

Enterprise Implementation In a Global Environment

Council of Logistics Management

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Today's Presentation

Our presentation today is planned to include

- Perspective on Demand Chain Management
- Organizational Models for Enterprise Management
- Background on SmithKline Beecham
- SmithKline Beecham Demand/Supply Model

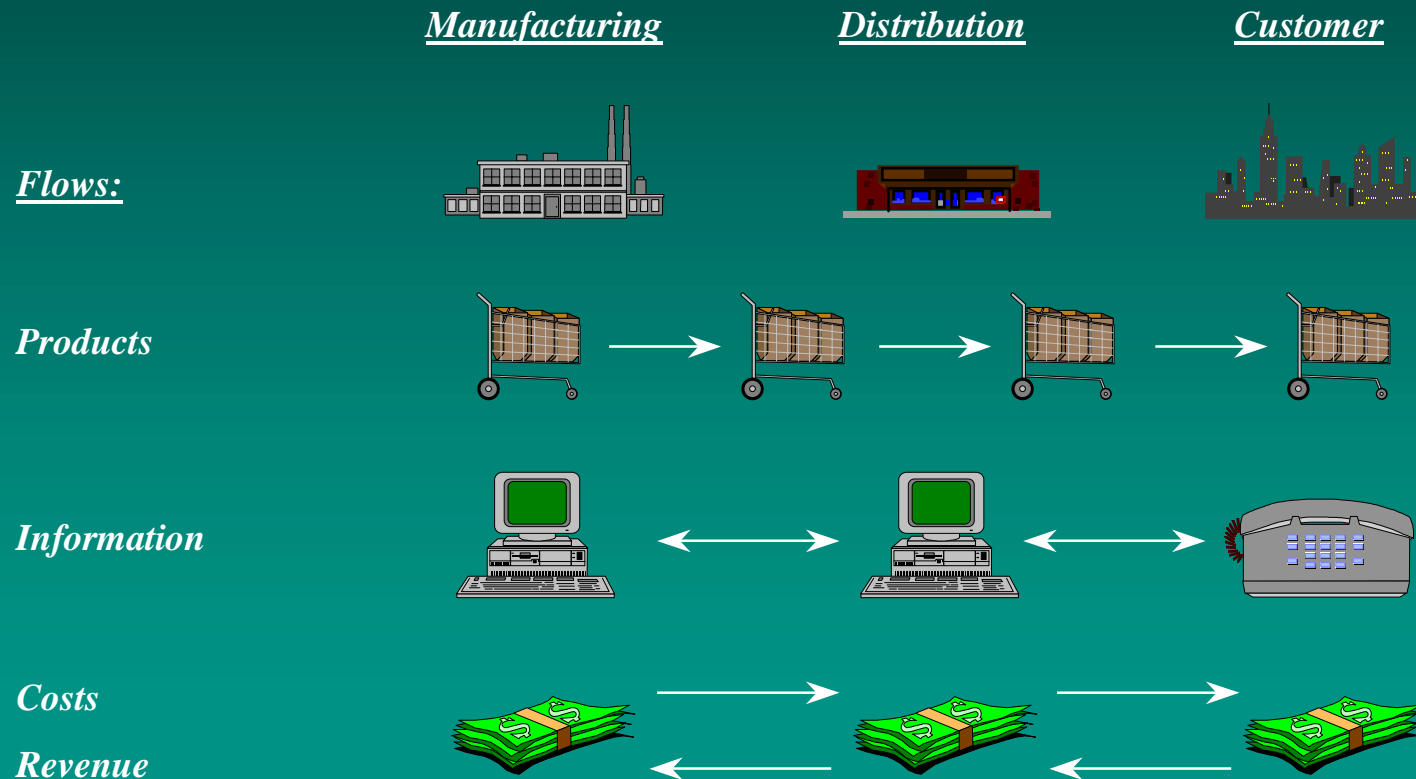
Today's Presentation

In addition, our presentation today is planned to include

- SmithKline Beecham – Ways of Working
- The Enterprise Program at SmithKline Beecham
- Role of Logistics in a Demand Chain
- Effective Management and Controls
- In Summary – Perspective and Pitfalls

