

OPINIONS

Offshoring — A Life-Sciences Debate

Because of pressures to cut costs, life-sciences companies are outsourcing more and more of their services to offshore locations.

As the debate among executives heats up, PharmaVOICE asked if outsourcing services and processes beyond U.S. borders is a viable strategy for the healthcare industry.



Not for the long term

I am opposed to the movement of significant quantities of work/jobs from the United States to “cheap labor” countries. Despite the pressures to cut costs and the short-term benefits to U.S. businesses, I believe these actions are not in the broad, long-term best interests of the United States and U.S. workers.

Dennis Smith
PRESIDENT AND CEO
INO THERAPEUTICS LLC

First determine what, and then where

The words “multinational” and “global” are often used as adjectives when discussing the life-sciences sector. From this perspective, the word “offshore” is somewhat irrelevant since medical products are discovered, designed, manufactured, and used all over the world. It is thus more productive to talk about outsourcing in general. Most pharmaceutical, medical-device, biotechnology, and diagnostics companies have yet to determine what parts of their operations should be outsourced. They should wrestle with this question first and once it is clear what makes sense to be outsourced, think about where that work is best performed and where the cost is reduced without sacrificing quality.

George Laszlo
DIRECTOR, LIFE SCIENCES
CSC GLOBAL HEALTH SOLUTIONS

Pretty simple

It's really pretty simple in my opinion. If an offshore company can make a product of at least equal quality to a U.S. operation, a manufacturer has the right to maximize its profitability and return for shareholders. A lot of foreign companies bring operations to the United States for the same reason. In fact, more jobs are created in the

United States by foreign companies than are lost to foreign production facilities.

If quality is less than that provided by U.S.-based operations, however, then I feel it is patently wrong to move production offshore simply for the sake of profitability.

C. David Clagborn, Pharm.D.
MEDICAL SCIENCE LIAISON III

A maturing industry

As an industry matures and globalizes, outsourcing and offshoring are natural parts of doing business. Having been in the life-sciences industry for more than 20 years, I am glad to see that it has matured to this point. Companies should focus on what they do best and outsource capabilities that are not their strengths. Geographies offering less expensive “commodity” services initially will move their capabilities up the value chain over time and develop their own full-fledged industries. Innovation will be enhanced as more people join the game and overall the world's people will benefit from the breakthroughs and lower costs that will come from increased competition.

Carol Cberkis, Ph.D.
LIFE SCIENCES CONSULTANT
NEWCAP PARTNERS INC.

Mixed feelings

I have truly mixed feelings about this. On the one hand, capitalism and the markets it serves always seek to buy low and sell high. If equivalent or better goods or services can be attained at a less expensive unit cost, it's very difficult to make the case not to pursue them. This is increasingly evident in the life-sciences industries today, in everything from clinical trials to raw materials to human capital costs to the price of paper, printing, and binding (if it's not done electronically ... again, offshore).

On the other hand, there are times when offshoring compels a company to put at risk its

hard-won relationships with customers. Processes may need to be retaught at the expense of effectiveness. Service follow-up can be challenged by time zones. And sheer language capacity can be an incredible stumbling block.

Who among us has not torn their hair out on the hardware or software side of life trying to communicate effectively with the offshore help desks for Dell or Gateway? While it may be helping these companies' bottomlines short term, they are perhaps not the best decisions for customer longevity. And in the long term ... it's customers who count.

Neil H. Gray
MANAGING PARTNER
HEALTHCARE TRENDS & STRATEGIES LLC

The right answer, sometimes

Offshoring is here, and it is not going away. In our shrinking world, whether for business processes or application development and maintenance, offshoring will often be a consideration. It is not a passing fad that will be made extinct by political blustering. That doesn't mean that it will always be the right solution, and that doesn't mean that it will supplant our domestic workforce. It just means that in certain situations it will be the right answer. It has become popular to politicize this issue, but when one gets past the emotion, the decision to outsource and/or offshore is just a good and logical business consideration. It is very good business for certain situations. It is also an entirely natural evolution in the pharmaceutical industry, which is already dominated by global companies that have been operating on many shores for a long time. The pharmaceutical industry lags other industries such as financial services and manufacturing in moving work offshore. But those that are doing so are experiencing a common

phenomenon; they go for reduced costs, but stay for increased quality. As long as comparable or better quality can be delivered for significantly reduced costs, the offshore phenomenon will continue to grow, including within the pharmaceutical industry.

