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Bristol-Myers Squibb

The Case of
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Right-Sizing the
Governance
Framework

Innovation in Best Practices: The Case of Bristol-Myers Squibb

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Right-Sizing Governance Frameworks for Service Providers

Introduction

Many of the largest pharmaceutical companies are engaged in restructuring their sourcing relationships both internally and with their outsourced service providers to implement the best possible practices related to costs, efficiency and their governance framework. What is becoming increasingly obvious is that getting the governance framework right will ensure better outcomes.

Bristol-Myers Squibb (BMY), a global biopharmaceutical company based in New York City, is no exception, especially with respect to the latter point—governance. Getting a firm handle on service provider governance is important for biopharma companies that, like Bristol-Myers Squibb, have tens of thousands of employees worldwide. Bristol-Myers Squibb employs more than 25,000 people and has facilities in eight countries and throughout the United States. Its net sales were $16.6 billion in 2015.

This case study relates how Bristol-Myers Squibb applied a new "right-size" governance strategy as a key part of its IT service provider governance strategy. The result was the IAOP 2016 GEO Award for Innovation in Best Practices.

Developing the Bristol-Myers Squibb Governance Tool

In 2012, Bristol-Myers Squibb decided to change its IT sourcing strategy from a concentration of services delivered by three strategic partners (mainly in IT and BPO) to a mixed provider eco-system. For Bristol-Myers Squibb, this meant the need to rethink how IT would manage governance. The effort began in 2012 and was implemented later that same year. Bristol-Myers Squibb Director of Service Provider Governance Laura D'Ambrosio explains:

> "We started looking future forward to see what 2014 would look like for us in a number of different areas, and in the governance area, we knew that by 2014, we would have a more diverse portfolio of outsource providers. We had a robust governance framework that we were very successful with. But looking ahead, we knew we were going to have a more diverse portfolio with either smaller niche providers and/or providers that might specialize in one area or another. In addition, if you look back in 2012, the concept of the 'cloud' was the next great disruptor. We didn't exactly know at that point what "cloud" meant for Bristol-Myers Squibb, but we knew that in some way, shape or form, we were going to have cloud providers. We needed to think about what that meant, what kind of risk that posed from both a governance and a security perspective. There were a lot of different conversations going on designed to help us make the governance framework scalable."

Bristol-Myers Squibb team members began to search for a governance assessment tool to help them facilitate a consistent, objective approach to determine the "right size" governance level depending on type, value, risk and services provided. The problem for Bristol-Myers Squibb was that no such governance assessment tool was available. Bristol-Myers Squibb ultimately decided to develop its own Governance Assessment Tool that would ensure that all outsourced agreements have the proper degree of oversight and governance.

"We needed to think about how we would determine the right level of governance for our outsourced providers, what the framework would look like, and how we would make recommendations so that right-sized governance would meet stakeholders needs," said Gina Argonish, Associate Director, Service Provider Governance – one of the team members involved in the initiative.

The work on developing a Governance Assessment Tool involved a progression of thinking, D'Ambrosio explained. "A key part of the initiative was to understand the dimensions that were important to Bristol-Myers Squibb to determine what the recommended level of governance should be."

At that point, Bristol-Myers Squibb had some experience with about five service provider companies. D'Ambrosio said: "We looked at the various dimensions, what the risk profiles of those dimensions would be, what was important to us and what was maybe a little less important to us; there was a little bit of trial and error coming up with the questions, the weighting of the questions and looking at the five companies, and running the questions against what we knew of those companies."

"Some of the pre-work was not only determining the dimensions we were interested in learning about in order to recommend the right level of governance, but also determining exactly what the right level of governance was, and what we would call it."

Bristol-Myers Squibb believed that while governance was always needed, the level had to be adjusted to fit the specific agreement. "We understood that we should not be recommending the same level of governance for all service providers: it didn't make sense to our stakeholders, and it didn't make sense to us. We recognized that if we didn't simplify our framework, there could be an absence of governance, and this would introduce risk and value leakage," she continued.

