Life Sciences Case Study

PROJECT OVERVIEW

clarkston CONSULTING

Deploying an S&OP Process Roadmap

INDUSTRY:

Life Sciences - Pharma

PRODUCTS AND SERVICES :

Discover, develop, manufacture, and deliver active pharmaceutical ingredients (API) to the global pharmaceutical and nutritional markets

BUSINESS TRANSFORMATION STORY & BUSINESS CHALLENGE

The client is a global chemical ingredient manufacturing company and a subsidiary of a $16B global conglomerate. The division was looking for efficiencies to support their strategic goals of expansion and growth, to strengthen their ability to drive improvements within their operations, and to provide visibility and value to their customers.

The client engaged with Clarkston initially to assess their existing end-to-end global S&OP process. Based on the assessment's recommendations, the client chose to move forward with implementing the S&OP process to support the ongoing business growth and customer service responsiveness. Additionally, the company chose to seek guidance and tangible recommendations on how to prepare for a future ERP implementation.

The client engaged Clarkston's life sciences and supply chain experts to align and train the organization on the value and purpose of a well-defined, strong S&OP process; to assist with the development of clear roles, responsibilities, process ownership, and process guardrails and guiderails; and to establish an action and decision-making process, including an escalation and accountability methodology. Additionally, the client sought guidance on appropriate KPIs linked throughout the organization to drive continuous improvement.

Furthermore, the client requested support in developing their functioning monthly cadence through the key five-step S&OP process, from data preparation, demand and supply planning, Pre-S&OP, and Executive S&OP. The client also sought assistance with implementing previously identified quick process wins within supply and demand planning concerning planning horizons, forecast consumption rules, master data management, and best practices for portfolio reviews within marketing.

Lastly, the client engaged Clarkston's team to provide recommendations on their current systems, with a focus on improvements that would be required to support the current S&OP implementation in addition to those that the business should be focused on to meet short-term business needs. Clarkston also provided guidance on recommendations to support their future business needs in relationship to ERP systems.

PRIMARY OBJECTIVES:

- Establish executive alignment on the goals and objectives for S&OP decision-making and implement guardrails and guiderails for escalations and deviation of the agreed upon plan
- Train the Executive and S&OP team (including extended team) on the S&OP purpose and process
- Establish demand and supply reviews in addition to Pre-S&OP and Executive S&OP
- Institute measurements and continuous improvement recommendations
- Implement demand, supply, and product management quick wins and process improvements
- Provide guidance on system integrations toward S&OP data automation for alignment and harmonization of technology to realize one source to support future technology upgrades

RESOLUTION:

- Aligned on implementation strategy, including establishment of S&OP process ownership, S&OP stage leaders, facilitator, core and extended team members, process stage objectives, and time commitments
- Engaged with Executive Leadership to establish a foundational and cross-functional understanding of the S&OP purpose and process and to align on S&OP KPIs, process ownership, roles, responsibilities, decision and escalation process, and S&OP meeting cadence
- Facilitated expanded S&OP training to process team leaders, facilitators, and members, establishing functional knowledge of end-to-end process
- Conferred with process team leaders and facilitator of demand and supply planning to define roles, responsibilities, and expectations of participants in both pre-consensus and consensus meetings
- Guided process teams through in-depth training of definitions and decisions required for process step, purpose and development of data requirements, verification and validation of inputs, and documentation of assumptions

- Partnered with process owners, process team leaders, and facilitators to train execution team members on their roles and responsibilities and to support change management

- Collaborated with IT and supply planning team to redesign master production scheduling and rough-cut capacity planning toolset, including inputs and outputs

- Engaged with cross-functional stakeholders to redesign production planning horizon versus MPS planning horizon

- Guided commercial transition from use of constrained forecasting to purpose and use of unconstrained forecast inputs

- Facilitated change management transition of roles through the “Start, Stop, Continue” toolset and developed communication and training to ensure consistent process execution

- Established meeting monitoring, checklists, and process documentation to support processes and continuous improvement

KEY BENEFITS :

- The client benefitted by implementing the new S&OP demand process with Clarkston’s guidance, enabling the client stakeholders to see immediate improvement of unconstrained demand, which could be sold if supply could provide.

- Building upon the S&OP demand process, the client benefitted by implementing the new S&OP supply process. The new supply process enables the client to discontinue the practice of artificially constraining supply based on customer orders. Through the presentation of unconstrained demand to the operations and leadership team, the business has clarity of its true capacity constraints. The prior method had the business under planning by a minimum of 17% below market requirements. Using this information, the client, with Clarkston’s support, began developing collaborative recommendations on how to meet this upside demand. Operations was given permission to immediately begin expanding shifts and initiating hiring events at all three of their manufacturing facilities. Prior to the submission of the CAPAX plans, they identified machine constraints that were prohibiting meeting growth plans. Additionally, they were able to develop short-term engineering improvement plans and were equipped with the supporting data to justify expansion of production equipment at two of their production facilities.