The obvious concern for those troubled with this phenomenon is the exporting of jobs. Protectionism, however, is inherently the wrong response.

What we should be doing is embracing the challenge of creating new and different jobs, many of which will be higher paying. For example, it is relatively easy to imagine application development taking place offshore, even for pharmaceutical applications. But to do so successfully, one must be highly skilled at interfacing with clients, their constituencies and culture, as well as the individuals and culture of the offshore operations. This requires a high level of communications skill and business knowledge. If one takes domestic software developers today,

and trains them to add value by professionally interfacing between the end-client and offshore operation, a job has been created, not lost.

Chris Kartchner
VP, LIFE SCIENCES
NESS TECHNOLOGIES

A natural progression

Drivers for the drug-development industry have always been two fold: reduce time to market and reduce cost to market. Those drivers are not going away any time soon. I believe that with the pricing pressures of drugs at the retail level, the need (not desire) will be to reduce costs before that point — at the development and testing phases. Just as domestic outsourcing has been a method for reducing the time and cost to market new therapeutics, so will be the natural progression of moving that outsourcing offshore. It becomes an analogy to water flowing to the lowest point; it

will finally come to rest where the industry receives the most efficiency for the least cost.

In turn, the downside is less control/supervision over the outsourced processes. As long as sponsors and regulators continue to closely scrutinize quality of data, processes, and product as well as provide for a means of recourse (for both the customer of the outsource provider and the consumer) then the positive aspect of reducing costs/time to market should outweigh the minimized risks of reduced control.

Ironically, it often seems that the same people who are voicing opposition to offshoring are the same ones who criticize the high cost of drugs at the retail level. As I see it, market demands will continue to force the industry's hand. Therefore offshoring of outsourced services will not only continue to grow but should be expected to be commonplace in the near future.

Gordon L. Ryerson
CROSSTREE CAPITAL PARTNERS INC.

More on What Keeps You Going?

I love advertising

Simply put ... I love advertising. I love the people. I love finding neat ideas that work. I love the energy that advertising creates. I love the spirit and desire of the talent. I love the clients and their idiosyncrasies. I love helping physicians help patients. I love communications that have impact. I love making a difference that matters. I love coming to work ... anticipating. I love going home ... invigorated. So, I love advertising.

Larry Iaquinto
PRESIDENT
INTERLINK

A means to an end

There are three things that keep me motivated: my family, my clients, and my philanthropy projects. If it weren't for my family, there'd be no real need to work as hard as I do. And if it weren't for my clients, I would not enjoy my work. Working with intelligent, energetic, flexible, and creative clients is the means; knowing that the fruits of my labor benefit my family and several nonprofits is the end.

Gina F. Rubel, Esq.
CEO AND PRESIDENT
FURIA RUBEL COMMUNICATIONS

What's around the corner

After more than 40 years of working in pharmaceutical sales and marketing, staying

motivated is indeed an issue. But even after four decades, I am constantly amazed at the tremendous — and ongoing — changes in our industry. These changes, including government regulations, new blockbuster drugs, better informed consumers, mergers and acquisitions, global marketing imperatives, and new generations of employees with fresh mindsets and changed values, keep us all on our toes.

It's the challenge of mastering these changes — plus motivating a great staff to stay on top and be at their best — that keeps me going. And it's wondering what's around the corner that makes me want to stay around to find out.

Jay Levy
PRESIDENT
ADAIR-GREENE INC.

