Executive S&OP: Gaining Necessary & Appropriate Top Management Buy-In

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Presented at the International Symposium on Forecasting
Boston, June 26, 2012
Who We Are

Daiichi Sankyo, Inc., headquartered in Parsippany, NJ, is the U.S. subsidiary of Daiichi Sankyo Co., Ltd., a global pharmaceutical company. Daiichi Sankyo, Inc. is a member of the Daiichi Sankyo Group and is focused on the development of cardiovascular and oncology therapies. The company currently markets products in the therapeutic areas of hypertension, thrombosis, dyslipidemia, diabetes and acute coronary syndrome.
Global Mission: Contribute to the enrichment of life throughout the world through the development of innovative pharmaceuticals and through the provision of pharmaceuticals addressing diverse unmet needs.

**Daiichi Sankyo, Inc.**

- John Gargiulo, President and CEO
- Glenn J. Gormley, Ph.D., MD
  - Global Head, Research & Development,
  - Senior Executive Officer Daiichi Sankyo
  - President, Daiichi Sankyo Pharma Development
- $390 million net sales in the third quarter of FY2011 in the U.S.
- $1.5 billion net sales FY 2010 in the U.S.
- $11.3 billion in Global sales FY 2010
- 2,764 total employee in U.S.
- 963 employees in New Jersey
- 1,700 U.S sales force
- Therapeutic Areas: Cardiovascular Diseases, Thrombosis, Oncology
31,556 employees world wide  |  $11.3 billion in sales
Research and development is conducted by more than 2,600 scientists worldwide
A Century Long Heritage in the U.S.

Dr. Jokichi Takamine, the renowned Japanese chemist and our company’s (Sankyo) first president, funded the gift of cherry trees from Tokyo to Washington, DC in 1912.

Dr. Takamine isolated adrenaline, and developed Taka-Diatase for medicinal use.

View of cherry trees around the Tidal Basin in Washington, DC.
Daiichi Sankyo Values & Commitments

**INNOVATION: Our Imperative**
- To create first-in-class and best-in-class drugs
- To take a global perspective and respect local values
- To foster intellectual curiosity and strategic insight

**ACCOUNTABILITY: Our Culture**
- To demonstrate professionalism, respect for others and teamwork
- To be accountable for achieving our goals
- To be an ethical, trusted and respectful partner

**INTEGRITY: Our Strength**
- To provide the highest quality medical information
- To provide a stable supply of top-quality pharmaceutical products

Daiichi Sankyo
Values & Commitments
## A Century-Long History

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1899</td>
<td>Sankyo established</td>
</tr>
<tr>
<td>1900</td>
<td>Sankyo isolates epinephrine</td>
</tr>
<tr>
<td>1910</td>
<td>Sankyo discovers vitamin B1</td>
</tr>
<tr>
<td>1971</td>
<td>Sankyo discovers the first statin</td>
</tr>
<tr>
<td>1980</td>
<td>Sankyo licenses Pravachol® (pravastatin) to BMS</td>
</tr>
<tr>
<td>1983</td>
<td>Sankyo discovers troglitazone</td>
</tr>
<tr>
<td>1989</td>
<td>Sankyo licenses ofloxacin to J&amp;J</td>
</tr>
<tr>
<td>2000</td>
<td>Daiichi Sankyo, Inc. est.</td>
</tr>
<tr>
<td>2006</td>
<td>Daiichi Sankyo, Inc. est.</td>
</tr>
<tr>
<td>2007</td>
<td>Azor® (amlodipine and olmesartan medoxomil)</td>
</tr>
<tr>
<td>2009</td>
<td>Effient® (prasugrel)</td>
</tr>
<tr>
<td>2010</td>
<td>Tribenzor™ (olmesartan medoxomil, amlodipine, hydrochlorothiazide)</td>
</tr>
<tr>
<td>2011</td>
<td>Sprix® (ketorolac tromethamine)</td>
</tr>
<tr>
<td>2011</td>
<td>Zelboraf™ (vemurafenib)</td>
</tr>
</tbody>
</table>

