

# Outsourcing in a New Decade: Changing the Relationship

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**T**he past decade has been one of rapid change for the pharmaceutical industry. It's gone through multiple large and small mergers and acquisitions, it has experienced a rapid rise in -omics and other science innovations along with a massive decline in blockbuster drugs, and it has witnessed the emergence of nontraditional partners with the likes of Google and Apple entering the

healthcare industry. All of these changes have meant companies have had to rethink many of their strategies.

To stay competitive, they have increasingly needed to outsource a range of activities — from clinical trials to commercialization. In the decade ahead, outsourcing will grow in importance. But rather than the “lift and shift” model that has pervaded for many years, companies will increasingly create collaborative partnership agreements, and not only with the traditional service providers such as contract research organizations and regulatory vendors, but also with emerging entities, such as leaders in AI, blockchain, and other technology platforms.

According to Vantage, more than 80% of biopharma respondents report increased collaborations compared with five years ago.

growing number of acquisitions, with large CROs making strategic purchases to expand their operations. Some CROs have even been expanding into areas such as communications and consulting. The largest example of that was the merger between Quintiles and IMS to form IQVIA.

Another big trend expected to gather pace is bringing outsourcing talent into the organization to support new developments. For example, a pharma or biotech company may be moving into a new type of study and need a specialist or specialists to support the research. However, rather than risk bringing in more experts who may not be needed in a year or two, companies can leverage outsourcing services to supply the talent they need.

The Tufts Center for the Study of Drug Development agrees there are benefits, but also notes one of the potential fallbacks with outsourced talent is the risk of having inconsistent processes, leading to inefficiency. To address this issue, companies need to ensure there is clarity for all stakeholders — internal teams and outsourced talent — around their roles, ensure consistency in how those teams work together, and create a more collaborative culture that brings all resources together to work as a single team.

## Key Trends in Outsourcing for 2020

Cost pressures will pave the way for custom outsourcing contracts that are flexible in their SLAs (Service Level Agreements) and scope of delivery

Small businesses and startups will witness a higher adoption of outsourcing in order to reduce operational inefficiencies and increase their time to market

Rising raw material costs will make it important for companies to look at outsourcing in order to keep their operating costs low

More high-end critical business functions will be outsourced in the next decade, while outsourcing of low-end services will stabilize

Latin America and Europe might provide stiff competition to India as the favored outsourcing destination

As businesses move towards cloud outsourcing, support and development will increase

Source: Future outsourcing trends for 2020, Flatworld Solutions

## Shifting the Relationship

The way and the amount that pharma companies outsource varies according to company size. In 2017, large pharmaceutical companies outsourced around 20% of their manufacturing, while small companies outsourced closer to 80%.

Increasingly, large pharma companies are seeking to reduce the complexity of outsourcing by forming fewer strategic partnerships. To serve this demand, contract development and contract manufacturing organizations (CDMOs) are seeking to offer across-the-board services to their pharma clients, either through organic growth or more frequently through M&A. Also, many CROs are recognizing the potential to move into formulation development and offer across-the-board outsourcing services to their clients. In biologics, cell and gene therapy areas, having the specialized skill set for development makes it more seamless to move into specialist manufacturing.

In this environment, there have been a

## Innovative Technologies and Outsourcing

One of the big challenges for pharmaceutical companies is how to contain burgeoning R&D costs while continuing to innovate. This is leading companies to look to partners who can help them bring down costs and one way to do that is through robotic process automation, using digital robots to carry out repeatable tasks in R&D, manufacturing, pharmacovigilance case processing, clinical trial processes and elsewhere. To advance these goals, pharmaceutical companies have increas-

ingly been working with RPA service providers to implement the technology in various parts of the product life cycle.

Additionally, companies are eager to speed up the discovery time, so they are working with partners to apply AI in various areas, including screening novel drug candidates and better understand disease mechanisms. For example, Pfizer has partnered with CytoReason to improve decision making throughout the drug pipeline, with a focus on immunology, immune-oncology, inflammation, and some areas of dermatology. Novo Nordisk has built an alliance with e-therapeutics to analyze data from patients with diabetes, with e-therapeutics using its Genome-Associated Interaction Networks technology to analyze population genomics data.

Pharmaceutical companies have been building partnerships to develop and acquire AI capabilities, but many also outsource these capabilities to AI companies, enabling them to quickly gain the knowledge and expertise of the technologies and how they can be applied to research to accelerate outcomes.

With interest in AI continuing to grow, streamlining the relationship between technology innovators and life-sciences companies will become key. For example, Insilico Medicine has developed a semi-automated contracting system to create a more flexible partnering process with biopharmaceutical company partners.

M&A is expected to be a growing factor among service providers offering advanced technology capabilities. For example, France's Dassault Systèmes has acquired Medidata Solutions with a goal of helping to lead the digital transformation of the life-sciences industry. The alliance will leverage Dassault Systèmes' 3DEXPERIENCE platform, which combines modeling, simulation, data science, AI, and collaboration in the virtual world, with Medidata's clinical expertise and cloud capabilities to transform research and the life-sciences value chain.

To gain access to innovation and technological advances, companies often have to work with outsourcing partners who have those cutting-edge capabilities.

Outsourcing also gives biopharmaceutical companies the flexibility to tap into new technologies quickly and easily and also withdraw their investment more easily should they not prove useful to the organization. This would be far more difficult if the company had an

## EXECUTIVE VIEWPOINTS



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### Creating a Sustainable Outsourcing Partnership

When it comes to creating a sustainable outsourcing partnership, key factors include a relationship with high trust, shared commitment to success, clarity of goals, effective governance and performance management, ownership of deliverable quality and timeliness, the resourcing of teams with expertise and experience that is aligned with project needs and complexities, and an embrace of a right-the-first-time approach. Partner agility to rapidly adjust to evolving client needs and priorities can also be critical for success.

### Easing the Pressure on Internal Teams

With increased outsourcing, internal teams can rely on strategic partners to fill capacity or competency gaps, can receive access to the partner's entire knowledge and experience base, and can secure a balance of strategic and tactical work that best meets their needs. This translates into time back for internal team members, flexibility, coverage of peak workload periods, increased efficiency, cost savings for the organization, and economies of scale as the outsourcing partnership grows.

### Improving Operational Excellence

Key factors to fostering mutual benefit are trust, transparency, and cooperation. Choose a global partner with an integrated commercialization model designed to achieve value across the product lifecycle to help you incorporate commercial considerations much earlier in clinical trial services, mitigate risk, scale for launch, model patient-centered programs, and develop distribution strategies — from early development through post market. A strong partnership will help improve operational excellence, increase speed to market, and achieve full market potential.

### Working With Trusted Partners

Working with a trusted partner across an integrated solution platform to develop and implement commercial strategies for a product (branded, digital, regenerative) gives the outsourcing organization the ability to free capital — both human and financial — to focus on and invest in creating seamless patient-centric experiences that provide patients access to efficient, effective, and innovative healthcare. Furthermore, it enables the organization to focus its attention on developing new and additional ways of supporting its patients.

internal team focused on researching new capabilities. Perhaps the most important benefit that outsourcing brings to companies is the ability to learn about, try out, and make use of

innovative technologies to advance their overall objective: to develop medicines that will improve outcomes for patients suffering from chronic, serious, and rare diseases. **PV**