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IT SHARED SERVICES

How to cut IT costs by implementing an effective shared services strategy.

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Cut Costs with Shared Services

Kamal Biswas outlines techniques for the successful design and implementation of an IT shared services model in pharma.

If implemented correctly, an IT shared services model can create significant value for the pharma company, not only reducing cost, but creating a collaborative IT environment to drive innovation. Some pharma companies that have embarked on shared services programmes in the last few years have achieved a desired operational maturity, and a saving of over 30% of IT cost.

Although it's been around for a while, and sounds easy to implement, making shared services work in disjointed organizations needs sturdy organization design. This starts with defining the right service, balancing the process architecture, and defining performance measurement criteria. Above all, the design needs to clearly demonstrate the ability to work with dispersed funding models, exist in various business units and withstand robust change management to ensure little or no business disruption. So, the question you must ask is yourself is, are you ready to change things?

1. Understand your current service footprint.

Large infrastructure footprint, too many instances of duplicate applications and too many vendors to work with leads into lack of standardization, unclear accountability and reduced cost-visibility in most companies. This trend is not specific to any pharma company, but a common industry problem. Understand what services your application users receive, at what levels, and at what price and benchmark the current state of maturity before making the case for change.

2. Define a future state model that can create significant value over the current model.

A disjointed operation lacks the 'end-to-end' service needed to manage a system effectively. System users will need to go to a number of places to get their problem resolved. This is an important fact to keep in mind when designing the future state. Design a shared service

that can handle customer problems end-to-end, with multiple stakeholder co-ordination if necessary. Design a service catalogue, establish service levels and cost structure and devise a way to measure success or failure through the effective KPIs. Create processes for your service delivery that makes business sense, is easy to execute and can be measured in their effectiveness. This needs to be in line with the service commitment made to service users, not an academic exercise to create process burden.

You may find significant resistance from users in accepting the new model; they may be sceptical about moving from a 'known support person' to an 'unknown service personnel' model. This needs to be addressed through a well-defined communication strategy at various stages of shared services design.

3. A well-defined measurement model to increase operational visibility.

This helps with benchmarking the current operation and setting expectations for



the future model. Service design should define KPI at various functional levels and make users aware of these. Changes may bring in some disruptions; no matter how minor these are, they should be investigated in detail. Your team should be prepared to face this with data points rather than logical debates.

I have helped pharma companies define a multi-layered measurement model to monitor 'programme success', 'service quality' and 'people quality'. These track the programme values, quality of various services delivered, and identify the best people and the people with training or rotation needs.

4. Money matters.

Define the benefit in terms of dollar savings. Make the business case so attractive no one can ignore it! A large shared services model can produce savings by eliminating redundancy in infrastructure, staff, process steps and by delivering services from low-cost locations. Designing the right process steps with regard to roles and responsibilities in a well-structured service level brings a standardization to the system to ensure long-term cost benefit.

5. Governance is key.

Run shared services as a business in the IT function. Your customer satisfaction level will determine your business growth. It's very important to find early adopters of the new model and make them part of the extended governance team to achieve buy-in. The governance team must consider the regulatory aspects carefully. Application change control, access and SOP changes need to be put in place. Setting up a quality, compliance and security governance board is a must. Governance should be two-tiered: an internal team can strategize process design, operational efficiencies and continuous improvement; an external team can review customer satisfaction, compare costs and review customer loyalty.

6. Charge for the service used, not the service available for use.

The correct charge-back mechanism is key to satisfying shared services customer expectations. Use a utility-based pricing model with a clear charge-back definition that considers technology complexities and business domain. Pricing per service used is probably the best way address a customer's price concern. This requires intricate collecting, maintaining and processing of operational details, but it is worth doing to increase financial transparency.

7. Find early adopters to implement the new model for a smoother transition.

It's extremely important to pilot changes at a smaller scale before establishing a large, global initiative. Effective design of the transition process and business communication, bringing the incumbent into the process through early due diligence, can help. Showing actual improvement in the pilot operation can secure acceptance from larger teams.

8. Make it 'team independent.'

Shared services operation can be optimized easily if it's 'team independent.' The service should be delivered through pre-defined roles in a process and remain independent of who is doing it. This can create a very high degree of operational flexibility and utilize human resources optimally.

9. Create a global model with variations at regional level.

As most pharmaceutical companies have global operations, a global execution model is important. Meeting local process needs or adapting to a specialized local business process may require some trade-off, but that can be optimized through the central governance. It's important that all regional models are connected through a central model to create a

consistent operation across the globe. The global model brings a very high degree of re-usability and a huge rationalization opportunity.

10. Find innovative ways to keep technology and business improvement initiatives fresh.

The shared services should be innovative enough to embrace new technologies to drive business innovation. Create a dedicated innovations team with defined goals rather than setting open-ended expectation from everyone to innovate.

As shared services evolve to a new level of maturity across different industries, pharma companies should be taking a serious look at it to improve their IT operations significantly.

About the Author

Kamal Biswas (kamal_biswas@infosys.com) is a Senior Principal & Lead, Life Sciences Practice at Infosys Consulting, Inc. He has over 15 years of experience in management consulting and pharmaceutical manufacturing operations, and has conceptualized, designed and implemented shared services models at several pharmaceutical companies.

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