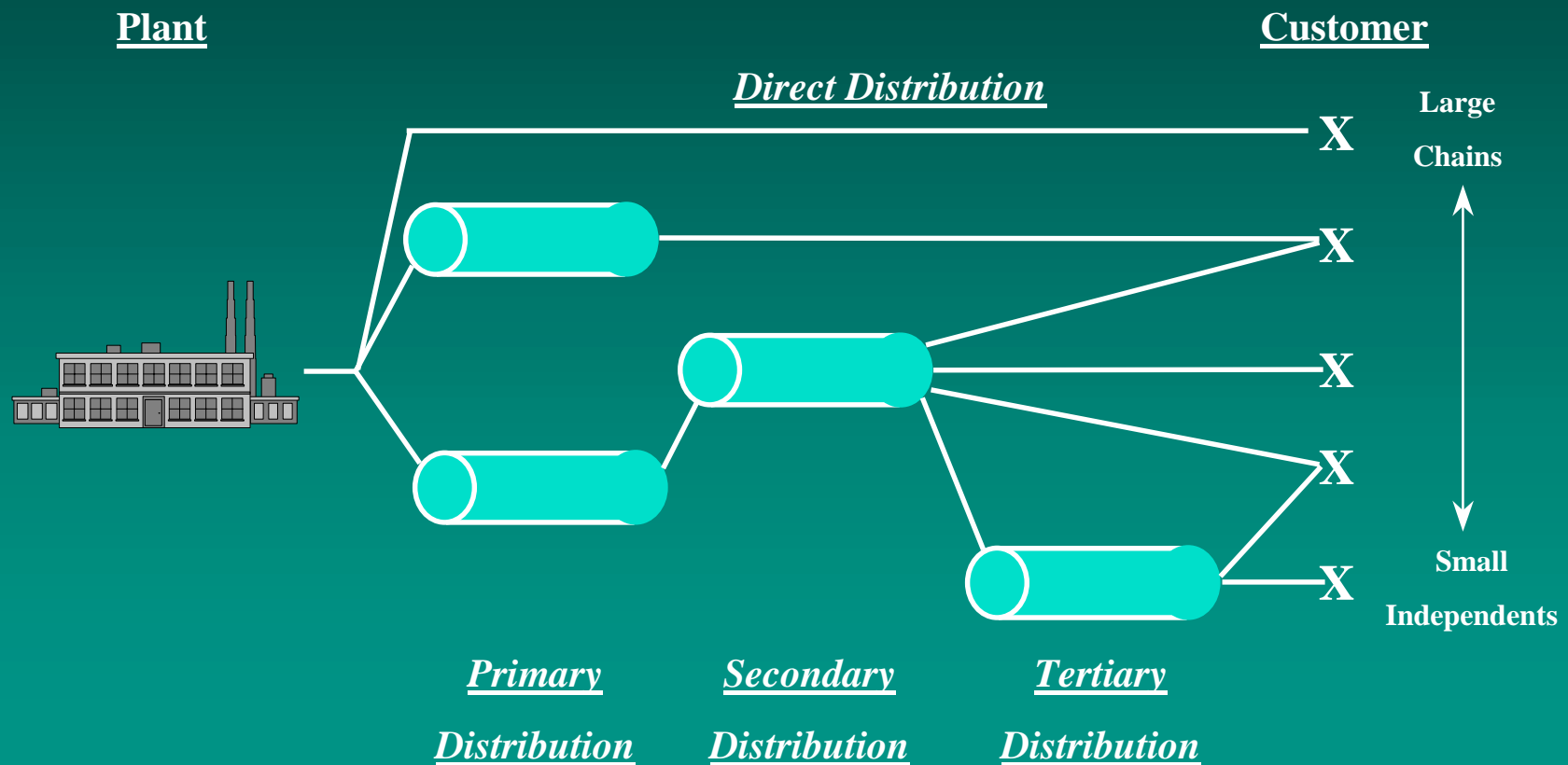
Perspective on Demand Chain Management

The logic of demand chain strategy relates directly to the flow of products, information, and costs through the business to the customer . .



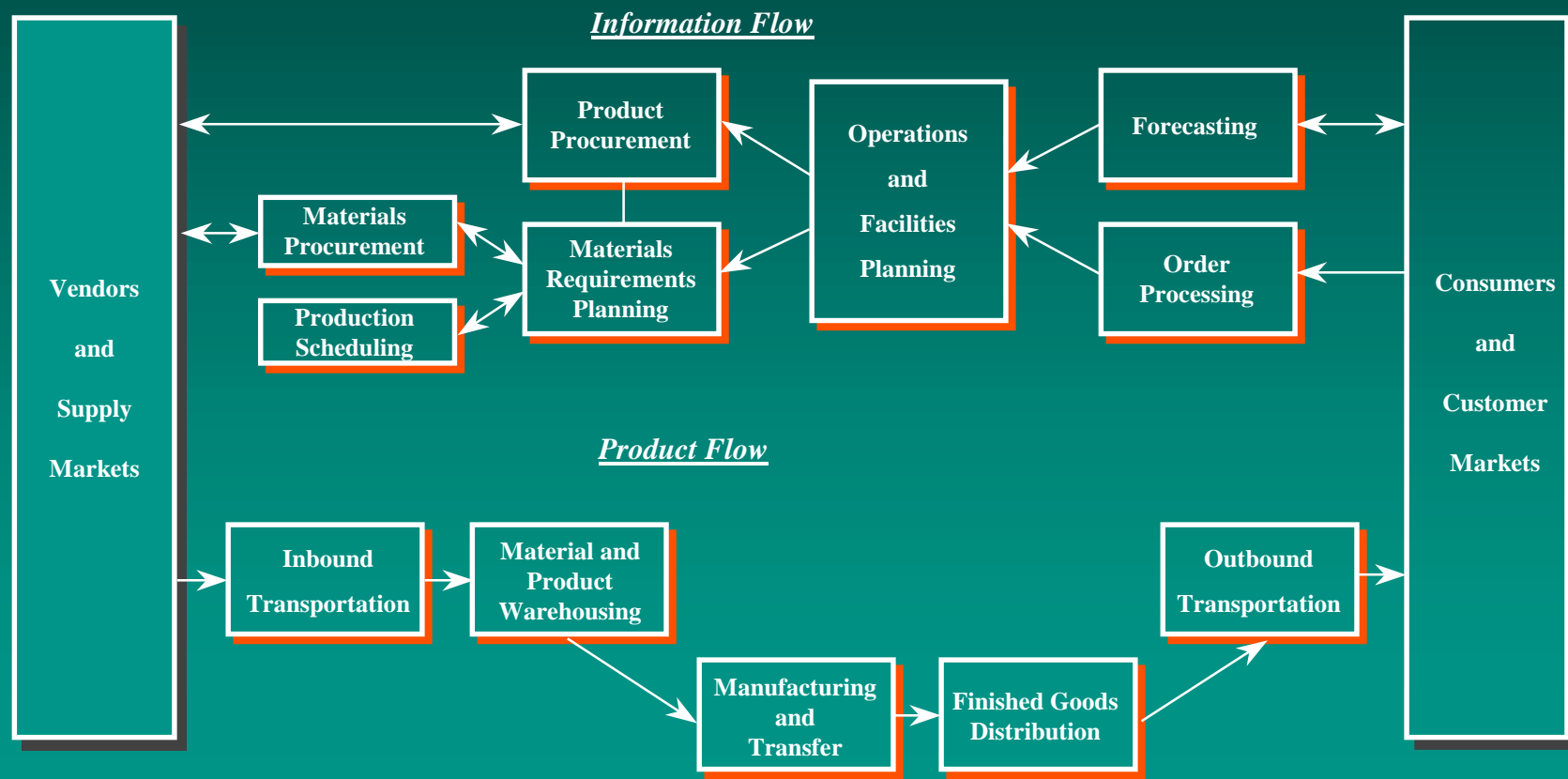
Perspective on Demand Chain Management

There are several levels of demand chain activities between the product source and the customer



Perspective on Demand Chain Management

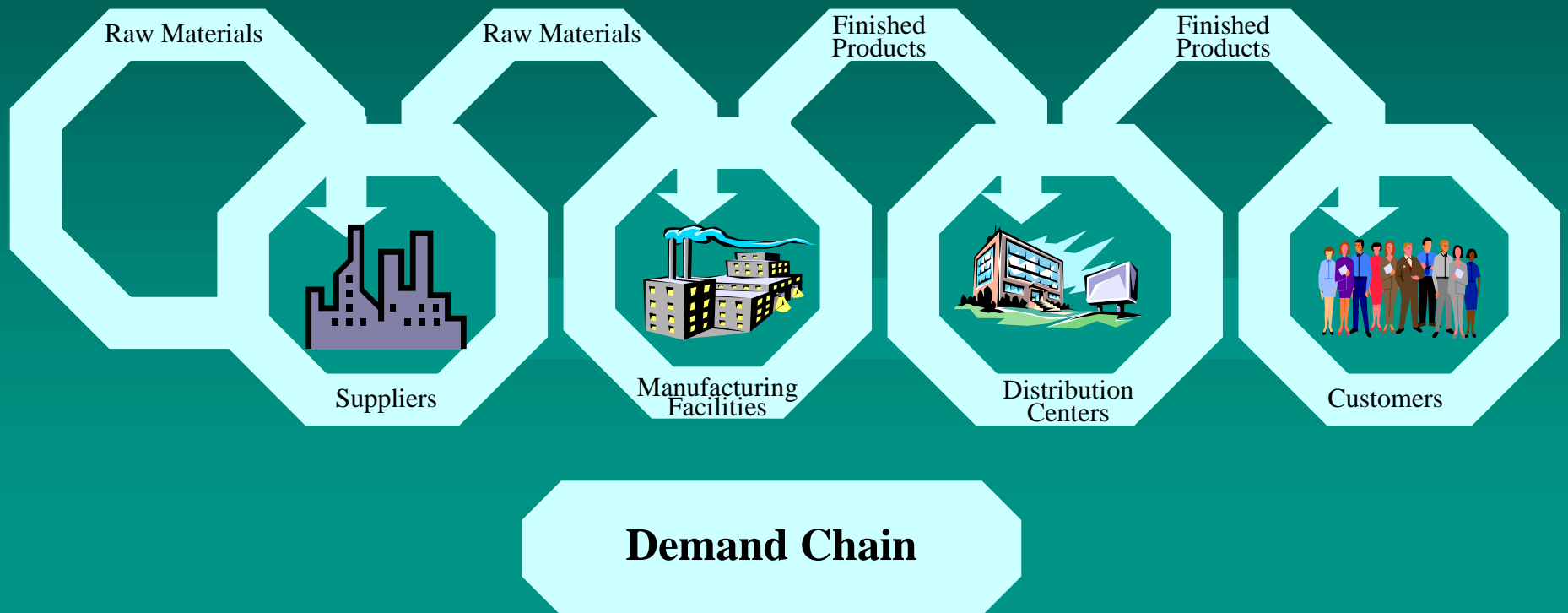
The logic of demand chain planning relates directly to the functional flows of information and product through the business



