



When the going gets tough, the tough need insight

Performance management for life sciences companies in a weak economy

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Abstract

There are no times like tough times to make the case for performance management software. This white paper reviews the many hurdles faced by pharmaceutical and biotechnology organizations in a down economy and explains how performance management solutions – such as those from IBM – can provide the kind of deep information and insight that decision-makers need to lead their companies through critical challenges.

Overview

Life sciences companies in business for any length of time have likely navigated good – and bad – economic conditions. Interestingly, management challenges exist in both environments. Yet most decision-makers would agree that it takes much greater organizational maturity to weather a negative economic climate.

Many life sciences companies are undergoing massive changes. Significant M&A activity and restructuring is underway as a global economic slowdown is impacting business worldwide. For pharmaceutical companies, lagging R&D productivity is leading to limited pipelines as patent expirations and increasing generics competition are impacting revenues and eroding margins.

Think of it this way: In a strong economy, life sciences companies face considerably less risk from sub-par decisions, under-performing assets, talent gaps, inefficient resource utilization, ineffective brand management, cumbersome supply chain processes, and fat back-office operations. In a tightening economy, however, organizations with bloated operating structures tend to be punished – by shareholders, suppliers, and, especially, lean competitors.

Without question, weathering a downturn depends, in part, on visionary leadership. But choosing the right strategy is easier when your decision-makers have access to robust insight that paints a complete and accurate picture of corporate performance.

Business problems

In the eye of the storm

Reduced credit availability. Falling demand. Earnings pressure. Currency volatility. There's no doubt that today's economic conditions have sparked a range of challenges for companies, including compromised cash flows, difficulty managing inventories to meet fluctuating demand, and declining sales, revenues, and profits.

Product, channel and regulatory changes are requiring more effective sales and marketing activities, and pharmaceutical companies are faced with ensuring quality and safety across all aspects of the business at a time when key activities such as clinical trials and manufacturing are globally distributed and often outsourced. Life sciences companies are faced with managing increasing regulations that are touching every aspect of the industry, creating even more complexity and risk that must be managed,

For many life sciences organizations, these negative indicators act as a cue to go into bunker mode. Plagued by a form of corporate tunnel vision, they are often tempted to keep doing what worked in the past, in the hope that it will continue to work in the future.

Both experience and history show that giving in to this temptation can be a fatal mistake for life sciences companies as well as other leading industrial companies. Consider: In a recent report¹, McKinsey & Company looked back to the recession of 2000-01 to identify which companies faltered and which took advantage of sluggish times to make gains on their competitors. They concluded that "nearly 40 percent of leading US industrial companies toppled from the first quartile in their sectors during the 2000-01 recession, and a third of leading US banks met the same fate."

Business drivers

The need for performance management software

To avoid becoming this kind of statistic, your company needs access to critical data about how well your business, your market, your competitors, and your suppliers are responding to today's challenging times.

For that, you need performance management software. While for years life sciences companies have been led to believe that they would not be severely impacted by economic conditions, the reality today is that life sciences companies need the ability to gain greater visibility into performance across the business to succeed during a global recession.

John Hagerty, VP and research fellow at AMR Research, agrees: "A company that has insight into its operations and its customers has an advantage over companies that don't," he says. "That's especially true during times when other indicators might suggest pulling back on technology investment."²

The solution

Finding opportunity amid turmoil

In weak economic conditions, your company's decision-makers need the ability to understand how the company is performing against its targets. They simply do not have the time to sift through stacks of reports to find out what's right – or wrong. By linking individual and team performance to organizational strategies, scorecards help users understand how their roles drive company-wide performance. Similarly, dashboards use gauges, charts, maps, and other graphical elements to translate complex information into a dynamic view of business conditions.

Used in tandem, IBM Cognos 8 Go! Dashboard and scorecards help business users take faster action in response to concise information they receive at a glance. An interactive and intuitive interface masks back-end complexities to enable business users across the organization to create self-service reports that contain the information they most need. That eliminates the need for report writers to aggregate information from multiple data sources and write individual reports. Instead, users across the organization can customize their own dashboards to track performance over time.

As an added advantage, IBM Cognos software solutions automatically reformat reports for a wide variety of environments, including the Web, mobile devices, and common office applications such as Microsoft® Excel®. This allows your users to interact with their reports no matter where they're located, ensuring they always have access to the information they need to respond dynamically to both threats and opportunities.

This capability can translate into a crucial differentiator during times of economic stress. The ability to track and measure performance becomes essential to achieving business goals. "Our customers require timely, accurate, and relevant information that can help them measure and analyze performance against program objectives," said Marilee McTigue, vice president of IT strategy and planning at Quintiles Transnational, a leading global contract pharmaceutical organization. "With IBM Cognos, operational as well as market information will be more transparent to the customer. Customers will also be able to personalize their view of their data, drill into their numbers, uncover trends, and adjust their plans to improve performance."

