

Improving Profitability Through Operational Excellence

To maintain their competitive edge and address new challenges, pharmaceutical companies require an ever more effective and efficient operations organisation.

In a culture dominated by R&D and marketing and sales, operations has never had the prominence it deserves, and which is taken for granted in other manufacturing sectors.

But that is changing. A complex set of forces is conspiring to revolutionise the impact of operations on the industry.

Firstly, with the traditional growth drivers slowing, with innovation slowing, with price pressure and competition from generics increasing, the industry is under pressure to find new ways to sustain its performance.

Secondly, changes within the industry itself – from a new generation of products, many with unconventional delivery mechanisms and shorter

lifecycles, to new collaborative relationships with suppliers and customers alike – demand radical changes to existing supply chain models while old assets remain idle.

Therefore to maintain their competitive edge and address these new challenges, pharmaceutical companies need a completely different view on operational excellence.

Capgemini Consulting believes that operational effectiveness and efficiency are the cornerstones of future success in the commercial phase of pharmaceutical products.



Less than 20% of executives consider their manufacturing performance to be world class in operational excellence.*

The Concept of Overall Equipment Effectiveness (OEE)

OEE = Availability x Rate x Quality

Every individual in an operations organisation should be aware of how to influence the factors of OEE.

Availability: An integrated managing regime is responsible for the overall planning, including planned downtimes.

Rate: Operators are trained to run machines with an adequate rate and technicians are available whenever needed. Both speed losses and losses associated with idling are tracked.

Quality: Knowing Cost of Quality and respective drivers, meaning the total number of rejected, reworked or scrapped products produced, are measured.

Increasing OEE is a cross-functional improvement process.

Leading Through Growth*

- Only 14% of the surveyed executives believe their companies are world class in operational excellence.
- 56% of them are considering implementation of continual improvement practices outside of production (e.g., Quality Control, Maintenance, etc.).

The Challenges You Face

As a manager in operations you know that you only add value to your organisation when your assets are running. Therefore reducing time spent on changeovers, breakdowns, maintenance or other downtime impacting utilisation and Overall Equipment Effectiveness (OEE) is a prime objective for every operations manager.

Our experience shows that very often net production time does not exceed 30% due to the following reasons:

1. Breakdowns
2. Setups and adjustments
3. Reduced speed
4. Minor stoppages
5. Defects and rework
6. Start-up losses

Breakdowns and setups jeopardise availability. Reduced speed and idling like minor stoppages have a negative impact on rate. Furthermore all kinds of defects or losses reduce quality.

The operations management needs to develop a mindset that allows all employees to focus on their individual contribution to OEE in order to tackle these issues in a sustainable manner:

- Aligning the organisation with the stated vision and mission – and with the business performance objectives
- Rigorously analysing and controlling cost and processes to deliver results in safety, throughput, customer service and competitiveness
- Eliminating idle capacity

Generating alignment across all functions of operations and implementation of a rigorous system to continually analyse and control your processes means a tremendous change for most organisations:

- Changes in the way performance is measured and reviewed
- Changes in the way departments interact
- Changes in individual behaviours to make continual improvement a habit and an integral part of the organisation

Managing these changes can prove to be a real challenge.

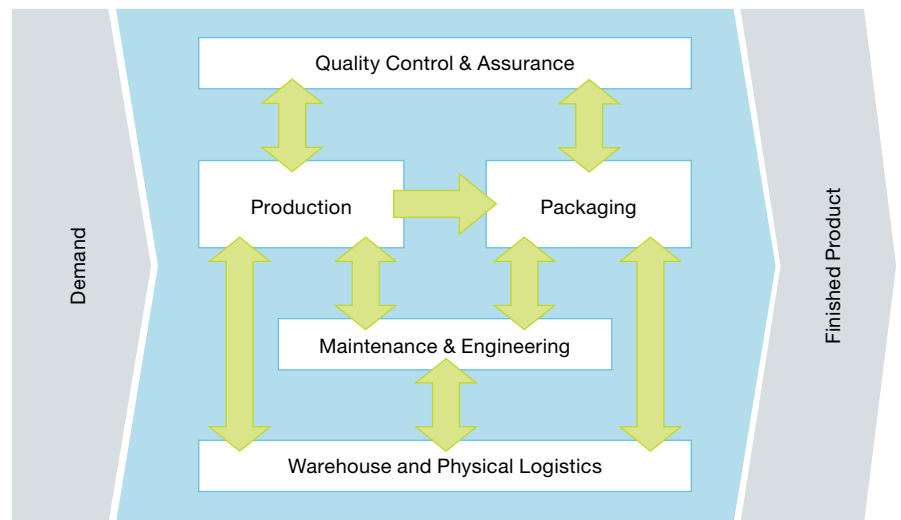
* The Capgemini study "Leading Through Growth" was published in August 2007 by IndustryWeek Custom Research.

