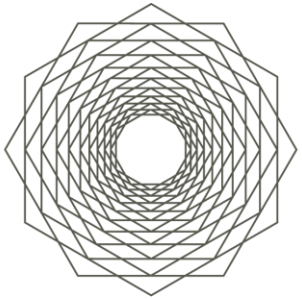


eyeon

YEARS AHEAD

One Number Planning @ Hospira (Pfizer)

3rd round table Integrated Business Management, PID 2017

Marco van Alfen

Sabu Sheikh

Previous Round tables

Round 1: Director FP&A @ **Philips Health Tech** on the role and behaviour of executive leaders in IBM

Round 2: Director Customer Supply Chain @ **Logitech** on S&OP vs S&OE

Integrated Business Management frame

Process designed around decisions

1st round table

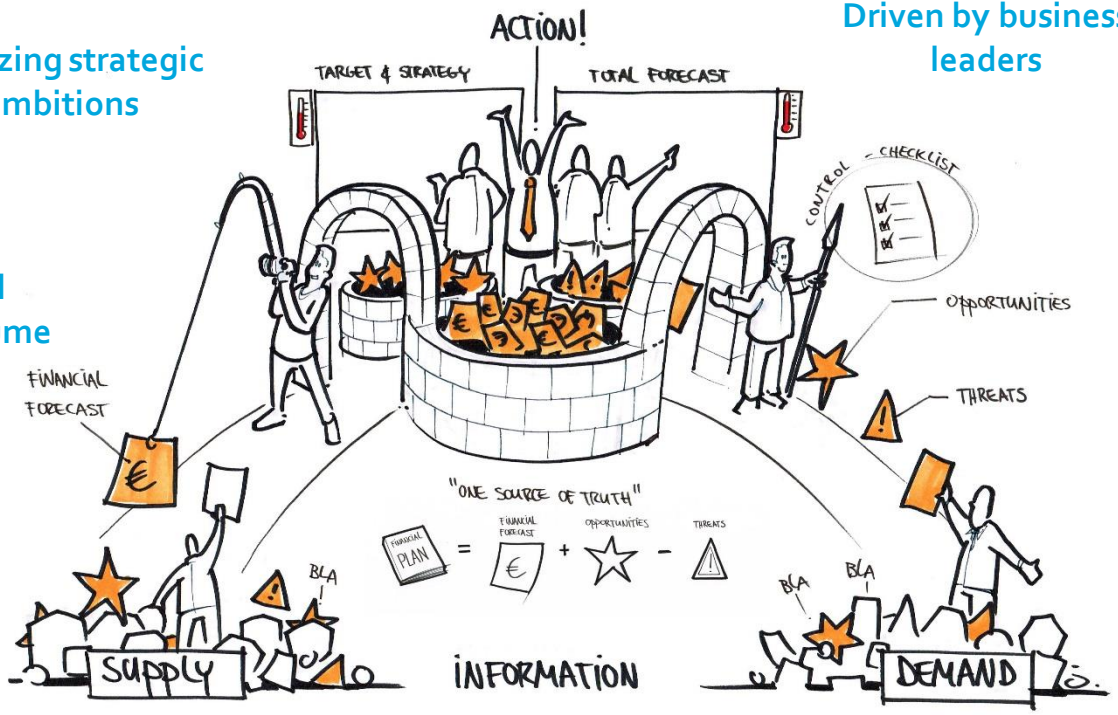
Driven by business leaders

2nd round table

Realizing strategic ambitions

today

Link financial planning to volume planning



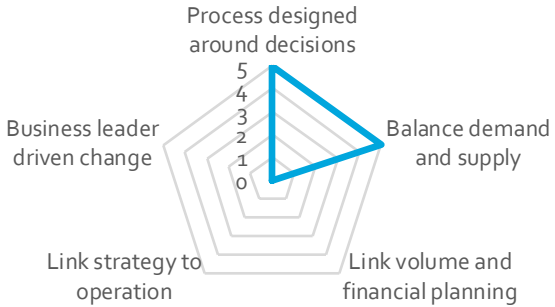
Demand/Supply balancing at the basis

Questionnaire for quick self-assessment available..