Perspective on Demand Chain Management

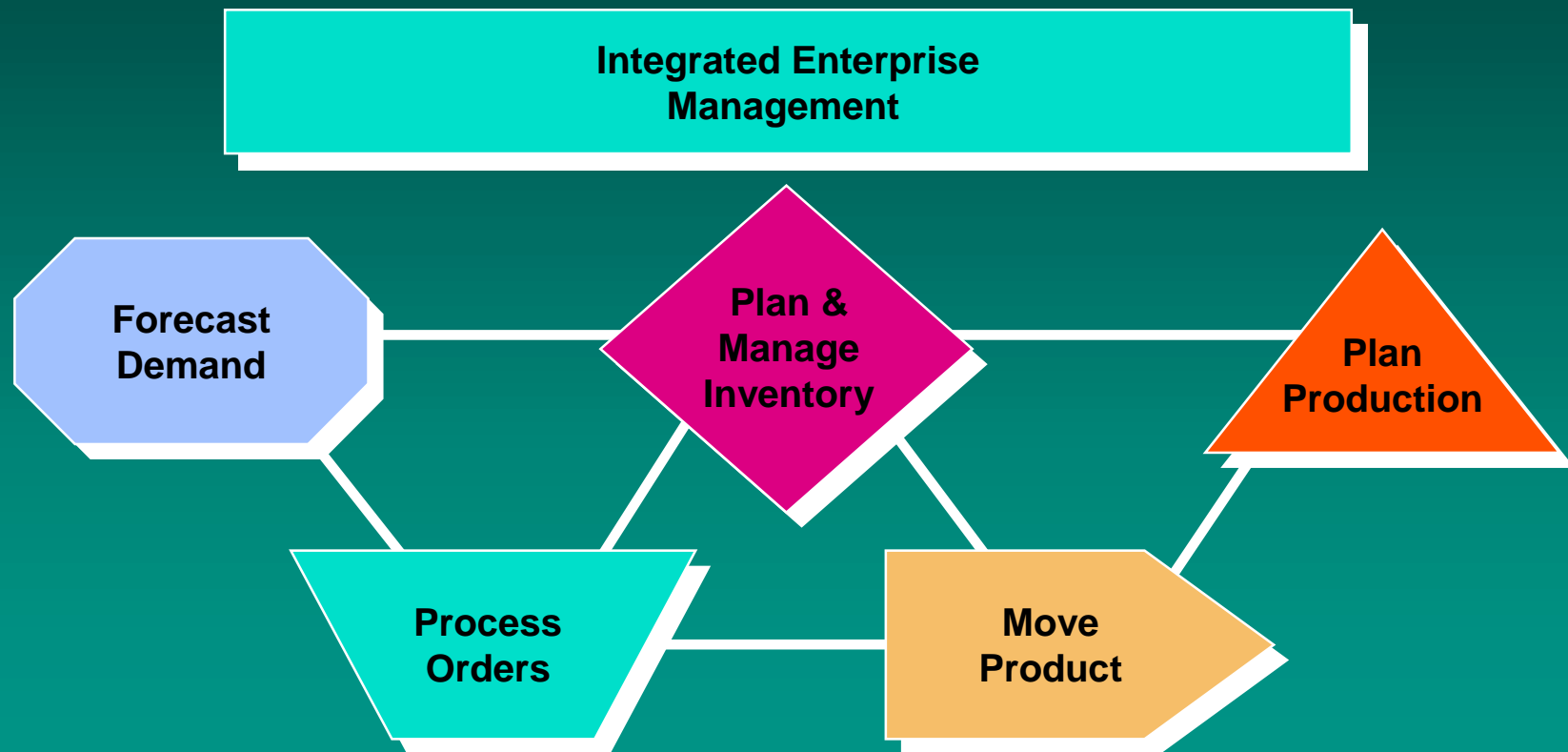
Demand chain management groups together a complex network of functions into a true cost and service effective business strategy

- Sourcing
 - Purchasing
 - Procurement
- Production Planning & Scheduling
- Inventory Planning & Management
- Distribution Network Design & Management
- Transportation
 - Warehousing
- Customer Service
 - Order Fulfillment



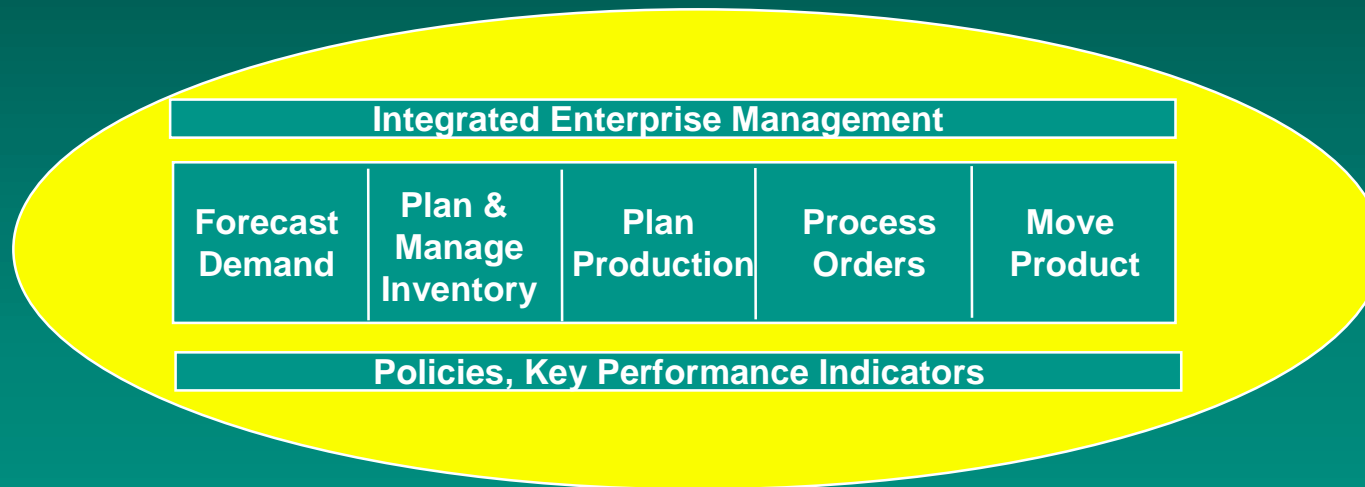
Enterprise Business Models

The integrated enterprise business model included certain key functions in order to effectively support the business



