



SIX KEYS WHEN CHOOSING ERP FOR LIFE SCIENCE FIRMS



Often the jump from research in a lab to the manufacture and sale of a drug or life sciences product is more daunting than the work that went into developing the product.

Life science firms--whether pharmaceuticals, medical device manufacturing or biotech--face a number of challenges when going to market. These include drug and device serialization requirements, visibility and governance over every link in the supply chain, stringent quality requirements, and handling the complexity of group purchasing organizations, among others. The business side of the typical life sciences firm is anything but simple.

Making the jump to market even more challenging is the intense competitive pressures faced by the typical life sciences business. For pharmaceutical firms, for instance, the typical time on the market before a competing drug appears has shortened from eight years to four, according to research by global consulting firm, Bain & Company.

That's why the selection of the right enterprise resource planning system (ERP) is so important in the life sciences industry.

ERP serves as the nerve center for a business, tracking all aspects of production, distribution and backend processes such as financing and human resources. Because life science firms require strict management of these processes, including a clear audit trail for regulatory agencies such as the FDA, having the right ERP system in place matters. A lot.

With that in mind, here are six key considerations when evaluating ERP systems for the life sciences.

1. Does the System Bring Cost Predictability?

Going to market is expensive for life science firms. From capital-intensive pre-revenue R&D and clinical trials to scaling up for large-scale production and distribution, the cost of going to market is not cheap (by some estimates, the cost of bringing a single drug to market can run between \$350 million and \$5 billion, for instance). Managing these expenses and ensuring cost predictability is therefore an important component of a good ERP system for life science firms.

The ERP system should bring complete financial visibility across the organization, both tracking all aspects of operations today and modeling future cost scenarios for predictable spending. Firms should be able to manage costs around regulatory uncertainty with the system, too.

2. Are Life Science Business Models Supported?

Each industry faces unique pressures and opportunities, and the life sciences is no exception. When evaluating ERP solutions, make sure that the system can support the specific needs of your company's business model.

One example is being able to handle group purchasing organizations (GPOs) within the ERP system. GPOs are used to reduce the pricing of healthcare products, and life science firms must efficiently manage the mechanics of GPO contracts such as rebates and administrative fee tracking or suffer revenue leakage. Life science firms often also must have a system that connects with electronic trading exchanges.

The right ERP system will support electronic data interchange (EDI) for participation in these electronic trading exchanges, and it will be able to support GPO contract management and the other unique elements of your life science business.

3. Is the System Validation-Ready?

As a result of FDA regulatory requirements, quality management is at the center of every life sciences company. All firms should validate their system for quality management processes, but life science firms must pay particular attention to this detail because validation is required by law.

So a third key when evaluating ERP solutions is making sure the system is validation-ready.

“For the life sciences market, I think pre-packaged ERP is the way to go,” says Archie O’Leary, vice president of sales for life science validation firm, the Arbour Group. “We have pre-configured validation solutions for systems like SAP Business ByDesign. We’ve done enough of them that we have a test-script library that represents the more prevalent functions in the manufacturing process for a life sciences company.”

4. Can the System Handle Complex Supply Chain Management?

First-time life science companies often ignore supply chain management, considering it a non-differentiating function. But mistakes with labeling and logistics can push back product launches by months, and both visibility and governance across the supply chain is an important part of FDA approval.

When evaluating ERP solutions, make sure that the system supports the integration of all aspects of supply chain management, including demand, distribution, production and procurement planning. The right ERP system will integrate easily with other systems and enable a life science firm to have full visibility into their entire supply chain.

5. Is this Implementation Proven?

ERP system rollout is not quite as big a task as going to market, but sometimes it can feel that big.

ERP systems touch every aspect of a business, making them a complex and frequently expensive undertaking. Often ERP implementations fail, too, because the wrong solution was chosen, configuration was handled poorly, or there was inadequate implementation support.

That’s why it is critically important for life science firms to select an ERP solution that comes from a major vendor and has a proven record of success in the life sciences industry. Because implementation can be tricky, it also is important that firms select a solution with a fixed scope and a clear price. Know what you’re getting before you choose an ERP solution.

Often prepackaged ERP solutions make the best choice for life science firms, since they come pre-configured for the industry and are based on industry best practices. These prepackaged solutions are as close to turnkey as it gets for ERP—and this removes a lot of the risk and headaches around a successful ERP rollout.

6. What Support is Offered?

Finally, look for an ERP solution with a robust network of support options.

ERP solutions are complex, even cloud-based implementations, so life science firms should make sure they select an ERP system with robust vendor-supplied support, a network of third-party consultants, and a large user community for when questions come up.

Consultants, whether third-party or vendor-supplied, often play an important role in helping life science firms navigate system implementation and the post-rollout issues that inevitably arise. So make sure the ERP solution has a solid ecosystem around it.

For more on the ERP evaluation journey, Navigator Business Solutions has prepared a comprehensive ERP Evaluation Guide for non-IT executives that makes a great starting point for choosing the right solution for a life sciences business.