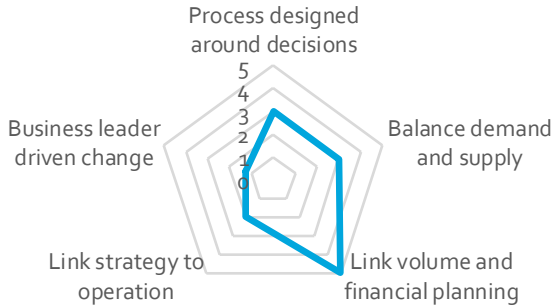
1. The S&OP process is designed around medium term decision making
2. We have a closed loop planning process
3. We have no discussions on data accuracy during our meetings
4. We have differentiated our planning processes based market and supply dynamics
5. We use statistics where possible and human intelligence where it adds value
6. We plan with an integral perspective, cross-functional
7. We have true end-to-end Supply Chain visibility
8. We have one source of truth. Volume planning and financial planning are based on same underlying assumptions
9. Getting to a more accurate financial forecast on results and cash is a joint effort between business and controlling
10. I can monetize a volume plan (i.e. production plan, sales plan) anytime I want
11. S&OP is used as a basis for deriving the latest financial estimate
12. We use the S&OP process as a means to realize strategy (e.g. by identifying potential gaps and deciding on corrective actions)
13. In the S&OP process we identify the inherent risks and opportunities and create multiple scenario's
14. Through the S&OP process we execute on strategic choices in a controlled manner
15. Full integration exists of key business planning processes on strategic, tactical and operational level
16. We develop(ed) our business leaders (e.g. in Finance, Sales, Marketing and Supply, Operations) into becoming leaders of the S&OP process
17. Our top management is sponsor of the S&OP process
18. Our top management is actively involved in the S&OP process
19. We have and S&OP team with formal executive level participation, acting as continuous improvement team
20. The process is efficient
21. The process is effective
22. The process is agile (We can create a new plan at any time)
23. How would you rate the quality of your S&OP process?

