

***Aggregate Spend
Governance/Operations
Considerations:
Moving Past the Implementation***

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Operational Questions and Considerations

Aggregate Spend Operations

You've spent several years designing and implementing various components of your aggregate spend program.

Your journey has been an interesting one in that:

- You've convinced your colleagues that aggregate spend is a cross-functional business issue
- You've had to pull together a cross-functional team to agree on strategy, costs, timelines, etc.
- You've had to work through ambiguous requirements and implementation rules
- You've convinced your company that this is a “program”, not a “project”
- You're now (or have been) in the process of developing the processes and securing resources to actually sustain and evolve the program over time

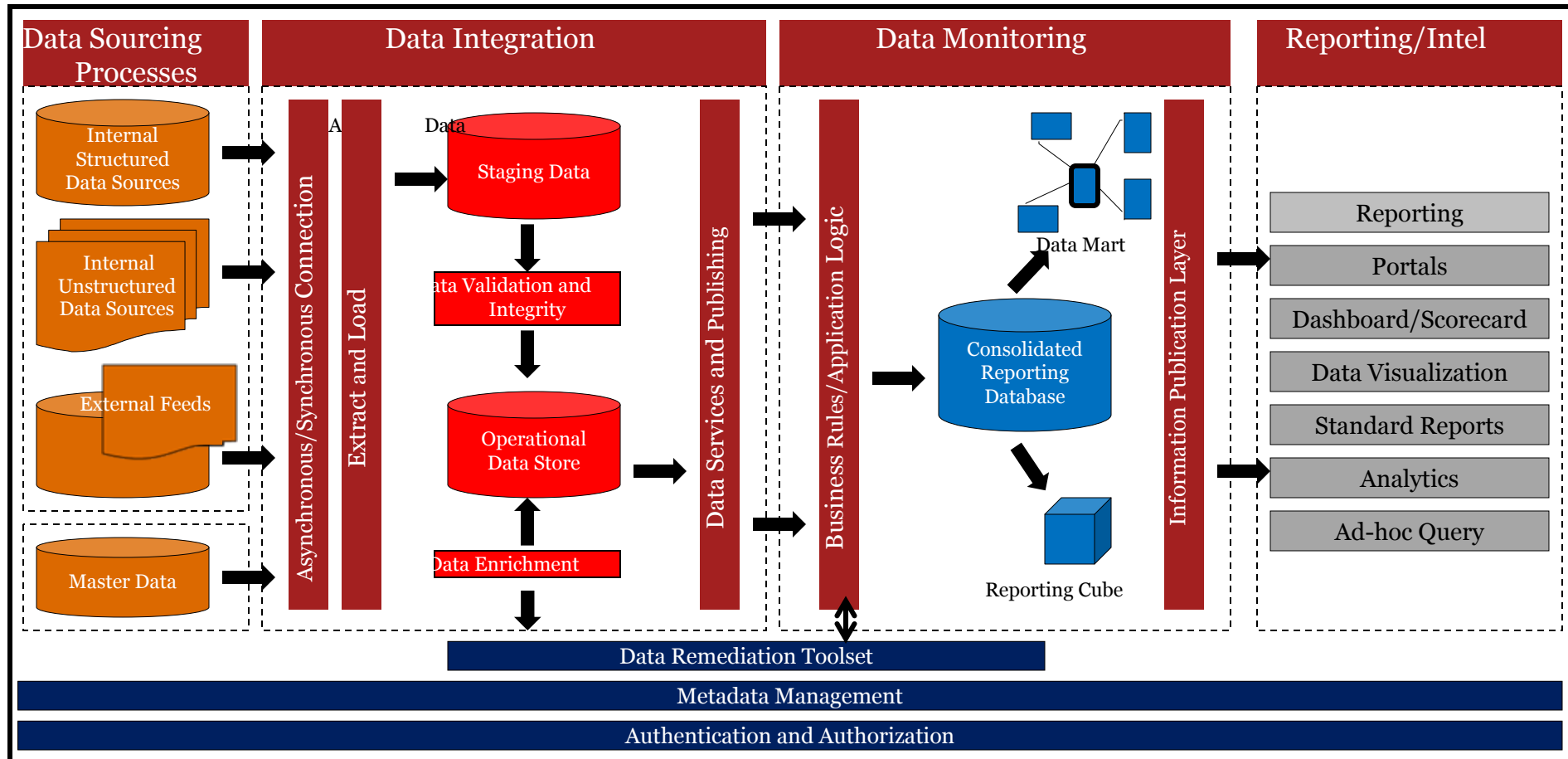
Aggregate Spend Operations

What do we mean by “operations”?

