime wages and time spent not producing product is what was causing the line efficiency to drop significantly. The fact that the metrics didn't drop further was probably a testament to the hard work being done on the manufacturing line to complete as much as they have over the past few months. Sal could see that the problem was a little different than he thought.

Sal moved on to the warehouse to continue his investigation. There he found Tom Larson frantically trying to put together orders of raw material going to the manufacturing floor. As Sal spoke with Tom, he found that Tom was struggling with the new ERP system. He wasn't able to keep up with the orders fast enough to keep the process going. He learned how to handle a standard order in the new system, but he struggled with anything that wasn't a standard order and needed to seek help from others in order to move the material through the system. Sal asked Tom if he had been trained. Tom admitted that he missed a few days of the week long training. Tom explained that at first, he missed the notice of training that was emailed to him. He explained that with the acquisition in process, all Health Tech employees were receiving many useless emails from the leadership regarding information on salaries, benefits, changes in policies, responsibilities, press releases, etc. That's not to say the information was useless, but the same

announcements were posted everywhere in the building and mailed to the employees at home. Each notice was sent on a separate email and for Tom, the training notice was lost in the mix during the storm of emails he was receiving from "Global Medical Leadership." However, Tom also said that he wasn't the only having trouble. Sometimes even when he knew how to process the order, the material wasn't available to move through the ERP system even though Tom could physically see the shipment of raw material in the warehouse. Figure 5 in the appendix shows the flow of material through Health Tech at a high level and how the ERP system works with staff to control material movement from receipt to manufacturing.

Sal's investigation continued further. When he went to the receiving department he saw the staff there also struggling with the new ERP. Sal was just hoping that didn't miss training too. The supervisor assured Sal that his people did in fact attend the training. However, some of them were just having a hard time handling the new system and they were finding it complex. As a result of their trouble, sometimes the raw material wasn't able to get through the system fast enough to allow the warehouse staff to move raw material to the manufacturing line. Sal was seeing the bigger picture come together. He returned to Dave on the manufacturing line. Sal told him that he had gotten to the root of the problem and realized that there wasn't a manufacturing problem after all, but a challenge with IT. Sal apologized for being short with Dave earlier. Dave said, "I understand. It has been frustrating down here too, trying to do our job but running out of material every day. I'm sure you guys aren't thrilled about this either. I just wish I could have corrected the problem, you know? Before, this would happen once in a while. Back then, I was able to go to the warehouse, fill out a material requisition form, sign it, leave it with the warehouse staff, go get the material myself and keep the line running while leaving them a record of the material movement through our facility to enter into their records when they caught up. But we can't do that anymore with this system." Sal thanked him for his work and returned to his desk to call Betty and give her an update on the situation.

9. INVESTOR MEETING

Steve Winters had heard the problems that they were having in manufacturing by now. He was aware efficiency was down, but he expected that for a month or so and then for it to improve better than it was before the acquisition.

However, that wasn't the case. Thus far, the merger wasn't exactly impressive. The challenging economy was not helping sales of the Health Tech products and therefore the Global Medical sales force was not generating the incremental gains they anticipated from pull-through sales piggy-backed off of Health Tech's products. While the acquisition was made with longer term strategic goals in mind, there would certainly be negative repercussions from the shareholders if the profit margins of Health Tech were hurt too. The inefficiency in production was translating into higher costs with little revenue gains for Global Medical. There was no return on the investment made for the acquisition and the share price of Global Medical would suffer for that. The CEO Phil Thompson, VP of Ops Betty Reynolds, the rest of the executive board and the shareholders were fully expecting a week or two of Health Tech losing a bit of efficiency as they learned the new IT systems. Phil had stated that when they announced the acquisition. However, he also said the efficiency numbers would improve back to normal by now, if not better. He also promised increased sales and profits hitting Global Medical's books early next year. It would be hard to keep investors believing that if they were already heading backwards. Phil had contacted Steve Winters several times over the past few weeks asking for answers to why the efficiencies in manufacturing failed to return to their pre-acquisition levels. Steve said he'd get him some answers and solutions. But Steve didn't have them.

