

## Summary

### Outcomes

Mission of the Sandoz SHAPE program – a joint initiative between business and IT- is to transform the highly fragmented ERP environment to a globally harmonized and seamlessly integrated system landscape that optimally supports the business processes in Sales, Finance, Manufacturing, Global Supply Chain Management, Procurement and Plant Maintenance. At its final stage, SHAPE will support 8000 end users, working in 40 manufacturing sites in 26 countries, covering 96% of 3rd party sales worldwide.

The new single and integrated ERP system supports compliance with external requirements like SOX or GxP and is fully in line with Novartis Group definitions in Finance and Reporting. It also contains a Global Material Master Data application as an integral part.

### Objectives

- Simplified and globally harmonized business processes in line with current best practice
- Optimized new supply chain model, facilitating:
  - Reduced net working capital by lowering inventory levels
  - Supply chain costs savings
  - Reduced write off of inventory
- Setting standards in purchasing to allow global vendor management and reduction of spend.
- Harmonized manufacturing, quality assurance and related technical operations processes.
- Harmonized master data and single data center
- Flexible and automated financial and supply chain KPI reporting.
- Reduced hardware and application support costs by replacing 11 legacy SAP R/3 systems with different releases, lacking common standards and hosted in local data centers and 15+ non-SAP ERP systems by a single system, single client architecture on ECC 6.0 plus single BI-, APO/SCM- and XI systems.
- Full SOX and GxP compliance and reduction of audit efforts.
- Flexible structures allowing the integration of additional companies.

## SHAPE - Sandoz Harmonized Processes in ERP

### Sandoz company story

Sandoz, a Novartis company, is a world leading generics pharmaceuticals company. The company develops, manufactures and markets off-patent medicines, as well as pharmaceutical and biotechnological active ingredients.

### Sandoz SHAPE program

In 2005 Sandoz defined a new global supply chain model. A significant amount of the projected benefits of this new model depends on the implementation of a new, harmonized ERP system. In addition the ambition of the program was to create globally harmonized business processes for all business functions and to significantly reduce the effort in reporting.

One of the pillars of the program is a global SAP roll-out combined with best practice processes and harmonized reporting requirements based on a Sandoz template (CORE), proven in pilot implementations.

### Initial situation

The creation of the “new” Sandoz through acquisition of Hexal and EonLabs and the integration of former companies like Lek and Sabex resulted in a landscape of highly fragmented business processes and enterprise resource planning (ERP) systems, operating with non-harmonized data across sites.

In addition, Sandoz faced the need to adapt the existing ERP system landscape due to compliance requirements and out-of-maintenance scenarios.

### The Solution

Sandoz decided to replace all existing SAP and non-SAP ERP legacy systems and to introduce a single client ERP system for all business processes in Sales & Distribution, Operations and Finance, linked to one Business Warehouse for reporting based on BI 7.0 and to one Advance Planning System for sales forecasting and Supply Network Planning based on APO 4.1.

Key 3rd party systems for Production Execution (MES), Quality Assurance (LIMS) and Warehouse Control (WHC) as well as a SAP HR and CRM systems are interfaced via Netweaver XI 3.0.



## Key success factors

### Build foundation

- Global alignment on selected key business processes
- Core decisions signed off by senior management of all affected sites
- Detailed implementation and roll-out methodology following CSV requirements

### Proof concept

- Hands-on involvement of core experts in the pilot implementations
- Continuous collection of best practice solutions to enhance the initially built core

### Execute

- Formalized upfront scoping and Fit/Gap exercises for every roll-out project
- Implementation teams are kept together moving to next roll-out project
- Project and Teams are jointly led by a tandem of Business & ERP Expert

### Manage globally

- Global governance model with business and ERP experts ensuring core maintenance
- Formalized quality and core compliance reviews, embedded in methodology

## Key improvements in various business areas

### Supply Chain Management

- Fully integrated supply network planning for finished products (SCM SNP)
- Global transparency of inventories and demand / supply situation
- Automated inter-company order execution processes including specific funds flow scenarios with a central turntable organization
- Harmonized inter-company shipping processes
- Standardized shipping labels, transport documentation and packing procedures

### Manufacturing and related technical operations

- Globally standardized batch management concept
- Standardized 3rd party system integration for Quality Assurance System (LIMS)
- Introduction of global vendor concept with harmonized evaluation scheme
- Common business process definition and core solutions to implement standardized interface solutions between SAP and Manufacturing Execution Systems (MES)

### Sales & Distribution

- Harmonized and best practice sales forecasting processes and solutions, achieved through SAP demand planning solution (SCM DP)
- Improved and consistent handling of backorders
- Improved proof of delivery solution ensuring compliant revenue recognition

### Finance

- Implementation of standardized accounting approach based on ECC 6.0 "New GL" functionality
- Globally standardized controlling concept
- Highly automated group reporting
- Automation of group-wide inter-company invoicing processes, supporting the worldwide inter-company reconciliation procedures
- Establish full internal control compliance using centrally maintained tools
- Workflow supported invoice verification

**SHAPE simplifies and synchronizes our global working environment. It is a key initiative for better business processes helping us meeting our vision being a leader in the industry and outperforming the market.**

Bernd Welther, CIO Sandoz

## Lodestone Contribution

As preferred and main supplier of consulting services for the SHAPE program, Lodestone supports Sandoz with all aspects of a large scale global implementation program:

### Template definition in core phase

Functional team leadership, delivery and alignment of best practice processes and solutions in the functional areas

### Roll-out projects

Project- and integration management, functional team leadership, hands-on delivery of solutions from blueprinting to post-go live support, planning and managing of data migration and cut-over activities, providing ABAP and other technical services for the projects on site and near shore

### Global program management

Support Sandoz with the overall management of the program, scoping and preparation of the roll-out projects etc.

## Why Lodestone

Long term experience in Life Sciences, the knowledge about the challenges of a large scale global ERP program – combined with in-depth hands-on technical and functional SAP implementation knowledge in a CSV controlled environment were basis for the selection of Lodestone as main implementation partner.

### Lodestone Management Consultants AG

Obstgartenstrasse 27, Kloten, 8058 Zürich, Switzerland

Phone: +41 44 434 11 00, Fax: +41 44 434 11 01, [www.lodestonemc.com](http://www.lodestonemc.com)