AbbVie builds a global pharmaceuticals company on new foundations with SAP and IBM

AbbVie is a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott Laboratories. The company’s mission is to use its expertise, dedicated people and unique approach to innovation to develop and market advanced therapies that address some of the world’s most complex and serious diseases. AbbVie employs more than 26,000 people worldwide and markets medicines in more than 170 countries. AbbVie has 19 research and manufacturing sites across the globe.

At the time of the separation, the two companies agreed which business systems would transfer to AbbVie and which would be operated by Abbott to support AbbVie under a transitional services agreement (TSA). The result was a mix of legacy applications that were due to be terminated at the end of 2015.

Jacki Dioguardi, Vice President Enterprise Applications, AbbVie, explains: “We had a very time-bound window in which we needed to create a plan to stand up on our own infrastructure. This included back-office processes, such as order to cash, purchase to pay, record to report and others.

“There were two additional critical points. First, there were financial considerations. Second, you can’t really start your journey as a company if you are still in someone else’s house, as it would have a huge impact on us being able to execute our strategy. In essence, every time we wanted to do anything we would have to ask them. It is not intentional, but it is an expected outcome based on business demands.”

Vikram Bhonagiri, Director Enterprise Applications, AbbVie, adds to the

Overview

Challenge
On January 1, 2013 AbbVie became a new global pharmaceuticals company. AbbVie must decommission inherited legacy applications, supplied under a transitional services agreement (TSA), or face tax and financial implications.

Solution
AbbVie selected IBM to help roll out enterprise-wide standardized SAP-enabled processes, aligning supply chain, finance and procurement solutions that would support the new, independent company.

Key benefits
AbbVie is scheduled to exit its TSA on time, and the fully integrated SAP applications will support AbbVie’s global strategy and enable the target operating model.
picture: “One of the key challenges was that in so many countries, from Indonesia to the US, we had multiple disparate IT systems.

“One of the things we had to consider was whether we cloned all these 50 or 60 IT systems, or whether we should consolidate and implement a new solution. It was a big risk for AbbVie to continue to rely on legacy systems.”

Reinventing a ‘new’ business
AbbVie seized the moment of launch to reinvent its business model, looking at how it could maximize opportunities in every country where it operates. How could it identify and serve customer needs effectively, supported by efficient manufacturing, sales and back-office operations?

Jacki Dioguardi explains: “There were really two options. We could have cloned the old systems that we had in every country and continue as we were, or invest in extending our existing SAP solutions. We felt that replicating the current systems would have made implementing the new business model difficult. To make a global SAP deployment possible, AbbVie needed a global deployment partner. We selected IBM.”

“IBM agreed to take on a degree of financial risk if the technical solutions were not delivered, which gave us confidence that IBM was the right partner for AbbVie”

Jacki Dioguardi
Vice President Enterprise Applications
AbbVie

Existing fragmented business processes and IT systems were clearly not suited to meet AbbVie’s ambitions, and the team looked for a way to transform itself – all within the three-year transitional services agreement deadline. Jacki Dioguardi continues: “We faced technical challenges because we had a short timeframe and many change management issues. AbbVie had to design a new operating model that included many new organizational elements including business process outsourcing, centers of excellence, and regional shared services.”

Business Challenge

On January 1, 2013, AbbVie became a new global pharmaceuticals company. It inherited a mix of legacy applications that were due to be terminated at the end of 2014 (with the ability to extend for one year to 2015).
“With help from IBM Global Business Services, AbbVie will exit its transitional services agreement on time, avoiding financial implications.”

Jacki Dioguardi
Vice President Enterprise Applications
AbbVie

Starting fresh prescriptions
Vikram Bhonagiri comments: “In 24-30 months, we had to deploy to more than 150 countries. When we started our program, we had probably five or ten people, and in a period of twelve months scaled to over four hundred people to make this successful.”