When he saw the latest numbers published, Steve ran into Sal's office. Sal was on the phone with Betty. Steve quietly asked, "Is that Betty? Can you put her on speaker phone? I need to talk to you two now." Sal put Betty on speaker phone and let her know Steve stopped in to talk. Steve said to both of them, "We have to solve this problem with your manufacturing group now or we're in trouble. In fact, I'm sure it's even too late for that. Phil has to present to the shareholders on the latest updates regarding this acquisition of Health Tech and I need to give him answers. If Phil's demands for answers haven't been bad enough, what do you think the investors will say? So I ask you two: is it time we let some people go and get some better people in place that can get the job done? I can't stand around not taking serious action anymore." Betty responded, "I have IS in my office on the call too." "Who cares?" Steve thought to himself. Then he heard, "Hi Steve, it is Mike Randolph."

Now Steve understood. It was the VP of IS who was in Betty's office. Then a sinking feeling came over him and his mind tuned out of the call. All this time Steve was thinking manufacturing was the problem. But was it? If so, why was Mike involved and why hadn't Steve figured that out sooner? While on-site as he had been since day 1 of the acquisition, Steve had heard the complaints around the office of complaints about training and the occasional person not being included. Steve thought these were not the norm, but "things that happened" during a major acquisition like this. He discussed these findings with Phil on an occasional update. Phil told Steve that these are the challenges to be expected in any acquisition or merger. It isn't easy; many people are on edge and are asked to do different and sometimes more difficult things. Phil told Steve to keep pushing through, show leadership and make the successful transition happen. Phil even told Steve to give the company a Friday afternoon to have a company barbeque when the weather was nice to try to boost morale. He did, and they all seemed to enjoy it. However, Steve didn't think it had a lasting effect. The very next week, he heard more complaining about the systems that Global Medical was using. Some Health Tech employees were even saying that the Global Medical systems were worse than what they used to use. Steve could see that the Health Tech employees weren't positive about making this whole acquisition work. Steve thought to himself, "Phil was right – people don't like change period. That even holds true when they go from the low-tech systems to the high-tech systems with much more advanced features. We're not looking very successful right now. We'll have to get there though. Just have to keep pushing through the resistance to change."

Steve's focus returned back to the conference call. Mike, Betty and Sal had been talking about Sal's recent findings. Steve explained the negative attitudes and insubordination he had been hearing about while walking about the facility – something that Betty and Mike couldn't see from Global Medical's corporate offices. Mike said, "You're right Steve, you're there on the ground handling the day-to-day transition, so only you know best about that topic. Personally, my opinion is that these things take time – it may take more than a couple months for new users to successfully use a new IT system. But maybe you're right. Maybe the culture needs to be changed there. In fact, I just received an email from Linda Kowolski this week providing me the information on Health

Tech's IT software, hardware and other general assets. Everything looks ok, but I probably should have had this information months ago. She said 'she forgot.' If that's their leadership, you have to wonder. Anyway, Steve, let me know if you need anything from my team to get this sorted out. I don't know when they'll be able to get back to you, they're all tied up in integrating the two IT systems, but we'll do our best. Good luck." Betty offered her assistance as well. Then they hung up. Steve strolled back to his office. On the way, he was thinking of how he missed this. He was scheduled to have a call with Phil tomorrow morning to give a regular update. What was he going to explain? At least he more answers for him.

It looked like it was going to be another late night for Steve as he tried to make sense of all the challenges they were facing. Just a few months ago, this seemed like it couldn't be any easier and the acquisition was going to be a walk in the park. How long ago that all seemed now. "Should I have seen this earlier? Does Health Tech need to get on board faster? Did Global Medical mess this up? Did I mess this up?" Steve thought to himself. As he glanced out his window, the sun was setting over a nearly empty parking lot. Just as the sun set behind the trees, his office phone rang. Steve didn't move for a moment, then he slowly rose in his chair and looked over toward the phone's caller ID. There was that sinking feeling again. It was the call he'd been dreading: it was Stephanie, Phil Thompson's assistant. "Hello, this is Steve Winters."