Please see full prescribing information for BENICAR, BENICAR HCT, AZOR, EFFIENT, TRIBENZOR, SPRIX and Zelboraf including boxed WARNINGS.
Global Rankings by Rx Sales

| 1. Pfizer       | 14. Bayer     |
| 2. Novartis     | 15. Takeda    |
| 3. Sanofi-Aventis | 16. Boehringer Ingelheim |
| 4. Merck        | 17. Novo Nordisk |
| 5. Roche        | 18. Astellas  |
| 7. AstraZeneca  | 20. Eisai     |
| 8. Johnson & Johnson | 21. Merck KGaA |
| 9. Eli Lilly    | 22. Gilead Sciences |
| 10. Abbott      | 23. Baxter International |
| 12. Teva        | 25. Servier   |
| 13. Amgen       |             |

Source: *Pharmaceutical Executive*, May 2011
History of Investment in R&D

Global Sales and R&D Spend

(Global Sales in US $ Millions)

*Daiichi Sankyo invests 20.1% of sales revenue into worldwide R&D vs. 15% for the industry

FY2006 FY2007 FY2008 FY2009 FY2010

Sales

$7.95B $7.70B $8.38B $10.2B $11.3B

R&D

$1.46B $1.43B $1.84B $2.1B $2.2B
### U.S. Product Portfolio

<table>
<thead>
<tr>
<th>Product</th>
<th>Therapeutic Class</th>
<th>Launch / Patent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evoxac®</strong> (cevimeline HCl)</td>
<td>• Cholinergic agonist</td>
<td>Jan 2000 / July 2013</td>
</tr>
<tr>
<td><strong>Welchol™</strong> (colesevelam HCl)</td>
<td>• Bile Acid Sequestrant</td>
<td>Sep 2000 / Sep 2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jan 2008 / Sep 2014</td>
</tr>
<tr>
<td><strong>Benicar®</strong> (olmesartan medoxomil)</td>
<td>• Angiotensin receptor blocker (ARB)</td>
<td>May 2002 / Mar 2016</td>
</tr>
<tr>
<td><strong>Benicar HCT®</strong> (olmesartan medoxomil/ hydrochlorothiazide)</td>
<td>• Angiotensin receptor blocker (ARB)</td>
<td>Sep 2003 / Mar 2016</td>
</tr>
<tr>
<td><strong>AZOR®</strong> (amlodipine and olmesartan medoxomil)</td>
<td>• Angiotensin receptor blocker (ARB)</td>
<td>Oct 2007 / Mar 2016</td>
</tr>
<tr>
<td><strong>Tribenzor™</strong> (olmesartan medoxomil, amlodipine, hydrochlorothiazide)</td>
<td>• Angiotensin receptor blocker (ARB)</td>
<td>Aug 2010 / October 2016</td>
</tr>
<tr>
<td><strong>Sprix®</strong> (ketorolac tromethamine)</td>
<td>• Nonsteroidal anti-inflammatory drug (NSAID)</td>
<td>June 2011 /Dec 2018</td>
</tr>
<tr>
<td><strong>Effient®</strong> (prasugrel)</td>
<td>• Antiplatelet</td>
<td>Aug. 2009/ 2017</td>
</tr>
<tr>
<td><strong>Zelboraf™</strong> (vemurafenib)</td>
<td>• Melanoma / BRAF inhibitor for V600E mutations</td>
<td>Aug. 2011/May 2029</td>
</tr>
</tbody>
</table>

*Please see full prescribing information for BENICAR, BENICAR HCT, AZOR, EFFIENT, TRIBENZOR, SPRIX and Zelboraf including boxed WARNINGS.*
Snapshot of Growth

Joint Venture Era (1997-2000)

Stand Alone Company (2001-2005)

Growth Phase (2006-Present)

Portfolio Evolution

Employee Growth

Please see full prescribing information for BENICAR, BENICAR HCT, AZOR, EFFIENT, TRIBENZOR, and SPRIX including boxed WARNINGS.
Key Milestones: 2008-Present

2008: Daiichi Sankyo, Inc. Learning and Conference Center

2009-2011: Product Launches

2010: Acquisition of Packaging Facility

2011: Plexxikon Acquisition, ArQule Global Phase III Study

Please see full prescribing information EFFIENT, TRIBENZOR, and Zelboraf including boxed WARNINGS.
Our Focus for Growth in the U.S.

