

white paper

corporate performance management in pharmaceuticals

real world pharmaceutical stories



It goes without saying that corporate performance has become critical to today's public and private organizations. Corporate scandals from many years ago created a level of skepticism that has left shareholders and the government eyeing every financial and operational move a company makes. It is no longer sufficient for a company to simply comply with today's standards—investors and shareholders are demanding that corporate executives find new and innovative ways to improve their operational and financial performance.

Relieving the pressure

So what are companies doing about these new demands? Many are turning to Corporate Performance Management software to achieve improved growth and profitability more quickly, while others are apprehensive about what the software can actually do for them. The believers have taken a leap of faith and are investing in portions of Corporate Performance Management software such as Web-based budgeting and planning to help bridge the gap between long-term strategic plans, and shorter-term budgets. Others have started with corporate scorecards to uncover, measure, and monitor their key performance indicators to create a more performance-accountable organization. Then there are those who wish to delve into the sea of analysis to uncover the key drivers for growth and profitability. Those companies are taking advantage of business intelligence tools that tap into previously-hidden data in transaction systems such as ERP and CRM. The starting point is unique to each organization, but many companies start with the area of the business that will move the organization closer to its strategic performance objectives.

Corporate performance management—just a buzz word?

Corporate Performance Management has been around in different forms since the beginning of time. Historically, it was much clearer how an asset created value (e.g., how a piece of machinery contributed to producing a specific kind of product, at a specific cost, which was sold for a predefined price). Today things are much more complex—it is more difficult to establish that link when it comes to intangible assets. Today, there is no direct, one-to-one relationship between an asset, an intangible asset, like the knowledge of a worker, and a financial outcome. Today's environment is more dynamic, and Corporate Performance Management plays a critical role in helping companies make sense of their operational and financial performance in a very complex environment.

Even the challenges are changing rapidly

Few would disagree that the pharmaceutical industry is facing major challenges. Faltering stock prices, rising development costs, declining drug discovery success rates, expiring patents, and a shortage of new blockbuster drugs are contributors to the current crisis within the industry. This crisis has created a halt on growth and profitability. Pharmaceutical and biotech companies are experiencing slower profit growth as both the top and bottom lines are squeezed, which has created unrelenting financial pressure. The industry is in trouble as:

- Company stock prices continuously declining
- Demanding shareholders are forcing managerial changes, particularly at the executive level
- R&D costs are rising, and returns are shrinking
- Increased industry debt levels are creating higher risk and uncertainty

Another inhibitor to profitable growth is the blurring of traditional competitive boundaries. The emergence of competitive analytical tools such as EDGAR Online and Hoovers has given industry competitors a single place to access in-depth information on a company's financials, existing and pending patents, business operations and more. Industry companies are now in a better position to strategize on how to impact the revenues and success of their competitors.

Despite these challenges, the global pharmaceutical industry still has the potential for significant growth. It is up to each organization to determine how they can build and sustain new strategic business models. Those that are focusing on their operational and financial performance are quickly becoming the most agile of organizations, and are experiencing greater success.

Corporate performance management software

Companies in the pharmaceutical industry are turning to Corporate Performance Management software to help address the challenges outlined above.

Effective budgeting & planning

Imagine bridging the gap between corporate budgeting and operational planning, and having this process decrease your R&D costs and improve your returns. Web-based budgeting and planning software from Host Analytics enables pharmaceutical companies to create more dynamic budgets and rolling forecasts that can be updated in real-time based on changing business drivers. The planning portion of the software enables business analysts and financial analysts to model different business scenarios.

For example, some pharmaceutical companies would like to understand the impact of outsourcing their drug discovery process. Host Analytics Budget enables analysts to model different outsourcing scenarios to uncover the most cost-effective and timely outsourcing solution. Other business scenarios may include modeling the impact of closing a manufacturing plant, a major delay in drug delivery, or an immediate rise in demand due to a competitor's product being removed from the market.

Query, analysis and reporting

Identifying the most valuable customers with Host Analysis can also be invaluable, delivering insight into key accounts, what they purchase and why.