10. REFERENCES

- The Aquisition Due Diligence Checklist*. (2012, May 5). Retrieved from Accounting Tools(R): <http://www.accountingtools.com/due-diligence-checklist>
- Antonis C. Stylianou, C. J. (1996). Corporate Mergers and the Problems of IS Integration. *Information & Management*, 203-213.
- Bureau of Labor Statistics. (2009). *Local Area Unemployment Statistics Map*. Washington DC: United States Department of Labor.
- Epstein, M. J. (2004). The Drivers of Success in Post-Merger Integration. *Organizational Dynamics*, 174-189.
- McKiernan, P. A. (1993). The Strategic Positioning of Information Systems in Post-

- Aquisition Management. *Journal of Strategic Information Systems*, 105-124.
- Meraldi, Y. A. (1995). Integrating Information Systems After a Merger. *Long Range Planning*, 54-62.
- Robbins, S. S. (1999). Post-Merger Systems Integration: the Impact on IS Capabilities. *Information & Management*, 205-212.
- Sumi, T. A. (2002). Ramp New Enterprise Information System in a Merger & Aquisition Environment: A Case Study. *Journal of Engineering and Technology Management*, 93-104.
- Wijnhoven, F. T. (2006). Post-Merger IT Integration Strategies: An IT Alignment Perspective. *Journal of Strategic Information Systems*, 5-28

Student Questions

- 1) Give an synopsis of the case
- 2) What went wrong?
- 3) Mike Randolph (VP of Information Systems) did not make the first trip to Health Tech. Was that a good move? Discuss.
- 4) What went wrong with the training? Was the lack of training a major contributor to the project's situation?
- 5) There is an adage 'if it isn't broke, don't fix it' – should Global Medical left Health Tech's ERP system in place? Why or why not?
- 6) At this point, with the manufacturing efficiency (see figure 4) sliding, what should be done to quickly solve the situation?
- 7) What is the value of communication in an acquisition? What communication channels should have been established?

APPENDICES

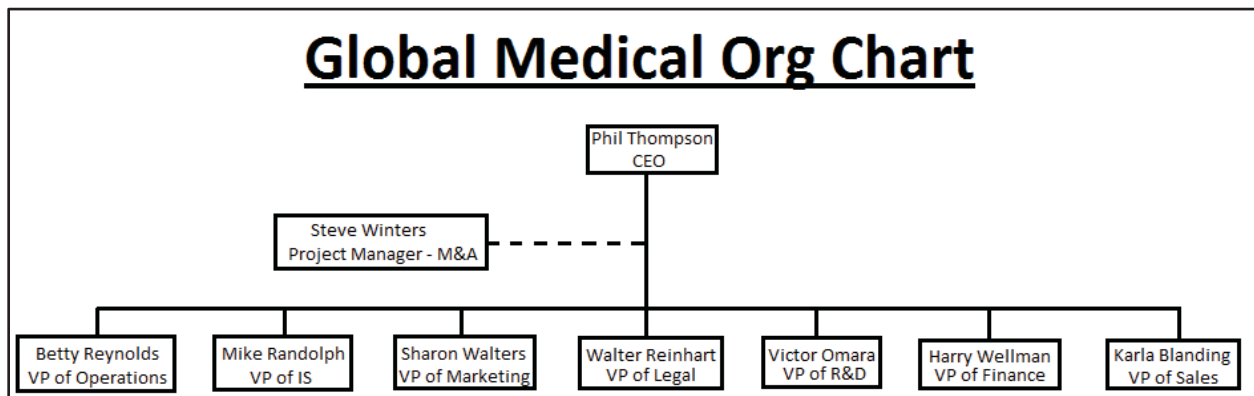


Figure 1 – the Executive Board for Global Medical

Monday	Tuesday	Wednesday	Thursday	Friday
<ul style="list-style-type: none"> • Tour of Offices • Tour Manufacturing Plant • Process Flow 	<ul style="list-style-type: none"> • Operations • Assets • Liabilities • Equity • Real Estate 	<ul style="list-style-type: none"> • Financials • Cash Flow • Sales • R&D • IP 	<ul style="list-style-type: none"> • Quality • Regulatory • HR • Personnel • Management 	<ul style="list-style-type: none"> • Policies and Procedures • Benefits • Salaries • Current Legal Issues • IT