- Spend related business processes that produce data to be tracked/reported
- Data management
 - Data sourcing: In-house data sources
 - Data sourcing: Management of third-party data
 - Master data/reference data
 - Data quality monitoring practices
 - Data remediation (detect/fix errors)
- Report development/QC/approval
- All technology in support of the above

Reference Reporting Solution Architecture

The picture below represents a reference architecture for a standard data integration and reporting solution.



Key Operational Questions

In the transition from “project” to “program”, you’ve started building consensus around some or all of the following:

- How does the company view ongoing **aggregate spend operations**? Are operations centralized or de-centralized (e.g. corporate vs. divisional)?
- Is there an **operational steering committee** in place?
- Which **functional groups own** program components now and in the future?
- Which **individuals are responsible** for these components and the success of the overall program?
- How is **funding/budgeting** handled for each aspect of the program?
- Is this group/steering committee also **responsible for addressing global aggregate spend requirements**?
- Are there any **corporate wide initiatives** that may impact or be impacted by the above?
- What is the **governance plan and structure** for all aspects of the program?

Governance Framework

Ongoing Governance Model

Challenges

- Growing list of key stakeholders/interested parties
- Large and complex “waves” of data
- Increase in data detail and complexity (MDM, third-parties)
- Insufficient level of staff to deal with data volume/complexity
- Difficult to identify emerging trends/issues
- Unclear how prevalent specific issues may be within organization

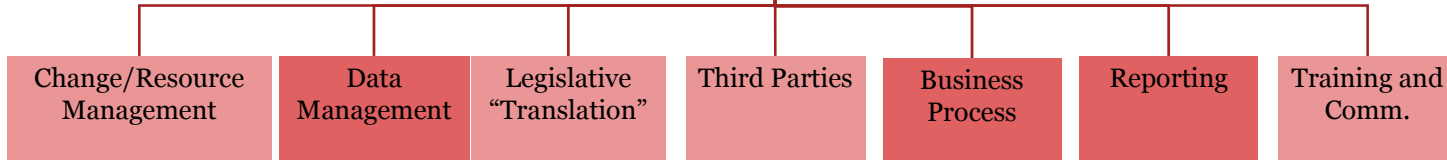
Spend Transparency Office

Provides centralized governance function (resources, expertise, tools) from which to manage aggregate spend operations

- STO Analysts
- Cross-functional skills and approach
- Data Management focus
- Monitoring capabilities
- KPI/Reporting
- Process focused

Outcomes

- Centralized oversight of often decentralized capabilities
- Creation of standards
- Increased automation/integration
- Clear roles/responsibilities
- Increased formalization of cross-functional relationships
- Cross-training across areas/issues, e.g. rotation program
- Cross-disciplinary skills necessary
- Proactive rather than reactive



