Vested Outsourcing IMPERATIVE

Managing the Talent Supply Chain

Large life sciences companies today face many challenges in acquiring and managing talent to meet their business imperatives. The first decision to be made is always the same, whether the workforce contains full-time employees, contingent workers, independent contractors, or all three. Hiring managers need to decide whether to attract and hire workers with the skills they need, or train and develop existing workers.

A Strategic Workforce Plan

Biopharmaceutical development involves a continual cycle of R&D, with unpredictable peaks and valleys that can be adversely affected by unanticipated staffing changes. A strategic workforce plan for providing flexible talent to diversify R&D talent pipelines will help smooth drug development continuums. Vested outsourcing allows companies to focus hiring decisions on positive outcomes, rather than the tasks or activities needed to achieve those outcomes, and uses incentives to fine-tune the work process. Outsourcing offers better access to scientific and clinical expertise, which organizations can consistently improve by applying clinical practice methodologies from various sources.

In the early 1990s, biopharmaceutical companies began to look at partnering models to help them gain an edge and find a way to stay focused on their core competencies. The chart below — The Evolution of the Outsourcing Model — outlines the natural evolution of the outsourcing model in the life sciences market sector.

A STRATEGIC WORKFORCE PLAN FOR PROVIDING FLEXIBLE TALENT TO DIVERSIFY R&D TALENT PIPELINES WILL HELP SMOOTH DRUG DEVELOPMENT CONTINUUMS.

As this chart shows, 2013 was one of the most active years on record for investment in life sciences. IPOs in the sector tripled, and venture capital financing in life sciences represented 22% of all private investments made in 2013. As a result, biotech companies made some big exits and achieved high valuations. However, 2014 is proving to be more of a mixed bag of activity. According to a recent report by Silicon Valley Bank, life sciences IPOs are losing steam, but merger and acquisition (M&A) activity is expected to gradually pick up through the remainder of the year.

In such a highly competitive environment, biopharmaceutical companies are looking to streamline processes and reduce the overall cost of launching a new drug candidate. Some estimates have put the cost of developing a drug from pre-clinical to FDA approval and launch at more than $1 billion. As a result, outsourcing and procurement departments in the pharmaceutical sector have begun exploring a strategic partner model, where limited providers in contract research organizations (CROs) are short-listed for future consideration on new projects.

Most companies have worked for decades under a more conservative and traditional transaction-based mentality. But the purposeful methodology of a strategic partner model allows purchasing to leverage its buying power for the promise of repeat business, as a means to drive down costs for drug development.

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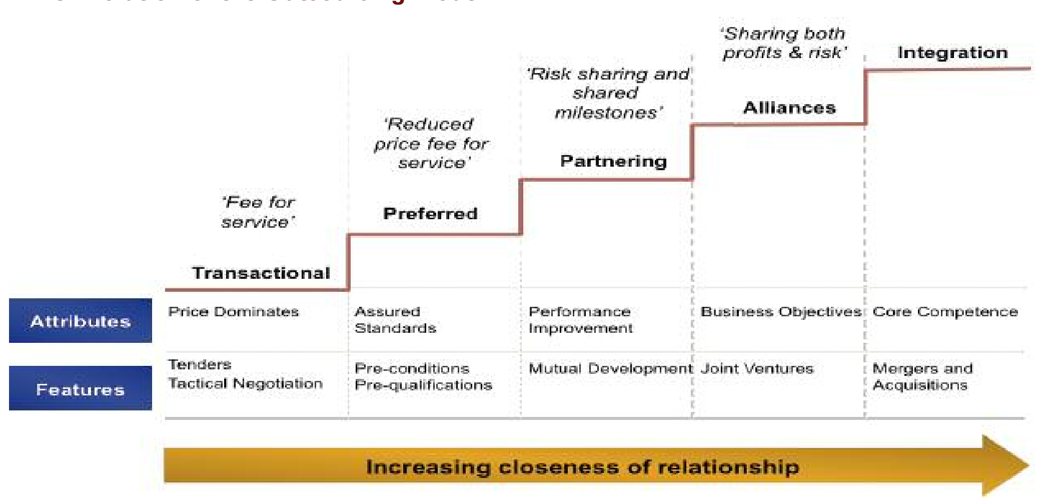
Transaction-Based Models

Most companies use transaction-based business models for their commercial agreements when they make a decision to buy. Conventional approaches to transaction-based models use service providers that provide a standardized service, with stable specifications that are easily measured through a commonly understood set of metrics. Payment can be triggered based on successful transactions as they are completed. Three types of transaction-based sourcing relationships have evolved over time.