Jacki Dioguardi adds: “When you have that many countries to deploy in a short time frame, you need a partner able to physically get to the countries, have the conversations, and complete the gap analysis. Everything had to be on a parallel-path. Because we could not change the date, and could not change the scope; the only thing that could change was our resourcing, and making sure everyone works effectively and is trained appropriately.”

AbbVie created a targeted RFP process that defined the schedule, countries, SAP solutions and proposed processes. The RFP also asked for suggestions for better ways to achieve the business objectives and help AbbVie meet or beat the TSA deadline.

“The IBM team did a really good job in their proposal response, process interviews and presentation,” says Jacki Dioguardi. “For example, IBM suggested a technical release for a specified set of deployment groups, which was a good suggestion. That was a smart way to look at it, and IBM helped to reduce the risk of the deployments.

“The RFP presentations from IBM rapidly became working sessions on how best to reach our objectives, and it felt like they were already our partners.”

Teaming with IBM
Working with IBM Global Business Services, AbbVie has now outsourced select business processes to IBM,

Solution
AbbVie seized the moment of launch to reinvent its business model. The company selected IBM Global Business Services to help roll out enterprise-wide standardized SAP-enabled processes, aligning supply chain, finance and procurement solutions that would enable the new, independent company.
including order to cash and procure to pay, with centers of excellence in China, India, Philippines, Costa Rica and Poland. Where business processes are considered core, AbbVie is implementing a full suite of SAP ERP solutions, replacing all the legacy local systems, country by country.

The aspiration is to have an agile global company that has successfully reinvented itself following the spin-off, with no major interruptions to-date to manufacturing or sales processes during the transition.

IBM demonstrated to AbbVie the value of consolidating SAP migration, business process outsourcing and application management. IBM Global Business Services provided the SAP solution and consulting services; IBM Global Process Services enabled the outsourcing of central services for economy and scalability; and IBM Application Management Services demonstrated its ability to support a global organization.

IBM was able to offer integrated business services, from SAP application development and business process outsourcing to SAP application support. Integration of these three key areas offered an accelerated rollout to value for AbbVie, helping to achieve a globally integrated enterprise as rapidly as possible with reduced risk.

“Previously, every country acted as its own independent unit, with five or six divisions each focused on its own area, such as back office or sales, that you need to run a company,” says

Jacki Dioguardi
Vice President Enterprise Applications
AbbVie

“Our integrated SAP applications are the foundation to enable AbbVie’s global strategy to optimize global supply chains, inventory and manufacturing and the outsourced back-office processes that help us run efficient company operations.”

Jacki Dioguardi
Vice President Enterprise Applications
AbbVie
“AbbVie can now work as a single business across countries, ensuring it maximizes opportunities and understands how operations can be closely matched to customer demand.”

Jacki Dioguardi
Vice President Enterprise Applications
AbbVie

Jacki Dioguardi. “Because only the proprietary pharmaceutical business was transitioning to become AbbVie, we needed a new target operating model, based on centers of excellence and business process outsourcing. Combined with the new SAP solutions, IBM has been able to help us with the change management and building the skills required to ensure we were ready for the end of the TSA.

“In addition, IBM agreed to take on a degree of financial risk if the technical solutions were not delivered, which gave us confidence that IBM was the right partner for AbbVie. Put another way, it felt good that our partners were prepared to put money and reputation at risk to help us reach our goals.”

Jacki Dioguardi concludes: “With help from IBM Global Business Services, AbbVie will exit its transitional services agreement on time, avoiding financial implications.

“Our integrated SAP applications are the foundation to enable AbbVie’s global strategy to optimize global supply chains, inventory and manufacturing and the outsourced back-office processes that help us run efficient company operations.

“AbbVie can now work as a single business across countries, ensuring it maximizes opportunities and understands how operations can be closely matched to customer demand.”

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Business Benefits

• Avoids cost by placing AbbVie on schedule to exits its TSA on time.

• Enables global strategy with integrated SAP applications and processing.

• Maximizes efficiency by creating global business processes and introducing outsourcing capabilities.
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