Archetypes

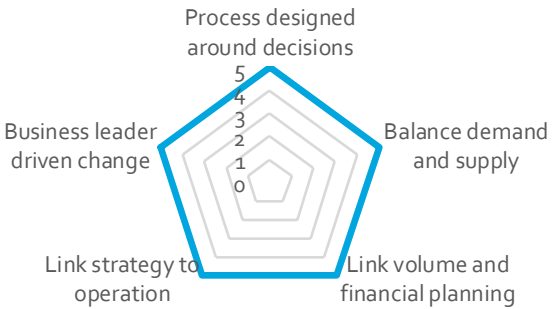
Archetype: Volume driven S&OP



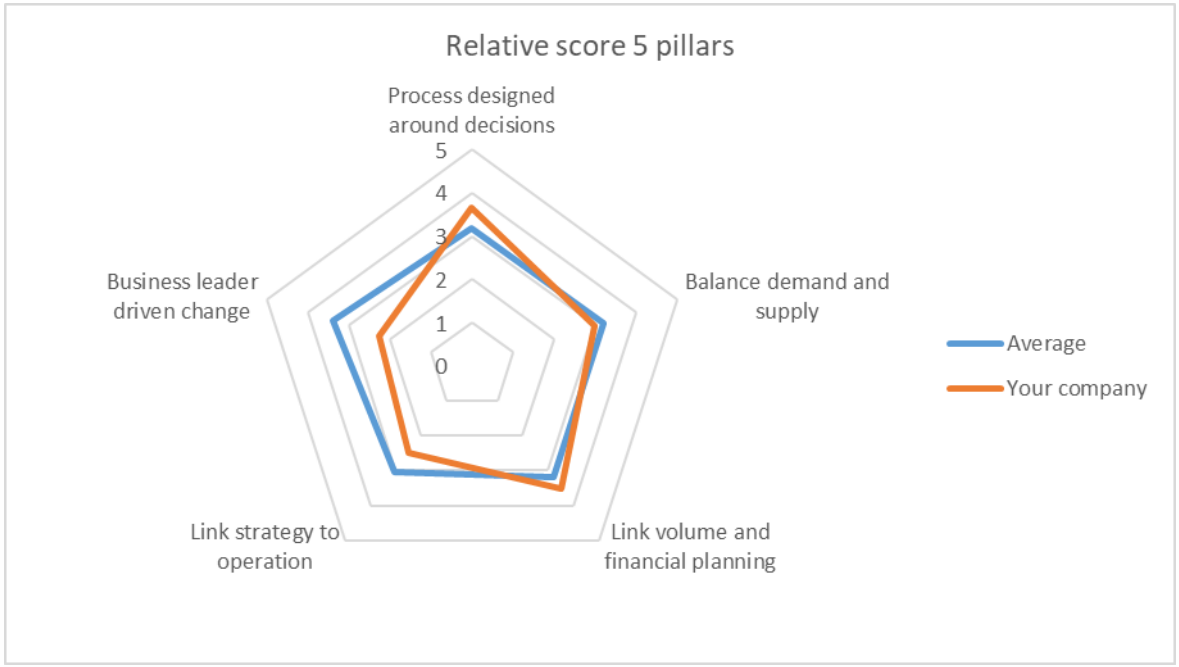
Archetype: Finance driven S&OP



Archetype: IBM



Relative score as a starting point for discussion



S&OP, IBP, IBM.. 12 building blocks to help you configure your process: season to taste!

Process designed around decisions	Balance demand & supply	Integrated planning	Organizational readiness
DECISION-DRIVEN	ENRICHMENT	ONE PLAN	COLLABORATIVE BEHAVIOR
SUPPORTIVE DATA & TOOLS	EVENT PLANNING	STRATEGY EXECUTION	PLANNING COMPETENCE
ANALYTICS	AGILE SUPPLY	BUSINESS-LEADER DRIVEN	CONTINUOUS IMPROVEMENT

Hospira

Integrated Business Plannning

Sabu Sheikh

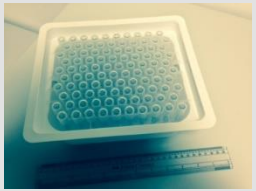
Hospira

Delivering Business Plans

Rotterdam 2017

A view of Hospira's products

Core SIP; Generic & Proprietary



Biosimilars

Injectables

Solutions

Consumable & MMS sets[1]

MMS Pumps

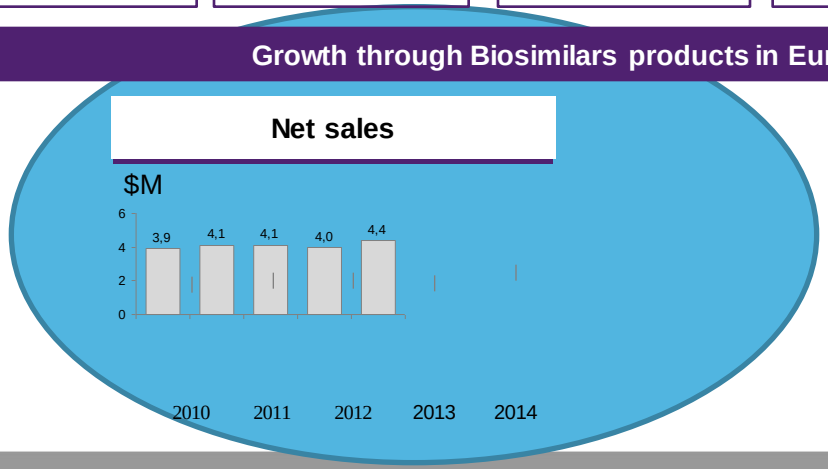
Devices

Hospira at a glance

Lake Forest, IL	17,000+	~$10.9B	2004
Global HQ	*Worldwide employees*	*Mkt cap (as of Feb. 1 2015)*	*Spun off from Abbott Labs*