Simple transaction providers typically provide low-cost, repetitive services. The services delivered by this type of provider are often competitively bid, and often services are delivered without interrupting workflow or impacting the business.

The Evolution of the Outsourcing Model



TALENT STRATEGIES NEED TO BE TIED TO THE USE OF A TALENT SUPPLY CHAIN FOR WORKFORCE MANAGEMENT IN ORDER TO LOCATE THE RIGHT TALENT FOR THE RIGHT JOB AT THE RIGHT TIME.

Approved providers are suppliers that provide advantages in cost or efficiency for the client company. This advantage could be in the form of a geographical location, improved cost or quality, or a small or disadvantaged business that can help in meeting the client's MWBE goals.

Preferred providers are suppliers that have been qualified, have a unique differentiator, and have demonstrated performance with the buying company. They may have previous experience with similar projects, an acceptable supplier performance rating, previous performance in compliance with contracts, or evidence of an external certification, such as ISO certification.

Companies often seek to do business with a preferred provider to streamline their business process and build relationships with key suppliers. In these cases, the buying companies often enter into a longer-term contract using a master services agreement that allows the companies to carry out repeat business more efficiently.

For example, a facilities management firm may use a pre-agreed price per square foot to manage a company's buildings. Often companies will work with a preferred provider under a supplier relationships management plan, where both companies agree on improvements or other opportunities.

Partnership Models

Partnerships involve two or more companies working together to achieve a specific purpose or attain common business objectives. A strategic partnership is an alliance between two commercial enterprises, usually formalized by one or more business contracts, but without forming a legal partnership, agency, or corporate affiliate relationship. Two companies typically form a strategic partnership when each possesses one or more business assets that will help the other, but that they do not want to develop internally. Firms that take advantage of strategic partnerships can use the strengths of another company to make both companies stronger in the long term.

Strategic partnering, joint ventures, cross-licensing, co-branding, and technology transfer agreements are all examples of partnering strategies. Each is designed to obtain one or more of the following objectives:

- Infusing capital directly in exchange for equity and/or intellectual property or distribution rights;
- Employing a "capital substitute" where the resources that would otherwise be obtained with the capital are obtained through joint venturing; and
- Shifting the burden and cost of development, through licensing, in exchange for a potentially more limited upside.

These types of partnering arrangements have been used for a wide variety of business purposes, such as joint research, co-promotion, cross-licensing, and sub-licensing of new technologies. Partnerships can also streamline distribution and commercialization, particularly between defense and government contractors looking for new applications, and markets for products initially developed for the military and government sectors.

In a global marketplace characterized by turbulent change and aggressive competition, companies around the world are entering into strategic alliances to bolster their strengths and gain a competitive edge. But partnering with another company requires careful consideration and planning in order to identify and engage the most beneficial strategic partner to help achieve key business goals. These steps are critical in identifying a strategic partner:

- Locate key companies and academic institutions that are conducting well-aligned and successful early-stage research.
- Research and assess the opportunities that may be provided by the potential partner.
- Develop and implement a targeted engagement strategy.
- Obtain a detailed profile of each organization to ensure that your initial meeting will be efficient and useful.

Accessing the Right Talent at the Right Time

Companies need to be able to access various categories of talent — from contingent to full-time to independent contractors — that are aligned to their business strategy. This holistic approach to workforce management, known as a talent supply chain, allows companies to acquire talent and adjust their strategies as needed according to their organizational drivers (e.g., cost, risk, quality, and speed). For example, R&D functions may be driven more by speed and quality to accelerate a product to market, while functional groups may be more focused on cost and compliance. Talent strategies need to be tied to the use of a talent supply chain for workforce management in order to locate the right talent for the right job at the right time.

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The Benefits of a Supply Chain Strategy

A strategic partnership can be enhanced by commitment to a long-term talent supply chain strategy. The benefits of this type of partnering model include access to high-quality talent and deliverables, innovation through collaboration at all organizational levels, strong team dynamics and continuous improvement, and a synergy of corporate visions, missions, and long-term philosophy for success. Partnering with organizations that understand the strategic imperatives driving talent management can provide both a competitive edge and increased profitability through improved operational efficiencies.

One of the greatest challenges for the life sciences industry today is the acquisition and retention of top talent, and competition is fierce. Biopharmaceutical companies need a solid staffing plan, and a partnership model may be precisely what is needed to meet that challenge.

Through a strategic talent management model, companies can achieve consistent quality and efficiency, while providing the same benefits to other partners and the organizations with which they do business. This approach also generates powerful allies for joint collaboration and early involvement in programs of work. The close cooperation and mutual benefits offered by a strategic partner will bear rich fruit in the form of increased competitiveness, which will reduce cycle time and cost. PV

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