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Outsourced Service Providers – or an
Ecosystem of Strategic Partners?

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How to Build the Mindset, Skillset, and Toolset to Collaborate with Providers - and Maximize the Performance of Your Biopharma Ecosystem

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Forma Therapeutics is a small, privately held biotechnology company. “We outsource a lot of our work to bring product through Phase 1 and in some cases Phase 2,” explains Mary Kachinsky, Vice President, Strategic Sourcing and Operations at Forma. “The relationships we have with our providers become an important ingredient in how successfully we can engage with them. We identify key providers—and we’re selective. We choose based on capability, quality and competitive pricing—not the lowest pricing.”

Is this an unusual way of thinking about outsourced service providers? Not any longer. Today, a rapidly growing number of biopharmaceutical companies—from startups to global leaders—are discarding a “customer/sponsor-supplier” mindset and, like Forma Therapeutics, embracing their outsourced vendors as strategic partners. Recent studies by KPMG and PwC, among others, highlight that a majority of executives expect partnering to be a significant means for achieving strategic objectives. This includes a near universal belief that partnering with suppliers—i.e., outsourced providers—is important for success.¹ Additionally, more than two-thirds expect to expand their innovation partner network.²

Companies that embrace this increased requirement to partner realize they need an ecosystem perspective on their business, thinking holistically about their interactions with all the specialized providers they engage with to get a drug to market. This means that the mindset, skillset, and toolset to enable this partnering must be embedded into strategy, operations, and execution.

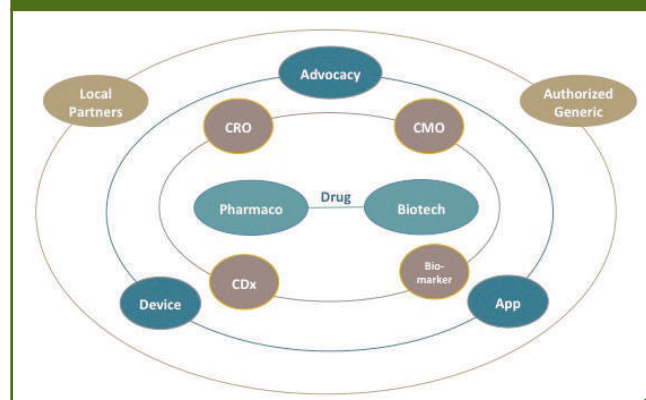
Leveraging the Full Potential of Your Biopharma Ecosystem

To get a drug to market there are clinical research organizations (CROs), contract manufacturers (CMOs), and companion diagnostics (CDx), to

name but a few potential types of players your company works with. Each of these players, in turn, typically has a network of companies behind it which it interacts with in order to deliver its services to your company. (See Figure 1, *Selected Components of the Biopharma Ecosystem*).

It is true that in many if not all of these relationships, it is the biopharma company or companies at the core that control the money and theoretically *could* demand that the ecosystem members do its bidding. Companies that continue to follow that path are making a grave mistake. They are robbing themselves of the ecosystem members’ specialized expertise and preventing them from being agile and adapting to circumstances to best serve their immediate customer—and thus the eventual patient—as they see fit.

Figure 1. Selected Components of the Biopharma Ecosystem





Companies like Forma Therapeutics are evolving these relationships from a traditional customer/sponsor-supplier paradigm to a partnering approach—one that requires collaborative engagement and execution. “We collaborate with our service provider partners as part of the team,” says Kachinsky. “We engage as if they are part of the Forma community—which they are.” In this way, the collective power of the ecosystem can be brought to bear to solve real problems for patients and deliver on business goals and objectives. “We get more value created this way than we would otherwise,” is how she puts it.

So how does this work in day-to-day practice? “The provider representatives are very familiar with our goals, and can provide strategic input and operations support. We want them to challenge us, troubleshoot, think through and help us solve problems. It is a collaborative relationship; one that is truly integrated with the Forma team.”

So, how good is your company at partnering? Do you have standard operating practices that govern partnering activity, just as you do for more traditional business functions? Does your culture embrace partnering and see it as smart strategy and not a weakness to be overcome?

Many biopharma companies will say yes, but only in conjunction with the in- or out-licensing of molecules and technologies for development and commercialization and possibly for joint research efforts. Only recently, for most companies, have these practices extended to the critical ecosystem relationships that enable a drug to get to market. These relationships are, most notably, the outsourced manufacturing and clinical research relationships that are essential to any drug or device development effort. Note—this applies whether or not the core asset is partnered.