How Capgemini Can Help

The road to Operational Excellence typically has many roadblocks and gaps. Capgemini Consulting can help you remove these obstacles and bridge existing gaps.

Operations comprises a system of more or less complex interactions among different areas such as, typically, Production & Packaging, which are supported by Quality Control & Assurance, Maintenance & Engineering and Warehousing, including all physical materials handling on site. Capgemini Consulting has the expertise to enhance collaboration among those areas hence increasing the efficiency and effectiveness of your organisation.

Pharma Operations Transformation Process: From Demand to Finished Goods



Examples of Capgemini Consulting Solutions

YOUR CHALLENGE	OUR SOLUTION	YOUR BENEFIT
Net production time less than 30%	Implementation of the OEE concept, managing change, coaching your people	Continual improvement of your OEE and therefore increased net production time
Silo mentality and optimisation on department/functional level	Jointly setting up cross-functional teams and implementation of the concept of process ownership	Increased flexibility and throughput time as a result of process orientation
Changing technical requirements	Implementation of a new operations concept according to the new requirements	Capacities aligned to the new requirements and freed up redundant resources
Resources are available at the wrong time	Definition and implementation of an integrated planning process that suits your needs	Reliable planning process and increased utilisation due to alignment across all functions
Too many meetings with little value	Implementation of a Management Information System that suits your needs	Visibility of the appropriate Key Performance Indicators at the right time at the right level

The Way We Deliver

Capgemini Consulting delivers measurable results, not only reports or recommendations. We implement.

Typically our approach is divided into an analytical phase and an implementation phase. Depending on the client situation we can use our quick-scan methodology or apply a full analytical phase to deliver a business case, including a precise description of potentials, project plan and the resources needed.

In the second phase we implement the necessary changes in order to deliver committed results and to assure sustainability.

After working with Capgemini Consulting, your organisation will:

- Work according to an operations concept that suits your requirements
- Understand how your operational strategy will deliver your business strategy, and what this means for your daily operational business
- Work more effectively in teams, across functions and with business partners
- Have management systems you can use to drive improved performance
- Be more flexible, more responsive, more profitable
- Make better-informed decisions
- Be more efficient

Example of Capgemini's Approach

Phase I (6-12 weeks)	Phase II (25-50 weeks)
<i>Analysis and design phase</i>	<i>Implementation and sustainability phase</i>
<ul style="list-style-type: none"> ■ Workstream structure according to your needs ■ Focus interviews to get your point of view ■ Joint formulation of hypothesis on how to improve your business ■ Study design according to hypothesis ■ Joint evaluation of studies and development of recommendations ■ Design of a project plan built on recommendations 	<ul style="list-style-type: none"> ■ Project structure as agreed in Phase I, however Capgemini will be flexible to adapt to changed situations ■ Tight project management involving you and your organisation, with milestones (approximately four), monthly steering meetings and weekly project reviews ■ Detailed results tracking to create visibility of project performance and progress ■ Each workstream led by a Capgemini consultant coaching your people ■ Project run by an experienced Capgemini project leader, together with your designated (internal) project leader ■ Shared responsibility over the complete project duration between your organisation and Capgemini ■ High knowledge transfer rate from Capgemini into your organisation



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-

focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration.

Capgemini employs approximately 80,000 people worldwide and reported 2006 global revenues of 7.7 billion euros.

More information about our services, offices and research is available at www.capgemini.com.

We will tailor our approach to your needs.

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