Compliance Operating Model

Policies/
Procedures

Training/
Education

Monitoring/
Auditing

Policies and
Procedures

Incident
Mgmt/Enforcement

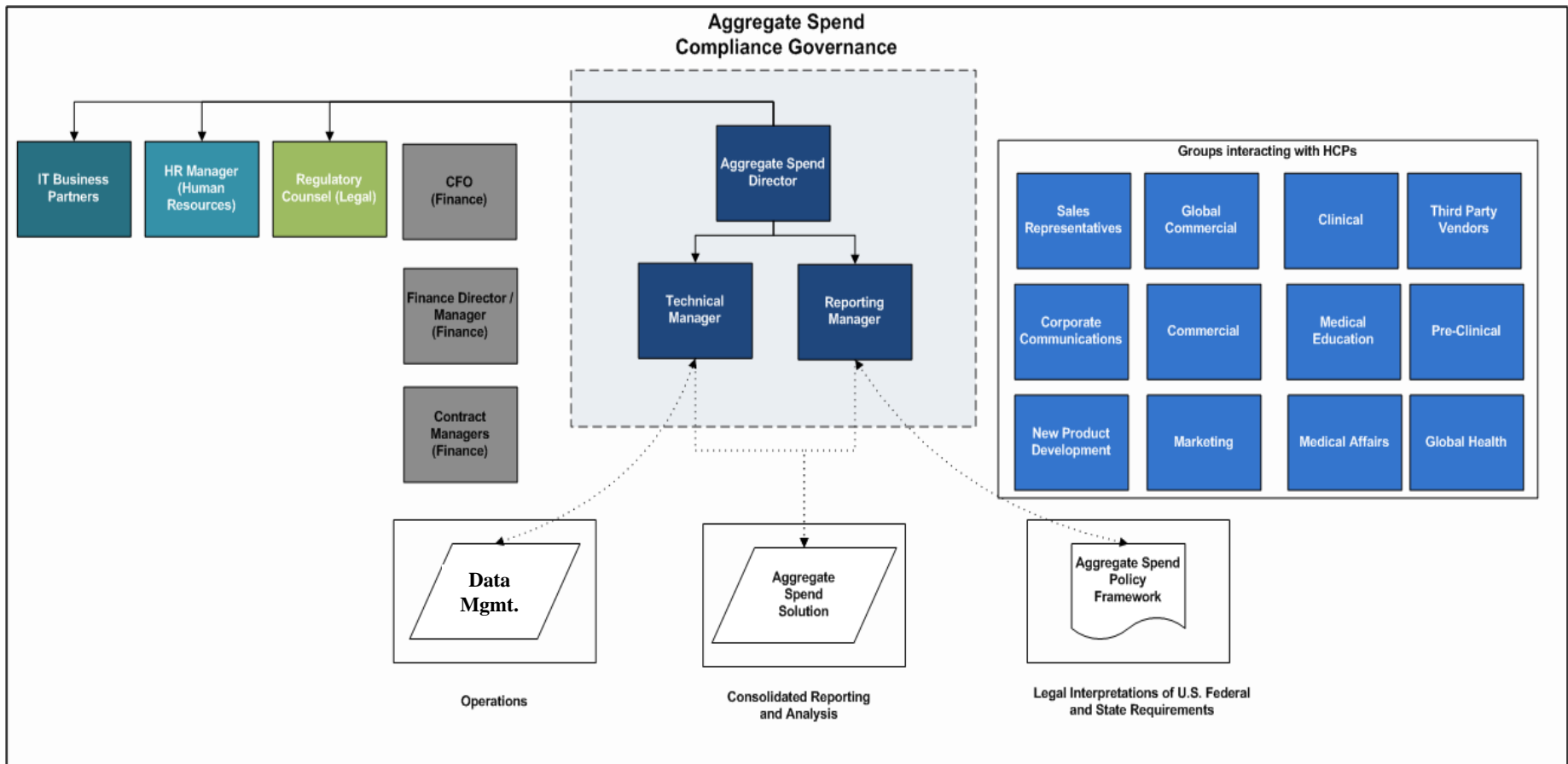
Governance and the Role of the “Spend Transparency Office”

Spend Transparency Office

- Moving from project to process
- Provides centralized governance function (resources, expertise, tools) from which to manage aggregate spend operations
- Goal: to effectively and efficiently **manage** all aspects of Spend Transparency operations including:
 - Governance & support
 - Legislative interpretation
 - Data management
 - Change management
 - Issue resolution
 - Policies & procedures
 - Certification and reporting
 - Communications & training

Interplay between Governance and Operations

- The **Spend Transparency Office** should provide a centralized function (resources, expertise, tools) to effectively and efficiently manage all aspects of aggregate spend operations
- Should be cross-functional



Operational Models

Supporting fully invested Aggregate Spend Operations

To support the development of an operational Aggregate Spend Program, companies need to assess their own internal structure and requirements.

- **Governance and Organizational Structure**

- Consider benefits of a **Center of Excellence Program** relying on more corporate resources; an **Locally Integrated Program** driving responsibility into the Business and utilizing those local resources; or a combination of the two.

- **Strategic Considerations**

- What is the Compliance Function's ongoing Strategy concerning Aggregate Spend initiatives?
- What unique attributes exist within the Company (or the Compliance function) which will impact the structure the Aggregate Spend Program?

- **Policies and Procedures**

- What policies, procedures, or other process documentation currently exists which could be leveraged to support a fully realized Aggregate Spend Program?
- What steps need to be taken to develop additional process documentation to support the continuing operations of the Program?

