

Pharma SC&L Conference: Angles on an Industry in Transformation

Pharmaceutical has traditionally been a competitive industry that was conservative about changing business processes and systems. That culture makes it even more impressive that Halcyon's Pharmaceutical SC&L Conference was such an open exchange of ideas. Pharmaceutical is clearly an industry in transition from marketing and innovation driven to a need to focus on lowering costs and gaining efficiencies as well. The drivers range from blockbuster drugs going off patent to more frugal national health care and insurance companies paying for drugs to emerging market economy realities. As in other industries, supply chain management can be a major factor in improving costs and reducing waste. This conference provided a range of great ideas on how to move through this transformation.

As with the previous Halcyon event I attended back in the spring, this event was heavy on meaningful case examples, best practices sharing, and networking that will certainly create some ongoing relationships among potential competitors. The format included not only traditional presentations, but also think tanks where smaller groups had a leader with deep experience to facilitate panel discussions, and themed lunch roundtables with a facilitator.

The speaker line-up was packed with those who have experience making transformations first hand, some in pharmaceutical, others in a variety of industries. Throughout the 2-day event, host Rich Sherman representing the Council of Supply Chain Management Professionals (CSCMP) provided pithy insights, starting with amazing benchmarking data about pharmaceutical supply chain performance from APQC.

Joel Sutherland of the University of San Diego explored applying Toyota Production System Principles. In addition to eliminating muda (waste) and using kaizen to make problems visible so they can be solved, principles include process focus to eliminate functional silos. The two I thought might be most useful are pre-negotiation: input, definitions and buy-in occur before a meeting so the meeting focuses on making decisions as well as mutual respect to listen to everyone and implement their ideas.

Mike Wise and Paul Schroeder of AT Kearney's Life Sciences Practice painted a scary picture of emerging trends and implications that reinforced the need for industry transformation. The foundation was a declining price to earnings ratio and a rapid increase in R&D spending to re-fill the pipelines. They point out that vertical integration is dead, and that pharmaceutical companies must learn to be master orchestrators of partner networks. They also point out that costs must drop, and they provided some pointers on how to accomplish that.

A panel session led by CCI's Roddy Martin focused on the need for integrative and holistic change, and featured Steve Gaines, an independent with a long history in industry and solution providers large and small; Alan Nall, with supply chain background at DuPont and P&G, and Dan Heighway of Eli Lilly with deep IT background in every operational area. The main take-away is to work outside in, putting people out in customer sites to understand their issues.

Some great industry practitioner presentations gave insight into issues from standard processes to change management.

- Master Production Scheduler Cory Torkelson of Abbott made his first public conference presentation with great panache on the use of Lean Sigma practices and the regular cadence of planning at every level.
- One of the hottest topics was Change Management to Realize Strategy from John Ajongwen, Director of Strategic Initiatives Execution at Merck. Bristol Meyers Squibb's Denise Papiernick helped everyone understand the importance of the Standard Model effort she leads and of a strategic product leader in that business transformation effort.

Other presenters focused on standards for serialization, track and trace, and pedigree (Bob Celeste of GS1) as well as for supply chain security (Walter Berghahn of Healthcare Compliance Packaging Council). Both did a great job avoiding making those neither over-simplified nor dull.

Other speakers from Cisco in electronics and from InBev in consumer packaged goods brought forward some outstanding technologies and methodologies now available for Pharmaceutical as well. These senior level executives from industries that have faced many of the global supply chain and price pressure issues facing pharmaceuticals really added interesting cross-industry flavor.

The sponsors offered a variety of fascinating and advanced supply chain technologies, and had options on how to participate. Alien Technology's RFID products; AT Kearney's services, and Cardinal with 3PL services were all represented. Supply chain response management and scenario simulation from Kinaxis, which until recently had focused on discrete industries, is a great example. McKesson RxPak has bulk repackaged products. TraceLink was also there with its network platform for buyer-supplier collaboration worldwide. Others include voice-activated warehouse provider Vocollect. As the pharmaceutical companies focus on how to make their supply chains not only more efficient and effective, but also a source of strategic advantage, all of these can come into play.

Overall, topics were wide-ranging and thought-provoking, and the conference attendees had quite a bit of experience. At my round table discussion on the topic, When should processes and systems be standardized vs. unique, the participants collectively had dozens of man-years of experience with supply chain transformations.

The industry leaders on the real journey to transformation are not traditional thinkers. They are not stuck in a historical view of what is possible and profitable. This group is forging true transformations in their companies to succeed in this fast-changing industry. We suspect that where they have influence, better supply chain health will ensue.