Scorecarding—getting everyone on the same page

Web-based scorecarding such as Host Analytics Scorecard is helping pharmaceutical companies create clear metrics that can be shared and monitored across the entire organization. Scorecards allow each employee within a pharmaceutical company to clearly understand the key drivers to profitability, while providing them the ability to track their performance against company goals. For example, persons responsible for drug packaging may have their performance indicators set to track the price of packaging materials in their scorecard. They may also be given performance-driven bonuses for improving packaging costs by X%.

Dashboards

Executive dashboards created with Host Analytics Corporate Performance Management Suite serve as the shop window to the business for key executives. The window provides graphs and charts on how the business is performing at any given moment. A dashboard can provide a summary of sales by region, drug development progress, expired patents, and competitive filings.

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Pharmaceutical companies trust Host Analytics

You can transform your budgeting and planning processes with Host Analytics Budget.

Challenges

The company's goal was to improve shareholder value and high growth.

They were challenged with creating and maintaining accurate budgets, plans and forecasts in spreadsheets. Excel templates were labor intensive to create and manage, and consolidation of those spreadsheets was near impossible. Using an Oracle Financial system to pull data to create meaningful reports for users was painstaking; uploading data from Excel back into Oracle was just as painful. The creation of multi-year plans in Excel just wasn't going to cut it for a high-growth pharmaceutical company.

Needs:

- Creating and managing complex budgets, plans and forecasts
- Developing reports for the board of directors
- Planning for the future

The company needed a way to ease the budgeting process for multiple departments and products. The inhibitor to easing the process was the data collection process which was manual and time intensive. The company also sought an easier way to create multi-year plans which could be easily manipulated and updated based on changing business drivers. Needed the ability to create multiple versions of budgets and plans that include granular details such as:

Scenario Planning. Leverages 3 primary processes for budgeting including Sales and Cost of Sales, Cost Center + Project budgets, Balance Sheet input. During their budgeting process, they may need several versions of the budget created based on different assumptions associated to product production, expected revenue targets, etc.

Forecasting. The company maintains a fiscal 12-month forecast, populating previous months with the actuals and future months with the original budgeted numbers. This is the starting point for the first new forecast of each year. They will typically reforecast approximately 3 times per year. For the 2nd new forecast, the previous forecast with new actual results inserted will become the baseline. They also creates comparison reports that show actual to budget and variance; forecast to budget and variance; actuals to forecast and variance.

Strategic Planning. The company has a 3-5 year strategic plan at a detailed account level. However, having the ability to create multiple "Strategic Plans" based on different assumptions was ideal.

The solution

- Global Drivers Assumption Template
- Global Sales / Cost of Sales Budget Model Template
- Individual budget entity templates will be auto generated by processing the Global Template. Any valid department—project combination will lead to templates being auto generated.
- Global Operating Expense Model Template
- Individual budget entity templates will be auto generated by processing the Global Template. Any valid department—project combination will lead to templates being auto generated.
- HR/Compensation templates will be auto generated for operating expense departments
- Capital Budget Templates
- In year forecasting—used to produce a 12-month scenario in which users can see actuals that have posted, and budget values for future months. Budgets can then be adjusted along with the forecasts.
- Standard forecasting module is utilized to create many 12-month scenarios to meet the needs of strategic planning groups
- Produce reports summarizing data from multiple scenarios into one report
- Profit and loss reports including product line P&L and budgeted P&L
- Balance sheets, cash flow statements, capital reporting
- Research and development roll-up
- Monthly summary vs. budget
- Sales forecast by quarter, revenue or costs of sales
- Expense trends by quarter, actual monthly, quarterly by product
- Actual vs. budget by products for all departments, by cost center
- Actual vs. forecast by product rollup

Let Host Analytics help you:

- Analyze and report on clinical performance data to identify best practices
- Analyze performance data to improve resource allocation
- Forecast predictable and consistent future results
- Analyze and report on your operational data for more accurate and timely business decisions
- Use driver-based planning models to deliver timely, accurate forecasts and optimized resource utilization
- Improve manufacturing process and inventory control
- Provide information to help guide your executive management team
- Analyze and report on product sales and sales force activity

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