Figure 2—the agenda for the Due Diligence Meeting. Source: (The Acquisition Due Diligence Checklist, 2012)

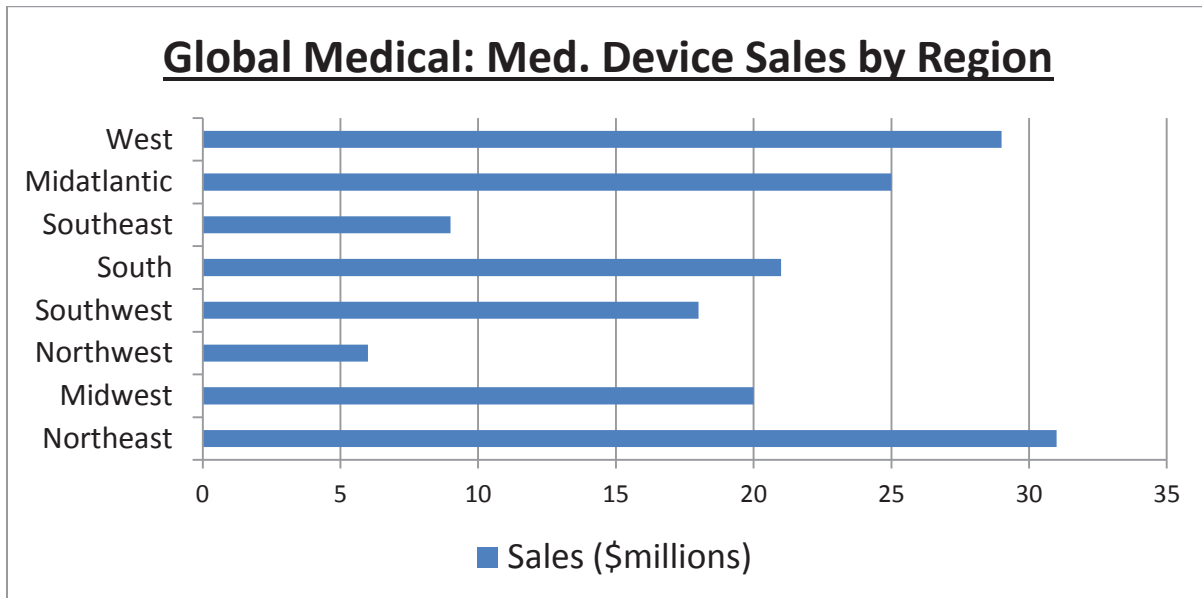


Figure 3—this is the sales figures (in millions) for Global Medical’s medical device business division prior to the acquisition of Health Tech.

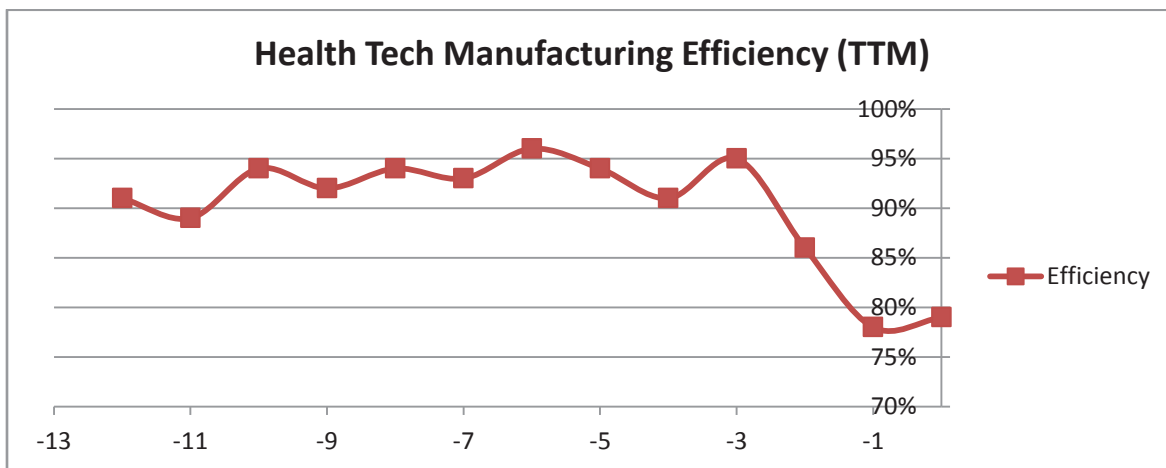


Figure 4—this is the trailing 12 months of Manufacturing Efficiency for Health Tech. On the x-axis T=0 is the current month.