Cardiovascular Diseases

Thrombosis

Oncology
# 2011 Performance in North America

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>FY 2010</th>
<th>Q3FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales in North America</strong> <em>(Including Luitpold and Ranbaxy)</em></td>
<td>$1.5 billion</td>
<td>$390 million</td>
</tr>
<tr>
<td>Benicar®/Benicar HCT® <em>(olmesartan medoxomil)/ (olmesartan medoxomil/ hydrochlorothiazide)</em></td>
<td>$930M US</td>
<td>$210M US</td>
</tr>
<tr>
<td>AZOR® <em>(amlodipine and olmesartan medoxomil)</em></td>
<td>$155M US</td>
<td>$41M US</td>
</tr>
<tr>
<td>Welchol™ <em>(colesevelam HCl)</em></td>
<td>$333M US</td>
<td>$85M US</td>
</tr>
<tr>
<td>Effient® <em>(prasugrel)</em></td>
<td>$40M US</td>
<td>$24M US</td>
</tr>
<tr>
<td>Evoxac® <em>(cevimeline HCl)</em></td>
<td>$48M US</td>
<td>-</td>
</tr>
</tbody>
</table>

Please see full prescribing information for BENICAR, BENICAR HCT, AZOR and EFFIENT including boxed WARNINGS.
### Global Product Pipeline

<table>
<thead>
<tr>
<th>THERAPEUTIC AREA</th>
<th>PHASE 1</th>
<th>PHASE 2</th>
<th>PHASE 3</th>
<th>APPLICATION</th>
</tr>
</thead>
</table>
| **CARDIOVASCULAR-METABOLIC** | • CS-3150 (Antihypertensive)  
• DS-7309 (Anti-diabetes)  
• DS-7250 (Anti-diabetes) | | • DU-176b (US/EU/JP/Asia) (Edoxaban / AF / oral factor Xa inhibitor)  
• DU-176b (US/EU/JP/Asia) (Edoxaban / VTE / oral factor Xa inhibitor)  
• CS-747 (US/EU/Asia) (Prasugrel / ACS-MM / anti-platelet agent)  
• CS-747 (JP) (Prasugrel / ACS-PCI / anti-platelet agent)  
• CS-747 (JP) (Prasugrel / ischemic stroke / anti-platelet agent) | | |
| **ONCOLOGY** | • CS-7017 (JP/Asia) (Etflutaxone / PPAR γ agonist)  
• U3-1565 (US/JP) (Anti-HB-EGF antibody)  
• U3-1287 (JP) (Anti-HER3 antibody)  
• DS-2248 (US) (Hsp90 inhibitor)  
• DS-7423 (US) (PI3K/mTOR inhibitor)  
• ARQ 092 (US) (AKT inhibitor) | • U3-1287 (US/EU) (Anti-HER3 antibody)  
• CS-1008 (US/EU/JP/Asia) (Tigatuzumab / anti-DR5 antibody)  
• CS-7017 (US/EU) (Etflutaxone / PPAR γ agonist)  
• DE-766 (JP) (Nimotuzumab / anti-EGFR antibody)  
• PLX3397 (US) (Fms/Kit/Flt3-ITD inhibitor) | • ARQ 197 (US/EU) (Tivantinib / NSCLC / c-Met inhibitor)  
• AMG 162 (JP) (Denosumab / breast cancer adjuvant / anti-RANKL antibody) | • PLX4032 (EU) (Veumrafenib / Melanoma / BRAF inhibitor)  
• AMG 162 (JP) (Denosumab / bone metastases of cancer / anti-RANKL antibody) |
| **INFECTIOUS DISEASES** | • CS-8958 (US/EU) (Laninamivir / anti-influenza / co-development with Biota)  
• CS-4771 (Anti-Sepsis)  
• DS-8587 (Broad spectrum antibacterial agent) | | • CS-8958 (JP) (Laninamivir / anti-influenza, prophylactic / Neuraminidase inhibitor) | |
| **BONE/JOINT DISEASES** | • PLX5622 (Rheumatoid arthritis) | • AMG 162 (JP) (Denosumab / rheumatoid arthritis / anti-RANKL antibody) | • AMG 162 (JP) (Denosumab / osteoporosis / anti-RANKL antibody) | |
| **IMMUNOLOGICAL ALLERGIC DISEASES** | • CS-0777 (Immunomodulator) | • SUN13834 (US) Chymase inhibitor | | |
| **OTHER** | • SUN13837 (Spinal cord injury) | • DS-5565 (Chronic pain / α 2 δ ligand) | • SUN11031 (JP) (Human ghrelin / anorexia nervosa)  
• DD-723-B (JP) (Perflubutane / Contrast enhanced ultrasonography for prostate cancer / ultrasound contrast agent) | • DD-723-B (JP) (Perflubutane / Contrast enhanced ultrasonography for breast tumor / ultrasound contrast agent) |
<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
<th>HIGHLIGHTS</th>
</tr>
</thead>
</table>
| Plexxicon 2011           | Acquisition                   | • Co-promotion rights in the U.S. for Zelboraf™ (vemurafenib); Co-developed with Plexxicon, Inc. and Roche  
  Plexxikon                  |                               | • oncology, CNS disorders, auto-immune, neuro-inflammatory and cardio-renal diseases.          |
| AstraZeneca 2011, 2010   | Co-promotion agreements       | • denosumab, treatment of bone disorders                                 |
  AstraZeneca                |                               | • Esomeprazole, Proton Pump Inhibitor                                   |
  2011, 2010                |                               | • Promotions in Japan                                                    |
| ArQule 2011, 2008         | Partnership                   | • License agreement for the development of new AKT inhibitor, ARQ 092     |
  ArQule                    |                               | • Co-develop tivantinib (ARQ 197), c-MET inhibitor to treat cancer       |
  2011, 2008                |                               | • Advance the application of ArQule’s kinase inhibitor discovery platform (AKIP (TM)) |
| Ranbaxy 2008              | Acquisition                   | • Expanded global reach in mature and emerging markets with proprietary and non-proprietary products |
  Ranbaxy Laboratories      |                               |                                                                          |
  LIMITED                   |                               |                                                                          |
| U3 Pharma AG 2008         | Acquisition                   | • U3-1287, first fully-human anti-HER3 monoclonal antibody (mAb), to inhibit oncogenic signaling and tumor proliferation breast and lung cancers |
  U3 Pharma                  |                               |                                                                          |
| Amgen 2007                | Co-development and            | • Exclusive rights to develop and commercialize denosumab in Japan       |
  Amgen                     | commercialization             | • Intellectual property rights                                           |
  2007                      |                               | • Potential for additional indications                                   |
Philanthropy Partners

Our strategic philanthropy supports causes that:

- Align with our business expertise
- Spotlight the connection between what we do and the success of the community
- Are outcome-based activities
- Provide volunteer activities for employees
- Allow us to sustain a long-term commitment to a cause that grows over time

Students 2 Science
Inspire, motivate and educate students to pursue careers in STEM

Highlands Health Van Mission
Reach patients in rural areas of NJ who would otherwise not receive medical attention

Morristown Memorial Health Foundation
Encouraging healthier lifestyles
For more information

Visit: www.dsi.com
Executive S&OP:
Gaining Necessary & Appropriate
Top Management Buy-In
Executive S&OP sounds like a good idea — perhaps even a no-brainer. Who wouldn’t want to balance demand and supply to ultimately drive financial results?

However, getting the S&OP process off the ground is never easy. Balancing different viewpoints from different silos within a complex organization to achieve consensus-based plans is a delicate task that begins with the first step: selling the idea of S&OP to top management.