It takes careful partner selection—to ensure companies you work with have the capability to collaborate effectively and move at the pace of your organization. Some providers won’t make the cut.

“When we do a sourcing initiative we’re looking for quality companies who have the infrastructure to work with us. Some will say they do but when you look at them carefully you find they don’t have the infrastructure that allows them to be scalable and nimble,” Kachinsky says frankly. “We specifically look for the ability to be responsive, give quick turns—and offer us strategic as well as operational advice. We

want dedicated resources, keeping people on the team so they become familiar and don’t have a new learning curve on every project.”

Collaborate or Pay the Costs

Importantly, as Kachinsky noted at the beginning of this article, sponsors should appreciate that “you get what you pay for.” The lowest quoted price may not reflect the ‘total cost of ownership’ - a true evaluation of overall cost, reflecting both the full lifecycle of the engagement, and any additional ancillary costs. When ecosystem relationships are *not* collaborative, the additional costs that must be considered include:

- Rework and relearning from not getting the “A team” and/or a high level of staff turnover.
- Failure to benefit from a wealth of knowledge and expertise not specifically required by the contract.
- Inability to benefit from the connections and relationships of the contracted company.

Thus, it makes sense that leading service providers in any specialized field only partner with the biopharma companies that value and make use of their expertise - that are willing to work collaboratively so that the service provider may continue to build and utilize that expertise in pursuit of their broader business. And (subject to reasonable restrictions), the partners transparently share what is needed to bring their best to the table.

What It Takes to Become a Partner of Choice

When biopharma companies are perceived as “Partner of Choice” among service providers, they have an advantage over others that can:

- **Save time and money** – Providers build into their proposal less rework and lack of communication and coordination.
- **Prioritize the company** – The relationship gets executive attention, a consistent team, and depending on the size of the potential contract and long-term potential, may get top talent.

- **Access deep knowledge** – It is only in collaborative relationships that one gains access to the “crown jewels,” the core intellectual property of an organization built up over all its business dealings. It is this insight and data that can tweak a manufacturing process to increase yields, or recommend conducting an analysis that causes marginal clinical trial data to support a move to the next stage of development.

Successful partnering requires a specific mindset, skillset, and toolset to effectively align interests, exchange information, coordinate activities, and leverage the resources of one another in the pursuit of a common objective (See Figure 2, *Partnering Capability*). To begin with, partnering isn’t something that can be “bolted on” to business as usual. It must be integrated into strategy, operations, and execution. Partnering simply must become how work is done.

The Partnering Mindset

There are two components to a partnering mindset: How individuals perceive working with partners and how the corporate culture regards partnering. They work together interchangeably. Perhaps the most important quality of a partnering mindset is openness.

“We may not have all the tools of a big company, but we offer people the opportunity to create new science and explore new ways of working that they may have been restricted from before,” Kachinsky says. “You have to embrace the new environment—one where we are constantly learning and evolving.”

When a partner is seen as a vendor (or perceived that it is being treated that way), the dynamic is very different. New ideas aren’t offered up, there is miscommunication and misunderstanding, a narrow focus on the job at hand, and the best outcomes for all concerned don’t result. Partners have much to contribute but have to feel their input is valued. When people have a “one-team mentality,” everyone is willing to put forth their best to achieve a common objective.

Corporate culture—the norms, beliefs, power structure, folklore, and so on that determine how a company truly works—is a powerful influence

on its ability to partner successfully. Too many companies operate in functional silos, not fully integrating their operations that don’t include partners. This makes it nearly impossible to align internally and work with partners in a coordinated manner. As with anything to do with partnering, inefficiencies are magnified due to the increased number of people involved, costing time and money.

“We have many experienced colleagues from big pharma that want to contribute in a smaller dynamic work environment and potentially learn new skills and ways of working,” Kachinsky says. “They want to be with people who are innovative, nimble, and able to explore new opportunities. It is the idea of innovation that brings them to Forma.”

Companies that build a partnering mindset ensure they have routines in place to adequately prepare internally to collaborate with a partner. They follow these religiously, making the pre-meeting as important as the meeting. Too many meetings, you say? Actually, having a mindset of being properly prepared and aligned before engaging a partner saves time. It affords the opportunity to think about growing the business and innovating practices together instead of wasting away hours debating issues in front of a partner - or worse, backtracking after a partner meeting.

The Partnering Skillset

To partner successfully is to collaborate well. More than a single skill, collaboration is a strategic, purposeful way of working that requires thinking from an outside-in perspective. The give-and-get rhythm of collaboration requires helping your partner get what it needs so that it is able to help you get what you need. It is manifested at an individual level, a team level, and a corporate level.

