



Perfect Partners

Brenda Hoepfer and Cathy Thompson at i3 give a step-by-step primer to strategic alliance success

In the current industry environment, a strategic alliance outsourcing strategy can help meet both financial and organisational challenges. This article explores the current marketplace conditions of the global pharmaceutical and medical technology industries, and the increased popularity of strategic alliances, as well as the steps necessary for their success.

DRIVING CHANGE IN AN EVOLVING ENVIRONMENT

How can the industry bring new drugs and devices to market more quickly and cost effectively? This immediate challenge is driven by:

- ◆ The continually increasing cost of bringing a new drug to market (recent estimates are \$800 million per drug)
- ◆ A reduction in research and development productivity (only one in 13 compounds will reach the market)
- ◆ Rising competitive and generic pressures (as patents on branded drugs expire, competition from generics will have a significant impact on revenues)
- ◆ Pressure to lower prices (discounting pressures, especially in the US, can present a huge financial impact on the industry)

What are companies doing to respond? The most immediate response has been to cut costs in order to improve profitability – primarily through mergers and acquisitions, reductions in workforce, and strategic outsourcing.

Many companies are turning to strategic outsourcing to strengthen their business because these arrangements help them lower the cost of doing business, increase productivity and efficiency, and maintain or improve quality; all of these help a company gain a competitive advantage. Additionally, early signs indicate the potential to bring drugs to market faster, cheaper and with less oversight among those companies utilising strategic outsourcing.

LAYING THE FOUNDATION FOR ALLIANCE SUCCESS

Both partners need to bring to the table these critical attributes:

- ◆ Executive sponsorship – Without executive endorsement, involvement and support from both partners' executive

management, the alliance will fail. These partnerships demand a long-term, strategic commitment that is embraced and implemented from the top down. Bottom up implementation does not work.

- ◆ Long-term focus – These durable relationships have goals that are achieved over time. Both organisations need to remain focused on achieving the long-term goals and avoid being sidetracked by short-term needs and issues. Success depends on the ability to identify sustainable and scalable ways to increase efficiencies and productivity.
- ◆ Flexibility – Both partners need to be flexible and creative when initiating and sustaining the partnership. Functional areas in both organisations (for example data services, IT, human resources, and finance) will be challenged to develop and implement customised solutions that meet the unique needs of the partnership.

ADDITIONAL SPONSOR ATTRIBUTES

For a strategic alliance to achieve maximum success, sponsor associates must be able to make the transition from the 'customer/supplier', 'sponsor/vendor' mindset to a 'partner/collaborator' mindset. Additionally, it may be necessary for many of these associates to shift from a 'doer' role to an 'overseer' role. Transparent communication within the sponsor company is also a must. Sponsor associates who are going to be affected by this relationship need to understand the reasons why this particular strategy is being pursued. What does the company hope to gain? What are the issues being addressed and goals to achieve? A lack of understanding of these basic intentions will lead to confusion and negativity, and may adversely affect the relationship.

CRO'S ATTRIBUTES

So what about the CRO partner? What additional attributes do CROs need to contribute to the success of a strategic relationship?

Financial Stability and Strength

For the CRO, entering into and sustaining a strategic alliance may require investing in new technology, additional facilities, new geographies or organisational infrastructure. Of course, as partnerships are long-term, assurance that a partner will be around throughout the life of the alliance is required.

Innovative Culture

It is key for the CRO to have a culture leading and embracing innovation in order to attain the long-term goals of increased productivity and reduced costs. The CRO needs to be constantly identifying better, more efficient ways to perform the work, and then successfully applying these new ideas, driving definition of new best practices and standardisation.

Applying the principles

In 2006, many pharmaceutical companies set a goal to reduce the costs associated with developing their compounds, increase their drug development capacity and use resources more effectively. One company decided that the best way to achieve these goals would be to partner with a CRO that could provide support for data services (data management, biostatistics, statistical programming and medical writing activities). This sponsor chose a CRO based on attributes crucial for a successful strategic partnership:

- A determination to deliver with quality
- An engaged, responsive senior leadership that had demonstrated a top-down management style
- Financial stability and access to capital assets that would allow consistent support of the partnership
- A flexibility, willingness and ability to successfully adjust resources to accommodate shifting timelines or changes in project parameters
- A desire to modify the organisation to be better aligned with the sponsor's and better positioned to meet the long-term commitment of the alliance
- An ability to provide services where needed immediately and a willingness to expand further globally, if and when required
- A proven track record to make things happen as necessary, exhibiting innovative thinking and flexibility to resolve obstacles and meet the sponsor's business needs
- A 'do it right the first time' attitude to deliver exceptional customer service

Establishing the partnership on the right footing is crucial. This was achieved by setting in place:

- A three-tier governance structure, consisting of executive and operational committees and work teams was created. Embracing the top down mentality, the executive committee, composed of very senior executives from both companies, was responsible for setting the strategic direction of the partnership.
- IT support and collaboration was treated with high priority. The CRO's IT group and the sponsor's IT representative were heavily involved from the beginning.
- Dedicated alliance leadership was assigned, as well as leaders and operational personnel within each of the functional areas. This enabled the CRO to manage this business independently, and meet the specific training and changing resource needs easily. This dedicated structure also provided the senior leadership and management necessary to ensure the relationship stayed on track and focused on the long-term goals.
- Regarding financial arrangements, a rate card was pre-defined with roles and rates that were then discounted based on volume.
- Key performance indicators were developed to help monitor the

success and health of the relationship in an ongoing, consistent manner. Collecting these performance metrics helped to identify areas for improvement, and joint process improvement teams were created to ensure that these recommendations were pursued and implemented.

