

A QUESTION OF TRUST

Pharmaceutical companies have been quick to pair up with contract manufacturing organisations to improve the efficiency of their production processes and gain competitive advantage. However, there are those who feel such relationships could generate much more value if they were better managed. Jim Banks reports.

Impressive growth in the contract manufacturing industry looks likely to continue, as pharmaceutical companies seek to improve their time-to-market, reduce production costs and tap into flexible capacity. In 2005 the market was worth £30 billion, and it has been estimated that it will rise to £50 billion by 2010.

KEY POINTS

- CMOs can be a valuable source of niche skills.
- Pharmaceutical-CMO relationships are often problematic.
- Establishing a fruitful relationship requires openness and trust.

Contract manufacturing organisations (CMOs) have certainly helped pharmaceutical companies achieve their goals by allowing them to access niche expertise, eliminating the need to develop specific skills in-house and offering more scalable and efficient production processes. Pharmaceutical production costs are easily offset by using CMOs. After all, new facilities require construction, staffing and maintenance, the upgrading of manufacturing equipment, workforce skill development and audits to ensure regulatory compliance.

So far, so good. It is a win-win situation. However, it seems that these relationships do not always run smoothly, which must mean they are not delivering maximum value.

Dr David Pulham, director of compliance at Siegfried USA, says: 'Sponsors complain that they can't get data from their CMOs – which I find hard to believe – and they often don't let sponsors remain present at the CMO facility when there is an FDA inspection, while some sponsors dictate to CMOs on issues such as method validation. It seems these kinds of problems are much more widespread than should be expected.'

Dr Pulham has a uniquely rounded insight into the way CMOs and sponsors work together. Siegfried, which has a long history of pharmaceutical research, and has developed over 1,600 substances, operates production sites in the US, Germany, Switzerland and Malta that are the basis for services

in active pharmaceutical ingredients, generics and biopharmaceuticals.

The company is both a CMO and a sponsor, so Dr Pulham sees things from both sides of the fence. Furthermore, through his work as an industry consultant and, before that, for the US Food and Drug Administration (FDA), where he frequently inspected CMOs, Pulham understands what each party is seeking. His experience has taught him that successful CMO projects are based on true collaboration, something he finds lacking in the market today.

'The acronym should be PMO,' Dr Pulham says. 'It should stand for partnership manufacturing organisations, like we have at Siegfried. You need both sides to work well together, and you need openness. You should, of course, do your due diligence first and make sure you select the right partner by looking at parameters such as quality and compliance, but successful relationships are those that are balanced and where there is trust.'

Quality partners

The quality of a CMO – its systems, regulatory compliance history and track record of timely delivery – are all key factors in choosing



a CMO to partner with. There are also many metrics that can be used to monitor performance once a contract has been signed.

Annual audits of quality, consistency and on-time delivery in full can be used to evaluate a CMO's systems. Sponsors can assess the quality of the product, the security of the supply chain, delivery performance and many other parameters. CMOs differ greatly, especially in terms of quality and compliance.

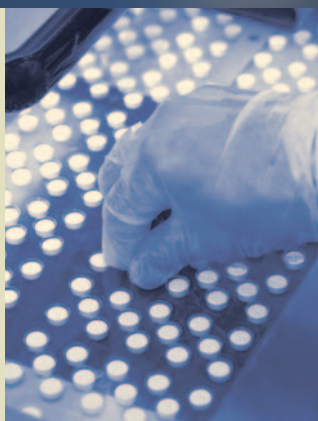
Choosing the right CMO might seem to be a simple box-ticking exercise. However, if either party fails to trust the other, the relationship will inevitably suffer.

Dr Pulham says: 'A contract is not control or micromanagement, the coercion of one party or the other, or convincing one party to deviate. A contract is cooperation between parties, competencies coming together for success, convergence of strengths, open and honest communication, concurrence of approach and the conferring of responsibility from the contract giver to the CMO. There are liabilities and responsibilities for both parties, and these should be clearly defined in the quality agreement and supply contract.'

Compliance issues

Compliance is a key issue for CMOs and their clients, and the quality of the relationship has a bearing on this. The FDA expects of CMOs exactly what it expects of any innovator, generic or other manufacturer. The CMO is fully responsible for adherence to current good manufacturing processes (cGMPs) and to regulatory filing. It also demands a written and approved contract or formal agreement between the contract giver and the CMO defining in detail GMP responsibilities, including the quality measures, for each party. Furthermore, it expects CMOs to have seamless communication with their clients.

For Dr Pulham, this means that CMOs need to be more open with their data, the problems they encounter and the way they resolve them. Equally, sponsors must trust their CMO partners. This, however, requires a great shift in mindset.



To illustrate the approach needed, Dr Pelham uses the example of virtual companies engaging CMOs as their manufacturing arm.

'These companies are developing a small number of products,' Dr Pulham says, 'but have no facilities. They descend on a CMO and try to micro-manage everything, so there is hardly any value added. They need to recognise

CMOs for their competence. The question of how much a sponsor should manage the relationship is very important.

'You need mutual respect. Then a partnership works well. Sponsors don't need to review every piece of batch data. If a CMO has maybe 70 sponsors it will be difficult to accommodate all of them if each had its own, very different requirements on method validation.'

Future trends

One issue the industry must consider is whether there will be a migration of CMO business to countries such as India and China to save costs – as has occurred with other outsourced services. There are many reasons why this is unlikely, at least at the speed seen in other industries. Compliance is a key concern here, but there are other problems with managing such international relationships.

Dr Pulham believes that culture and language have an impact, although he also feels many other factors will limit such a migration. He says: 'Some US sponsors want production to be done in the US so that they can be close to operations. A lot of them will have trouble with CMOs in India and China, for example, because it is too far to travel and the time difference gets in the way of good communication. There is also the language barrier to overcome, at least in China.'

Dr Pulham's call for better partnering suggests that the quality of human relationships between the representatives of sponsors and CMOs is crucial, whatever box-ticking exercises and due diligence may also be required.

Pulham says: 'In my experience, relationships are judged subjectively. A partner with whom we have a good relationship will be open and fluid, and I will be able to call someone there to consult with them. That is the goal. We work together to resolve problems. We don't accuse each other when things go wrong, we are open about the causes of problems. Partners must accept that things sometimes go wrong.'

The CMO market may be growing rapidly, but it seems there is still much that can be done to improve the quality of pharmaceutical-CMO relationships and realise more value from manufacturing partnerships. **END**

Figure 1. Growth of the CMO market

