

Pfizer Thrives in Challenging Marketplace with Versatile Performance Management Solution



Pfizer
New York, NY
www.pfizer.com

Industry:

Life Sciences

Annual Revenue:

US\$48.4 billion

Employees:

85,000

Oracle Products & Services:

Hyperion Financial Performance Management
Hyperion Crystal Ball
Oracle Financials

Key Benefits:

- Integrated financial information across multiple systems
- Standardized financial analysis and forecasting processes across company
- Accelerated response time to changing market conditions
- Improved decision-making with more reliable business information
- Enabled accurate evaluations of proposed business strategies

“With Oracle’s Hyperion solution, we now have the tools not only to drill down but to burrow across the company to meet the needs of our divisions.” – Frank Orlowski, Director and Team Leader, Finance

Founded by cousins Charles Pfizer and Charles Erhart in 1849, Pfizer Corporation has grown and prospered through multiple transformations of the global pharmaceutical industry. Today, New York-based Pfizer is the world’s largest research-based biomedical and pharmaceutical company. Recent innovations include Sutent®—a novel cancer medicine that both cuts off the blood supply that feeds tumors and destroys cellular reproduction, and Chantix™—a new prescription medicine and accompanying support plan designed specifically to help smokers quit.

Like most Big Pharma companies, Pfizer has encountered tougher market conditions in recent years, fighting to hold market share against a tide of generic drugs while at the same time racing to develop new generations of safe, effective pharmaceutical products. The costs of developing and testing new drugs are skyrocketing, and with it the business risks. Meanwhile, regulators continue to raise hurdles for marketing and manufacturing operations.

For Pfizer, the challenging environment is forcing it to adapt quickly—no small matter for a US\$48 billion company with more than 85,000 employees worldwide. Among the changes has been a policy shift in which business units are taking more responsibility for financial performance. And to facilitate the move, Pfizer invested in new financial performance management software from Oracle to give executives the information they need to analyze performance, identify trends, and help Pfizer capitalize on emerging opportunities.

“All of the pharmaceutical companies are facing headwinds, which is why finance becomes even more critical,” says Frank Orlowski, director and team leader, finance, at Pfizer. Orlowski and his team supports Pfizer’s manufacturing operations around

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the world, assisting managers with financial analysis to help with critical decisions, like expanding production in growing markets, or cutting costs in others.

Financial Focus

With its renewed emphasis on fiscal responsibility, Pfizer aims to combat rising costs and create the framework for a leaner, more responsive business model. But to implement the vision, Pfizer needed better analytical capabilities and better ways for decision-makers to access them. That led to a decision to deploy Oracle’s Hyperion Financial Performance Management applications, which are now live in Pfizer’s operations in the United Kingdom. In the next year or two, Pfizer plans to extend the Hyperion system to its business units throughout Europe, Asia and the United States.

The strength of Hyperion software lies in its ability to pull financial data from an array of systems housed in different organizations, in effect breaking down barriers that had limited the scope, and usefulness, of previous financial analyses.

“Financial data was siloed within different divisions such as R&D, manufacturing, worldwide pharmaceuticals, or animal health,” Orłowski says. “Everybody had their own budgeting and forecasting systems. Not only was there a higher cost of ownership but there was no integration.”

Today, many of these systems still exist, but Hyperion has created a financial-management platform that cuts across all of them, yielding richer analyses and better, faster decisions from an enterprise perspective. “Now we have the tools to not only drill down but to burrow across to meet the needs of our divisions,” Orłowski says.

Faster, Smarter Decisions

As an example, Orłowski cites a scenario in which rising sales in one part of the world triggered a timely decision to boost production at a manufacturing site across the globe. “Issues and opportunities bubble up to the surface a lot more efficiently and effectively with the Hyperion system,” he says, adding that earlier warnings give manufacturing units more lead time to add capacity smoothly and cost-effectively.

Another example is in Pfizer’s China market, where sales projections of certain key products were coming in stronger than

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expected—a trend that managers spotted because Hyperion tracked the region’s growing sales force, among other indicators. The intelligence prompted Pfizer to start evaluating investments in more capacity at its plant in Dalian. Says Orłowski: “The worst thing that could happen in the pharmaceutical industry is you have 500 new sales reps going out for a sales call but we can’t supply the product.”

Conversely, Hyperion helps Pfizer quickly pull back resources if needed, moderating or avoiding potential losses. In the U.K., Pfizer mined Hyperion trend data and discovered that sales for one product were slowing faster than anticipated. That knowledge spurred a decision to freeze hiring and reign in related selling costs like meetings and travel. The orderly retreat helped the U.K. unit avoid costly staff reductions and stay on target overall.

Whatever the scenario, executives say the Hyperion system is bringing a new clarity and speed to decisions that in the past were often delayed for lack of analytical data. Says Orłowski: “Before, when you asked people to make a decision, they might say, ‘give me more analytical data. I need more information to make that decision.’ Now with better forecasting and budgeting through Hyperion, that excuse is over.”

Versatile Forecasting Module

In addition to helping Pfizer spot trends and adjust production capacity, the company employs Hyperion’s built-in forecasting tools to gauge the potential impact of alternative sales and marketing strategies. The forecasts are generated by an integrated forecasting application—Crystal Ball—that combines historical business data with statistical techniques to predict a range of likely outcomes.

In a typical project, Pfizer may use the forecasting module to predict how a proposed change in product pricing would impact sales volume. Based on the projection, Pfizer would set production targets for its manufacturing operations. Accurate forecasts help Pfizer manufacture the optimal amount of product, at the right time, keeping inventories lean and boosting cash flow as a result.

Pfizer also relies on Hyperion to analyze business “events” like company acquisitions, product rebate programs, and advertising campaigns. In one example, Pfizer recently examined the re-

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launch of an ad campaign for its smoking cessation drug, factoring in the cost of the ads with the potential boost in sales. Similarly, the company is looking at a range of proposed investments in research and development, licensing deals, and new plant and equipment in an effort to evaluate how these outlays, and their timing, could affect cash flow and other financial metrics.

As Pfizer rolls out Hyperion to the rest of its global units, the company expects to boost efficiency by establishing a common platform for doing forecasting and budgeting. “What’s important is you’re not only standardizing your system but you’re standardizing your process,” Orłowski says. “So the assumptions that we’re making will be the same across the organization. For example, if I use a certain exchange rate, I expect my worldwide pharmaceutical group to use the same assumption. It means we’re all looking at the same sheet of music.”

Ultimately, standardizing on Oracle and Hyperion will help Pfizer provide more financial analyses and decision support with fewer resources. Indeed, with market conditions continuing to tighten, every cost center has come under scrutiny. “Like every other pharmaceutical company, Pfizer needs to reduce costs—and it needs to happen quickly in order to match revenue with the overall sales structure,” Orłowski says.

As Pfizer takes on the cost challenges, reaction time will be critical. “We will need to react financially to certain events much quicker than we had in the past,” Orłowski says. Maintaining lower inventory, for example, will require tighter supply-chain coordination and rapid production-scheduling adjustments. One more reason, he says, to invest in financial performance management systems like Hyperion.

“The systems we’re implementing will enable us to be less like a steamship and more like a motor boat,” he says, “so that we react and change faster and easier.”

Pfizer Inc, founded in 1849, is dedicated to better health and greater access to health care for people and their valued animals. Every day, approximately 85,000 colleagues in more than 150 countries work to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients.