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Making the Leap Toward STRATEGIC OUTSOURCING

As a result of the increasing pressure placed upon pharmaceutical companies to move drugs through the pipeline efficiently and cost-effectively, companies are looking at ways to improve productivity. Faced with ever-demanding regulatory hurdles when moving drugs from shelf to market, reliable data collection methods are needed throughout the drug development process.

The Current Outsourcing Landscape

Outsourcing is becoming increasingly common in the clinical trials field. As the demand for capacity, speed, expanded geographic footprint, and cost containment continues to grow, so does the need for outsourcing practices. Pharmaceutical companies remain continuously pressured to conduct their research more effectively, reduce costs, and enhance productivity; therefore outsourcing to a specialist becomes ever more appealing. A recent study from the Tufts Center for the Study of Drug Development revealed that spending on new drug development is growing at a rate of 9.1% annually, while global spending on contract clinical services is growing twice as fast at 13.4%.¹

As the industry continues to shift, the debate between tactical and strategic outsourcing continues. While mature companies have focused upon looking strategically for high-quality partnerships that will deliver the best results and most satisfactory vendor relationships, others continue to tactically outsource projects in order to cut costs and fulfill a short-term goal. The appeal of both options is clear. However, sponsors — regardless of their size — need to take into account that the more mature the outsourcing practices, the higher the potential to yield greater outsourcing quality, value and overall vendor relationship satisfaction.

The Limitations Associated with Tactical Outsourcing

Tactical outsourcing often targets short-term goals, with less focus on quality and more emphasis toward cost savings. In this type of practice, deals are often done as a one off, with contractors being selected predominantly on the basis of who can offer the lowest costs and meet a perceived minimum standard of service delivery. While this is satisfactory in the short-term, it can create problems further down the line. Outsourcing in a tactical way is understandable when the shrinking budgets associated with drug development are taken into consideration; however, long-term goals can easily be compromised when taking this approach.

Where a strategic partnership is more diffi-

cult to terminate, a tactical partnership can be closed as soon as a service provision is finished. While this is appealing in the first instance, it often means that the quality of service may not be as good. In a survey conducted by the Avoca Group in 2010, respondents whose companies allocated 75% or more of their clinical outsourcing budgets to preferred providers were less likely to be dissatisfied with the value received than those who allocated less or those without a preferred-provider relationship in place. Only 5% of respondents whose companies outsource strategically were dissatisfied with the value obtained, as opposed to the 33% whose companies outsource in a more tactical manner². An example of this is where pharmaceutical companies buy services such as the collection of health outcomes data from expert providers who can look at the long-term needs of a company and put in place relationship management programs that will enhance the level of efficiency and alignment between sponsor and vendor. Relationship management programs often consist of performance-metric assessments and reviews, lessons-learned meetings, issue handling procedures, as well as formal governance structures with executive oversight from both sponsor and provider.

The Thought Process Behind Strategic Outsourcing

Built with the longer term in mind, strategic outsourcing decisions are often made by companies that are looking to build a complementary business relationship with a strategic partner. Selecting a strategic outsourcing partner can mean sharing pertinent information about a company's business goals, objectives, and requirements in order to develop a mutual and transparent understanding.

This type of partnership is built on open communication and allows for greater levels of service, ultimately leading to better quality end results and return on investment.

The promise of value-added services through a strategic partnership means that pharmaceutical companies are able to take full advantage of expertise that may not be available internally. Working strategically not only offers companies the confidence that their partners are fully submersed in their business goals, but that they are also working toward the company's best interests. Ultimately, by choosing an outsourcing partner strategically, companies can benefit from a smoother, more cost-effective drug development process.

Pfizer is one of a number of multinationals adopting the strategic outsourcing trend, following the June 2011 announcement that the company had selected two CROs, ICON and PAREXEL, as its strategic partners. John Hub-

bard, Ph.D., senior VP and worldwide head of development operations for Pfizer, expressed that "the goal of this collaboration is to increase R&D productivity." He also noted numerous other benefits from these relationships, including improved focus — moving from 17 functional service providers to two³.

The Evolution of Outsourcing Practices

The move from tactical to strategic outsourcing is becoming more apparent in the industry, with many large multinationals now making this transition. Companies are increasingly looking at cost issues from a more strategic perspective and realizing the benefits that come as part of a strategic relationship. The increasing pressures of moving a drug through the pipeline reliably, quickly, and cost-effectively mean that pharmaceutical companies are looking to benefit from outsourcing throughout every stage of drug development. In years to come, it is expected that companies will be even more selective when choosing their partners in order to gain the best services possible to facilitate their needs. PV

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3. Strategic Partnering For Innovation: Perspectives From The CRO Side Of The Table. Rob Wright

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