Benefits and Barriers of COE vs. Locally Integrated Structured Aggregate Spend Programs

Center of Excellence Program

Example Benefits:

- Increased alignment, oversight, and strategic coordination of Company Aggregate Spend activities
- Ease of integration with Corporate Compliance strategic objectives
- Clearly defined roles and responsibilities
- Increased ability to align processes, systems, and tools
- Decreased duplication of efforts across BUs

Example Barriers:

- Decreased ability to tailor individual processes to specific BUs
- Challenges to fully involve BU personnel

Locally Integrated Program

Example Benefits:

- Increased specialization of processes, tools, systems, to address the unique needs of each BU
- Increased ownership of Aggregate Spend program and program outputs at the local, BU level
- Increased ability for deep dive into data

Example Barriers:

- Decreased ability to align BUs to processes and activities
- Increased potential for duplication of efforts and lack of standards
- Potential for higher costs
- Decreased oversight alignment, oversight, and strategic coordination of Company Aggregate Spend activities

Example Aggregate Spend Operations Roles and Responsibilities

Spend Transparency Management Team

- Manage spend transparency governance framework components
- Manage structured ownership of spend related data
- Validate data standards, definitions and controls
- Define, assess and monitor existing Governance strategies
- Manage the data dictionary
- Manages and coordinates internal and external communications
- Approve reporting
- Assist in the development and teaching of business process training
- Support revision of training to employees
- Monitoring internal and external trends and apply updates to processes as necessary

Corporate Compliance Team

- Oversee and accountable for the entire spend transparency reporting process
- Support Spend Transparency Management Team to revise processes and systems

Finance Team

- Review Spend Transparency report prior to submission to Chief Compliance Officer
- Report all reportable activities into supporting Systems

Legal / Regulatory Team

- Review all interpretation of State and Federal legislations

IT Team

- Assist in the revision of spend transparency technologies due to regulatory change
- Work with Spend Transparency Team to determine protocols of change
- Manage and provides technology support for spend transparency solution

Sales & Marketing Team(s)

- Report all reportable activities into systems of record

Stakeholder Matrix Example

Stakeholder Analysis NDC.xlsx - Microsoft Excel

Home Insert Page Layout Formulas Data Review View Menus Smart

Clipboard Font Alignment Number Styles Cells Editing

A1 Future State Roles and Responsibilities for Aggregate Spend

Future State Roles and Responsibilities for Aggregate Spend		Roles and Responsibilities					
Department	Stakeholder	General	Policies, Procedures & Business Process	Training	Communications	Monitoring and Auditing	Error Detection, Resolution & Disciplinary Actions
Aggregate Spend Management Team	Aggregate Spend Manager	<ul style="list-style-type: none"> - Manage aggregate spend governance framework components (people, policies, processes and monitoring) - Manage structured ownership of spend related data assets supported by clearly defined roles, responsibilities, and accountability - Manages governance processes and stakeholder/steering committee meetings - Validate data standards, definitions and controls from a business perspective - Define, assess and monitor existing Governance strategies 	<ul style="list-style-type: none"> - Establish accountability and roles and responsibilities through revisions and updates to policies and procedures - Develop policy and standards to support new regulation - Augment and build as-is & to-be conceptual process frameworks to support new business requirements 	<ul style="list-style-type: none"> - Manage, revise and create training from revisions to policy due to aggregate spend regulations - Work with appropriate stakeholders to develop proper training for policy changes 	<ul style="list-style-type: none"> - Communicate status, changes and issues to appropriate stakeholders - Deliver final report to state and federal agencies - Provide reports for final review by the Chief Compliance Officer - Notify data change requestors of approval/denial/status of data changes - Manages communications with internal and external stakeholders 	<ul style="list-style-type: none"> - Manage the monitoring and auditing of data and report non-compliance to Chief Compliance Officer 	<ul style="list-style-type: none"> - Respond promptly to detected problems - Approve or reject data changes to systems - Provide data to management for disciplinary actions