Collaborating requires deep understanding of motivations. Good collaborators seek to understand and ask lots of questions, usually beginning with “Why?” If you appreciate the purpose behind the proposal someone is making, or the objection being raised, it is a lot easier to come up with alternatives that better meet each party’s needs.

It is also important to know your partner as well as you know your own company. What are they trying to accomplish as a company? Are they

Figure 2. Partnering Capability



Figure 3. Components of Governance



centralized or decentralized in their management? Do they empower people to make decisions or does everything have to be endorsed by senior management? Do they encourage discussing problems or does management not want to hear about them? Be sure your partner understands how your company operates, too. When you take the time to understand each other, it is far easier to appreciate and benefit from each other's unique assets.

At Forma, for example, medical/technical writing has been outsourced to a CRO. "The provider's staff work closely with the project core team as the lead technical writer. They are responsible for understanding the project's scientific background, progress and objectives. They lead the team through the storyboarding and drafting process, facilitating document editing, reviewing and finalizing," Kachinsky explains. "To be effective, the provider must understand our science, the program, and effectively communicate with team members so as to develop the right documentation."

Common language with shared meaning is also essential. Even though biopharma companies, CROs, and CMOs are part of the same ecosystem, they have different businesses. Some ecosystem members, including companion diagnostic and device partners, have different regulatory paths to follow. It is not uncommon for companies to use similar words and phrases, but mean entirely different things. For example, a specialized manufacturer may have something entirely different in mind when it talks about the quality control it does for Phase 1 production than the commercial stage quality control its partner expects. Be clear about the language each uses to avoid time- and money-wasting misunderstandings.

Partnering Toolset

Partnering has to be integrated into the routines and systems of a company. The most important aspect of this is the governance process. Governance is the management system for the collaboration. It should ensure that activities are adequately planned, conducted, assessed, and improved upon. (See Figure 3 - Components of Governance). Governance should be established over day-to-day activities, as well as providing forums for reviewing performance and exploring new business opportunities.

Good governance carefully selects who participates in the process and sets expectations for carrying out this essential role. Meetings are well-prepared, with carefully constructed agendas that call for evaluating the business and performance in a structured, data-driven way. It should be a mutual scorecard, too. One of the primary purposes of governance is to solve problems and find alignment on a path forward. Meetings should be a forum for discussion, debate and decision.

A regular cadence is established, with meetings scheduled well in advance. Good practice is to conduct operational meetings at least monthly and executive meetings quarterly. Lock in the calendar in advance and for every meeting held, add one more, so that at any time there are six months to a year of meetings scheduled. Presentations should be jointly developed and made where appropriate. Minutes should be taken to keep track of key decisions.

Governance meetings kick off a round of communication and action, providing direction to functions and teams. Governance members are generally responsible for ensuring their functions follow through on action items. Communication is driven from the front lines to executives and back to the front lines—whether in the lab or in the commercial arena—through the governance process, keeping people aligned both within and between organizations. Additionally, the governance process serves as a path for escalation of problems and disputes.

Finally, there is one other critical component of the partnering toolset—an alliance or partner manager. This is an individual in each partner company who has responsibility for ensuring:

- Objectives of the relationship are met
- Governance process is managed effectively
- Risks are identified and countered
- Communication flows, and
- Parties operate in an environment of trust, transparency, and respect

There are individuals professionally certified in alliance management by the Association of Strategic Alliance Professionals (ASAP), but even if your company isn't fortunate enough to have such people on staff, someone—typically a program manager—must assume the alliance management responsibilities.

From Outsource to Partner: Getting Started

A partnering relationship is the norm today for biopharma companies who seek to access the best specialized service providers so essential to drug and device development – as well as improving patient outcomes. And it is an open-door invitation for specialized service providers who can partner well!

Regardless of your role in the ecosystem, is your company prepared to realize the benefits of partnering well? Here's how to get started:

1. Identify which companies should be your company's strategic partners.
2. Ask *them* to evaluate how the working relationship could be made more efficient and effective.
3. Ask your staff if they think they are benefitting from the level of expertise and performance they expect of the service provider or getting what they need to deliver their best from their biopharma partner. What would they change?
4. With that understanding as a baseline, start with a critical program – particularly if it is at the beginning of its life. Set expectations with staff about assuming a partnering mindset. Conduct training in the skills of working with a partner. Establish a governance process for the relationship with your partner and appoint a partner manager to guide the effort.
5. Define success and how it will be measured. Capture data, evaluate, iterate, and implement on a larger scale, ultimately making the way of working programmatic across all your critical partners.

References

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