The first two years of this relationship saw several key achievements. A few of the more significant ones were:

- Prior to establishing the partnership, the sponsor's average recruiting metric for the roles needed was in the 60- to 90-day range; it took, on average, six months to get new employees fully functional. Through the partnership, the average recruitment time was reduced to 26.5 days. Additionally, most positions were on-board within two to three weeks.
- The speed with which staff were successfully recruited and on-boarded enabled the team to absorb work very quickly, and in less than 24 months the team had grown to 188 dedicated members. More importantly, even though growth was rapid, a 92 per cent retention rate was obtained. Staff retention was critical to the team's quick growth and quality maintenance.
- During the first two years of the relationship, the CRO team provided services for over 470 different projects, with estimated cost savings for the sponsor of more than 30 per cent.

Based on the success of the partnership, and wanting to reduce development costs even further, the sponsor decided in mid-2008 to take this relationship to another level. The goal was to outsource all of their data management work to the CRO, maintaining only oversight responsibilities internally. They also wanted the CRO to incorporate services that were being provided by other vendors, leading to a reduction in the number of vendors they managed. Armed with this knowledge, the team proposed a staff lift, in which the CRO would hire a certain number of the sponsor's team. A staff lift is an ideal way to gain and preserve knowledge of products, technology and processes. In this instance, 80 per cent of the sponsor's associates who were offered jobs with the CRO accepted, and a new office opened to accommodate them.

The parameters of the contract changed significantly for the data management work also. A more collaborative, risk-sharing contract was developed for this work. Essentially, the team moved to a deliverable-based model with penalties and incentives. Additionally, to drive continued innovation and efficiency, the contract reflected mandated unit-cost reductions.

With this change in the relationship, the team now has 225 full-time employees, across multiple functional areas, supporting approximately 745 active projects. This alliance continues to be treated as a unique business, with continued dedicated leadership for the overall alliance, as well as for each of the functional areas.

Organisational Flexibility and Scalability

Partnering successfully with a sponsor requires a CRO to realign itself with the sponsor's organisation. This alignment enables maximum functional and team collaboration, which is vital to the relationship. The CRO organisation has to be willing and flexible enough to make the organisational adjustments necessary, and do it in such a way that alliance leadership and management are not negatively affected. Dedicated alliance leadership is necessary, as may also be dedicated resources specifically trained in the sponsor's systems and processes.

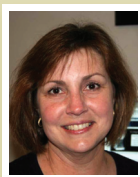
Execution

The ability of the CRO partner to execute is vital. Having leadership and staff that are able to move things forward, deal with ambiguity, and transform words in a contract into actions, is essential. Often the CRO finds it necessary to push the sponsor to keep moving forward at the pace needed to ensure the expectations of the alliance are met.

Customer Service

The CRO needs to be committed to getting the work done on time, with consistent quality, and the sponsor organisation must be able to see and feel this commitment. The sponsor needs to have confidence that their partner shares its level of interest and commitment to doing the work. Customer service is something that each individual

About the authors



Brenda Hoeper joined i3 Statprobe in February 2008 and is Vice President, Strategic Alliances. In this role she is responsible and accountable for the development, growth and performance of existing and new strategic alliance and partnership relationships. Brenda has 20

years of data services experience in the pharmaceutical and CRO industry, including positions with Marion Merrell Dow Pharmaceuticals, Procter & Gamble Pharmaceuticals, Kendle International and Quintiles. She received her MS degree in Microbiology from The Ohio State University Veterinary School of Medicine. **Email:** brenda.hoeper@i3statprobe.com



Cathy Thompson is Vice President Sales, Strategic Alliances at i3 Statprobe. In this position, she provides global leadership for the overall development and management of client business with a focus on offering innovative solutions to help clients solve their most challenging business problems.

She recently co-chaired the Customer Service Council which is committed to maximizing customer value by defining, applying and promoting strategies designed to enhance customer satisfaction. Cathy has over 19 years of experience in the pharmaceutical and CRO industry, including assignments at Eli Lilly and Company, Bristol-Myers Squibb and Kendle International. Her career extends to clinical development, strategic business development and alliance management. Cathy received a MBA from the Kelley School of Business at Indiana University and a BS degree from Central Michigan University. **Email:** cathy.thompson@i3statprobe.com

on the CRO team should understand, be committed to and be willing to sustain.

Even when both partners have all the necessary individual attributes and the best of intentions, they still need to come together and work as one. The result will be a cohesive, highly performing, highly successful alliance relationship only when both organisations:

- ◆ Recognise and demand a focus on teamwork
- ◆ Realise that the relationship must benefit both partners
- ◆ Make the commitment and necessary changes in each organisation

A SUCCESSFUL ALLIANCE

What does a successful strategic alliance look like?

- ◆ It has a governance structure with engaged executives from each company. As they acknowledge the need for top-down implementation, these executives will set the goals and direction for the alliance
- ◆ Decision-making responsibility is clearly defined
- ◆ The shared culture is collaborative in nature, with open discussion of information and ideas
- ◆ Business objectives and long-term strategies are shared, aligned as necessary, and of benefit to both partners
- ◆ Communication is constant, open and honest, regardless of whether the message that needs to be delivered is good or bad; transparency is essential
- ◆ Successes and failures are attributed to the 'team' and not one partner or the other
- ◆ Key performance indicators are developed jointly and reviewed on a consistent basis
- ◆ A successful alliance continues to grow and develop. The partners work consistently to find innovative ways to add value, whether a new process, new technology or new services, that can be incorporated into the alliance

CONCLUSION

Establishing a successful, highly productive relationship is key: it depends on working together to successfully meet the needs and goals of the business, while continuing to seek ways to add value as a team, and at the same time meet the needs of both partners.