Enterprise Business Models

Company enterprise management structures and functions consists of . . .



Organization Models for Enterprise Management

Consideration needs to be given to various enterprise business operating models based on

- Type of business and products and services
- Dynamics of distribution and markets
- Global demand chain differences
- Models of company components could consist of:
 - Production model - produce and distribute
 - Market model - acquire and sell
 - Country business model - country self-contained

Enterprise Business Models

Alternative structures need to consider products, markets, production capability, logistics network resources, and customer service from a demand/supply perspective in order to effectively support the overall business strategy

- Market forecast
- Sales plan

- Customer order processing

- Plan and manage inventory

- Plan and schedule production

- Distribute product

Demand Chain Business Models

An alternative demand chain structure that balances the responsibility on both the demand and supply side can be illustrated as follows

Demand

- Market forecast
- Sales plan

- Customer order processing

Supply

- Plan and manage inventory

- Plan and schedule production

- Distribute product

Enterprise Business Models

An alternative business model structure that places most of the responsibility on the demand side can be illustrated as follows

Demand

- Market forecast
- Sales plan

- Plan and manage inventory

- Customer order processing

- Distribute product

Supply

- Plan and schedule production

Implementing Structure and Process Change

Once the structure is decided on, the tasks turn to implementation and process change and must consider

- Understanding ways of working, reasoning, and logic
- Uniqueness of country operating characteristics
- Identifying process and productive operations change
- Standardization of ways of working versus unique country needs - 'financial, marketing, etc.'

Program Organization and Structure

Effective program organization must blend the proper mix of resources, matching skills with specific functional requirements

Resource Teams

Corporate resources

Above country
resources

External resources

Process owners

Local/Country
resources

Technical resources

Internal resources

Introduction to SmithKline Beecham

- SmithKline Beecham - integrated healthcare company
- Annual turnover - £8.08 billion
- Products range
 - Pharmaceuticals
 - Consumer healthcare

SB In 1999 : A Global Family



With Global Brands 17 Products > £100m

Amoxil[®]
amoxicillin

AUGMENTIN
amoxicillin/clavulanate potassium

Engerix-B[®] 10 mcg
0.5 mL
Hepatitis B Vaccine (Recombinant)

Aquafresh

LUCOZADE

Panadol

FAMVIR[®]
famciclovir

Havrix
Hepatitis A Vaccine,
Inactivated

NICODERM
CQ

KYTRIL[®]

PAXIL
PAROXETINE HCl

RELAFEN
CARLIDECTOL

Horlicks

RIBENA

TUMS[®]

Tagamet
cimetidine

NICORETTE

Structured To Accelerate Growth

- Pharmaceuticals
 - Rx
 - Vaccines
- Consumer Healthcare
 - OTC/ Nutritional/
Oral Care
- Healthcare Services
 - Clinical Laboratories
 - Diversified
Pharmaceutical
Services
 - Health Information
Management



1999

- Pharmaceuticals
 - Rx
 - Vaccines
 - Health Information
Management
- Consumer Healthcare
 - OTC
 - Nutritional
 - Oral Care

To Meet People's Healthcare Needs...

Prevention

Diagnosis

Treatment

Cure



“A Spectrum Of Health”



