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Canada**Co-sourcing Laboratory Services**

After a generation of outsourcing services to lower-cost providers, smart companies now realize that they need to reassess this strategy<sup>1</sup>. Outsourcing did lower costs in a time of need. But it came at a high price. The total cost of outsourcing — in terms of lost expertise, impact on staff and services, and the failure to keep pace with advances in both equipment and procedures — is incalculable, especially when considering its adverse impact on companies' future competitiveness. Ironically, those same fundamental economic principles that drove entire industries to outsource in the first place are now behind a new push to bring those capabilities back home<sup>2</sup>. That may be yet another mistake in the making if it means re-establishing the traditional service model for in-house laboratories.

**Pharmaceutical Laboratories Are Still Under Pressure**

A case in point is the biopharmaceutical industry. In a survey of laboratory efficiencies in five major industries, in-house pharmaceutical labs fare the worst. Hit hard by budget cuts, these labs are generally overburdened by non-valued added work, are understaffed due to workforce reductions, and lack the updated systems needed to improve their productivity<sup>3</sup>. The results of shrinking pharmaceutical budgets on these in-house labs are predictable: they have been marginalized through the years, they rarely command the investment needed to significantly and consistently advance product quality, reliability, or innovative solutions<sup>4</sup>. Instead, in an effort to maintain productivity levels, they increasingly rely on outsourced solutions.

That trend is made abundantly clear in a recent Nice Insight survey of more than 2,300 participating laboratories<sup>5</sup>. Nice researchers found that 47 percent of respondents plan to spend between \$10M to \$50M on outsourced projects in 2014. That represents a nine percent increase over the previous year and, at first glance, appears very promising. But a closer look at the findings raises some troubling questions over the future viability of in-house biopharmaceutical labs themselves. Consider the six primary

drivers these labs cite in their outsourcing decisions. Nice Insight researchers found that biopharmaceutical labs are hoping to:

- Improve quality
- Reliability
- Expand regulatory expertise
- Increase productivity
- Control costs
- Advance innovation

At the same time, there is a gap between what in-house labs expect and what outside contract research organizations (CRO) actually deliver on those five criteria. Even more troubling is the fact that the highest score CROs earned for their services is 73 percent<sup>6</sup>. If the U.S. commercial airline industry settled for that rate of success, there would be more than 8,700 crashes a day<sup>7</sup>! Obviously, today's laboratory services' strategy needs to not only change, its very survival may well depend upon the ability to concentrate on what is coming next.

**Co-sourcing Versus Outsourcing**

Many industry observers believe the need for responsive, collaborative, and tech-savvy partnerships is paramount in the new emerging business environment. Success or failure in this environment will be defined by operational agility to research, adapt, produce, and deliver products rapidly under fluctuating market conditions. That means pharmaceutical labs will need to reclaim their essential role in the areas of product quality and reliability, regulatory compliance, and product innovation. How?

Call it the cycle of collaboration, or co-sourcing for short.

Co-sourcing can be defined as a strategic partnership that is far more flexible than the strictly transactional nature of traditional

outsourcing models. Fundamentally, outsourcing represents a one-dimensional solution driven by cost savings. Inevitably, that approach leads companies to reexamine the outsourcing concept because it does little to address shortcomings in other areas of lab operations, particularly quality and cycle time.

Co-sourcing, on the other hand, offers a holistic approach to partnering to achieve a more efficient and productive laboratory environment. Drawing on a wealth of multi-dimensional services, resources, and expertise from within and beyond a lab, co-sourcing can target any aspect of laboratory services in real-time:

- Consumables' management
- Multi-vendor and instrumentation oversight
- Quality control
- Analytical and tracking services
- Paperless lab
- Business analytics to run your lab
- Expert technicians and scientists (often former employees of the lab itself)

The result is a strategic partnership between permanent lab staff and their co-sourced colleagues working on-site as a single-source solutions provider<sup>8</sup>.

## A One Source Solution

While routine activities can easily be accomplished through outsourcing, co-sourcing allows for better communication on projects, faster turnaround times, and the ability to change focus quickly. Support is provided by creating a sourcing model where the resources are an extension of the client's team and generally use the client lab's processes to ensure seamless delivery of desired quality and timelines of research projects. Co-sourcing goes a step further by providing a depth of readily available knowledge that outsourcing lacks, while reinforcing confidentiality, thereby providing a competitive advantage. A case in point is the experience of Boehringer Ingelheim (Canada), Ltd., which optimized its laboratory services and realized both cost savings and a productivity boost through a co-sourced solution<sup>9</sup>.

Another major advantage of co-sourcing involves better utilization of client laboratory space. As projects come and go, assets and underutilized space often remain behind. Co-sourcing allows those assets and labs to be quickly repositioned to meet a variety of analytical needs as new business opportunities arise. That allows laboratories to explore new technologies and approaches to problem solving without the added investment in time, money, or management of offsite vendors.

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When certain tasks, large or small, are required, but the knowledge to perform those tasks is unavailable internally, companies often look outside their core competencies for help. Outsourcing to contractors and temporary workers, however, can only go so far with limited resources at their disposal.

## Best Of Breed Service Model

Co-sourcing services through PerkinElmer OneSource® allows client labs to focus on their goals rather than simply on their routine daily activities. Laboratories can leverage all the knowledge, technology, and resources available from a world-renowned company. Quality, reliability, and productivity increase, while lab costs decrease, thanks to OneSource's rigorous efficiency-by-design approach to lab support, scientific workflow optimization, instrument readiness, and focus on business analytics reporting. Most important of all, co-sourcing through PerkinElmer's OneSource provides a holistic approach to laboratory activities that is designed by scientists for scientists to keep business ahead of the competition. That pledge is backed by 7,000 scientists, technicians, and professionals whose expertise and commitment to service stand behind the PerkinElmer global brand.

## Reference

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