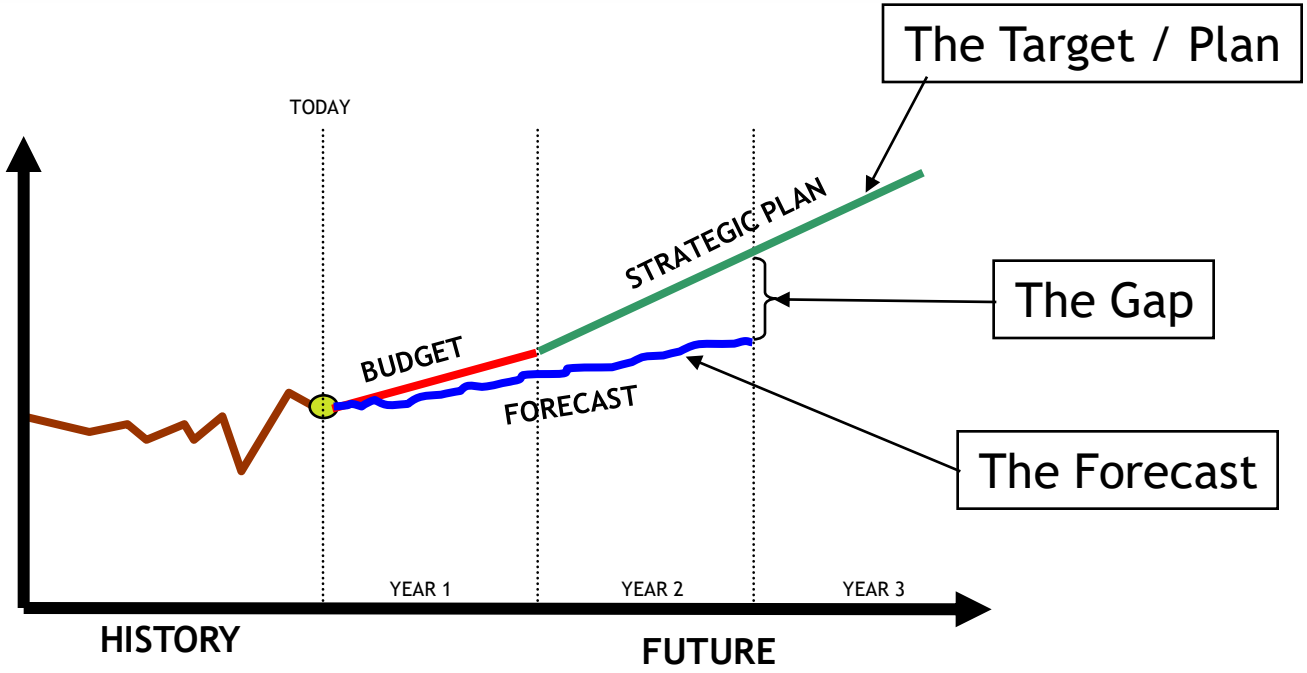
Rocky Mount, NC	~25%	Injectables / Biosimilars	~70%	2007
Largest plant	*% Revenue driven by RM*	*Key product*	*% of Rev. in Americas ('13)*	*Acquired Mayne Pharma*

Growth through Biosimilars products in Europe and US



Acquired by Pfizer
Sept 2015

One number planning…but which one?