Roles and Responsibilities | Level of Effort | Change Management

Ready 100%

Role Descriptions

Spend Transparency Data Analyst	
Source Systems Involved	Expense system, A/P System
Skills / Attributes Required	<ul style="list-style-type: none"> Business awareness and numerical ability A wide knowledge and understanding of data collection methodologies, analysis, principles and techniques Ability to recommend changes to drive business objectives A logical approach to researching and analyzing opportunities Excellent report writing, analytical and project management skills, with a good attention to detail Knowledge of (Commercial) Compliance experience is desirable Knowledge of Crystal Reports and SQL Reports is desirable Ability to present technical information in a variety of formats to senior executives High-level understanding of aggregate spend reporting requirements
Duties and Responsibilities	<ul style="list-style-type: none"> Responsible for responding quickly to requests for data analysis and research from Client functional areas To work with colleagues within functional areas to identify and resolve aggregate spend-related data related problems in any source system Responsible for identifying viable alternative data analysis and reporting tools and taking charge of commissioning them Ensure integrity of the data in all source systems Work with the Spend Transparency Reporting Analyst to ensure accuracy of data Archive all data in reporting solution after the end of a reporting cycle Maintain existing reports and information delivery tools Assist in the development and teaching of business process training Aggregate and review all reporting data and determine whether data should be changed Act as data steward for all manually additions to the Recipient Master Work with third party vendor data to get any necessary information to add to the Recipient Master Change and correct expenses in reporting solution Work with reporting solution vendor to ensure any changes to business rules are properly implemented Producing ad hoc reports as necessary for any additional analysis or business intelligence
Direct Report(s)	<ul style="list-style-type: none"> Spend Transparency Lead Director of Finance

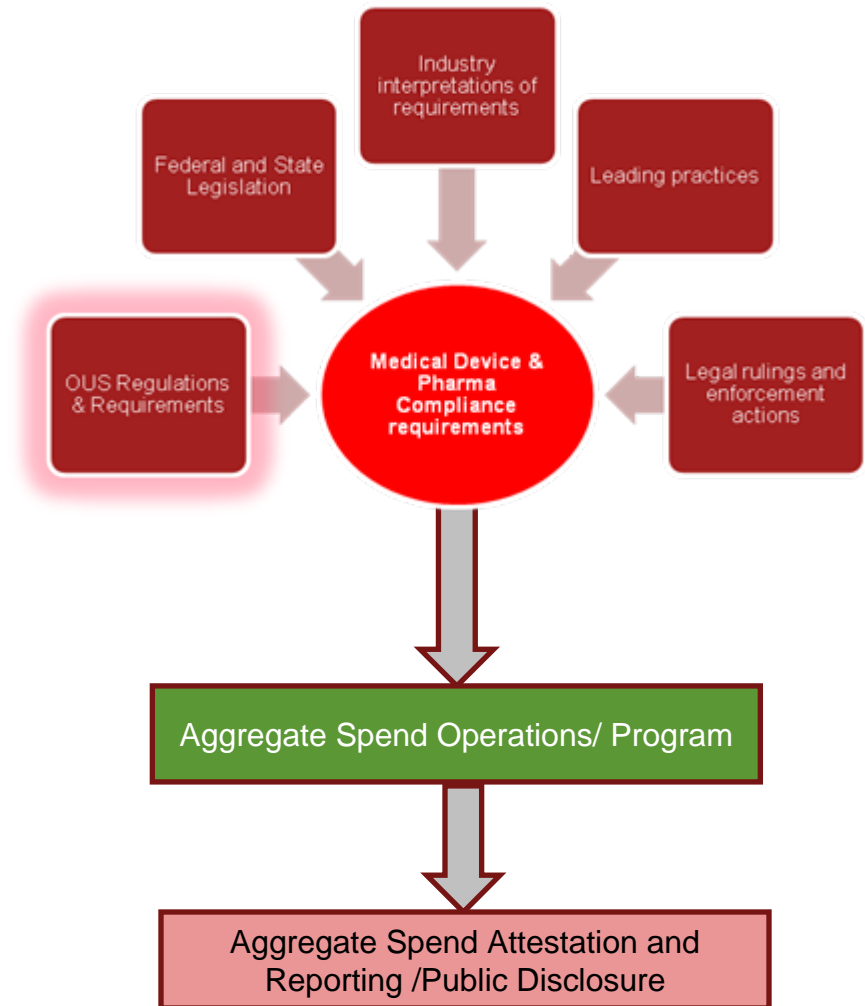
Global Considerations

The Need for a Global Aggregate Spend Viewpoint

Increasing frequency of enhanced and/or new regulatory requirements related to interactions, specifically spend, with HCPs are existing worldwide.

The additional requirements on global manufactures present a new and unique opportunity to support Aggregate Spend activities across the globe with a single, or unified group, of processes.

