Smiths Medical Delivers US$25 Million Annual Savings and Reduces Inventory by US$50 Million with Single Global Technology Platform

smiths medical
bringing technology to life

Smiths Medical
St Paul, Minnesota
www.smiths-medical.com

Industry:

Healthcare

Oracle Products & Services:

Oracle Advanced Supply Chain PlanningOracle Advanced Pricing
Oracle Time & Labor
Oracle Demand Planning
Oracle Purchasing
Oracle Advanced Collections
Oracle Order Management
Oracle Inventory Management
Oracle Discrete Manufacturing
Oracle Governance Risk &Compliance Oracle iExpenses
Oracle iStore
Oracle Financials
Oracle Human Resources
Oracle Service Contracts
Oracle Depot Repair
Oracle Business Intelligence Enterprise Edition
Oracle Database
Oracle OEM Performance Pack
Oracle Install Base

"***Standardizing on Oracle has enabled us to unleash the full global potential of Smiths Medical while achieving rapid and significant impact on operational effectiveness across 18 legal entities, 13 languages, 40 sets of books, and 70 inventory organizations." – Stuart Beesley, Vice President Enterprise Solutions, Smiths Group and Executive Chief Information Officer, Smiths Medical***

At Smiths Medical, a leading supplier of specialist medical devices and equipment for global markets, an acquisition strategy produced a series of disparate technology platforms and standalone enterprise resource planning (ERP) systems throughout its multiple divisions. The company, which focuses on the medication delivery, vital care, and safety devices market segments has manufacturing facilities in the United States, United Kingdom, Germany, Mexico, and Italy. It wanted to improve information-sharing, while increasing efficiency and simplifying the business. It believed that rationalizing technology and standardizing processes would enforce the sharing of best practices across all therapy areas and enable the company to reduce operating costs through automation and shared service centers. Smiths Medical also wanted to build a scalable, flexible IT environment that would allow it to leverage its market-leading position and continue generating strong cash flow and profitable growth.

"Part of our strategic plan was to cut operational overheads while building a foundation to underpin our continued investment in opportunities to support top-line business expansion," said Smiths Medical's Vice President Enterprise Solutions, Smiths Group and Excecutive CIO Stuart Beesley, "IT and process standardization would facilitate global collaboration, improve manufacturing, sales and marketing effectiveness, streamline financial reporting, simplify regulatory compliance, and reduce risk."

Smiths Medical already had embarked on the journey from multiple standalone organization to an integrated, worldwide

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ORACLE

Key Benefits:

- Replaced multiple systems inherited through acquisitions with a single, global platform
- Rolled out to more than 7,000 employees in four years
- Supported up to 1,000 concurrent users (2,100 named EBS users) in 13 languages
- Streamlined 120 back office processes
- Managed 70 inventory locations and 1.8 million active price list lines
- Allowed to process 53,000 material movements and 27,000 invoice lines daily
- Reduced backorders by 90% and increased customer satisfaction
- Improved inventory compliance by 25%
- Cut inventory levels by 25%. saving $50m (£30m)
- Reduced number of brands from 37 to 12
- Identified US$10 (£6 million) cost savings in pricing opportunities
- Set to deliver US$25 million (£15 million) savings annually
- Reduced back office head count by 350
- Delivered global sales data warehouse to identify where company makes its money

business. To power this global business transformation program, Smiths Medical chose to standardize on a comprehensive suite of Oracle E-Business Suite applications.

Four years into the phased rollout that began in 2005, the Oracle infrastructure has replaced more than 40 disparate systems and streamlined more than 120 core processes from manufacturing and supply chain to customer service and financial management. Oracle E-Business Suite is currently live in 90% of sites, used daily by less than 7,000 employees, and it handles 90% of sales processing activities. Global rollout is on-target for completion in early 2010, at which point 100% of the company's operations and back office will operate on Oracle.

Already, Smiths Medical has cut inventory levels by 25% in the last 24 months, reduced back orders by 90%, and achieved substantial resource savings. Much of this success can be traced back to its decision to consolidate its global IT platform and key business processes on Oracle.

In addition to this immense undertaking, in August 2009, Smiths Medical upgraded its analytical and reporting applications to Oracle Business Intelligence Enterprise Edition to gain real-time enterprisewide insight and visibility. Oracle's advanced analytics tools have helped the company identify US$10 million (£6 million) in savings opportunities.

Capturing Synergies through Standardization

Smiths Medical's integrated architecture, built on a single Oracle Database instance, has given business heads and decision-makers global visibility of corporate data for the first time. Oracle E-Business Suite has streamlined and automated 120 back office processes through end-to-end integration. Oracle's depth of functionality has enabled the company to keep customizations to a minimum, with more than 98% of processes running on out-of-the-box applications.

Already, more than 95% of Smiths Medical employees use the Oracle applications. Response times for strategic applications have improved, as have cross-functional global collaboration due to seamless information sharing. As a result, the company has achieved significant time and cost savings across all core processes, including hire-to-retire, order-to-cash, forecast-to-plan, demand-to-release, account-to-report, procure-to-pay, and call-to resolution.