Demand Forecast – is used as ‘one number plan’
Budget – Gap between Demand is reviewed in S&OP meeting

‘One number Planning’ in the IBP – where we started…

Hospira Drivers to Change - 2012

1. ‘Budgets = Forecast’ mind set

2. Supply constraints not factored in

3. ‘Burning Platform’ – missed financials for several years

Integrated Business Planning consists of a series of Business Planning processes that develops the LBE

Hospira

Demand Review

- *Key Customer(s): Commercial*
- *Stakeholders: Operations, Finance*

Operations Review

- *Key Customer: Operations*
- *Stakeholders: Commercial, Finance*

Business Review

- *Key Customer: SLT*
- *Stakeholders: Regions*

Consensus Demand Planning

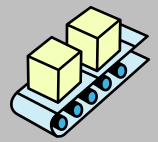
Forward Trends

Geographies

Channels

Portfolios

Demand & Supply Balancing



Inventory

Production

Warehouse & Transportation

Business Planning

ES&OP

LBE

S&OP

IBP Process Attributes

Structured and Disciplined

Hospira

Business Process Ownership

Demand, Supply & Financials Aligned

One View of the world (One Number Planning)

Enabling Functions Integration (QA / Regulatory)

Leadership Lead / support from Global , Region and Markets
Monthly Meeting Calendarised – for full year
Attendance Mandated – from C-Suite

Unconstraint to Constraint LE Process Management
Tradeoffs between Global and Region
Markets, Commercial, Supply Chain Alignment

Systems enabling both Volume and Value views
Monthly LE approval
Optimisation of Demand / Supply Plans
Business / Financial Risks Review

Value Chain extended to Quality, Regulatory and Procurement

2016 EU IBP Calendar L- HSP

	Dec-15							Jan-16						
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
wk 1	30	1	2	3	4	5	6	4	5	6	7	8	9	10
wk 2	7	8	9	10	11	12	13	11	12	13	14	15	16	17
wk 3	14	15	16	17	18	19	20	18	19	20	21	22	23	24
wk 4	21	22	23	24	25	26	27	25	26	27	28	29	30	31
wk 5	28	29	30	31	1	2	3							

	Feb-16							Mar-16						
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
wk 1	1	2	3	4	5	6	7	29	1	2	3	4	5	6
wk 2	8	9	10	11	12	13	14	7	8	9	10	11	12	13
wk 3	15	16	17	18	19	20	21	14	15	16	17	18	19	20
wk 4	22	23	24	25	26	27	28	21	22	23	24	25	26	27
wk 5								28	29	30	31	1	2	3

	Apr-16							May-16						
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
wk 1	4	5	6	7	8	9	10	2	3	4	5	6	7	8
wk 2	11	12	13	14	15	16	17	9	10	11	12	13	14	15
wk 3	18	19	20	21	22	23	24	16	17	18	19	20	21	22
wk 4	25	26	27	28	29	30	1	23	24	25	26	27	28	29

EMEA Planning
Demand upload cutoff Day (SW)
SW download to APO
Global Supply Planning
SW Constraints to be confirmed
Pre S&OP Meetings (Supply)