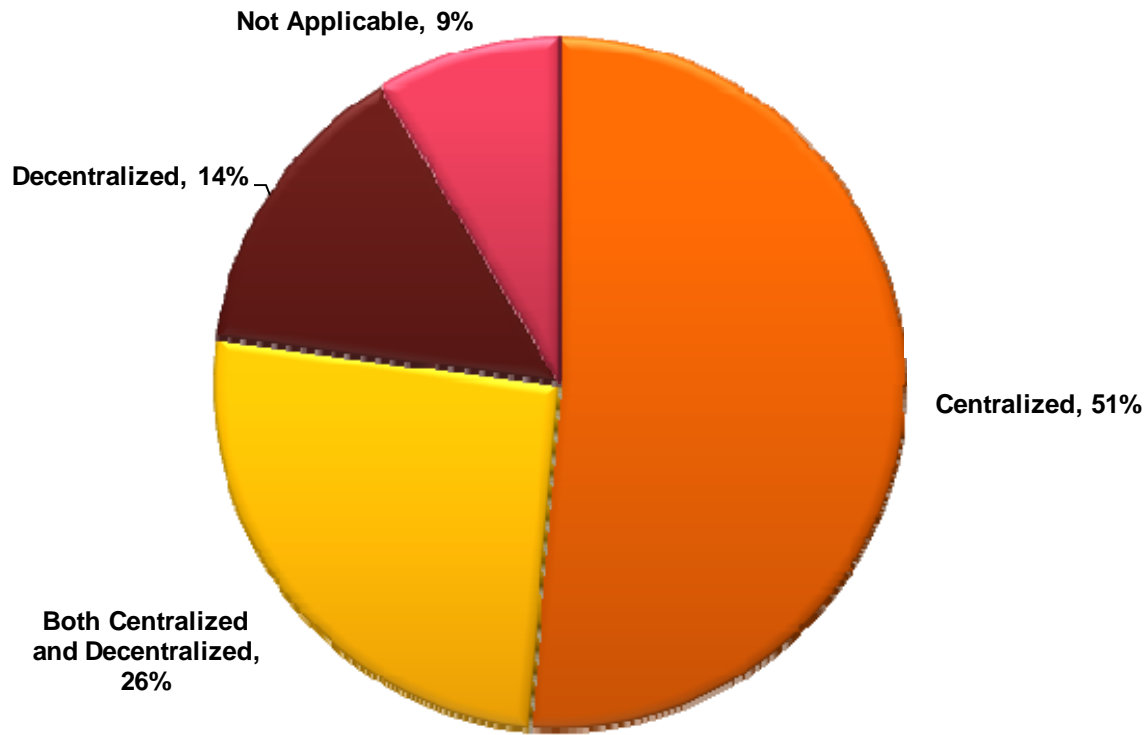
Companies are now beginning to take a global approach to gain efficiencies in collecting, reconciling, reporting, and internally utilizing the HCP-spend data available.



Global and Regional Structure & Operations

The majority of respondents (n=35) have a centralized compliance program structure:

Global Compliance Program Structure



2011 PwC Compliance Benchmarking Survey

Considerations for Global Aggregate Spend Operations

- Risk / Compliance
 - Existing regulatory environment, together with likelihood of new or enhanced regulation
 - Impact that new or enhanced regulation would have on the function or division (e.g., how many individuals impacted, extent of work likely required for compliance, etc.)
 - Existence and maturity of local compliance operation, internal/external risk ratings
- Structure, facilities, and processes
 - Revenue and growth rate of divisions, geographic spread, perceived organizational maturity and complexity
- Organization and people
 - Number of employees, organizational hierarchy, reporting mechanisms and decision-making
 - Extent to which risk and compliance are embedded into how decisions are made
- Technical landscape and application environment
 - Complexity of local IT environment - number of locally maintained applications, number of IT staff, IT budget as % of revenue, prevalence of decentralized IT functions vs. centralized
 - IT architecture map

Close/Q&A

Operational Considerations

- **Centralizing program governance is critical** particularly for organizations that have very de-centralized operational capabilities
- Develop an aggregate spend operational plan that:
 - Includes a **stakeholder matrix** tailored to your organization
 - Ensures **roles and responsibilities** are detailed **and commonly understood** among all stakeholders
 - **Considers** organizational views, strengths, weaknesses of centralized vs. de-centralized, in-source vs. out-source **models**
 - Ensures **steering committee is well represented** across key functional areas
 - Understands that the **Spend Transparency Office provides governance** and oversight to create a successful program but is not responsible for all of the effort
- Understand that the **operational model** you have **today** may not meet the **future** needs of the organization – understand what the future state might look like

Q&A

Thank you

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