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Stuart Beesley
Vice President
Enterprise Solutions,
Smiths Group and
Executive Chief
Information Officer,
Smiths Medical

Reducing Costs without Jeopardizing Performance

Smiths Medical's globally integrated supply chain has facilitated economies of scale by providing comparison of costs at each location. Oracle's manufacturing applications have enabled the company to maximize factory capacity, which has increased output and greatly improved order tracking. Real-time order pipeline visibility and end-to-end supply chain transparency has led to a 25% improvement in inventory compliance. As a result, Smiths Medical has been able to reduce the amount of stock it needs to hold to fulfill orders by 25%. Also, backorders or late deliveries have decreased by 90%, leading to increased customer satisfaction.

Further, consolidating on Oracle Financials has streamlined financial reporting and enabled the company to cut its month-end close and group reporting to less than four days. Automation, intercompany collaboration, and the creation of regional shared service centers for transaction processing have reduced required employee resources by 350 in the back office functions. Currently, the company is using Oracle's advanced suite of procurement tools to drive an ambitious program that will leverage economies of scale in global spend through smarter sourcing and optimized purchasing processes.

Building an Agile Environment for Future Growth

Oracle E-Business Suite now supports around-the-clock operation with up to 1,000 concurrent users working in 13 different languages, across 18 legal entities, and with 40 separate sets of accounts. Oracle applications manage 70 inventory locations and 1.8 million active price list lines and process 53,000 material movements and 27,000 invoice lines daily. Smiths Medical has leveraged the seamless visibility the applications provide, for example, evaluating products across its operations to remove low-margin, low-volume products from its portfolio.

"Investing in Oracle has helped us implement our overall business improvement plan while supporting our ability to sustain sales, grow margins, and adopt flexible practices to maneuver through challenging times," Stuart Beesley said. "In addition to helping us maximize innovation and customer service during a recession, Oracle gives us a scalable, agile technology environment that can accommodate future growth cost-effectively. This will put us in a strong position when the global economy recovers."

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Leveraging Information as a Business Resource

To provide even greater access to information, Smiths Medical upgraded to Oracle Business Intelligence Enterprise Edition's powerful, multisource analytics tools for operational and strategic reporting. The solution replaces earlier Oracle and third-party applications with predefined performance metrics, desktop dashboards, and reports. Executive teams, sales managers, marketing experts, planners, and analysts in all clinical areas now have timely access to up-to-date information and can model data in multiple dimensions, including global profitability down to the individual stock-keeping unit (SKU) or transaction level.

"Oracle Business Intelligence Enterprise Edition gives decision makers a personalized corporate-wide view of information, which allows them to pinpoint leading and lagging parts of the business quickly," Beesley said.

Delivered US$5 Million (£3 Million) in Savings

Oracle Business Intelligence Enterprise Edition is helping the company to enhance profitability across its entire portfolio by reviewing its customer base and rationalizing its range of SKUs. The company has already identified significant opportunities in pricing, setting minimum order quantities, and improving customer management, while it is eliminating 10% of its SKUs.

"Using Oracle business intelligence tools as the single point of truth, we have already identified US$5 million in savings through rationalization opportunities, which we delivered in the last 12 months," said Beesley.

Pervasive, People-Centric Intelligence

Smiths Medical is extending its enterprise performance management platform with Oracle business intelligence applications to deliver out-of-the-box analytics and role-based, intelligence to executives at all levels. Built on the Oracle Business Intelligence Enterprise Edition platform, Oracle Business Intelligence Applications eliminate the time and effort needed to build a metadata layer and will provide immediate visibility of performance across all organizational functions.

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On Track to Deliver US$25 Million Annual Savings

Following completion of its global technology platform and ERP roll out, Smiths Medical will continue to look to Oracle to fulfill new functionality needs across its global business, as the company pursues its continuous improvement efforts.

“Oracle E-Business Suite has helped put us on track to deliver efficiency savings of US$25 million (£15 million) each year through our global business transformation program,” said Stuart Beesley.

Why Oracle?

Smiths Medical chose Oracle over comparable tier-one alternatives due to its existing in-house expertise and Oracle’s market leadership in the pharmaceutical and medical sectors.

“With its broad, modularized portfolio, best-of-breed applications in many key areas, and strong underlying functionality, we knew Oracle could do the job,” Beesley said.

Implementation Process

Smiths Medical carried out a phased global implementation starting with supply chain, order, and customer management in 10 U.S. sites. In 2005, during the early stages of the Oracle implementation, the company acquired medical device supplier Medex, which nearly doubled its size. To make things even more challenging, Smiths Medical was also rationalizing its manufacturing facilities, which involved relocating or shutting down several plants. Despite these many business changes, and some challenges along the way, the five-year roll out is on target for completion in February 2010.

“Undertaking a major IT modernization program while pursuing our acquisitions strategy and globalizing the business requires continuous adjustment to ensure alignment with our changing, growing business,” said Stuart Beesley. “As we took on all these simultaneous changes, we identified critical functional and geographic areas and rolled them out first. We also focused on process alignment and benefits delivery rather than pure technology, which helped us deliver value rapidly. ”

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Advice from Smiths Medical

- Avoid over-ambitious global implementations—focus on key areas first
- Be very clear about the program's goals and outputs required
- Manage scope, and ensure that your program is aligned to processes and structured to deliver benefits rather than just technology
- Be ready to adjust strategy in line with business change

Smiths Medical is a leading supplier of specialist medical devices and equipment for global markets, focusing on the medication delivery, vital care, and safety devices market segments.

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