



# 10 Tips for Successful Outsourcing

**Contracting is a rapidly growing area in pharmaceutical research and development – the relationship between pharma company and CRO is paramount. Susan McGoldrick at QCTR offers advice on how to build a strong partnership and achieve successful outsourcing**



Susan McGoldrick has worked in the pharmaceutical industry for over 10 years in various biotech companies, where she gained an in-depth knowledge of drug development. Susan has experience of presenting data at the FDA and EMEA, filing a New Drug Application with the EMEA and designing and obtaining agreement on the overall development requirements for a lead Phase III compound with the FDA. Susan also has a wealth of knowledge in financial management, intellectual property management, as well as legal and contractual issues specific to the pharmaceutical and CRO industries.

Outsourcing in the pharmaceutical sector is a relatively new, high growth area. Having begun in the 1980s, the use of contract research organisations (CROs) is now commonplace. Indeed, it is possible to contract out just about every task, service and function within the drug development process. From basic research through preclinical testing, toxicology and safety testing, conducting clinical trials, manufacturing, formulation and reformulation, packaging and stability, medical writing and submission of a dossier to regulatory agencies, the list of service providers is endless.

It has never been easier to set up and operate a virtual pharmaceutical company where the company has very few direct employees and offices or lab space, but instead manages multiple CROs that provide the services needed to take a new discovery through the development process to become an approved pharmaceutical product. There are very few industries where there is such heavy reliance on contractors to deliver core services which are both critical and integral to the ultimate success of a company.

Outsourcing has many advantages and gives a company great flexibility; there is no huge investment in fixed cost overheads such as manufacturing facilities or setting up large departments of staff, and it affords speed to the development process as companies can buy into an existing infrastructure without having to build their own. Since time is the biggest cost factor in drug development, this is a huge gain, the benefit of which is reaped by the small, virtual pharmaceuticals who, 20 years ago, could never have attempted to take the drug development process as far as they can now.

By relying on outsourcing to deliver the successful development of a company's key products, the company places a huge amount of faith and risk in the experience and expertise of the CRO. Selecting the right CRO and establishing and maintaining a successful outsourcing relationship is therefore of critical importance to the successful delivery of services.

A review of trends in the pharmaceutical sector by the Tufts Center for the Study of Drug Development predicted that over the next 10 years there would be a growth in drugs being developed by emerging or virtual pharmaceutical companies, and that there would also be a rise in the proportion of R&D

spend being contracted out to CROs. So, the future success of drug development lies with the outsourcing partners.

The following are the most important factors to consider when outsourcing, taking both the pharmaceutical company and the CRO's perspective into account.

## 1. KNOW WHAT YOU ARE OUTSOURCING – ARMS AND LEGS, OR BRAIN?

What you are outsourcing will determine the critical factors for successful execution of the service, task or project. The factors you must consider are quite different when contracting out a specific task or service (the company's 'arms' or 'legs') compared to contracting the creation of new knowledge (part of the company's 'brain').

Where the company is outsourcing a particular task, the key issues to ensure success include the following:

- ◆ Defining the task – so that it is clear and understood by both parties
- ◆ Measuring performance – how will performance of the task be measured and is this agreed by both parties
- ◆ Frequency of measure – how often will it be measured and reported?

For example, clinical study monitoring is a core part of clinical development and can be clearly defined and measured through monitoring reports. The frequency of the measure can be agreed easily; for example, a report within one week of the monitoring visit. A successful outsourcing relationship can be achieved by ensuring these steps are agreed and followed by both parties. Generally, any disasters that occur in these types of outsourcing scenarios occur because there was not this clarity and agreement.

Contrast this, however, with a situation in which the company is contracting out the creation of some new knowledge; a new product specification or clinical trial design, for example. Defining the task is very difficult – how can you clearly specify

something that doesn't yet exist, such as a new formulation or analytical method or a new way of assessing clinical response to a new treatment? How will you measure successful performance in a scenario where there may be a high failure rate, and how relevant, then, is a pre-specified frequency of reporting?

The issues surrounding the successful contracting out of knowledge creation are quite different. They relate more directly to creating a partnership in which success is defined by creation and delivery of new knowledge within an affordable budget and overall timeframe. Key issues arise around which company owns the rights to the new knowledge and, most importantly, the terms of using that knowledge in the future. Contracting in this scenario should be approached carefully, as transferring the knowledge to another contractor can be problematic if not practically impossible. This may, by necessity, result in a long-term partnership relationship, so the parties need to approach the contracting out with that in mind. In other words, if you are contracting out knowledge generation, make sure it is with a company you would consider working with long-term. Understanding what it is that you are outsourcing will allow you to select the right company and achieve a better result from your outsourcing, hopefully avoiding headaches along the way!

## **2. FOCUS ON THE RESULT**

When a company – especially an emerging or virtual pharmaceutical company – approaches outsourcing a large project, it can be very easy to lose sight of the result it aims to achieve. For example, when contracting out a complete clinical trial from protocol design through to final clinical study, it can be difficult to keep sight of the critical or key activities within the myriad list of activities which can be included in a bid. It can also be difficult for the pharmaceutical company to ensure the CRO maintains its focus throughout the whole process, as it will be dealing with multiple department heads and internal teams which can also be dispersed geographically. A typical example could be that the focus early on in a clinical study is getting the study up and running, clinical trial approval obtained and sites initiated. This means that the time to seek input from regulators and investigators on overall study design, primary endpoint selection, inclusion/exclusion criteria are less important in the race to 'get started'. The downside is that when patient recruitment issues start to become evident, the lack of focus on overall study design or inclusion/exclusion criteria will become apparent. Ultimately, when the study goes forward to the FDA or EMEA as part of a dossier, the lack of focus on endpoint selection can become obvious.

Clearly there is no need to exhaustively seek counsel from the regulator in every study, but for those clinical trials where it is the intention of the pharmaceutical company that the trial becomes the corner stone of a regulatory approval, there is much more need for consensus between the principle regulatory body and the pharmaceutical company. The need for consensus may be at the expense of a timely start to the study, but in certain circumstances that will be a more cost-effective price than the alternative.

By focusing on what the trial will be used for, the pharmaceutical company can give valuable direction to the CRO

on what features are important to its success. These can then become the key performance indicators (KPIs) which, in turn, become part of the study metrics. It is important to recognise that these KPIs may be focused differently compared with those traditionally used – special protocol assessment achieved with FDA rather than first patient in, for example.

## **3. WORK WITH YOUR CONTRACTOR, NOT AGAINST THEM**

A close relationship is more likely to result in a successful outcome. This is especially true if the nature of the service being outsourced is new knowledge creation where the incentivisation of the CRO may include the possibility of a long-term relationship.

It is important in all cases to be clear about what you want from your contractors and encourage them to be clear on what they need from you in return. Whilst challenging timelines should be set and accepted by the CRO, they should be tempered by realism. The same applies to the budget. A CRO needs to be realistic about the proposal costing and clear about what is and isn't included within the price.

It is not just during the bidding process that the relationship is important. Although this is often the time when most effort is put into setting targets, it is important that the interactions are reviewed during the contract itself in order to assess if things are going as planned.

## **4. DON'T BE TOO HANDS OFF**

It is valuable to find the right balance in your relationship with the contractor. One common approach is to assume that because you are contracting out the work there is no need to have much interaction with the chosen contractor whilst that work is going on. This is certainly a truism in the case of core administrative services, such as payroll and information technology, where it is the technical expertise that is being contracted out and, therefore, the need for any interaction between contractor and contractee is very low.

In drug development, however, is this the most appropriate way to deal with your contractor? For example, will any one contractor in the drug development process possess or have the ability to see all the data relating to the drug under development? Could there be information or data being generated by one contractor which is absolutely critical for another contractor? Is the sponsor in a position to judge whether a piece of scientific data is relevant to another contractor? Consider a situation in which an emerging pharmaceutical company is planning and contracting out a Phase I study where preclinical testing is simultaneously being conducted by another laboratory. Is there enough visibility and interaction between the various parties such that the contractor planning the Phase I trial can have the reassurance that they have all of the relevant information needed to make sure the trial is being planned correctly and to avoid a potential safety nightmare scenario? This may mean that within early-stage drug development, team meetings involving more than one contractor becomes standard practice to ensure full and transparent visibility of the available information between all contractors in the process.

## 5. MANAGE THE RELATIONSHIP NOT JUST THE TASKS

As discussed in the introduction, the company/contractor relationship is critical to the success of a project. However, all too often the focus is on managing the multiple tasks, so the relationship between company and CRO becomes a secondary concern. Whilst companies rarely change professional advisers such as lawyers, auditors or patent attorneys, changing CRO providers is common and regarded as standard practice. But how much more rewarding and profitable for both sides would a long-term relationship between CRO and sponsor be? Imagine a situation where the CRO could potentially become the extension of the sponsor's organisation. Certainly concerns about visibility over all the relevant information would be greatly reduced. From the sponsor's perspective, this must surely be more cost effective than moving from one CRO to another for every clinical trial. Indeed, models of contracting out are increasingly identifying that the traditional 'tactical outsourcing' model is not optimal. Even large pharmaceutical companies such as Pfizer have moved to a functional service outsourcing model, where they take a task such as monitoring and then contract out that one task to a CRO. The CRO becomes an extension of Pfizer's organisation for that contracted period. For emerging pharmaceutical companies, where arguably the future drug discoveries lie, a partnership structure is being sought, whereby the CRO is to some extent sharing risks and rewards alongside the pharmaceutical company. Where the emerging pharma company has one or two key products, a partnership with a CRO becomes more desirable because the contractual relationship could also potentially reflect the importance of the work to the pharmaceutical company for example by the use of an innovative agreement which incorporates some element of risk/reward sharing.

## 6. INFORM THE OTHER PARTY WHEN IT ISN'T WORKING AND ALLOW THEM THE CHANCE TO PUT THINGS RIGHT

In an extension to the hands off approach, it can be tempting to avoid dealing with situations where the performance being delivered is not what the other party expected. This can be the pharmaceutical company being disappointed in the level of service from the CRO, but there can also be situations in which the performance of the sponsor company is not working from the CROs perspective. The CRO may feel that they are not in possession of all the information necessary to do its job, or that it is not being provided in a timely manner. For example, it can be difficult and time consuming to extract the answer to a question if the answer lies somewhere in a 120 page investigator brochure. Difficult though it may be, if something is not working then the party who is unhappy must inform the other party in a clear (and non-accusatory) way and allow the other party the chance to sort it out.

## 7. RESOURCING THE OUTSOURCING DEPARTMENT

Managing multiple contractors means a lot more work for those managing them, not less. It is important, therefore, that a pharmaceutical company does not under-resource the departments

that are overseeing and managing the contractors. Remember, managing the contractors requires a level of experience and expertise in the relevant area, but also calls for a different skill set from doing the job yourself. It is also important to appreciate and track the level of information and document flow required.

## 8. A WORD ON CONTRACTS

Have a 'plain speaking' contract and ensure that it is as clear as possible about the intent of the parties. Outside of the contract it is important to be clear about the reports and feedback you want to receive in order to assess whether your expectations are being met. For the CRO, it is important that proposals, which very often become appendices to the contract, are also specific about the frequency and type of report to which they are committing. Vague expectations and commitments are not fair on either party and should be avoided at all costs.

The issue about confidentiality and use of information is important here, and traditionally the clauses will be quite restrictive in order to protect the contracting company's intellectual assets. The protection and ownership of confidential information can often be the cause of problems when sharing all relevant information between the parties (see Tip 4). Therefore a balance has to be created between protecting confidential information and appropriate sharing of information between contractors.

The contract should also deal with the ownership of data and the ownership of new intellectual assets, should these be created during the contractual relationship. These will generally belong to the contracting party; however, this may be less straightforward where, for example, a manufacturing or reformulation technique involves proprietary technology of the contractor. Going back to the first Tip, this goes hand in hand with understanding the nature of what you are contracting out.

## 9. FAIR PLAY AND PLAY FAIR

Aim for good faith and fair dealings on both sides should problems arise, but realise also that you can't contract for every eventuality. By dealing with the issues as they arise, there should be a good chance of obtaining an ultimately successful contracting relationship.

## 10. FINALLY, DON'T FORGET THE BORING BITS

Even though you are outsourcing most functions, you still need SOPs and insurance for your own core organisation. These should not be neglected and, indeed, creating an SOP on the contracting out process can be an illuminating experience.

## CONCLUSION

Contracting out is a growing area in pharmaceutical research and development. Having a mutually rewarding relationship between a pharmaceutical company and its contractors should be the goal to ensuring the successful development of a drug. ♦

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