In order to simplify, the company needed a tool to help it differentiate requirements based on pre-determined criteria that took multiple components into account in addition to scope and spend. A communication plan was also needed to help articulate the value of governance for service providers of all shapes and sizes. "We explored why it was important to establish relationships with our service providers, regardless of the size or type of outsourcing/service. We began asking questions, in a broad way, to help us understand what makes a relationship complex or simple."

The Governance Tool's Six Dimensions

Initially, Bristol-Myers Squibb worked with its internal stakeholders to test assumptions and gain understanding on how to simplify the governance process without jeopardizing company standards, and without introducing unnecessary risk. The Governance Assessment Tool is presented in an Excel spreadsheet that tracks six dimensions, or criteria, to determine the right level of governance. Bristol-Myers Squibb looks at:

1. **Differentiation** – This determines the degree of customization that is provided by the service provider. Is there no customization, or is it highly customized? Does Bristol-Myers Squibb control any of the services? "We look at that initially," D'Ambrosio said.

2. **People interaction** – How regular is the interaction between Bristol-Myers Squibb and the service provider? "Does Bristol-Myers Squibb have onsite support staff, a dedicated account rep, or do we never see anybody?"

3. **Complexity of the service** – The sensitivity and security aspects of the service is determined, along with how much information is shared with the service provider. For example, are there any feeds where the service provider needs to hook into Bristol-Myers Squibb, and if so are they one-directional, bi-directional, and how many feeds are there?

4. **Impact** – This is an assessment of what the worst-case scenario would be to Bristol-Myers Squibb if the service were to suddenly go away – for example, is there a risk to patient safety, federal reporting requirements, or no noticeable effect at all?

5. **Switching difficulties** – A determination of how difficult and/or complex switching might be. Are there other service providers available in the industry, or is the service provider a niche provider? Would it take a long time to unwind the service provider?

6. **Spend** – An estimation of cumulative aggregate spend with this provider.

D'Ambrosio noted that Bristol-Myers Squibb purposely looks at the spend category last as opposed to first, "because you could have a service provider that, with a lower spend, might be the only one in the market. Or, it might be a highly-customized solution." Based on the answer, more control and complexity might be involved than for a higher spend provider, "so it depends on how the other criteria come into play."

After establishing the Governance Assessment Tool dimensions, Bristol-Myers Squibb created three categories of service provider engagement, depending on where they fit in the Excel template: Robust, Intermediate, or Light.

Bristol-Myers Squibb was able to assess and assign a service provider to one of the engagement categories based on the responses to questions that focused on the six criteria dimensions.

Once created, the Governance Assessment Tool was piloted to help guide discussions and decisions when onboarding new services for SaaS and BPO service providers to ensure value and mitigate risk. Bristol-Myers Squibb started with five existing service providers.

"We decided that having a robust, an intermediate and a light—three different levels—felt right for us," D'Ambrosio said. "This doesn't mean that there couldn't be five levels or two levels, but this is what seemed right for us."

D'Ambrosio's team ran the five companies through the process and got the recommendations of robust, intermediate or light. "Naturally, the next question for us was well, what does that mean? If you say something is intermediate or light, what does that mean for your relationship with the service owners who are responsible for the delivery of the service, what does it mean for the service providers, what does it mean for my own group, which needs to facilitate the governance framework?"

The next step was to look at the robust model and document all the activities done in that category. "For example, looking at performance management and what happens within the performance management process, not only what happens in that process but who is responsible for doing the work within the process, who is accountable for facilitating the process, are there people who are informed? Are there people who are consulted? Determining the roles and responsibilities is critical for successful governance."

D'Ambrosio added the tool has a "readiness checklist" that includes elements such as roles and responsibilities, meeting cadence, service level management, issue management, contract management, performance management, relationship management, quality and compliance, and to a smaller extent, financial management. There are other areas where it is important to have good governance, she continued, such as making sure that "invoices match consumption, and we also bring in quality management to make sure there are good quality controls in place.