**Disclaimer:** The following includes guidance based on actual steps we’ve taken, supplemented by some lessons learned the hard way......
Executive S&OP

The Five Steps to Gaining Necessary & Appropriate Top Management Buy-In

Step #1: Month End Data

Step #2: Demand Planning

Step #3: Supply Planning

Step #4: Pre-S&OP Meeting

Step #5: Executive Meeting

Step #1: Educate

Step #2: Build Your Case

Step #3: Find Your Executive Champion

Step #4: Ensure ‘Skin in the Game’

Step #5: Cross Functional Decision to Pilot
Step 1: Educate

- No shortcuts at this step
- Start with yourself
- Become the local expert *(Commit!)*
  - Read up on S&OP
  - Attend conferences
  - Learn from your peers in industry
  - Reach out to experts *(you may need them, we did)*
Step 1: Educate – How did we do it?

- Start with yourself & become the local expert  *(Over 2 year period)*
  - Actively attended 6 conferences/forums
  - Networked and met with peers in 10 companies for detailed review
  - Met with 5 S&OP experts/consultants
  - Read dozens of journal articles & books
  - Joined and participated in 4 professional organizations

**Takeaway:** Learn as much as you can from every resource available (the good, the bad & the ugly). Become educated and passionate about the practice of S&OP. You will need both knowledge and passion to sell the idea.
Step 2: Build Your Case

• Find relevant examples from your business
  • Every business needs to balance demand and supply
  • Every business needs to achieve goals
  • Every business needs to be accountable for performance

• Develop your ‘elevator speech’
  • Short and sweet
  • Communicate the basic rationale
  • Tailor it to your business
Step 2: Build Your Case – How did we do it?

- Find relevant examples from your business

**Takeaway:** Find examples in the business and convert them into easily understood pictures that clearly demonstrate the need to align demand and supply. Do not proceed any further, without completing this step.
Step 2: Build Your Case – How did we do it?

• Develop your ‘elevator speech’
  • Here’s ours:

Executive S&OP is a decision-making activity involving the CEO, his staff and a number of middle managers and specialists.

Its mission is to:

1. **balance** demand and supply at the aggregate level,
2. **align** operational planning with financial planning,
3. **link** strategic planning with day-to-day commercial and operational activities.

It is an iterative, monthly, multi-step process involving demand planning, supply planning, and middle and top management meetings for decision-making and authorization

*Top Management’s Handle on the Business:*
*A monthly update to the business plan*
Step 2: Build Your Case – How did we do it?

- Develop your ‘elevator speech’
  - Tailor it to your business

Why Executive S&OP @ DSI?

- Significant growth in the past few years
- Outgrown our current process for balancing demand and supply
- S&OP is a process utilized in ‘best-in-class’ companies to drive their business
- DSI is experiencing: Growing margin pressure an increasingly complex pipeline and a new manufacturing scheme
- Key S&OP opportunities to balance demand, resource and supply at DSI:
  - Collaborative forecasts (one set of numbers for DSI)
  - Lifecycle management (*Product Y* approaching Loss of Exclusivity)
  - *Franchise A* market response (generic threat)
  - Configuration changes (e.g. blister packs)
  - Capacity/Inventory issues (*Product X*)
Step 3: Find Your Executive Champion

- Pursue this step fearlessly (Commit!)
- You are equipped, by now:
  - You are educated on S&OP principles
  - You have developed the passion
  - You have identified relevant examples
  - You have pictures to communicate issues/benefits

- Identify all potential stakeholders at the Exec Level
  - CEO, VP of Sales, VP of Marketing, VP of Finance, VP of Operations etc
  - Pursue time of stakeholders’ calendars
  - Visit face to face and solicit support

- Recruit your Executive Champion
Step 3: Find Your Executive Champion – How did we do it?

- Pursue this step fearlessly & come equipped
  - Assembled a toolkit
  - Included the core principles: Accountability, Transparency and Collaboration
  - Included the elevator speech
  - Included the relevant examples from the business
  - Included the pictures that outlined issues/benefits
Step 3: Find Your Executive Champion – How did we do it?

• Identify all potential stakeholders at the Exec Level
  • Minimum ½ hr conversations with each stakeholder (CEO, VP of Sales, VP of Marketing, VP of Finance, VP of Operations etc)
  • Outline the concepts from the toolkit
  • Focus the time on the impact to their area of responsibility
    • WIFM – What’s in it for me?
Step 3: Find Your Executive Champion – How did we do it?

