

SAP Customer Success Story Life Sciences – Pharmaceutical Products



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David Lavallée, IT Director, Pharmascience Inc.

AT A GLANCE

Company

- Name: Pharmascience Inc.
- Location: Montreal
- Industry: Life sciences
- Products and services: Pharmaceutical products
- Revenue: CAN\$400 million (€280 million) in 2004
- Employees: 1,100
- Web site: www.pharmascience.com
- Implementation partner: The Createch Group

Challenges and Opportunities

- Inability to support growth and keep pace with general business trends
- Lack of support for basic processes, such as inventory control

Objectives

- Replace aging legacy system with state-of-the-art software
- Conduct extensive fit/gap analysis to ensure that software could address current and future business needs
- Implement SAP® software with no impact on client's customer service levels

SAP Solutions and Services

- SAP ERP application
- SAP NetWeaver® Business Intelligence component

Implementation Highlights

- A big-bang implementation (no phased approach)
- A very smooth go-live, thanks to extensive preparation, understanding of the client's business, and close working partnership with the customer
- Zero impact on client's customer service levels

Why SAP

- Worldwide reputation as leading ERP software and as a favored solution within the pharmaceutical industry
- Scalable and flexible functionality and ability to meet company's business process requirements
- Vendor's long-term commitment to product development and its substantial spending on R & D

Benefits

- Significant cost reductions and cost avoidance
- Support for rapid growth
- Streamlined business processes, resulting in greater efficiency
- Enhanced communications and visibility across the organization

Existing Environment

Outdated legacy system

Third-Party Integration

- Database: Microsoft SQL Server
- Hardware: Dell
- Operating system: Microsoft Windows

PHARMASCIENCE

One of Canada's Fastest-Growing Companies Uses World-Leading SAP® Software to Support Growth

Pharmascience's old enterprise resource planning (ERP) system was like a western movie set, says David Lavallée, describing the less than optimal situation he found when he joined Pharmascience Inc. as its IT director. "The façade looked great, but nothing was holding it up," he says.

Pharmascience is one of Canada's fastest growing companies. Headquartered in Montreal, the firm researches, develops, manufactures, and markets generic and innovative pharmaceutical products for both prescription and over-the-counter sales. Today the company's 1,100-plus employees support a product line that includes more than 330 brand-name and generic products sold in over 30 countries around the world. Revenues in fiscal year 2004 were more than CAN\$400 million (€280 million). The company was also enjoying double digit growth when Lavallée was hired to fix a legacy ERP system that could no longer keep up with the company's current business needs and growth plans.

The problem, says Lavallée, was that the existing ERP system lacked basic functionality. "For example, essentials such as inventory control and pricing were either inadequate or missing. My understanding is that when the company flipped the switch on this system, all hell broke loose. It lost control of inventory for over a month. So, when I came on board, my first job was to try and plug the gaps and stabilize the system. We had eight people in-house whose only job was to develop basic functionality for the ERP software and extend what little functionality was already there.

“So over the next year, that’s what we did,” he continues. “Once the system was running smoothly, I went to our executive management team and said that given the ongoing growth of the company, we could not continue with the ERP software. I told the team it was like traveling down the Autobahn at 100 miles an hour in a car that’s going to fall apart at any moment.”

Top management asked Lavallée to make a case for why the company couldn’t upgrade the existing software and, in parallel, propose an approach to evaluating a replacement ERP system.

“We were already two releases down the road with the legacy system,” says Lavallée. “An upgrade would mean a total reimplementation and the creation of a lot more functionality. This would have to be done in-house with the help of many expensive

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consultants. So, I recommended we replace the system and take a very different approach to the procurement process. Instead of asking various tier-one and tier-two ERP vendors to respond to an RFP, I suggested and received the go-ahead to find out who the top ERP supplier was in our industry vertical and see if its software and best practices matched our needs.”

SAP: The Leader in Enterprise Resource Planning

“It didn’t take long to determine that most of the pharmas were using SAP software and that SAP was the clear leader in the tier-one ERP space,” Lavallée continues. “Also, when we looked at what company was pumping the most money into R & D, continuously improving its product, and incorporating evolving business practices, SAP was again the front runner. Even though SAP software was incrementally more expensive than some of the competitors’, this was not a show stopper. SAP was the clear winner.”

