

Look Inside

Why struggle to make the benefits of outsourcing outweigh the cost, when instead you can harness the power of insourcing? With pharma companies increasingly craving the control of in-house R&D – without sacrificing the flexibility that attracted them to outsourcing – the insourcing model continues to rise in popularity

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Any pharmaceutical or biotechnology organisation needing to shorten R&D and manufacturing timelines while also cutting costs should consider insourcing. Although traditional outsourcing models still dominate external development and manufacturing activities, the insourcing model – which first attracted attention around 2010 – is fast gaining popularity. This is due to its unparalleled ability to provide substantial cost savings and foster an environment that promotes communication, idea sharing and problem solving. Ultimately, this creates a real time intellectual

think tank with increased project productivity.

Strategic Alternatives

In a survey published in March 2015, 80% of respondents reported an expectation for growing demand of outsourcing in the coming years, up from 50% just a few years ago (1). Some of the factors driving the adoption of outsourcing drug development manufacturing are: reduced time to market, an increase in virtual biotech models and big pharma's shift away from in-house R&D activities.

Rising operational costs associated with drug development and manufacturing have also driven this increase. However, controls placed on healthcare costs have forced companies to look at different ways to bring products to market and streamline internal operations. As a result, creative alternatives to in-house approaches are being considered more as part of pharma and biotech organisations' core strategies now.

From the R&D side, the pressure to increase success rates is driving companies to look at combinations of



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what have traditionally been internal efforts combined with external resources. In addition, the outsourcing of biopharmaceutical manufacturing has been growing to the point where it has become a common strategic decision for developers. This goes well beyond what had been used in the past, for non-core activities to now include high-value and complex technical services.

The ability to adapt and respond to industry changes plays a vital role in improving the success rate and outcomes at all stages of the drug discovery and development pipeline. The ultimate factors in the adoption of insourcing are being driven by the needs of customers within the industry, which include: the services being delivered on time and on budget; the need for collaborative advice; the need to ease the burdens of project management; and the need for more flexibility, adaptability and quality.

Show Me the Benefits

An insourcing relationship can accelerate a customer's drug discovery, development and manufacturing efforts by maximising the real time exchange of scientific information and the resulting ability to rapidly adjust research priorities in response to breaking results. Co-location brings such benefits in sharp contrast to having synthesis support at a remote location in Asia, for example. A relationship like this is ideal when a pharma company has significantly under-utilised laboratory or production facilities and equipment. These are already paid for or are depreciated, and using these through an insourcing opportunity enables an organisation to derive value from these assets.

Insourcing is not just suitable for discovery work, but also for process

R&D or analytical work. On the manufacturing side, insourcing staff can work in a pilot plant providing manufacturing support and improve the productivity of a company's second and third shifts, for instance.

As a business model, insourcing is designed to offer a multitude of benefits, including significant cost savings. Since insourced scientists are the provider's employees, the administrative and benefit costs and obligations accrue to the provider. The result of this is that insourcing reduces the customer's fixed costs of hiring permanent employees. At the highest level, insourcing allows a customer to ramp up insourced full time equivalents at a rate competitive with global external outsourced costs and to use available lab space that would otherwise sit idle, while demonstrating improved productivity that can be measured in pipeline candidates.

Additional financial benefits of insourcing are less immediately obvious and have only become fully apparent as these collaborative relationships have matured. Early adopters of this model expected the rapid communication and problem-solving advantages that come from having staff on-site to reduce cycle times compared with outsourcing. However, the perks have exceeded even the most optimistic of forecasts. Insourcing projects are completed much faster, lowering the cost per programme and cutting time to market.

A greater level of control helps achieve these savings, while also significantly reducing the risk of data falsification or intellectual property theft. The risk of these events can never be eliminated completely – even when using the in-house R&D model – but insourcing offers significant reassurances compared with outsourcing. Data is held by the pharma

company behind its firewall. Insourced workers must have access to necessary IT systems, but the firm dictates what they can view and is able to monitor their activity.

