



A Tefen Series: Operational Excellence in the Life Sciences

Part 3: Learning from the Industry

Executive Summary

Tefen Ltd conducted a study in 2008 & 2009 on 11 life sciences companies, including AstraZeneca, Bayer Schering, GSK Bio, Ipsen, Janssen, Merck Serono, Novartis, Nycomed, Schering Plough, and Wyeth. The research focused on their Operational Excellence (OpEx) programs and is discussed in this three part series.

In part one of the study, “The State of the Industry,” Caldwell, Mathew, and O’Donnell discuss how the life sciences industry is being affected by the decline of blockbuster drugs, competition from generic manufacturers and the East, and the economic crisis. “Operational Excellence Programs in the Industry”, part two of this series, explored the benefits of a lean and six sigma approach, and the necessary management to make the program work.

The conclusion of the series, “Learning from the Industry,” will explore lessons learned and best practices from the 11 companies researched for this article.

Successes and Failures in Operational Excellence

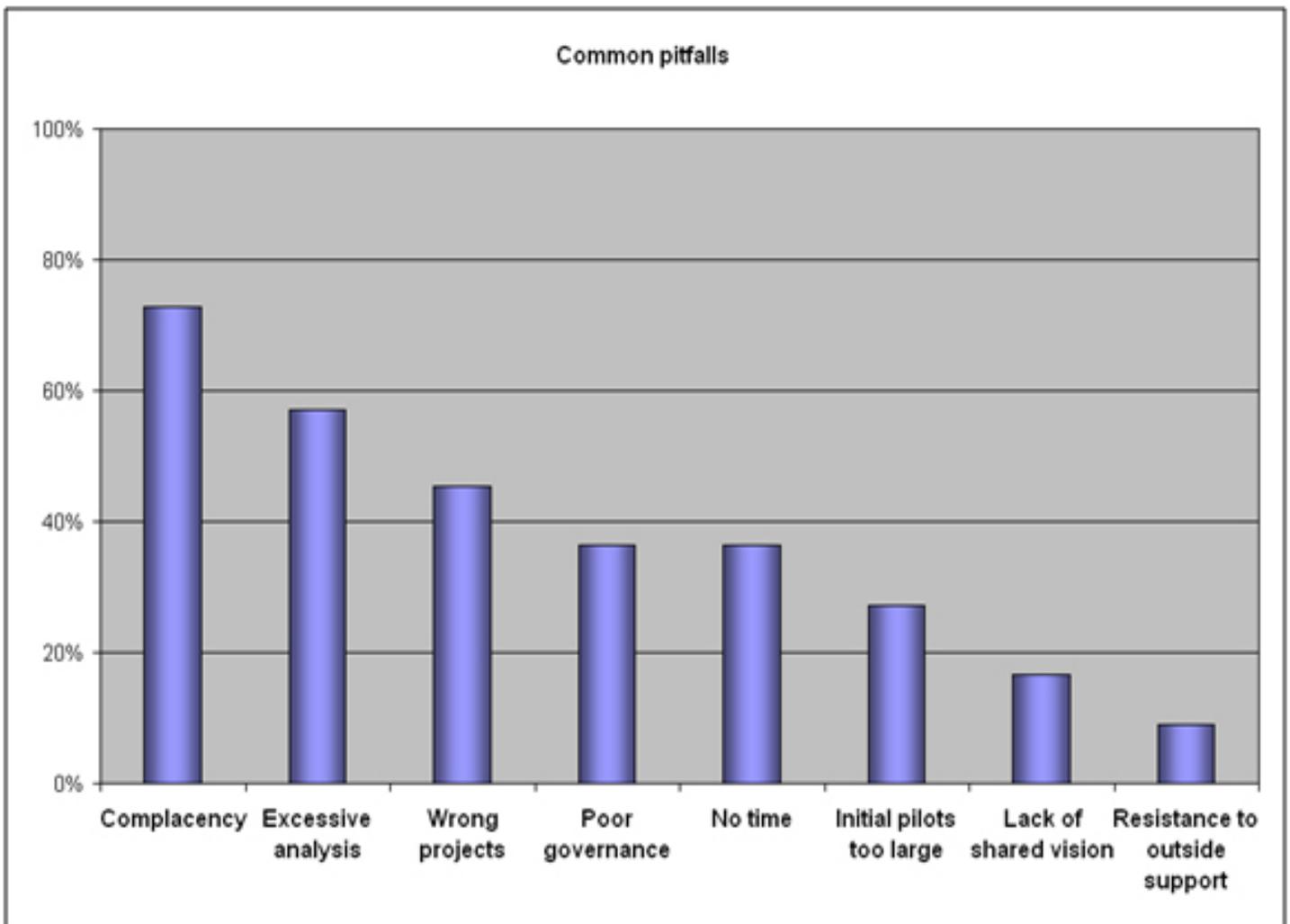
Almost all companies researched have a lot to be proud about:

- First wave projects produced a success rate nearing 75%-90% of targeted benefits. This is due to the enthusiasm and dedication of the first pioneers, and to the internal competition to show better results. Nevertheless the real challenge is to maintain these results both in the wave two projects and in the medium to long term.
- During the deployment of the program a new improvement attitude and language can be recognized within the companies. Lean and six sigma idioms and slogans become part of the company language. Often new roles are created to embed the new attitude in the job descriptions and even job titles are changed.
- At the end of wave two in particular, the first results can be clearly seen in the operational cost or Cost of Goods Sold figures. This is a critical success factor and especially in the early stages, is perceived as the main benefit of the program.
- Continuous improvement processes (if not culture) have been successful installed. Often, continuous improvement projects have started outside the program.

However, many companies have experienced similar issues in the evolution of their programs, particularly in the first 18 months:

- Insufficient corporate sponsorship and promotion is often found; poor communication of the importance and direction of the program from the business leaders is vital in reinforcing any messages coming from OpEx teams. If this is missing or misunderstood, it is extremely unlikely that the OpEx program will really 'live and breathe' on a site. The method and wording of communications is critical to ensure OpEx methodologies are not treated as new cost-cutting initiatives but rather the foundations for effective business.
 - Insufficient buy-in and understanding within middle-management is a recurring theme, leading to cynicism, delays, and initially low performance. Often, local priorities are given precedence over the OpEx projects. Without the middle-management sponsorship, the desired cultural change is impossible.
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- Choosing the wrong projects and carrying out excessive analysis are seen as common pitfalls. Projects which fail to provide any material benefits will ensure a future lack of resourcing. The allocation of resources is never a simple task and so when spare capacity is provided, any perceived waste of resource will hamper future support. The value obtained from the projects and training should always be greater than the investment required. When excessive analysis, testing or indecision causes the time spent solving a problem to become bigger than the problem itself, the ensuing lack of focus will provide a barrier to future change initiatives.
 - Poor governance, inflexible leaders, and concept pilots which are too large can also hinder progress. Large pilots can be too cumbersome and soak up resource causing the benefits and learning from the trial to be lost.



The Industry's Advice

With the benefit of hindsight, OpEx leaders tend to give similar advice to others starting on the same journey. The participants of the study all agree that you can not underestimate the importance of communication. In addition, in order for an OpEx program to succeed, you must pay attention to middle management, and ensure that there is continuous top-down support. Ninety-four percent of the companies found that appointing the right OpEx Leader to drive the program was key. Sixty-five percent of respondents suggest that no specific department should own the program.

The companies studied found that a key to success is to have a process for defining and tracking benefits. These benefits should all be captured via the budgeting process. Seventy-four percent of the people interviewed agreed that by aligning the program to your business needs, and ensuring that the company culture is paramount to the tools, will ensure the success of your program.

The Golden Rules

What is apparent is that all the companies researched view lean and six-sigma as the way business needs to be conducted from now on. An OpEx program is a critical undertaking for any organization which will impact the way the company will do business in the coming years. None of the OpEx programs researched has an end-date; therefore one must conclude that the intent is to move from a program to a way of life. However, many companies experience difficulties in the journey, and this should not be seen as a deterrent, but as a learning opportunity.

Companies in the early stages can benefit from these lessons and correct the mistakes made by others. From Tefen's research, certain key messages have emerged which have been distilled into the 10 golden rules below. If OpEx programs live by these rules, the chance of success is very high, and the potential rewards are great.

1. Operational excellence is about people as well as numbers
 2. Operational excellence should not be measured by financials alone
 3. Operational excellence benefits from a lean and six sigma approach
 4. Operational excellence should move from a 'program' to 'way of life'
 5. Operational excellence should be expanded throughout the organization
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6. Operational excellence can benefit from the pilot-rollout model
 7. Operational excellence sponsors need to be visible and supportive
 8. Operational excellence benefits from effective external support
 9. Operational excellence programs need careful management
 10. Operational excellence is defined by communal knowledge

Conclusion

“Learning from the Industry,” the third part of the Tefen series “Operational Excellence in the Life Sciences,” explores the best practices for your organization to start an Operational Excellence program. Using the advice of top life science’s companies, your company can position itself as an industry leader.

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About Tefen

Tefen is an international management consulting firm, committed to improving overall operational effectiveness for Fortune 500 companies around the world. The firm’s main areas of focus include operations excellence, manufacturing, quality, customer service, research and development and supply chain management. With its “hands-on” approach philosophy, the company has achieved tremendous success in delivering quantifiable and value-driven results for its clients in a variety of industries, including healthcare, life sciences, general manufacturing, high-tech and financial services. All of Tefen’s support programs are ISO 9001 certified. Tefen currently employs over 300 professionals worldwide.

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