

SCHOTT KAISHA

Bottles a Fresh Start

Pharmaceutical Packaging Company

Modernizes Processes with SAP S/4HANA

by **Ken Murphy**, Senior Features Editor

As anyone who has ever tried in vain to extend the life of a tube of toothpaste knows, it's impossible to squeeze substance out of an empty container. Physics wins out over our urgent pleas to the contrary. This law applies, of course, to any container, be it a glass, vial, syringe, ampoule, cartridge or some other vessel. It also holds true for a growing company with complex manufacturing and supply chain processes attempting to delay the end of life for an aging back-end system. It's especially apropos for an organization in a highly regulated industry with nearly 200 production machines for which the ability to manufacture high-quality products is vital to the life of the business.

Meet SCHOTT KAISHA, a manufacturer and distributor of pharmaceutical packaging products and solutions including — you guessed it — vials, ampoules, cartridges and pre-fillable syringes. The company, based in Mumbai, India, and with manufacturing operations in Daman, India, and Jambusar, India, produces approximately 2.5 billion products each year, mostly vials (700 million) and ampoules (1.6 billion) of various types and sizes that it distributes to more than 100 customers all over the world. More than seven million units leave its production facilities each day, and SCHOTT KAISHA expects this number to increase in line with an expected five percent annual growth in the pharmaceutical packing industry in India.

Late in 2015, roughly coinciding with significant production upgrades to its 20-acre,



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Finance Director, SCHOTT KAISHA

At a Glance

Goals: Decommission a legacy ERP system and transition to an integrated digital platform to better serve customers and position the company for anticipated growth

Strategy: Implemented SAP S/4HANA

Outcome: Lessened dependency on IT, significantly reduced customizations while overhauling mission-critical processes to align with a fully integrated ERP system

state-of-the-art facility in Jambusar, SCHOTT KAISHA senior executives began to explore decommissioning the company’s legacy ERP system in favor of a modern solution that could grow to scale and better serve the business needs in line with the anticipated industry growth.

“Our system was originally designed specifically for the pharmaceutical industry,” says Eric L’Heureux, Director of Operations at SCHOTT KAISHA. “While we work very closely with those in the industry, we are not a pharmaceutical company so the software was limiting for us, specifically around our manufacturing needs.”

The primary limitation of the previous system was a lack of integration between inventory, fixed assets, payroll, and other mission-critical processes, according to L’Heureux and his colleague Rohit Sarmalkar, Finance Director for SCHOTT KAISHA, who were the project managers responsible for spearheading a project to modernize the company’s ERP system. SCHOTT KAISHA depended on labor-intensive, manual processes for tracking and fulfilling purchase orders to shipment and for maintaining optimal inventory levels. Paper-based processes, emails, faxes, and phone calls were leading to increased levels of risk, and it was becoming necessary to update these systems — especially with SCHOTT KAISHA introducing new state-of-the-art manufacturing technology to its Jambusar plant.

“There was a lot of copying and pasting and other run-arounds to maintain visibility,” L’Heureux says. “We reached the point where we didn’t have a choice other than to move forward with a professional system that could fulfil our needs and support the business.”

A Connected, Modern Solution

While SCHOTT KAISHA manufactures all its products in India, 25% of its distribution is to foreign entities. As the organization was already running SAP software for some areas of this global business, it was leaning toward purchasing an SAP license when it set out to find a modern ERP system. What tipped the scales in SAP’s favor, according to L’Heureux and Sarmalkar, was out-of-the-box integration between various modules in the next-generation business suite, SAP S/4HANA, which SCHOTT KAISHA procured a license for in January 2016.

Running natively on the in-memory SAP HANA Platform and with a simplified data model, SAP S/4HANA eliminates the need for aggregates and indexes for faster time to value. Organizations running core business processes on SAP S/4HANA no longer need separate transactional and analytic systems. The system is also built for the digitally enhanced enterprise, offering easy connection to software-as-a-service (SaaS) applications, vendor and supplier networks, and multiple data sources including Internet of Things (IoT) enabled technologies.

“We chose SAP software because of the reputation of the system, the fact that our joint venture partner SCHOTT had rolled out SAP worldwide, and most importantly, SAP S/4HANA met our requirements for full integration of the modules we need to support the growth of the business,” L’Heureux says. “Everything could be serviced under the same umbrella.”

The project to implement SAP S/4HANA began in March 2016, and within seven months, the company went live with SAP S/4HANA Finance, with additional modules for controlling, sales and distribution, materials management, production planning, quality management, plant maintenance, customer relationship management (CRM), project systems, and human capital management (HCM).

“We made a well-thought-out decision to move from the legacy ERP system to SAP software, as we were well aware of the challenges we faced during our earlier ERP implementation,” says Sarmalkar. “In fact, even before the project began, we clearly laid down our concern areas and expectations from the SAP system. This advanced preparation helped us to focus more on the critical areas while implementing the SAP solution.”