Wellness

Illness

Nutritionals

Oral Care

Smoking
Control

Vaccines

diaDexus

OTC
Marketing

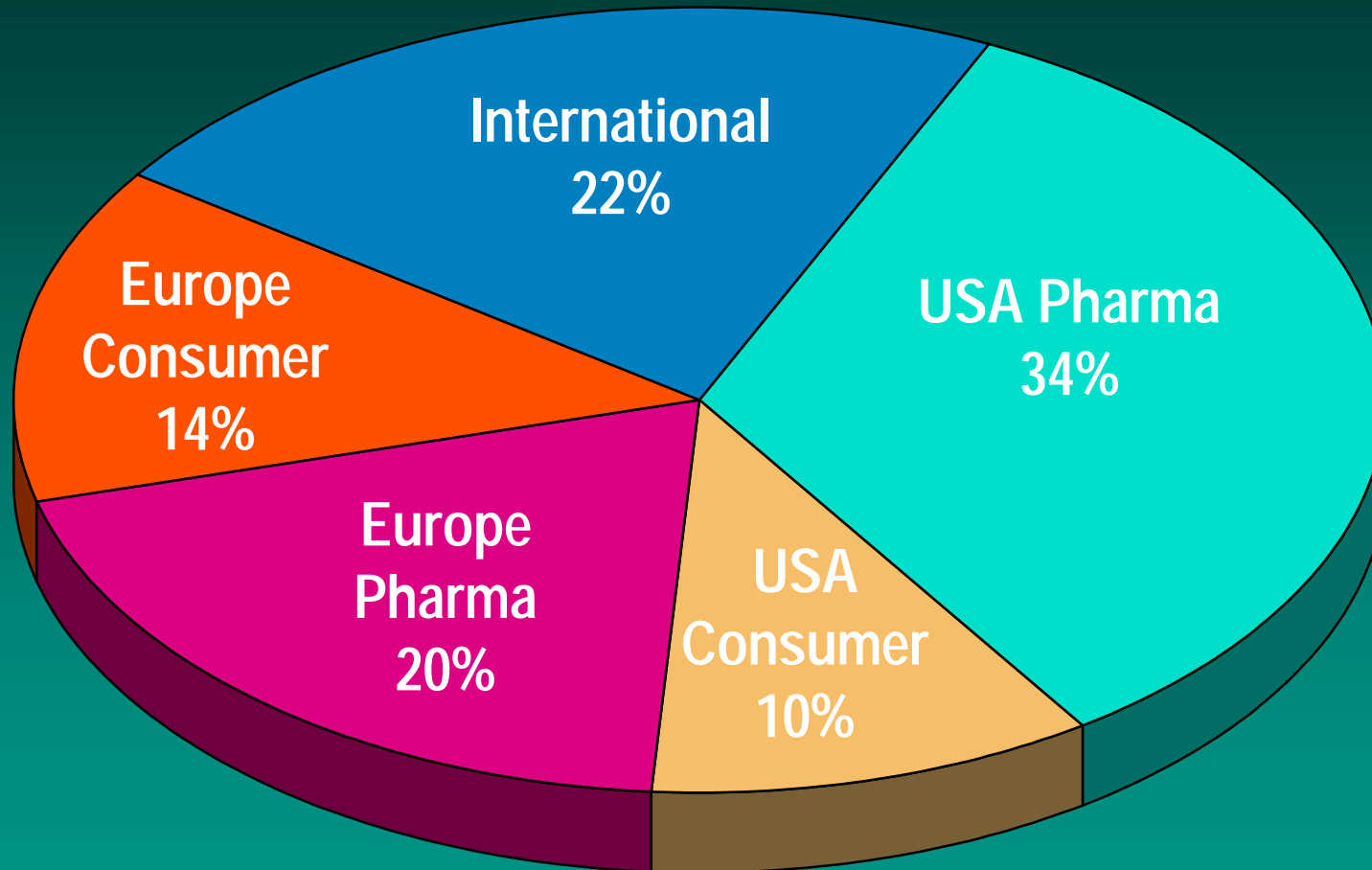
Innovative
Pharmaceutical
Products

A Successful Business

- 
- Impressive financial performance, to increase earnings growth, through
 - Strong sales growth
 - Improved business efficiencies
 - Globalising brands

A Balanced Business

1998 Sales: £8.08 B



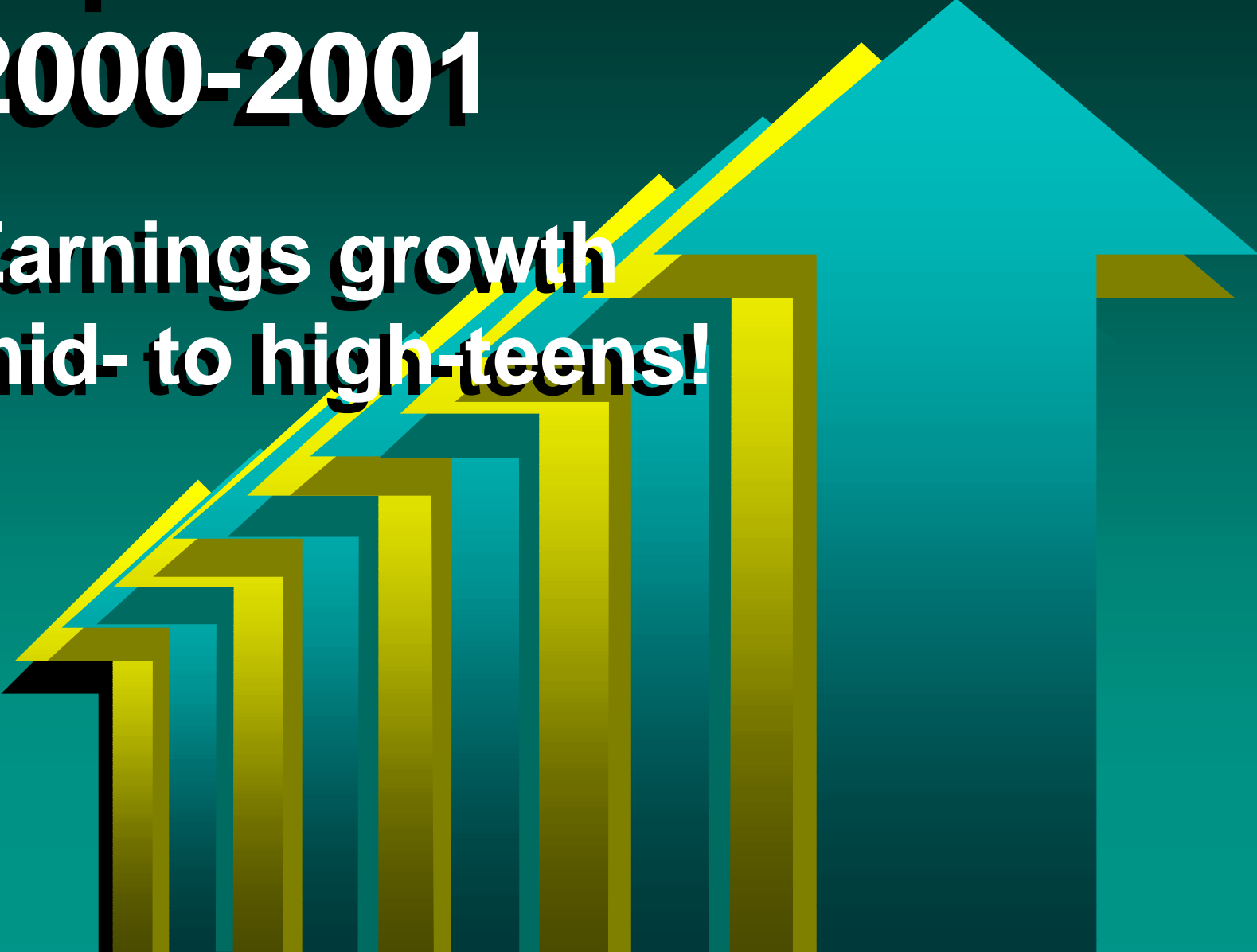
Poised For the Future

- Sharpened focus on science-driven consumer and pharmaceutical healthcare
- Vibrant R&D
- Imminent major launches of powerful products
- Projected earnings growth
~13% this year



Expectations of SB 2000-2001

Earnings growth
mid- to high-teens!