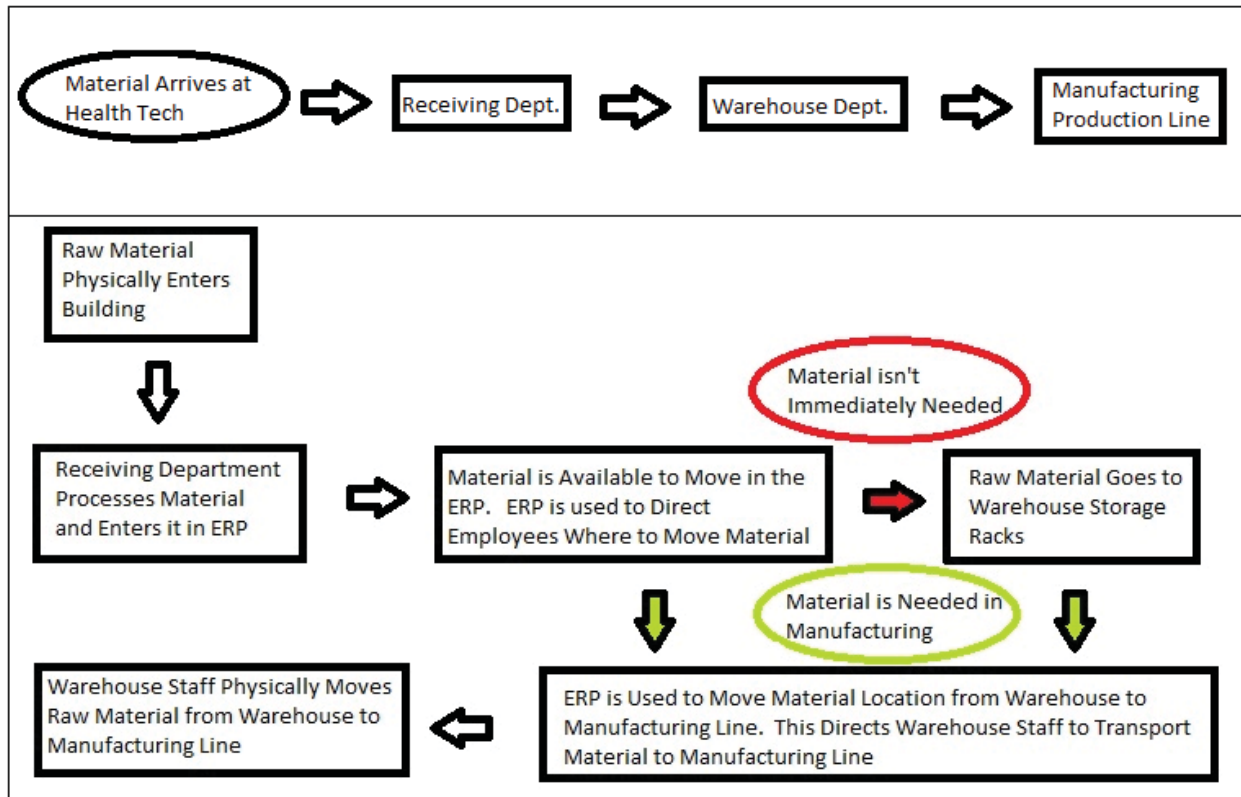


Figure 5—this is a flow chart of the high-level material movement of raw material from receipt to manufacturing (top portion) and a flow chart of how the ERP system works with the staff to control the movement of raw material from receipt to manufacturing line (bottom portion).