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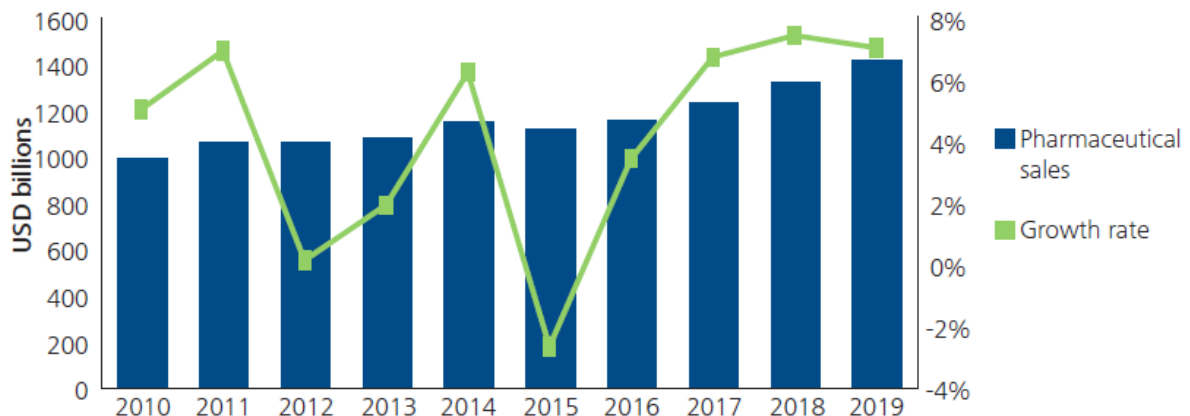
Integration & Innovation: Pharma-CRO Relationship

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The global economic changes continuously challenge businesses to increase their efficiency to stay ahead in the industry. These increased efficiency needs boil down to each function within a company. Each functional area work on improving the operational efficiencies by investing in new solutions and technologies and continuously working to ensure they are getting the best value for their bucks for their organizations. This paper focuses on high level strategies on how CROs and pharmaceutical companies can develop cost effective and profitable operational support solutions.

The Figure 1 below shows the total annual sales and percent change in sales growth within the pharmaceutical sector from 2010 to current and projected to 2019.

Figure 1.



Source: DCTL Life Sciences and Health Care Industry Group analysis of EIU data

An increase in total sales translates into an increase in global operational support. Therefore, Figure 1 indicates the global operational support steadily increased over the past 5 years. Pharmaceutical companies supported this past growth by engaging and relying on CROs & other services organizations. Based on the predicted dramatic increase in sales over the next five years, pharmaceutical companies will need to similarly increase their engagements and reliance on CROs to support this anticipated growth in operational support.

Given the scenario above, it is important for Pharmaceutical companies and CROs to partner in developing cost effective support solutions which bring savings and high quality to the pharmaceutical company while maintaining the profitability of the CROs.

There are no straight forward answers to obtaining both cost effective and high quality support solutions. However, there are two key principles, if adopted, that can provide a healthy environment to develop such solutions. The first principle is understanding that each pharmaceutical company has a unique set of business needs and environments. So it cannot be assumed when one solution works well at one pharmaceutical company that it will also work well for another pharmaceutical company. The other key principle is for all parties involved in delivering a solution should work collaboratively. The pharmaceutical company and all involved CROs should share as much as possible without compromising any one organization's IP. This will reduce duplicate work efforts, stimulate synergistic innovative solutions, eliminate incompatible solutions for related processes, and minimize repeated mistakes.

Support solutions can be classified as either technology or service based. Technology based solutions involve such things as software, hardware, or programming tools. Service based solutions involve such things as roles, responsibilities, and processes.

Not all pharmaceutical company business challenges need to be addressed using technology based solutions. Cost effective and profitable solutions can be developed by just taking the existing technologies and developing innovative and cost effective processes which are tailored to the pharmaceutical company's needs. So it is a new way a service can be provided and not what new technology can be developed to provide the same service.

Some pharmaceutical company challenges may need a technology based solution. In these cases, the decision becomes whether to use existing technology solutions or to develop a one. Pharmaceutical company's are generally "too busy" with their "real jobs" to make it cost effective for them to evaluate the pro's and con's of a multitude of technology based solutions and then determine if any will work. CROs, on the other hand, may be a cost effective solution as they can evaluate these solutions for multiple companies. This multi-company view provides a unique perspective to evaluate pro's and con's for a variety of environments and business needs.

Many "cost effective" solutions just look at shipping the task/function to low cost regions without taking other factors into consideration. A more effective process is to strategically develop and implement a custom solution that meets the needs of the pharmaceutical company and then decide the best location for execution. It is more cost effective to execute a solution using the right talent irrespective of the location.

(These cases will be further discussed during the presentation at PhUSE.)