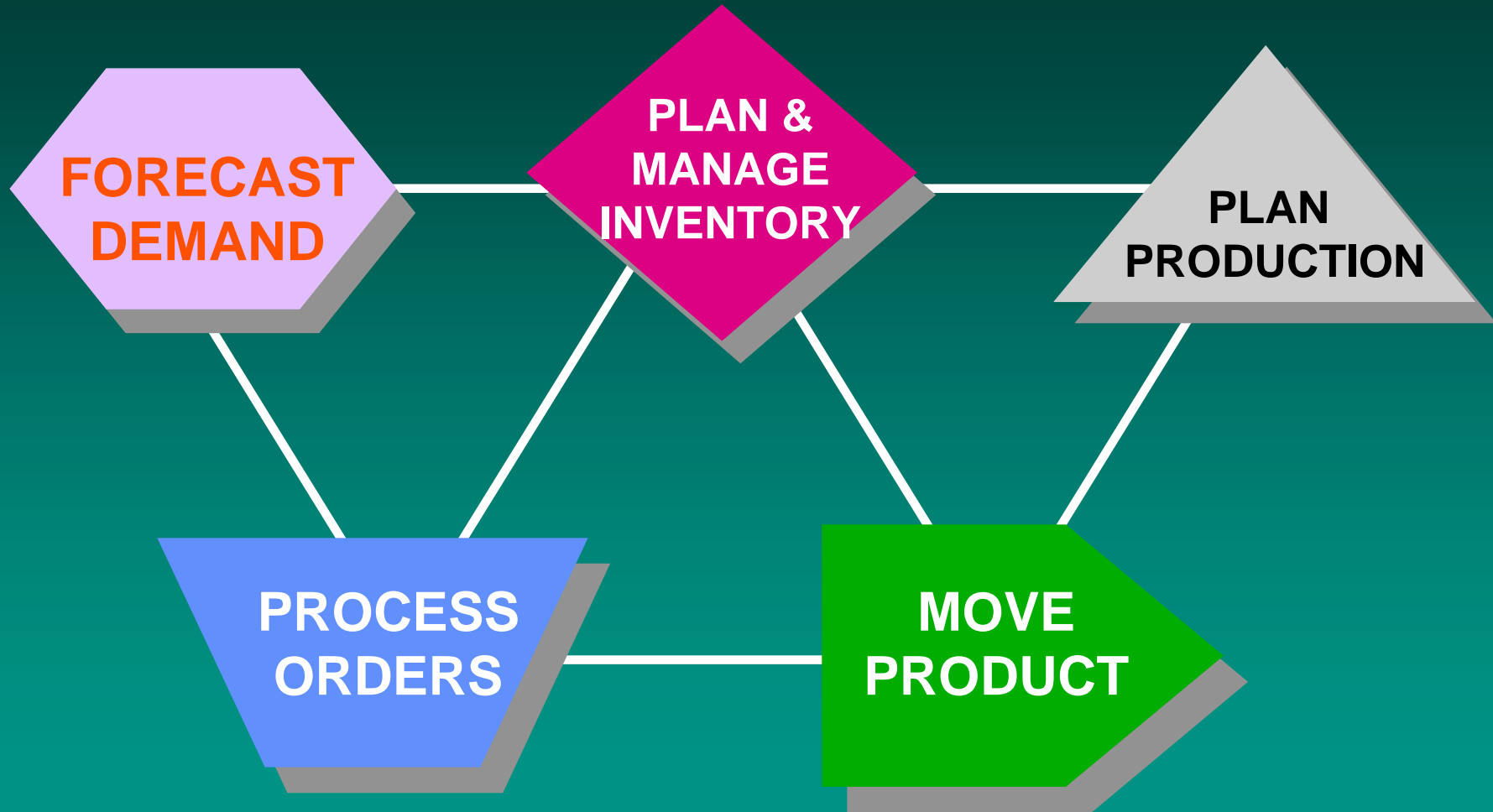
How did we begin?

- Journey started in 1996
- Defined the key processes
- Heart of the supply chain

Five Processes

- Forecasting
- Process Orders
- Plan and Manage Inventory
- Plan Production
- Move Product

Five Processes



Key Questions

- How do we support these processes
- Who owns these processes

How do we support these processes

- Common standards
- Common definitions
- Common systems

Common Systems

- Decided to use best-of-breed solution
- Specific to SB
- Build on existing expertise
- Some systems already in place
- Pressure on availability of resources

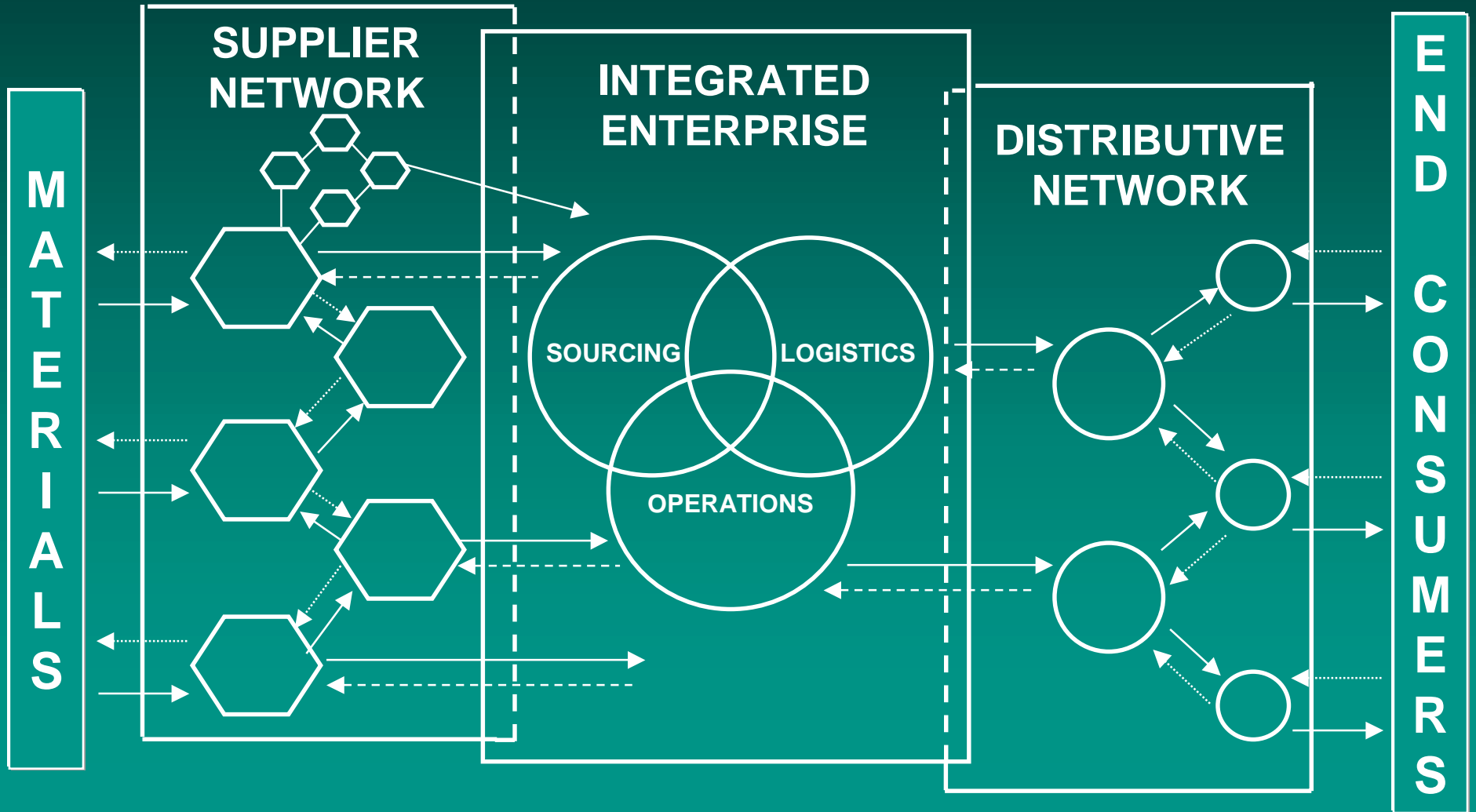
Who owns the processes?

