

THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY

LOCATION:
*Bedford, Massachusetts,
United States*

YEAR:
2006

STATUS:
Laureate

CATEGORY:
Manufacturing

NOMINATING COMPANY:
Oracle

ORGANIZATION:

Hologic, Inc.

PROJECT NAME:

One Hologic Implementing Oracle

Summary

Hologic, Inc. is a leading developer, manufacturer and supplier of medical imaging systems dedicated to serving the healthcare needs of women, and a leading developer of state-of-the-art digital imaging technology for general radiography and mammography applications. To better manage delivery of its product line designed to help doctors diagnose and treat breast cancer, osteoporosis and other diseases affecting women, Hologic wanted a new, integrated enterprise software system.

Hologic consolidated global operations—from finance to manufacturing to logistics—on a single instance of the Oracle E-Business Suite, calling the project “One Hologic Implementing Oracle.” Hologic has seen a range of operational improvements, notably faster, more accurate financial management, better synchronized manufacturing processes, higher labor productivity and leaner inventory systems since its Oracle implementation. Hologic is set to realize about \$7.4 million in total benefits from its investment, including \$3.6 million from labor-productivity increases and \$3.8 million from huge reductions in inventory carrying costs.

Introductory Overview

Each year, more than one million women are diagnosed with breast cancer, while hundreds of thousands of them fall victim to this dreaded disease. In addition, osteoporosis affects more than 200 million women worldwide. The rising number of osteoporotic fractures and their associated morbidity place an increasingly heavy burden on future healthcare resources, as it is estimated that the annual cost of managing osteoporosis will be more than \$15 billion.

Founded in 1986, Hologic has seen demand for its products take off, as more hospitals and clinics have moved to all-digital diagnostic technologies. Hologic has achieved a leading market position in breast cancer and osteoporosis detection in the United States. Its market share in Europe, Asia and South America continues to grow, with the fastest growing market opportunity in the breast cancer detection segment.

As Hologic grew, it added business information systems incrementally and inherited systems from acquired companies. In 2001, Hologic found itself increasingly challenged by a fragment-



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ed architecture, which slowed financial processes and made it hard for managers to coordinate production scheduling to optimize output. At the same time, Sarbanes-Oxley regulations began to impose new data tracking demands while its European operations needed shorter delivery lead times and faster pricing to keep up with exploding sales in the region.

All of these developments, Hologic concluded, called for a more globally integrated business platform. It responded by implementing an integrated set of Oracle applications with the goal of running the entire enterprise—from finance to manufacturing to logistics—on a global single instance of the Oracle E-Business Suite.

Executives cited three specific IT- related objectives the company sought to achieve:

1. Establish a single, Web-enabled ERP system used by all divisions

The centralized system would in turn help Hologic restructure its business processes.

2. Improve external and internal financial reporting

In particular, Hologic needed to meet new Sarbanes-Oxley regulations and supply managers with reliable financial information to make better, more proactive decisions.

3. Boost working capital performance

With expensive stockpiles of parts and finished goods at three major plants, Hologic needed more disciplined supply-chain processes to reduce inventories and boost manufacturing efficiencies.

Hologic began the Oracle project, named “One Hologic Implementing Oracle,” in April 2002. Altogether Hologic invested about \$4.4 million over three years in the new system, including hardware, software, consulting and internal labor.

To Hologic, there is nothing more important than to remain dedicated to the principle of applying highly sophisticated technology to medical imaging challenges. Hologic chose Oracle as a partner in these significant efforts.

Benefits

After implementing the Oracle E-Business Suite, Hologic consolidated systems on Oracle Manufacturing for three of its major plants, including Bedford, Danbury and Newark. The new system provided operational insight into the relationship between finance and manufacturing activity, helping the company reduce inventories and monitor overall company performance in real-time. Hologic also created a manufacturing resource planning process and transitioned to a just-in-time supply chain based on the financial and manufacturing data across those facilities, transforming into a single entity from three disparate plants.

Improvements in the supply chain resulted across all the company’s facilities. Hologic reduced the backlog of parts and raw materials at the Bedford facility to \$65,000 from \$800,000. Parts waiting for assembly now average seven days in the facility as compared to the previous 4 and ½ months. The move to a build-to-order manufacturing environment at the Danbury plant helped the company improve inventory turnover rates leading to 80 percent fewer open work orders. The average value of inventory dropped by 31 percent even though facility output grew by 78 percent.



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By standardizing its financial operations on the Oracle E-Business Suite, Hologic integrated its core finance and accounting processes. The integrated process has led to the company reducing the monthly finance closing cycle to five days from 10. The company's quarterly financial forecasts are now 80 percent more accurate. Monthly performance reports are now prepared in six days rather than five weeks, previously.