- Leverage relevant examples from your business

**Takeaway:** Focus on WIFM and then recruit
Step 4: Ensure ‘Skin in the game’

• Like every step before this, critical
  • Get the Executive Champion engaged
  • Identify second-level stakeholders
  • Build broader awareness
Step 4: Ensuring ‘Skin in the game’ – How did we do it?

- Get the Executive Champion engaged
  - VP of Operations
  - Receiving end of the disconnects
  - Agreed to be a change agent
  - Agreed to put S&OP on performance objectives

- Identify second-level stakeholders & Build broader awareness
  - Introduced the idea at every opportunity
  - Hosted lunch & learns
  - Scheduled 1:1’s with second-level stakeholders
  - Ordered educational materials for all involved
Step 5: Cross Functional Decision to Pilot

• Completed the work at step four
• Schedule a ½ day for all the key executives
  • No exceptions
  • Culmination of the work to date
  • Make sure the day is well orchestrated
  • Focus on the vision and the scope
  • Focus on the discipline and the rigor
  • Focus on the transparency and the accountability
  • Focus on the benefits of aligning your energy
  • Develop a case study based on your business
  • Commit to a timeline
  • Assign a design team
Step 5: Cross Functional Decision to Pilot – How did we do it?

- **Focus** on the vision and the scope

### Why Executive S&OP @ DSI?

- **Key S&OP opportunities to balance demand, resources, and supply leading to improved efficiencies at DSI:**
  - Collaborative demand & supply plan
  - Lifecycle management
  - Market response time
  - Configuration changes
  - Capacity/Inventory issues

<table>
<thead>
<tr>
<th>Before Executive S&amp;OP</th>
<th>After Executive S&amp;OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function-to-function handoffs</td>
<td>Cross-functional</td>
</tr>
<tr>
<td>Multiple sets of numbers</td>
<td>One set of numbers</td>
</tr>
<tr>
<td>Consensus discussion lacking</td>
<td>It’s all about discussion and agreement</td>
</tr>
<tr>
<td>Too much detail</td>
<td>Simplifying assumptions</td>
</tr>
<tr>
<td>Limited accountability and transparency</td>
<td>Transparency and accountability for output</td>
</tr>
<tr>
<td>Disconnected views, reactive</td>
<td>Holistic views, proactive decision making</td>
</tr>
<tr>
<td>Redundancies in efforts</td>
<td>Efficient use of time</td>
</tr>
</tbody>
</table>
**Step 5: Cross Functional Decision to Pilot – How did we do it?**

- **Focus** on the **vision** and the scope

**Where does S&OP Fit?**

- Strategic Planning
- Business Planning
- Executive S&OP
- Detailed Planning, Scheduling & Execution
Step 5: Cross Functional Decision to Pilot – How did we do it?

• Focus on the **vision** and the **scope**
• Focus on the **discipline** and the **rigor**
• Focus on the **transparency** and the **accountability**

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**Executive S&OP Scope**

**Demand Planning:**
- Implement process to achieve monthly consensus demand plan with a 3 year outlook
- Quantify all brand efforts and other ex-trend events that shape demand
- Provide transparency to the demand plan and forecasting trends

**Supply:**
- Develop transparent supply plan
- Highlight supplier performance and customer service levels
- Integrate plan to balance demand and supply and minimize inventory

**Financial Planning:**
- Project impacts of demand plan on gross/net sales
- Manage financial performance by balancing demand and supply

**Areas of focus:**
- Adhere to a common set of KPIs
- Increase organizational alignment
- Facilitate S&OP meetings effectively
Step 5: Cross Functional Decision to Pilot – How did we do it?

• Focus on the benefits of aligning your energy

Executive S&OP Objectives and Benefits

Objectives:
• Drive a consensus forecast and address capacity concerns
• Maximize opportunity and mitigate risk
• Align the company to a universal goal
• Drive accountability and results

Soft Benefits:
• More informed decisions in less time
• Enhanced teamwork – operating level & executive management
• Improved communication embedded in the monthly process
• Monthly update to the business plan
• More focused accountability & greater control

Hard Benefits:
• Better budgeting, supply planning, and demand planning
• Improvements in inventory levels, on-time delivery, customer service, etc.
Step 5: Cross Functional Decision to Pilot – How did we do it?