- Supply and Demand
- Definitions
- The “Great Divide”

THE INTEGRATED SUPPLY CHAIN

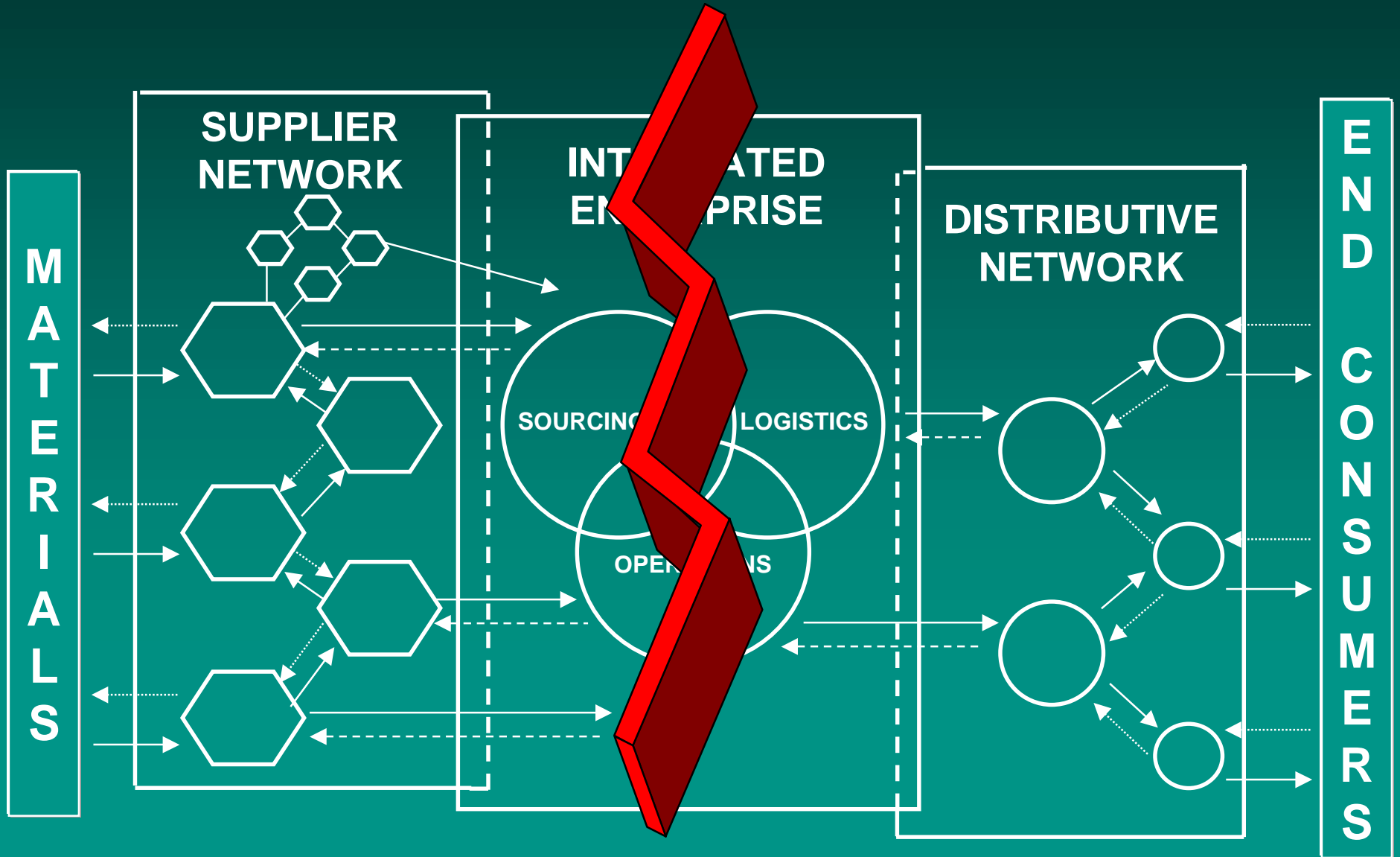
RELATIONSHIP MANAGEMENT

INFORMATION, PRODUCT, SERVICE, FINANCIAL AND KNOWLEDGE FLOWS



The “Great Divide”

The "Great Divide"



Demand/Supply Service Agreements

Service agreements are used to make firm both demand and supply requirements and negotiate key points of difference

- Demand must initiate marketplace requirements in terms of:
 - Products
 - Quantities
 - Time
- Supply must define production and distribution capacities in terms of:
 - Products and production capacity
 - EOQs
 - Inventories and locations
 - Distribution and delivery timing

Demand/Supply Service Agreements

Service agreements must consider, negotiate, and agree on certain key elements

- Initial consideration given to:
 - Uniqueness of products, markets, country, etc.
 - Product life cycle and volatility
 - Product sourcing
- Key agreement components:
 - Product quantities
 - Timing
 - Firm versus planned orders
 - Negotiation process
 - When and how to change
- D/S service agreement must be a process - not a product

Paradigm Shift

- Ownership and accountability of four of the five processes to Demand
- Only Plan Production process assigned to Supply
- Must be global

How did we roll-out globally?

- Massive planning
- Multi-layered deployment organization
- Clear roles and responsibilities
- Centralized policy decision-making
- Extensive tracking and review
- Urgent dates and deadlines

Challenges

- Scale - processes and systems
- Differences in base level of knowledge
- Different languages
- Different cultures
- Different ways of working
- Local regulations
- Scarcity of resources

Where are we today?

- Achieved most of our goals with milestone dates
- Finish line in sight
- But finish line is the beginning of another journey



Continuing Challenge

- Bedding down the processes
- Affirming the support
- Improving the systems
- Maintaining balance between local/regional and central
- Reinforcing the new ways of working

Applying Standards in a Worldwide Environment

Once enterprise management is in place and the process is working effectively, there is a need to develop standards and measures

