



Why Life-Sciences Companies Need to Change How They Outsource to Create Greater Value

The life-sciences industry is continuing to improve how it captures the full leverage of outsourcing in its clinical trials, according to an April survey by Everest's healthcare group. While having made significant strides over the last several years, compared to other industries, life sciences is only now emerging from an industry focused on contract labor assignments to full-service outsourcing relationships.

What Exactly Is Outsourcing?

Despite all of the industry hoopla regarding the growth of life-sciences outsourcing, only a small set of life-sciences organizations truly engage in outsourcing. By our definition, outsourcing occurs when a sponsor transfers ownership and the associated risk of a process to a service provider. In this environment, the sponsor focuses on what it wants to buy and leaves the how it is accomplished to the service provider. By doing so, the sponsor can leverage the supplier's infrastructure, tools, and SOPs (standard operating processes).

Outsourcing generates its added value through a transfer of risks, access to expertise, and the ability to leverage operational efficiencies of scaled shared processes. In a contracting environment, the supplier must follow the sponsor's approach, leaving the sponsor with all the operational risks and precluding much of the CRO's (clinical research organization) advantages.

When properly outsourced, the sponsor/provider relationship is characterized by both parties fully committing to the following prior to contract signing:

- A set of defined outcomes
- A clear delineation of services, scope, and associated roles and responsibilities
- Jointly approved solutions that leverage the provider's expertise, scale, unique resources, and technologies
- Performance-based metrics with rewards and penalties
- Robust governance structure and processes

Unfortunately, the majority of the sourcing relationships Everest Group reviewed in our 2006 CRO survey lacked several of these critical components.

Jointly Focus on Outcomes

The deals were not grounded in the sponsor's desired objectives. Without clearly defining these end objectives, many sponsors and providers find themselves having, at worst, no expectations and, at best, differing expectations regarding what issues the outsourcing solution should address.



About Everest Group

For more information about Everest Group, please contact:

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240
U.S.A.
+1-214-451-3110
info@everestgrp.com

Everest Group helps companies create sourcing strategies and outsourcing relationships that deliver total value – improving performance and results throughout their organizations. Since 1991, we’ve completed hundreds of major outsourcing transactions in more than 30 key business processes. Our breadth and depth of experience enables us to deliver expert analysis and strategic results.

Our flexible, collaborative approach analyzes the specifics of each sourcing challenge. Throughout the process, we encourage collaboration between buyers and service providers to spark creativity and lay the groundwork for long-term outsourcing success. The result is a solution that recognizes the strengths, weaknesses, and strategic objectives of both parties.

About the Author

Todd Hintze: Todd has over 14 years’ experience assisting Fortune 500 organizations in reducing costs and improving revenue through operational, organizational and technical solutions. As an Industry Principal, his approach to developing healthcare solutions is pragmatic, focusing on the change capacity of an organization and introducing solutions that are not likely to fail.