

Performance Made Uninterrupted: Behind the Scenes of an \$85 Million Start Up Pharmaceutical Company - QAD contributes to the Success and Growth of JHP Pharmaceuticals

The Company: Biopharmaceutical Manufacturer and Service Provider

JHP Pharmaceuticals, LLC is an integrated specialty healthcare company that acquires, develops, manufactures and distributes sterile inject-able products, predominantly to hospitals and clinicians in the United States and Puerto Rico. Its product portfolio includes leading diagnostics, women's health and anesthesia products among others. In addition, JHP Pharmaceuticals provides a complete range of contract manufacturing services to clients in pharmaceuticals and biopharmaceuticals, with a knowledgeable team of professionals. The JHP Rochester Michigan plant is the first biological license holder for vaccines and other biological products manufactured in the USA.

The Challenge: Install a Complete ERP System without Interrupting the Business

When JHP Pharmaceuticals purchased the manufacturing plant from King Pharmaceuticals in June 2007, it actually bought two businesses: a contract manufacturing business and a drug supply business. Mary Grow, Vice President of Enterprise Technology and Business Processes at JHP Pharmaceuticals, was given three months to move both businesses off King's SAP system to a new, workable system for JHP. Further, JHP Pharmaceuticals needed to install the new ERP system without interrupting daily operations.

JHP management realized that as a new corporate entity, a single bad decision could adversely affect the entire enterprise. The two mature businesses it acquired had to remain fully operational both during and after the ERP migration. JHP needed a complete, cost-effective ERP solution that would provide a foundation for enabling rapid migration from the current SAP infrastructure as well as maintain the data integrity and support for all existing operation from day one. Says Grow, "QAD was our solution of choice."

The Solution: QAD Enterprise 2007 with QAD .NET UI

Under the terms of the transaction, JHP acquired the Rochester, MI production facility, a number of branded drugs and all of King's on-site staff. JHP had to carve these

assets out of a centralized operation at King's headquarters, which meant it had to set up all new sales, marketing, customer service and distribution operations—including new staff and the supporting IT infrastructure—before executing the final migration off of the SAP infrastructure. All things considered, Grow determined that QAD was best suited to meet JHP's objectives within the cost and timeframe constraints.

Grow explains, "The branded drugs that JHP acquired in the transaction are sold to customers who expect 24-hour order fulfillment. And, because of the clinical nature of the products, these customers can not afford interruptions in their supply. With QAD as our ERP platform, we were able to set up new distribution and customer service operations at the plant site to support the take-on of inventory management, distribution and customer order processing (order take, pick/pack/ship, invoicing/billing) all within three months. Further, we accomplished all of this while maintaining continuity of supply to our new customers."

"The QAD system actually enables users to complete the same transactions more easily. We now have the same functionality of SAP without the complexity."

Krystyna Fionda, Director of Business Processes, JHP

The Friday before JHP went live on the new QAD system, workers at the company's Rochester facility logged off SAP and went home. Monday morning when they came back to work, all of the JHP employees—including workers on the plant floor, the finance department, the new distribution center and the new customer service desk—logged on to an entirely different system and carried out their work without a glitch.

"We migrated off of the SAP platform and cut over to the QAD platform over the weekend and began taking orders and shipping product on Monday morning," says Grow. "Our customers received their products and we received positive cash flow on day one of operations."

The Benefit: Full ERP Functionality, Half the Validation Time and Easier Operations

Krystyna Fionda, Director of Business Processes, executed the implementation strategy. “We were able to take the formulas as they were in SAP. Our packaging came over easily. QAD master files captured the master files in SAP with all the needed fields. We kept SOP processes in place and fit them right with QAD. The users and the manufacturing floor were switched over seamlessly. Nothing changed in terms of how the users performed their transactions or the point in time in which they performed their transactions.”

“QAD is central to the commercial success of our operations. Our executives are adamant that we all have access to the same data for decision making—a centralized QAD platform provides us with that.”

Mary Grow, VP of Enterprise Technology and Business Processes, JHP

She continues, “The QAD system actually enables users to complete the same transactions more easily. We now have the same functionality of SAP without the complexity. We still control inventory by location and bin, without doing the additional three confirmation steps that were required by SAP Warehouse. It was a four-step process with four operators; now, it is a one-step process with a single operator.”

Grow and Fionda were also responsible for moving the FDA-regulated facility from validated SAP to validated QAD; there was a considerable amount of skepticism surrounding the project. The original SAP validation required large teams of people, thousands of SAP controls and configurations, and its cross variations were all subject to validation.

Explains Fionda, “QAD accomplishes the same transactions with fewer control files and fewer configuration settings. There are simply less items to view and less complications to worry about. QAD makes it easy for us to reduce validation time. That enables us to stay focused on cGMP validation and bring values to the business. This is one of the critical elements of our success. We moved from a validated SAP environment to a validated QAD environment.

We kept the integrity of our SOPs and the compliance of the entire plant.”

Grow adds “Just because it is a validated SAP plant does not mean it will take years to move to another validated ERP. With QAD, this task is more manageable than most people think.”

The Board of Directors at JHP—consisting of the founders and the equity investors—were pleased with the ERP project results. Grow says, “We accomplished what we set out to do—start up our business with one centralized instance of QAD that supports all existing commercial operations and allows us to grow the business using the same platform.” She continues, “QAD is central to the commercial success of our operations. Our executives are adamant that we all have access to the same data for decision making—a centralized QAD platform provides us with that. Whether it’s the President needing sales data, the Plant GM needing production data or the CFO needing financial data, it all comes from our single QAD instance.”

The Future: QAD Infrastructure Supports Business Growth

From two founders working out of a basement to generating expected revenue of \$85 million in 2009, JHP Pharmaceuticals is a start up sensation. In addition to the 13 branded products from King Pharmaceuticals, JHP continues to pursue its growth strategy of acquiring specialty inject-able products, such as Dantrium, which was purchased from Proctor and Gamble in the summer 2008. Its contract manufacturing business is also expanding as the company adds more contracts in vaccines and biologics.

Reporting to JHP’s Board of Directors, Grow confirms, “Our infrastructure with QAD’s ERP platform will support JHP’s vision. Whether it is new products, new plants or new distributions channels, we have a solid backbone to deliver productive and effective operations to sustain and grow our business.”

Highlights

Company

Company Name	JHP Pharmaceuticals
Industry	Life Sciences
Products	Pharmaceuticals, biologics, contract manufacturing services

Solutions

QAD Enterprise Applications	QAD Enterprise Applications 2007; QAD .NET User Interface
Implementation Partner	RCM
Hardware Platform	HP
Operating System	UNIX
Database	Progress
Languages	English
Number of sites	1

Results

- Rapid ERP implementation
- Full functionality ERP without complexity
- Significantly shorter validation cycle
- Enabled growth strategy and increased productivity
- Industry-specific functionality
- Life sciences compliance capabilities
- Streamlined process in inventory transactions