A Successful Relationship

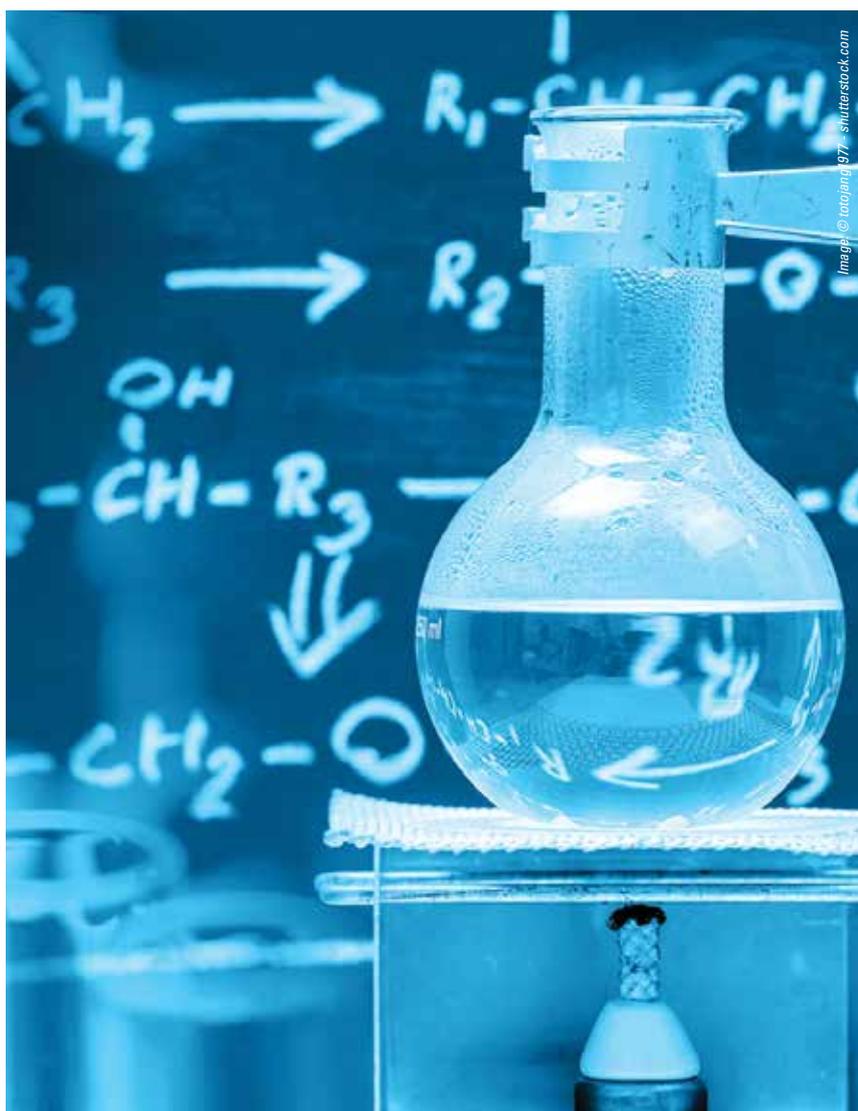
If your company is just starting to consider insourcing, be mindful that it takes time and effort to get a partnership going. As with outsourcing or in-house initiatives, insourcing projects can encounter challenges.

Successful relationships are built on extensive preparations by both the vendor and the host. The tasks facing a company in the months before the start of an insourcing project range from basic logistics through to relationship management. IT access and other details need sorting for the new staff, while current employees must be kept informed of what is happening and why. In successful relationships, incoming insourced staff should be welcomed as colleagues, but this is far from guaranteed. The onus is on the firm to explain why new arrivals are a boon, not a threat.

This model is about providing the right experts in the right numbers, when and where they are needed. A major part of the vendor's responsibilities is therefore to put together the right team for the job. Finding insourcing providers with a track record of success and the right qualifications for the planned work is only part of the team-building process. It is important to carve out work functions that are unique to each party, such that the insourcing provider is conducting activities that are specialities or expertise to the provider.

The day-to-day working situation is different, too. Staff employed as part

“ An insourcing relationship can accelerate a customer's drug discovery, development and manufacturing efforts ”



of an insourcing contract interact with the client all day, every day. They must respect the policies of the host while upholding the values of their own company. Having one of the vendor's top, long-term employees lead the team at the host's site means all the insourced employees learn how they should conduct themselves. They are all guests at the host's site, a situation that requires a somewhat different mindset compared with working in-house.

The pharma company and vendor can reduce the incidence of a culture clash and other problems during the preparation phase. Having contractors on-site can create some unavoidable risks for an organisation, but these are significantly reduced by picking a trusted insource provider with a

solid track record of ethics and performance. If both firms' values, vision and performance expectations are aligned, they are more likely to work productively in the labs, in the pilot plant and in the boardroom.

At the end of the day, the goal of both the company and the vendor is the same. To reach that goal together, a trusted rapport between them is necessary and vital. Strong professional and personal associations can form in this environment, and it is a great opportunity to build longer term relationships that can benefit projects as they progress through the pipeline. When the project hits an unavoidable issue, such relationships can ensure it is resolved quickly and efficiently. From then on, economies of scale start to take effect, driving the

improvement of performance and shorter cycle times that have made insourcing contracts such a success for businesses.

Reference

1. Visit: www.contractpharma.com/contents/view_outsourcingsurvey/2015-05-13/2015-annual-outsourcing-survey

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