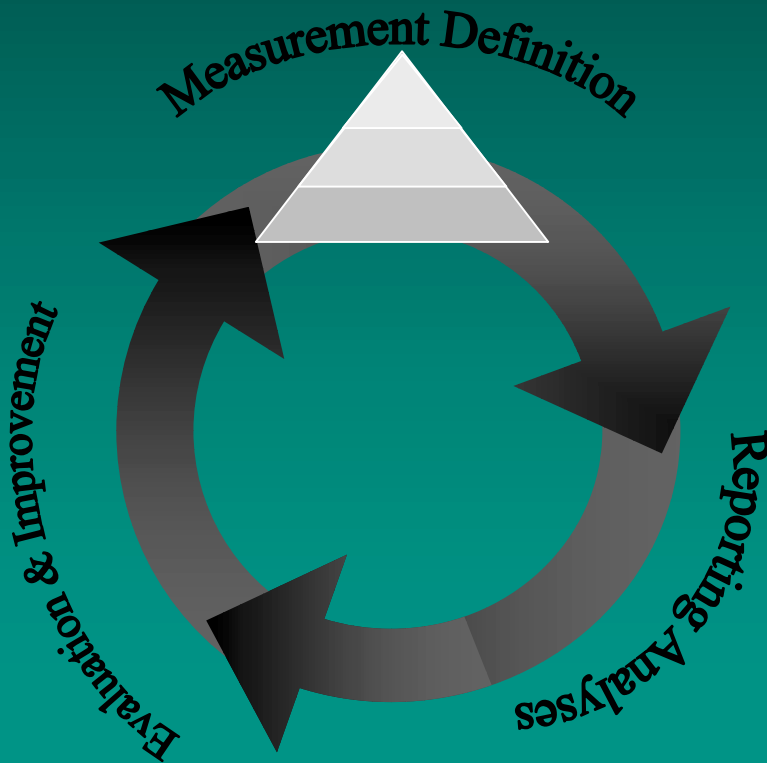
- Benchmarks need to measure progress over time
- Measures need to benchmark and compare
 - Internal measures
 - Functional elements
 - Industry benchmarks
 - World class benchmarks
- They must recognize operational differences
- They must compare ‘apples to apples’

Applying Standards in a Worldwide Environment

The performance measurement framework model demonstrates the use of evaluation, measurement, and reporting in applying standards

Performance Measurement Framework

Performance
Measurement
(PM) Process
Model



What is PM?

A management process that translates business strategies into action steps:

- Business Decisions
- Information Requirements
- Organizational Accountabilities
- Resource Allocation & Prioritization

Monitoring, Managing, and Reporting

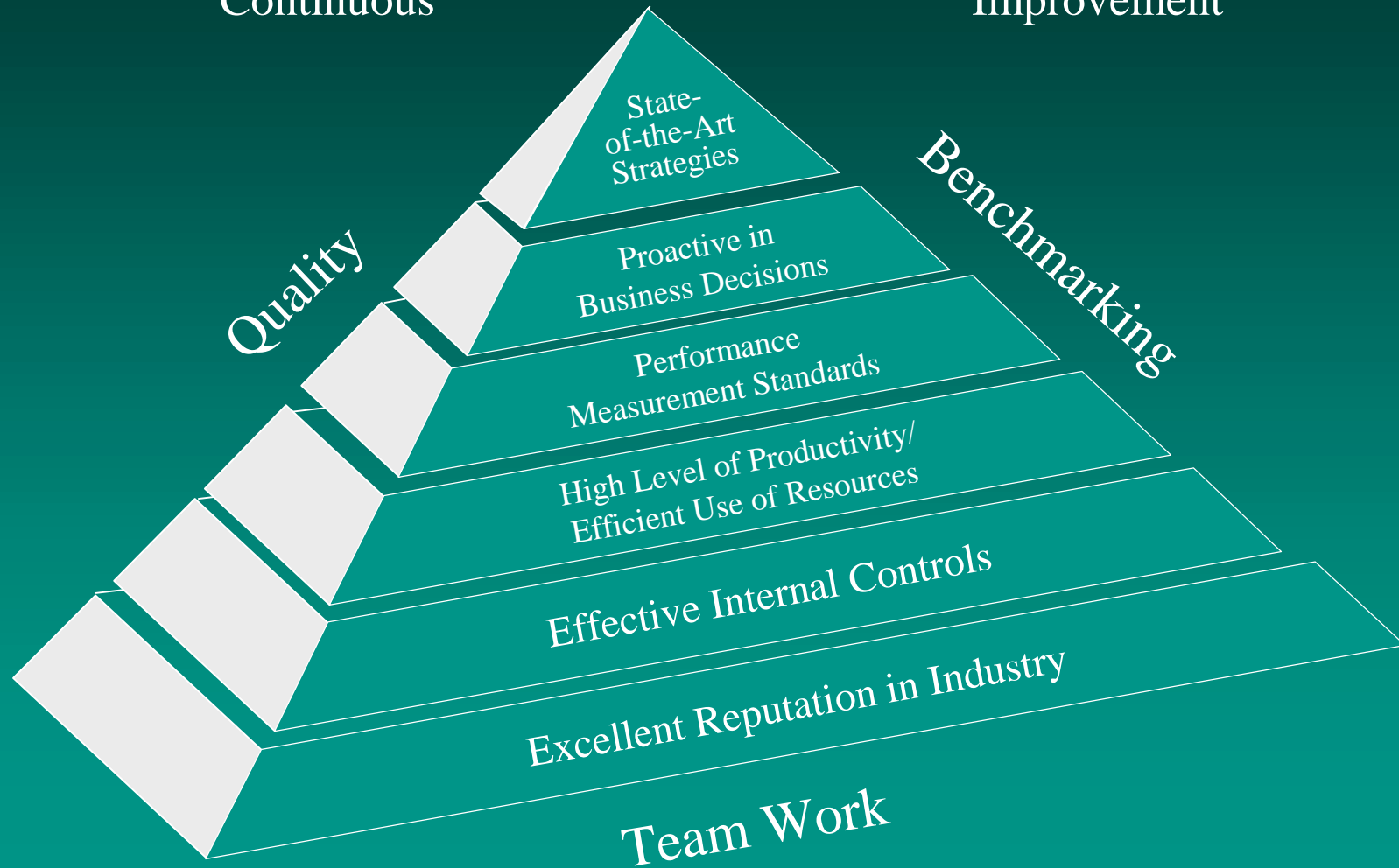
Measures and standards provide the ability to manage the demand chain to effectively support the business

- Monitoring demand chain operations must consider:
 - Key elements and functions
 - Exception reporting
- Timing is a key to effective management
 - Daily activities
 - Weekly trends
 - Monthly summaries
 - Yearly planning
- Tolerance ranges can be effective tools for management
 - Focus on key functions and elements
 - Signal problem areas based on data outside ranges
 - Ranges can set degree and priority of management attention

Monitoring, Managing, and Reporting

Continuous

Improvement



In Summary

In summary, a successful global integrated enterprise program implementation must consider

- Worldwide markets, products, and businesses strategy
- The reality of a global economy
- Multidimensional operating environments
- Need for up front planning and resource commitment
- Effective and timely communications
- Need for coordination and cooperation
- ***The assumption that one thing that is constant is 'Change'***

In Summary – Pitfalls, What to Look For and How to Look

Pitfalls to watch out for and be aware of include

- Insufficient planning and organization
- Incorrect deployment of internal and external resources
- Insufficient time to deal with cultural differences
- In-depth knowledge of country and local uniquenesses
- Lack of effective and timely communications from beginning to end
- Unanticipated issues - e.g. inventory and data accuracy

In Summary - Advice, in Retrospect

- Sponsorship from the very top
- Involvement of entire organization
- Ownership
- Commence, even without all details
- Do it **quickly**, do it **fast**

THANK YOU



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