

Experiences of Offshoring Statistical Programming - The Pros and Cons

Francis Kendall

Programming Site Head, Roche Welwyn

PHUSE October 2009



Agenda



- Agenda
- Overview
- Reasons to Offshore
- Advantages and Disadvantages of Offshoring
- Experience with Models
- Conclusion
- Final Thought

-
- This presentation reflects my personal views and experiences of working with Offshore models and may not reflect the views held by past or current companies.

Offshore Outsourcing is not just about cost :-

- Cost is definitely one of the main reasons for offshore outsourcing BUT
 - Cost advantage may not be seen immediately due to initial investment in infrastructure, training, and other such preliminaries.
 - Cost advantage will be seen over a period of time in an outsourcing venture which involves a committed relationship and understanding between both parties involved.
- Along with the cost savings there is also great value addition which can come as a surprise to many

- Offshore Outsourcing can be about quality and value addition at a reduced cost.
- An additional pool of talent and expertise
 - For example, India's workforce offers the largest pool of technical skills in the world, and the country's universities add 180,000 engineering graduates to its ranks annually.
- India is emerging as a global brand in terms of superior quality in BPO
- The new mantra of offshore outsourcing to India is quality solutions particularly when processes are offshored
- What we now get is the advantage of low cost but also experience improvement in productivity and quality.

10 Reasons to Offshore



- Reduce and Control Operating Costs:
 - Outsourcing in general, and offshore outsourcing in particular, will reduce administrative and operating costs. By using an outsourcing company's size, specialization and lower wage rates, companies can drive down costs for routine operations and processes.
- Improve Company Focus:
 - By concentrating resources on core businesses, a company will become more efficient, drive costs further down, provide better service and expand its market share.
- Gain Access To World-Class Capabilities:
 - Outsourcing organizations take non-core administrative functions, operations and processes and make them their core businesses. Strong outsourcing operations will invest heavily in people, technology and process engineering to provide state of the art services to customers.

10 Reasons to Offshore



- Free Internal Resources For Other Purposes:
 - Outsourcing frees key personnel from the day to day routine and permits them to focus on priorities. Staff utilizes more of their skills they have more interesting work and overall productivity increases. **“Boredom is the biggest enemy of productivity and innovation”**
- Resources Are Not Available Internally:
 - Outsourcing permits a company to rapidly recruit and train a skilled workforce.
- Accelerate Reengineering Benefits:
 - New processes can be implemented more quickly at an Offshore facility as there is less resistance to change. Offshore operations can view a global operation from an unbiased stance and help identify best practises

10 Reasons to Offshore



- Function Difficult To Manage/Out Of Control:
 - Non-core businesses take time to manage which can take focus away from the core business. Before a non core business becomes a bottleneck to growth, it may make sense to scale back and outsource.
- Make Capital Funds Available:
 - When properly implemented and executed, outsourcing improves cash flow in four ways:
 - Outsourcing, especially offshore outsourcing, is cheaper than running the operation internally.
 - By focusing more resources on the core business it becomes more efficient and profitable.
 - Capital expenditures and fixed costs are lowered and are transformed to variable costs driving up operating margins and lowering break even points.
 - Because outsourcing increases the value of a business, the capital markets place a higher multiple on future earnings.

10 Reasons to Offshore



- Share Risks:
 - A well thought out outsourcing partnership will provide for the outsourcing company to adopt new technology, methods and productivity increases.
- Cash Infusion:
 - Some outsourcing companies will purchase staff and infrastructure for cash in exchange for a long term outsourcing commitment ranging from 7 to 10 years.

Key Advantages to Offshoring Programming



- Global and Standardise
- Offshoring helps Large Pharma Standardise it's operations
 - Adopting Best Practises
- Offshoring helps Small Pharma benefit from economies of scale
- Talent
- Access to a young and highly motivated talent pool
- Process review
- Provides the opportunity for process review or re engineering processes
- Time
- Extends the time a project can be worked on, particularly around submissions or responses to Health authorities
- Focus in-house resources on high end value activities
- Routine work done Offshore whilst complex programming done in-house

Key Disadvantages to Offshoring Programming



- Unrealized cost savings
- Salary costs are lower BUT there are many hidden expenses - infrastructure, communications, travel, cultural training and in-house oversight.
- Loss of productivity:
- Staff at an offshore service center initially are not as productive as internal staff
- Staff turnover can be high in competitive offshoring markets
- Programmers are usually new and inexperienced.
- Service centers overseas struggle with ambiguities in the work they are assigned and shifting directives.
- Offshoring can lower morale back at HQ

Key Disadvantages to Offshoring Programming

(Cont)



- Commitment and communications:
- Senior executives often drift out of the picture as the Offshore engagement progresses BUT they should stay engaged to keep morale high and strategy on track.
- Projects, goals and expectations have to be defined clearly and in detail.
- HQ - managers need to explain clearly why work has been sent overseas and what benefits are expected.
- Cultural differences
- Communication styles and attitudes toward authority vary and those differences can cause problems.
- In some cultures, questioning authority is considered disrespectful, so a team may push ahead with a given plan even if they see a better approach.