Working with The Createch Group, Pharmascience’s long-term consulting and implementation partner, the IT team then conducted a fit/gap analysis to determine how well the SAP® software supported the company’s key business processes. “Ninety people in the organization were involved, including senior managers, middle managers, and subject matter experts,” says Lavallée. “We found very few gaps – the SAP software supported most of our business processes. In addition, the fit/gap analysis rallied the user community around the SAP application. We also obtained a commitment from management that the company would adapt its processes to SAP best practices rather than asking us to customize the SAP software. SAP has decades of experience in creating best practices, and management realized we could take advantage of that accumulated knowledge.”

Rather than moving immediately into the implementation phase, the IT organization spent the next nine months making careful and detailed preparations. This included cleaning up master data and streamlining and consolidating some business processes. Team members were trained by experts from The Createch Group, which has a large SAP implementation practice. The members also attended formal SAP education courses.

Big Bang

“Because we were going from one ERP system to another, we could not use a phased approach; it had to be a big bang,” Lavallée explains. “So we did a lot of contingency planning and risk management to make sure the implementation would go smoothly. Another key success factor was the application of change management throughout the project with help from a professional change management consultant and our own HR department. We did a number of risk assessments and evaluations.”



He recalls, “We had a mandate from the project leader – the head of Pharmascience’s supply chain – that the implementation would have zero impact on customer service levels, back orders, order taking, and other key performance indicators that roll into our customer service. To achieve a trouble-free implementation, we limited the initial project scope to replacing the previous system with the SAP enterprise resource planning software and the SAP Business Information Warehouse component and by implementing any functionality that would realize immediate benefits.” (SAP Business Information Warehouse is now a part of the SAP NetWeaver® Business Intelligence component.)

Lavallée says, “It was a very smooth go-live – fortunately we did not have to implement any of the contingency plans that we so carefully prepared. There were a few minor fixes that we had to make to consolidate our master files, but nothing that impacted customer service levels. It was fortunate that the implementation was so trouble free. Almost immediately after the go-live, Pharmascience went into an accelerated merger and acquisitions phase. We were very busy integrating the acquired companies’ ERP systems into ours.

“Implementing the SAP solution has brought us numerous benefits, including significant cost reductions and cost avoidance,” Lavallée continues. “But as important as these quantitative results are, some of the qualitative benefits are even more important. For example, the really tight integration between the financial, supply chain, capacity management, materials management, and other key elements of the SAP software has resulted in an interaction between departments that wasn’t possible before – now we are all working with one version of the truth. By introducing a comprehensive ERP system like this into the company, we are creating major changes in the culture by forcing horizontal communications and visibility across divisional silos.”

Because Pharmascience is a generic pharmaceutical manufacturing and distribution company, the bulk of its SAP software users are focused on purchasing, product planning, materials management, sales and distribution, and warehouse management. Managers engaged in financial planning and sales forecasting also make full use of the SAP software for ERP and business intelligence. Top management also uses the business intelligence software to generate reports and analyses.

Lavallée says his organization is now in the process of automating and summarizing many of the company’s key indicators in order to provide management with scorecards to review company performance and spot important trends. The IT team is also working with The Createch Group to explore implementing the SAP Advanced Planning & Optimization component for demand planning and capacity management.

Reflecting on the implementation experience, Lavallée says there were a number of lessons learned. “Preparation is key,” he notes. “The consultants were amazed that everyone within Pharmascience

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was ready to go on day one of the implementation: Project teams and project rooms were in place; everyone spoke the same language and knew what they had to do; master data had been cleansed and business processes reviewed – and, in some cases, changed in anticipation of the new ERP application’s requirements.”

The Soft Stuff: Equally Important

“Another major point is that the soft stuff is very important,” says Lavallée. “Change management seems somewhat fluffy and nebulous, but it is a key element in the success of a project like this. An implementation project is about people, processes, and technology. When something goes wrong, it’s usually on the human side. Change management prepares you to deal with the unexpected.

“As far as the new software is concerned,” Lavallée concludes, “we have found the SAP application to be an excellent product that is continuously evolving. It provides us with not only what we need to run our business today, but in the future as well.”

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