Measuring efficiencies

Another way life sciences companies frequently respond to economic challenges is by shoring up internal operations to ensure the entire organization is running at peak efficiency. Making this determination, however, requires an in-depth understanding of how well the company is operating relative to its historical trends, its peers, and the overall market. To gain this insight, your company's decision-makers need the ability to connect operational details to business drivers.

IBM Cognos performance management systems support this analysis by empowering users to track material exceptions triggered by real-time events and trends. Rather than measuring performance in absolutes, your business users can use critical business ratios and key performance indicators (KPIs) to gain a comprehensive overview of organizational efficiency.

For instance, instead of using single point measures, such as sales per month, current accounts payable, or revenues per channel, users can track performance relative to market growth, strategic objectives, or peer groups. This type of tracking allows your organization to get answers to complex strategic questions, such as:

- What is our revenue growth relative to market growth?
- Which types of customers are more likely to pay late – and why?
- What is our relative production per square foot in each of our production facilities?
- Which of our channels and regions are most likely to outperform?

Armed with this information, management gains the context they need for key decisions. With insight into the state of the market, and your company's place within it, executives can reallocate projects and resources, identify poorly-performing assets, measure the profitability of key accounts, rebalance the company's product mix, reprioritize expenditures, improve customer payment processes, and ensure staff remains focused on value-added activities.

At the same time, personal alerts allow users to receive updated versions of scheduled reports via e-mail or be notified whenever a specific watch rule they set is met. In volatile economic conditions, this functionality allows decision-makers to respond proactively to warning signals before they have the opportunity to spiral out of control.

Making the tough calls

As budgets decline and discretionary spending tightens in response to economic challenges, your users must increasingly make difficult decisions regarding resource allocation and initiative prioritization. IBM Cognos performance management and BI software streamlines this decision-making process by enabling users to evaluate financial results across countries, currencies, and legal entities. With detailed analytic capabilities, management can assess how results change over time, in different regions, and across various product lines. By drilling down to transaction-level detail, or comparing performance for any time period they choose, they can spot trends that allow them to better understand resource requirements and plan accordingly.

In practical terms, this level of insight lets users make tough calls regarding which assets, resources, initiatives, locations, products, or customer relationships may no longer be sustainable. On the flip side, it also allows decision-makers to target marketing efforts to promising customers, deliver advanced training to high-performing employees, roll out new products in key regions, and measurably improve productivity by streamlining workflow and eliminating process inefficiencies.

Given the dangers of a strategic misstep, users rarely make these types of decisions independently. To accommodate this need for enterprise-wide collaboration, IBM Cognos 8 BI features an annotation tool that lets users capture comments and make “notes in the margin” of their reports. IBM Cognos 8 Go! Search lets them find the precise information they’re looking for amid a mass of structured and unstructured data, improving their analytical capabilities. With common data definitions, users can even enter data in their own business language instead of using unfamiliar terms, allowing them to spend less time debating the numbers and more time deciding what to do.

Implementing proactive brand management

With the average cost of bringing a new product to market exceeding a billion dollars, pharmaceutical organizations are striving to achieve commercialization excellence by driving successful product launches and enhancing go-to-market productivity, all in the pursuit of maximizing brand value.

The challenge is not limited to internal efficiencies alone. Working with external constituencies, including regulatory agencies and key opinion leaders, is a critical success factor as well. Success depends on tapping a broad set of competencies, ranging from conducting late-stage trials to managing regulatory hurdles to informing the medical community about disease states.

A brand manager must have a keen understanding of strategic objectives and be able to translate them into operational plans. With the right decision-making tools and capabilities, the brand manager can view the status of action plans, have real-time access to key performance indicators, and drill down into the operational details to isolate bottlenecks and take corrective action. IBM Cognos 8 performance management software includes dashboards, scorecards, and enterprise planning tools to address the complexities of managing a global pharmaceutical brand.

Brand managers can understand how they are performing, drill-down into the details of activities, identify problems, and take both financial and operational action. Key benefits include:

- Deep analysis and understanding of key drivers and metrics for a successful brand.
- The ability to identify process bottlenecks and bring a product to market as quickly as possible.
- Enabling top-down and bottom-up planning and management activities.
- Understanding the true impact of management decisions and investments.

Life sciences companies can also leverage performance management to maximize revenue from existing brands. In turbulent times, pharmaceutical companies can nurture existing brands to maximize existing revenue streams while building market share and creating greater loyalty in the distribution channel.

Data-driven decision making based on accurate, timely, and relevant reports allows life sciences companies to more effectively manage brands across the entire product lifecycle. Performance management directly impacts a life sciences company's ability to drive informed decisions that maximize brand value based on real-world information, instead of settling for a subjective decision making process based on anecdotal information.

Streamlining the supply chain

A key way for life sciences companies to consolidate their spending and increase their buying power in a downturned economy is by streamlining their supply chain management. By carefully reviewing your supply base, your global sourcing strategy, and your procurement processes, your decision-makers can gain the insight they need to negotiate with suppliers to receive more favorable terms, costs, discounts, service levels, lead times, and quality.