Key Disadvantages to Offshoring Programming (Cont)

- Promotion expectations
 - Offshore colleagues have high expectations of being promoted every 6-12 months
 - If not managed can lead to a more expensive workforce and too many supervisors
- Lack of Clinical Experience
 - Takes longer for colleagues to understand the dynamics of clinical trial and working with clinical colleagues
- Difficulties in understanding clinical data
- Difficulties with late change requests
- High aspirations
 - Offshore colleagues look for more complex work and get de motivated with routine work
- Need to instil Pride and Passion in producing high quality in minimum time
- Internal resistance
 - In-house colleagues resist change due to fear for jobs and change in processes
 - Too Process focussed
 - Concentrate on completing process rather than content

- Affiliate
 - Expand Local Affiliate to take on tasks
- Advantages
 - Understand Company Culture and blended with the Local Culture
 - Understand Company Processes/Systems
 - Can easily be integrated into Company systems, Training etc.
- Disadvantage
 - Becomes burdened with Company's inefficiencies with little ability to challenge
 - Becomes part of the political machine
 - Restricted by Company policy on Career grades etc..

Captive

- Company buys an Offshore operation eg. CRO
- Advantages
 - Offshore operation has clear expectations from Company
 - Cash Flow/Contract terms are not a major issue after acquisition
- Cons
 - Similar to Affiliate

External Provider (CRO, Process Management Company)

- Advantages
 - Established infrastructure
 - Meets local cultural needs
 - More experienced staff
 - Can bring new thoughts/Best Practises to the relationship
- Disadvantages
 - Costs increase
 - Less control

- Project Based
 - Offshore teams set up to support project level work
 - Builds global team rapport
 - Less flexibility to move resources
- Process
 - Offshore team supports processes in the reporting process
 - First or second line programming, User acceptance testing
 - Can be very efficient
 - Relies on process being followed exactly, Offshore teams less able to adapt to changes
- Clinical Phases
 - Offshore teams support Phases of trials – Phase 1 , Phases 2&3 and Phase 4
 - Similar to project based
 - Provides career opportunities for Offshore colleagues by moving between groups
 - Can create silos

Overall the model should :-

- Offer Offshore Career Development opportunities
- Enable Local teams to easily contact Offshore team
- Capture and address Learnings in 'real time'
- Have a global team ethos
- Create a truly Flexible Workforce
- From experience I would recommend
 - A Clinical Phase/Project Based Model

Key View on Experiences



- Build slowly and methodically
- Have Global Key contacts at the Operational Level
 - Eg. Global Project Programmer to Offshore Project Programmer, Global Resource Manager to Offshore Resource Manager
- Where possible have long term and frequent secondments to Offshore facility to keep Offshore in touch with Company Culture and needs and vice versa
- Be aware of cultural differences
- Manage expectations :
 - Management need to know it does not solve the resourcing or cost saving challenges immediately
 - Internal colleagues need to understand the reasons for Offshoring and how that will impact their role
- Initially more oversight activities
- Understanding of Learning Curve for Offshore facility
- Focus on More complex opportunities and new growth areas

- Not understanding the Offshore culture
 - Management style different
 - Competitive market
 - How colleagues deal with authority
- Expectations are usually unrealistic, particularly by Senior management on both sides
- India is a big place ! Deciding on location of the Offshore provider needs to be well thought through
- Offshore colleagues expect similar working models and approaches from Global colleagues
 - Not always the case when working with many Global sites or Large project teams

- Currently very process focussed
 - Look at Statistical capabilities as India has great Statistical talent
- Outsource 'Routine Trial' Reporting
 - Allows in-house focus on new activities around Safety Analyses, Population Reviews
- Keep Value Added Dataset creation in-house
 - – HQ should always understand it's data
- War on Talent
 - Offshore has a great pool of talent that we can use
- Offshore Locations
 - India is not the only location, consider Africa, China & South America
- For Big Pharma , why use a local CRO when Offshoring CROs will offer same service at a lower cost
- As Pharma evolves – will there be such a high need for Offshore services within the Biometrics area ???

-
- Offshoring is here to stay
 - Has many benefits besides cost
 - Talent
 - Enables business to focus on Core and Developing Competencies
 - Creates space for Innovation
 - Enables earlier identification and more rapid adoption of Best Practises• Truly effective Offshoring requires effective partnership
 - Companies must engage on a long term view and not just 'throw' the work to the offshore facility
 - Offshore more willing to adapt to company than traditional CRO and can be more responsive without hidden costs
 - Offshoring should not be rushed but built on solid foundations

- The attitude to using Offshore services today is similar to that of 10-15 years ago when Pharma started to use local CROs
 - Offshore facilities need time to build solid foundations and they are getting there !
 - The Offshore proposition is no longer cost, but is an a source of expertise and talent
 - The environment is changing The Programming role is changingwill Offshore facilities be needed or able to adapt to these changes