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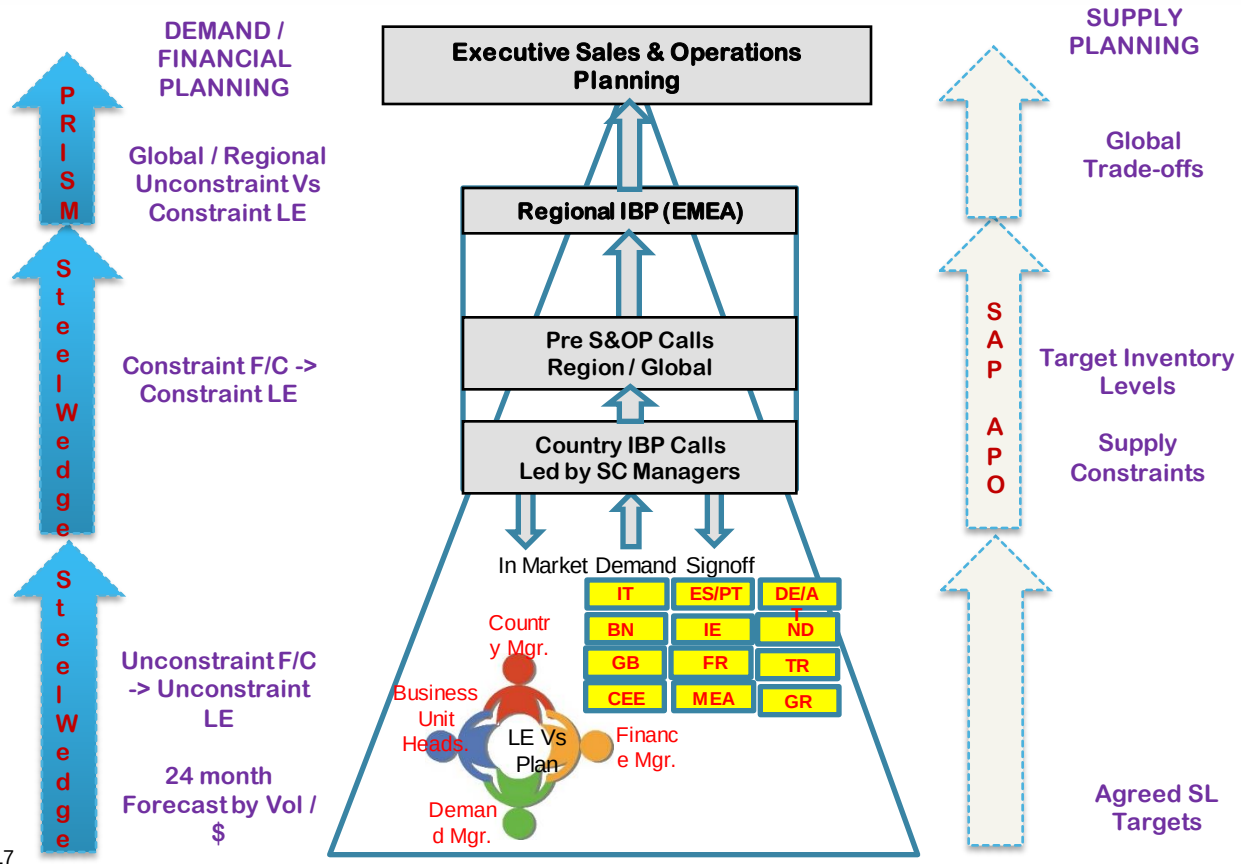
‘One Number Planning’ process – Bottom Up/Top Down



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One Number Planning considerations

What does ‘one Number planning’ mean?

1.
2.
3.
4.
5.
6.
7.
8.
9.

What does ‘one Number planning’ mean?

1. One commercial forecast drives both financial forecast and supply plan. No more ‘sandbagging’
2. High Forecast – higher Financial plan and higher supply
3. Low forecast – low Financials and low supply
4. Change in forecast has impact on both financials and supply
5. Rules developed for ‘uncertain demand’ such as tenders based on probability of win.
6. Changes in selling price maintained in system
7. ‘Gap’ between Demand forecast and Budget reviewed monthly

What made it work…and challenges

Hospira

What made it work…

1. Business Led IBP Process (top down involvement)
2. Investment in S&OP Tool which allowed both volume and value to be managed
3. Tool showed visibility of unconstraint and constraint demand in a monthly cycle
4. Global IBP process design and implementation
5. Tradeoffs undertaken by leadership team
6. Supply focus on execution of ‘constrained plan’

Some concerns

1. Role of Finance in the IBP Process
2. Selling price visibility to wider business - risk

Summary

IBP Process ensured involvement of senior leadership team

All discussion revolved around Unit/$

Financial ‘Gaps’ visibility

Supply Constraints visibility

Tradeoffs managed by commercial team

IBP Process *: ‘secret sauce’ for Hospira’s success and eventual acquisition*

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