"We align with our internal Bristol-Myers Squibb service owners for the delivery of services, and we work with them as well as we align with service providers to make sure that the services from a contractual perspective are being delivered."

Setting the governance level is primarily an internal process at Bristol-Myers Squibb, through its IT organization, but the company does engage with the service provider to make sure there is alignment on what the right-sized governance should be and how the framework will function.

Depending on the responses, recommendations are made as to which of the six dimensions and the related governance processes are needed to successfully manage outsourced services. The Bristol-Myers Squibb tool enables a collaborative decision-making process for governing a wide variety of services. Robust engagements leverage up to 100% of the company's established processes, while intermediate and light leverage up to 40% of our established process. "The resulting benefit is time savings without compromising quality."

At the end of 2016, 22 service provider agreements, primarily in IT, had gone through the Governance Assessment Tool process: six providers were classified as robust, 11 are intermediate, and five are light.

Conclusion

Overall, the Governance Assessment Tool has helped Bristol-Myers Squibb to achieve better alignment with its stakeholders. The tool is now used regularly to facilitate discussion, generate recommendations, and to provide business owners with the data they need to decide how they want to govern their outsourced services.

D'Ambrosio says setting it up was a fairly smooth process: "With anything you are creating new, you have stops and starts – the hardest thing for us initially was determining how many different iterations of the governance framework we needed to have and to take what could be a very complex process and simplify it in such a way that we are able to say, here is our recommendation." She adds that putting all the data in one tool "took a little bit of time -- from start to actively using it -- most of 2012. Determining what we had in robust, and what would go into light -- that was a lot of internal conversation."

"Every relationship needs some oversight, and to be able to say whether it is bigger than a breadbox, the same size as the breadbox, or smaller than a breadbox, it took a lot of conversation, a little time, and some insight, but now it is readily accepted within our IT organization."

There are still challenges to overcome with stakeholders who do not understand or appreciate the value of governance, Bristol-Myers Squibb says. "But overall, we have been successful because we addressed our stakeholders' desire for simplification, consistency and clarity, and we achieved the right balance between rigor and need. In addition, our communication efforts have been successful in helping us promote the value of governance, highlighting values and benefits such as better financial controls, consistency in SLA reporting, and understanding of key contract obligations. As a result, we are better able to mitigate risk and prevent audit findings when we implement our recommended governance processes."

Governance is acknowledged as important yet often overlooked or minimally implemented due to resource constraints or a lack of appreciation for the value that governance provides. Bristol-Myers Squibb believes that governance should be implemented for outsourced agreements of all shapes and sizes. But, it's critically important to assess the right level of governance, or "right-size" it, "and our tool helps us do that." The tool helps the business engage with a wide variety of service providers – from the most complex outsourcing to the smallest engagements and everything in between.

Bristol-Myers Squibb believes the Governance Assessment Tool is a Best Practice because it's simple, flexible and easy to use, and it delivers a repeatable process that is objective in assessing the right size of governance. D'Ambrosio believes it will be expanded to other areas of Bristol-Myers Squibb. "We don't know what 2017 will bring to the IT pipeline, but from all early indications, I do believe that we will expand. In addition, this approach to right sized governance is applicable for other organizations and industries, because it is repeatable and scalable."

"It's a commonsense approach," says Argonish, "that enables us to collaborate with our service providers as team members, to establish the right amount of governance. We have had several service providers tell us what a wonderful, strong, governance program we have and how they wish it were more widespread."

[1] Statements by Laura D'Ambrosio and Gina Argonish (Associate Director, Service Provider Governance) are from an interview conducted on January 9, 2017

[2] From the Bristol-Myers Squibb 2017 GEO Nomination, submitted and written by Gina Argonish

[3] Ibid.

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