Hologic also benefited from Oracle E-Business Suite's support complying with Section 404 of the Sarbanes-Oxley Act. The company standardized and automated much of the compliance tasks, including regular reporting. The built-in process documentation and data-tracking capabilities of Oracle E-Business Suite allowed Hologic to cut its external consulting costs and internal staffing costs by \$130,000 a year at each of its five facilities.

The Importance of Technology

The power of digital imaging creates new possibilities for technologies that could enable us to see cancers earlier than ever before. Driven by passion and a history of innovation, Hologic is leading in the search for new ways to detect breast cancer and is dedicated to the quality of the products it produces, markets and supports. State-of-the-art technology is at the heart of its products and an integral part to running and improving all facets of its operations.

Hologic used the single-instance of the Oracle E-Business Suite as a platform to re-engineer business processes. The company tightened its supply chain to improve fulfillment and enable inventory tracking, boosted working capital performance by reducing expensive stockpiles of parts and finished goods, and improved external and internal financial reporting to fulfill Sarbanes-Oxley Section 404 compliance.

The Oracle investment generated a positive cash flow in 2004 as Hologic began reaping the benefits of lower inventory and carrying costs, and from productivity increases in the company's financial and manufacturing operation.

Today, Hologic executives are reporting business benefits across almost every operating division. They have more efficient tools in finance, HR and manufacturing and managers get consistent, credible information from a single global source. Hologic is adopting leading practices in many areas and continue to drive productivity and accomplish more with less with the Oracle E-Business Suite.

Originality

Breast cancer is the most common form of cancer among women other than skin cancer. Breast cancer is the second leading cause of cancer death in women after lung cancer. A woman's chance of developing breast cancer increases significantly with age. A woman's chance of developing breast cancer sometime in her lifetime is approximately 1 in 7. The chance that breast cancer will be responsible for a woman's death is about 1 in 33. If detected in the earliest stages, the five-year survival rate for breast cancer is 98 percent.

Today, there are over two million breast cancer survivors in the United States because of advancements from companies like Hologic. While an ERP implementation—integrating manufacturing, financials and human resource applications on a single platform—is far from unique, the deployment of such technology to enable the production of medical imaging systems such



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as those from Hologic can have life-changing results.

Success

Hologic exceeded all of its goals for the Oracle implementation. Today, more than 800 employees at Hologic benefit from the new Oracle system. Below is a breakdown of the ROI the company has achieved:

- Realized 106 percent net ROI
- . . Projected \$3.5 million net benefits through 2010
- Decreased inventory at two key plants by 35 percent and 48 percent
- Cut part shortages by 67 percent at Bedford plant
- Reduced financial management labor costs by 17 percent
- Cut financial closing cycle in half
- Gained significant efficiencies with mobile field service

Employee Quotes:

“Managers get consistent, credible information from a single global source, and we are adopting leading practices in many areas and continuing to drive productivity to accomplish more with less,” said David Rudzinsky, CIO, Hologic.

“The Oracle solution is totally integrated, from the master production schedule to purchasing to assembly to shipping,” said Joe Ywuc, director of Hologic’s manufacturing operation in Bedford. “Everyone has easy access to one set of data.”

“A lean manufacturing operation is our goal, and we have made great strides with more to come,” said Ywuc.

“From a purchasing and planning perspective, the Oracle modules have enabled significant efficiencies,” said Bill Ryan, senior buyer and planner with Hologic. “The Oracle module supplies detailed information that can be sorted in a variety of ways that was not possible with our previous system.”

“The Oracle implementation is allowing Hologic to refine our system and business process to better meet the needs of external as well as internal parties,” said Steve DeCrane, controller of Hologic’s European region.

“Pricing is now defined by formulas that enable us to quote a price in 30 seconds. Without transaction history, we would have to email the U.S. for information and make additional calculations,” said Kris De Backer, logistics and sales manager for Hologic’s European region.

“We now have visibility to global inventories, so when a customer orders a product or spare part that we don’t have in Europe, we can quickly locate the item and give the customer a delivery date,” said Kris De Backer, logistics and sales manager for the company’s European region.

“This proactive communication with dealers is helping us achieve our growth goals,” De Backer noted. And because Europe runs on the same Oracle instance as the U.S., the European unit can set delivery dates almost immediately for spare parts that are not inventoried in Europe.

“Prior to Oracle, we sometimes lost one to two days to account for the Europe-U.S. timing dif-



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ference,” De Backer said.

Difficulty

Following are some of the general obstacles Hologic faced:

- Bring different corporate cultures at the different locations together
- Unify disparate business processes where appropriate
- Develop new technical skills within IT
- Resolve a number of inefficiencies related to disconnected systems and databases spread across Hologic’s U.S. and European operations
- Shift from an operation that depended on multiple spreadsheets to one structured around a consolidated enterprise resource planning approach
- Build a single, centralized customer base that managers, sales, and service staff could draw from
- Raise customer satisfaction to highest levels through better tracking of contracts, installed base, and service requests
- Lower inventory through precision tracking
- Increase plant flexibility and efficiency