• Focus on the discipline and the rigor

Executive S&OP Overview

• Executive S&OP is the cross-functional process that fills the gap between business planning, scheduling and execution.
Step 5: Cross Functional Decision to Pilot – How did we do it?

- Focus on the transparency and the accountability
- Focus on the benefits of aligning your energy
- Develop a case study based on your business
Step 5: Cross Functional Decision to Pilot – How did we do it?

- Commit to a timeline
- Assign a design team

- Committed to a **12** week design period
- Each VP nominated a Design Team Member
- Identified key work streams
- Assigned work stream leaders
- Delivered design in **12** weeks
The Five Steps to Gaining Necessary & Appropriate Top Management Buy-In

Step 1: Educate
Step 2: Build Your Case
Step 3: Find Your Executive Champion
Step 4: Ensure Skin in the Game
Step 5: Cross Functional Decision to Pilot
Top performing organizations for S&OP focus on a set of core characteristics

<table>
<thead>
<tr>
<th>S&amp;OP Best Practices</th>
<th>Common Areas for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ • A formal, defined S&amp;OP process</td>
<td>• Process and Procedures</td>
</tr>
<tr>
<td>✓ • A single consensus demand plan</td>
<td>• Organizational Roles, Responsibilities and Boundaries</td>
</tr>
<tr>
<td>✓ • S&amp;OP that looks out over a period of 3 years</td>
<td>• Skills and Capabilities</td>
</tr>
<tr>
<td>✓ • A supply plan that defines requirements to meet demand and highlights constraints</td>
<td>• Governance</td>
</tr>
<tr>
<td>✓ • Cross-functional participation</td>
<td>• Alignment of Metrics and Accountabilities</td>
</tr>
<tr>
<td>✓ • S&amp;OP process that is senior leadership owned (including the President)</td>
<td>• Information Standardization, Access and Transparency</td>
</tr>
<tr>
<td>✓ • Formal targets with accountability</td>
<td>• Cultural Alignment</td>
</tr>
<tr>
<td>✓ • Organizations adheres to S&amp;OP decisions made</td>
<td>• Technology Enablement</td>
</tr>
</tbody>
</table>

- Process
- Organization
- Tools/Data

- Top performing organizations for S&OP focus on a set of core characteristics.
How did it turn out?

3 Year Rolling Look to Business, Aligned Plans

X Product Line: Gross Sales

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<thead>
<tr>
<th>Product Line X: Annual Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison of Last Month's Forecast to Current Forecast for FY11</td>
</tr>
</tbody>
</table>

Visibility in Forecast Changes Month to Month

Product Line X: Annual Gross Sales

Visibility in Sales Actuals and Goal

Reduced Forecast Error

Bottom Line: There is significant variance from the FY11 Plan

Aligned More Closely on Sales Efforts

Bottom Line: Monitoring the changes in forecast month over month
How did it turn out?

**Inventory Reductions & CMO Management**

**Product X: Supply vs Demand**

- Graph showing supply and demand for Product X.
- Notes:
  - Decreasing supply to align with revised Demand/Plan.
  - Result of new production plans for February.
  - Greater emphasis in inventory to achieve BOI/OS in October 2012.

**PTI Plant Shut-down and Restart**

**Product X: Resource Constraints**

- Graph showing resource constraints.
- Notes:
  - Supply plan incorporates gradual ramp-up.
  - Resource constraints expected.

**Visibility to Drive Improvement for Adherence to Plan**

**Product Line: Total Adherence to Plan**

- Chart showing adherence to plan for various periods.
- Notes:
  - Includes all manufacturing sites.

**Identified Imbalance in Sample Demand vs. Supply**

**Product Line X: Samples**

- Graph showing samples and their adherence to plan.
- Notes:
  - Average supply is based on the last 3 months, average forecast is based on the next 3 months.

Bottom Line:
- Multi-faceted recovery plan in effect and starting to achieve desired results.

Bottom Line:
- Inventory management visibility.
Questions?

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