- The new S&OP process further enabled the client to develop customer satisfaction improvement plans. With Clarkston's assistance, the client examined processes, such as an allocation and safety stock strategy. Clarkston directed the S&OP teams on methods and strategies to support the identification of key customers and products, allowing for the development of guiderails supporting the establishment of customer expectations during the sales cycle and lead-time quoting within customer service when confirming or quoting orders.

- The client further benefited from Clarkston's guidance on the development of an improved safety stock strategy, which included coaching the project team on the implementation method for Make-to-Stock (MTS) versus Make-to-Order (MT0) product, how they differ while complementing each other, and how MTS stabilizes production and lead-times while improving customer satisfaction.

- The client's leadership team, from plant management to the CEO, gained significant insight through Clarkston's guidance of action-driven decision- making. Within each meeting of the new S&OP process leading up to partnership (Pre-S&OP), Clarkston provided support to S&OP meeting participants around identifying problems, a method for providing recommendations, and the importance of making decisions, in addition to how to resolve the concerns identified. This process further held individuals accountable for not only attending, but also for being an active participant at the meeting. This culminated with improved discussions at Pre-S&OP, as they assessed the imbalances between unconstrained demand and supply, evaluated the supply planning recommendations, and determined which recommendations to move forward with to balance the demand/supply constraints. Through Clarkston's guidance, there was a 65% reduction in decisions that had to be escalated to the executive team for action.

- Through Clarkston's implementation methods, the new Executive S&OP process provided the executive team with the ability to review, discuss, and assess the imbalances at the company level versus at a site resource level. The changes further facilitated conversations focused on making mid-to-long term (6-24 months) market, customer, margin, and profitability as well as long-term capacity constraints decisions.

- Using this new process, the executive team proactively communicates with customers on the current and future constraints and provides plans and timeline for resolutions, and the team has improved its customer collaboration.

- The client further benefited from Clarkston's experience in the execution level of supply chain planning: demand, supply, inventory, and production. Through detailed review of current processes, the client received direct feedback – provided by data and tools and supported by uncomplicated examples – that allowed for key changes to be made across all supply chain areas and facilitated improved rough-cut capacity planning, scheduling, and inventory management. Clarkston also helped provide the team with increased recognition of core inputs and outputs required for not only S&OP but overall end-to-end supply chain planning.

- The client improved its ability to meet its production output through cross-functional clarification of the purpose for and establishment of a frozen production horizon throughout the S&OP implementation. Clarkston further aided the client in the identification and elimination of unnecessary decision-making complexity throughout the business, replacing this with clearly defined roles, responsibilities, and levels of accountability to use throughout the entire S&OP process, driving the ownership of decision-making company wide.

- Using the S&OP implementation, the client has benefited from Clarkston's guidance for establishing material master data ownership and a clear system of record across all the client's systems, which also supports the client's future MRP/ERP implementation.

KPIs

- Increased unconstrained forecast visibility by 100%
- Developed process owners, roles, and responsibilities, and improved business decision-making and ownership through process guardrails and guiderails
- Implemented demand segmentation analysis to reduce sales forecasting expectations of reviewing 100% of all customer ship-to/items from ~5,100 to ~180, a 96% reduction
- Reduced replanning efforts by removing firm planning outside of month six, eliminating rework of plan at the item level by month
- Improved S&OP maturity by 55% from an initial assessment score of 5.9 to 12.55 across all areas

"We have tried before to implement S&OP, but it never stuck. Where we began to where we are today is a testament to the value of having Clarkston and its team supporting us on our S&OP journey. We now have a foundation for moving forward. We have ownership buy-in as well as organizational alignment. We all understand what best practices are, and we hold each other accountable for making decisions at all levels. Clarkston has helped us see not just the short-term and immediate challenges but the value of having long-term visibility of the potential upside, which can be ours for the taking. I am grateful to have partnered with Clarkston and for their guidance in implementing S&OP best practices." -CLIENT

ABOUT CLARKSTON CONSULTING

Businesses across life sciences industries partner with Clarkston Consulting to enhance strategic decisionmaking, improve operational efficiencies, implement new technologies, and promote business growth and market diversification. Leveraging deep functional and industry expertise, our people discover, design, and deliver solutions that fit your business, your goals, and your future. At Clarkston, your purpose is our purpose.

For more information about how we can help your company, please contact us.

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