A Guiding Hand

Shortly after SCHOTT KAISHA made the decision to implement SAP S/4HANA, the company sought out a partner to help guide it through the deployment. The business pre-selected eight vendors and matched each of their presentations up against stringent guidelines to evaluate how the

SCHOTT KAISHA

Headquarters: Mumbai, India

Industry: Pharmaceutical packaging and solutions

Employees: 2,600

Company details:

- A joint venture between SCHOTT AG in Mainz, Germany (established in 1884), and KAISHA Manufacturers in Daman, India (established in 1990), formed SCHOTT KAISHA in 2008
- Two plants in Daman and Jambusar, India, produce approximately five million ampoule and two million vial units each day
- 180 production machines yield an output of 2.5 billion units per year
- www.schott-kaisha.com

SAP solutions:

- SAP S/4HANA
- SAP HANA Live

implementation partner could meet its requirements. First and foremost among them was a partner who understood that SCHOTT KAISHA’s primary goal was to ensure better support for the business and, ultimately, more satisfied customers.

After careful consideration and a ranking of the vendors on an extensive list of parameters, SCHOTT KAISHA chose Deloitte as both a consultative partner and systems integrator. (For more information about Deloitte’s role in the project, refer to the sidebar at the end of the article.)

“Critical for the project was improving the quality of service to our customers. We didn’t want to stray off-course from this objective,” L’Heureux says. “Deloitte made it very clear that they understood this during their presentation.”

Deloitte was also on board, according to L’Heureux, with the mindset of approaching the project as being first and foremost for the business rather than IT. Moving to an integrated digital platform was an opportunity for SCHOTT KAISHA to refresh outdated processes that had been developed and refined in accordance with the legacy system, which often meant having to accept certain limitations.

“By the time of our kickoff meeting, we had already stressed how imperative this approach was, and Deloitte was fully supportive,” says L’Heureux. “Our previous system had been more or less managed by IT, and as a result, business process owners weren’t invested in the software. We didn’t want this situation repeated.”

With its system serving the business, SCHOTT KAISHA could ensure that processes were designed with end users in mind. This decision, L’Heureux says, was instrumental in making its SAP S/4HANA implementation less about a

The Total Package: SCHOTT KAISHA Collaborates with Deloitte on Transformation

For SCHOTT KAISHA, developing a strategy to support growth relied on more than the right technology. It also relied on the right people and the right approach — with the emphasis falling squarely on business-focused results and a timeline to support company goals.

To streamline processes with SAP S/4HANA and start transforming its supply chain, SCHOTT KAISHA turned to Deloitte — a global business consulting firm, systems integrator, and value-added reseller of SAP software.

Deloitte provided critical guidance and employed a “business first” approach to help roll out new technology and new capabilities efficiently. Though accelerating the transformation was essential, Deloitte collaborated with SCHOTT KAISHA leaders to meet timelines while still taking the time to think through issues deeply.

Deloitte looked critically at old systems and did not take existing processes at face value, according to Eric L’Heureux, Director of Operations at SCHOTT KAISHA. “Deloitte was always challenging us,” he said.

As a result, Deloitte was able to help significantly simplify processes and systems, which in turn helped keep work tightly focused and aligned with SCHOTT KAISHA’s schedule. It was a pragmatic approach, according to L’Heureux — one that allowed the company to move decisively and maintain momentum, with minimal disruption to the business.

SCHOTT KAISHA chose Deloitte from a pre-selected group of eight vendors, with “quality of services” high on the list of criteria. “We said ‘these are the guys we need,’” said L’Heureux, explaining that Deloitte’s reputation and ability to effectively explain the business case for SAP S/4HANA helped seal the decision. “You could see that they knew what they were talking about.”

Please visit www.deloitte.com/SAP for more information.

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technology upgrade than a reinvention of the business as it evolved into a digital enterprise. “Re-visiting our processes was a tremendous value-add and was the key decision that made this project a success,” he says. “Yes, we were on-time and met our requirements; but it was clear from the beginning that this was a business owner-oriented project, and we never wavered from this as an overarching objective.”

As an example, L’Heureux cites an overhaul of previously unintegrated supply chain processes that were more complex than necessary because of limited end-to-end visibility. “These were very complicated processes that had been built as workarounds of the old system’s limitations,” he says. “When we started with the SAP project, we challenged ourselves to use best practices and avoid customizations unless they were absolutely necessary. By doing this, we were able to eliminate a lot of customizations that weren’t adding any value.”

As project managers, L’Heureux and Sarmalkar worked closely with the Deloitte implementation team to ensure that business owners maintained responsibility and avoided kicking issues over the wall for IT support. “In addition to challenging us about our old processes, another Deloitte contribution was always coming up with a pragmatic solution to help us reach our target when we did introduce new processes,” Sarmalkar says. “We resolved every issue in the project management office, and that was a big success factor as we migrated to a simplified system.”

The Road Ahead

Currently, SCHOTT KAISHA is still in a stabilization period for its SAP S/4HANA project. “By the end of our fiscal year in March 2017, we’ll be entering our post go-live phase, and that’s when we’ll be able to really evaluate the benefits of taking the systematic and pragmatic approach we did,” L’Heureux says. “But we’re convinced that streamlining and simplifying our processes on an integrated system will be a big advantage compared with our legacy system.”

Confidence in what SAP S/4HANA can deliver is borne out by SCHOTT KAISHA’s plans to implement additional modules, including warehouse management, during its next fiscal year. “We’re very motivated to make permanent process improvements and are glad to have the full support of SAP and Deloitte as we move forward,” L’Heureux says. ■