



The R/3 System is running in more than 13,000 installations worldwide, helping companies of all sizes and in all industries to work more efficiently and increase their competitive edge.



THE NEW HOECHST

Hoechst is an international group of companies that focus on developing innovative products for the expanding markets of health and nutrition. In 1997, the companies consolidated in the Hoechst Group achieved total sales of approx. DM 52 billion and employed over 120,000 people.

Since 1994, Hoechst has undergone a far-reaching realignment. The company has transformed itself from an integrated chemical and pharmaceuticals conglomerate with centrally managed processes into a holding company consisting of independent Group companies that autonomously steer and shape their businesses in a decentralized manner. This realignment has been accompanied by a sharper focus on the life sciences. By developing and marketing innovative products for people, animals and plants, the members of the Hoechst Group are aiming to achieve above-average growth and sustainable increases in shareholder value.

NEW IT STRUCTURE

The realignment of Hoechst called for a new IT structure to accommodate the new business processes. SAP was chosen for this long-term partnership because its R/3 System supports both multiple languages and different currencies. Another major consideration for Hoechst was the fact that SAP is rapidly becoming the international industry standard. The implementation plans call for all data processing at Hoechst to migrate to client/server architectures by the year 2001. And considerable progress has already been made in this direction: The first companies in the Group went live with R/3 at the beginning of 1996. Once the system has been fully implemented, a total of 60,000 users around the world will be able to access the software at networked PC workstations. This will make SAP R/3 the international standard within the Hoechst Group as well.

FLEXIBLE R/3 SYSTEM NETWORK

HiServ, the information technology company of the Hoechst Group, collaborated with SAP to devise a model for the Group's future IT architecture. The first step was to model the specific business processes of the individual companies in R/3. Then a loosely linked cluster of systems was implemented. "Speed to market" is a decisive criterion for Hoechst – which is why work is proceeding concurrently on many R/3 projects. Globally uniform standards insure that the individual systems can be networked with one another. So far more than 200 such projects have been undertaken using this method.

FLEXIBLE AND SENSITIVE TO THE MARKET

The business processes of the Hoechst Group differ according to markets and customer needs, and each independent Group company has complete responsibility for its own business activities. The new IT architecture is therefore based on a flexible approach designed to permit Group-wide integration of the IT systems despite varying local conditions. All business processes are modeled in "Business Oriented Applications," which are designed along similar lines for the Group companies around the world. At the same time, they incorporate special features to meet the needs of specific markets and customers and comply with local legal requirements, invoicing and tax rules, environmental protection codes, and product regulations. Users have access to all data required for different business processes.

OVER 100 R/3 SYSTEMS ALREADY UP AND RUNNING

The new IT concept has demonstrated its effectiveness in the more than 100 systems that have gone live thus far in various companies of the Hoechst Group. They include Hoechst Marion Roussel, the pharmaceutical company of Hoechst. At the start of 1998, HMR had more than 3,500 users at 20 subsidiaries around the world working with SAP R/3.



Biotechnology and genetic engineering are paving the way for new pharmaceutical products

The challenge of increasing the food supply: By the year 2050, the world's population will exceed 10 billion



R/3 IMPLEMENTATION

New technologies act as catalysts for innovation: High-throughput screening enables fast and targeted testing of new active ingredients



INTERVIEW WITH RICHARD J. MARKHAM,
CHAIRMAN OF THE BOARD OF MANAGEMENT OF
HOECHST MARION ROUSSEL AG

What kinds of opportunities do you see for HMR as the world's communications networks continue to expand?

The rapid growth in communications we're seeing from the proliferation of the Internet and electronic commerce means that a leading pharmaceutical company like Hoechst Marion Roussel must continually review and update its information outlets and policies. Information is now available worldwide within seconds. We can take advantage of this to completely redesign communications with our most important partners – physicians, patients, health care organizations, and our research and development partners – as well as the content and quality of our information.

Developments such as the "Virtual Private Network" allow us to cooperate and share information in new ways with our alliance partners. At the same time, of course, we also have to insure our data security, guard against unauthorized access, and guarantee reliable data transfer.

You chose R/3 at a time when many doubted its suitability for corporate groups. Why?

After the Hoechst pharmaceutical division, Marion Merrell Dow and Roussel Uclaf became Hoechst Marion Roussel in 1995, we needed an information architecture that would not only support our business processes on a global level but also permit flexible adaptation to meet local requirements in each country – we have over 40 local HMR companies around the world. We were therefore on the lookout for an enterprise software package that had a clear business process orientation and embodied technology leadership in the areas of administration, production, sales and distribution. We also needed a vendor that could give us long-term support capable of meeting the growing needs of a global pharmaceutical company. And we wanted consistent, integrated information available across all corporate levels to support decision-making in our various divisions.

What kind of an impact do you think the project will have?

When R/3 is fully implemented, over 10,000 employees will execute our day-to-day business processes in a consistent, uniform manner. This will give us greater flexibility and accelerate decision-making on all levels. Our management processes will be based on highly integrated SAP systems around the world, each of which is directly linked to headquarters. It will also be easier for us to deal with issues such as year-2000 compliance and the introduction of the euro.

A global project like yours poses immense logistical, technological and motivational challenges. How are you dealing with them?

In implementing SAP R/3 at Hoechst Marion Roussel, we have decided to "think globally, but act locally". A small international project team defines the global requirements that the SAP R/3 roll-out must meet, and then implements them in a Hoechst Marion Roussel model system. The results are then given to our local HMR companies worldwide. The individual companies set up their own project teams to introduce the software based on these specifications, with the assistance of local consultants. While this is going on, the global team provides on-site advice and support. One of the main tasks of the global team is to insure the high-quality level of individual country projects.

Global business processes, that is, those that affect supply chain management and Group reporting, are defined with the help of Administration, Manufacturing, Production, Sales and Distribution. The projects at the local HMR companies build on these processes and supplement the global R/3 model with business processes of their own. Delegating the responsibility for SAP project management and implementation to the international subsidiaries raises the motivation of both local management and project team members. At the same time, we're building up an experienced global team for the maintenance and enhancement of our SAP R/3 System.

In 1997, legacy programs at Hoechst Marion Roussel Deutschland GmbH were replaced by R/3 in a single "big bang". How would you assess the bottom-line results of this move?

The shared business process system allowed us to manage our supply chain much more effectively by optimizing our processes and greatly improving our information availability. It has significantly enhanced the quality and speed of our logistic efforts. This leads to other benefits like better information for monitoring costs, planning, and supporting decision-making.

Germany is just one example of our successful SAP implementation in 1997. During the year, we successfully tackled similar challenges in Japan, Argentina, Colombia, and Venezuela. Projects in Brazil, Italy, Spain, Thailand, and Switzerland all went live in January 1998.