

# Transformation of a pharmaceutical firm



## KPMG's strategy consultants help a pharmaceutical company with the integrated transformation of its business portfolio.

Demand for healthcare products is rising as the world's aging population continues to grow. New technology and innovation in IT, genomics and biotechnology are extending the treatment spectrum. As healthcare costs rise, so does a sense of cost awareness. This leads to more demand for cost-effective treatment options such as generic drugs. On top of which, pharmaceuticals face additional pressure from rising regulatory requirements, loss of market exclusivity and more competition.

**Growth despite nearly insurmountable challenges.** In spite of the pressures, pharmaceuticals must maintain solid financial strength as a base for investment in promising business areas. That's why our client initiated a wide-ranging transformation of its portfolio.

After conducting an in-depth review, the global pharmaceutical company's executive board decided to reposition its portfolio and, going forward, focus exclusively on segments with market leadership potential. This radical step concerned several business segments generating billions in turnover and affected thousands of employees. Additionally, the executive board planned to separate a business division into independent operating entities before sale.

The executive board realized that they needed a reliable partner to help implement the project quickly and successfully due to its complexity and tight schedule of just a few months.

**Fast, efficient and pragmatic.** These were the three decisive factors for choosing KPMG as a partner. And to accomplish this mammoth task while offering as much value as possible, we provided a multinational team consisting of our most experienced strategy consultants.

By quickly and successfully integrating various stakeholders, we established great trust and cooperation – key to creating valued collaboration over the course of the project's implementation. As one top-manager said, "During the project it almost felt like the KPMG's consultants were an integral part of the company."

We were always respectful and careful to avoid disrupting the client's day-to-day operations – from analysis to planning and throughout the implementation phase as well as while preparing the entities for sale.

**Taking a structured approach,** we identified existing linkages to the seller along the value chain and implemented solutions for a smooth separation. To safeguard the operating business, the provision of certain services (e.g. Personnel, IT support) was contracted over a transitional phase with the seller using so-called "Transitional Service Agreements".

All things considered, the project was a total success. With our support, the client successfully implemented the transformation on time and realized maximal deal value. As the client's CFO said, "None of the market players could've initially imagined that such a complex transaction was at all feasible. But KPMG's strong cooperation and openness to dialogue was the cornerstone to optimizing the project's structure, planning and implementation."