While effective supply chain management is critical in all market conditions, in a slow economy it can spell the difference between long-term success and failure for life sciences companies. Fortunately, IBM Cognos performance management solutions can help you monitor supply chain performance in terms of efficiency, utilization, quality, cost, and throughput. By carefully managing your supply chain in turbulent economic times, your company can do more than reduce the potential for unforeseen shifts in demand, supply disruptions, price swings, and quality problems. You can also identify areas where cash may be unnecessarily tied up in working capital, freeing up your resources to take advantage of opportunities to acquire assets at reduced prices.

Laying the foundation for future growth

Despite the tendency to retrench in times of economic turmoil, life sciences companies cannot afford to stand still and wait for the storm clouds to pass them by. At the same time you are taking steps to cut costs, improve efficiencies, reallocate your resources, manage your brands, and streamline your supply chain, your organization must also lay the foundation for future growth and position your company to prosper when the inevitable economic recovery occurs.

This requires a commitment to swap out inefficient processes in favor of new systems capable of driving ongoing performance. For instance, rather than setting targets at specific numbers, your decision-makers may want to begin tying performance targets to events, trends, and risk factors. Rather than engaging in planning on an annual basis, they might consider adopting shorter planning cycles focused on the achievement of specific tactics and initiatives. Life sciences companies with particularly high risk profiles should start preparing monthly forecasts. And regardless of the sector or sectors of the life sciences industry you're in, it is becoming increasingly important to align financial forecasting with the business cycles that prevail in your key markets.

By replacing rigid annual budgeting with continuous planning – on a monthly, weekly, or even daily basis – IBM Cognos performance management software can position your organization to achieve higher performance in both good times and bad. With real-time visibility into up-to-date data, your decision-makers can create rolling forecasts that take a broad range of potential future scenarios into account.

Using predictive analysis, managers can develop action plans for variable future outcomes, increasing business agility and responsiveness. For instance, by understanding how your customers are most likely to respond to specific incentives, your organization can increase the probability for a successful product launch or marketing initiative. This type of insight can provide you with a differentiator that could potentially springboard your organization beyond those competitors who are less prepared to address economic uncertainty.

IBM provides an integrated platform for performance management that leverages critical data systems including ERP. And it delivers the scorecarding, reporting, and analysis, and planning tools that help life sciences companies optimize performance. With IBM Cognos solutions, life sciences companies can improve their ability to make timely, informed decisions in multiple business areas, including clinical R&D, manufacturing, operations, and finance. IBM Cognos performance management software enables pharmaceuticals and life sciences companies to:

- Gain a complete view of the clinical development process to increase clinical efficiency and optimize the cost/value relationship.
- Monitor performance against key milestones such as investigator selection, IRBs, site initiations, enrollment, drug shipments, and availability.
- Integrate plans and budgets to provide visibility into clinical spending, predict clinical expenses, and maximize financial capital leverage.
- Aggregate customer, channel, and product data for a single view of sales volume and to drive more targeted deployment.
- Enable driver-based planning to make better decisions about resource allocations such as marketing programs, advertising, and samples.
- Improve contracting effectiveness through better planning and analysis of KPIs, historical performance, and scenario analysis.
- Structure data and reporting to comply with regulatory requirements.

To speed software deployment and maximize ROI, a full suite of IBM Cognos Performance Blueprints are available that address business intelligence, planning, and performance management process areas that directly impact a life sciences company's ability to create business value. They consist of pre-built data, process, and policy models based on proven best practices in pharmaceuticals planning, budgeting, and forecasting, and they provide the fastest means to effectively align strategy and execution.

Conclusion

IBM Cognos software for business intelligence and performance management supports data-driven decision-making across life sciences companies, contributing to higher revenues, greater profitability, and reduced cost through improved operational efficiency.

The world's leading pharmaceutical and life sciences companies choose IBM Cognos software to improve product development, increase operational performance, drive revenue and market share, and comply with regulatory requirements.

In tough times, life sciences executives must detect trends, changes and exceptions – and respond accordingly. They must track organizational performance across departments and geographies. They need to understand how well individual efforts align with corporate strategies. And they need this information delivered to them no matter where they're located, no matter what device they're using, and regardless of what language they speak.

IBM Cognos performance management and BI software deliver precisely this insight. By empowering your business users to transform raw data into business intelligence, these solutions allow them to make the crucial decisions that can shield your company against the current downturn. By accruing directly to the bottom line, the results of these decisions can give your company the impetus it needs to successfully navigate challenging economic times. They can also deliver a strong business case to support your investment in performance management applications.



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About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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Endnotes

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- 2 Judith Lamont, BI, in good times and bad, August 31, 2008, KMWorld, <http://www.kmworld.com/Articles/Editorial/Feature/BI,-ingood-times-and-bad-50457.aspx> (accessed September 25, 2008).