

Magazine Article | June 1, 2021

The Lasting Impact Of COVID-19 On Emerging Life Sciences Supply Chain

Source: Life Science Leader

By Bill Connell & Dave Stowe



Bill Connell and Dave Stowe

The COVID pandemic brought disruption to pharmaceutical and life sciences supply chains, and despite the best efforts and preparation the industry is known for, the fallout continues to reverberate.

Although the COVID pandemic was unprecedented, the disruptions it caused are not, as this pandemic merely exposed supply chain weaknesses already there. For example, something as simple as glass vials and packaging materials saw a big spike in global demand as the COVID-19 vaccine impacted downstream supply markets. In the wake of the pandemic, life sciences companies are just now beginning to understand that they were not as prepared for major

disruptions as they thought, and that this lack of preparation can adversely impact business performance.

The COVID vaccine is rapidly moving its way through the country with aggressive production and distribution, but non-COVID sectors have been adversely affected because of rerouting of production and distribution capacity to COVID-focused parts of the supply chain. It may be well into next year before life sciences companies will see the disruptions begin to abate, performance return to pre-pandemic levels, and supply targets are once again met. Best practices dictate a quick shift from survival mode to realizing that it could happen again — and moving then to proactive mode and a full reevaluation of the supply chain.

EMERGING COMPANIES' CHALLENGES

Emerging life sciences companies, in particular, do not enjoy the longer-term, more stable supplier relationships seen with more mature companies, and because they have only shorter-term relationships, they may be less able to address supply chain issues that arise out of a crisis such as the pandemic. Early-stage companies, as they move from preclinical to clinical and commercialization phases, may very quickly move from a supplier ecosystem of several dozen suppliers, to several hundred. This rapid growth of the supplier ecosystem, again built on short-term relationships, puts more pressure on the supply base and imposes an inherent level of risk.

Additionally, some geopolitical issues affecting the life sciences supply chain are out of the hands of emerging companies. Many of the APIs used in pharmaceutical production come from China and India. As China, India, and other countries that have traditionally served as a primary source for these ingredients reassess their own outbound supply chains to ensure they have enough materials for their own healthcare and drug production requirements, domestic producers — especially early-stage ones that may lack those global relationships — face additional pressures.

A three-part strategy will help to lessen risk and improve the supplier ecosystem. This strategy includes:

1. analyzing COVID's short- and long-term impact on the supply chain and operations
2. strengthening collaboration with the global supplier ecosystem
3. understanding the strategic role of procurement and sourcing.

A THREE-PART STRATEGY

Analyzing COVID's impact. A successful recovery and subsequent preparation for the future must begin with a post-mortem look at precisely how COVID impacted the supply chain and operations and an understanding of some of the previously hidden risks and vulnerabilities which became more evident as a result of the pandemic. As production of the COVID vaccine ramps up, downstream supply markets will continue to be impacted.

In analyzing COVID's impact, life sciences companies must look at the broader issue of how those shortages were addressed, so they can deal with any shortage resulting from unexpected future events. In so doing, companies can move from a reactionary mode to implementing a more systematic approach that can apply to any situation, expected or not. In many cases, this will require fundamental changes in how procurement agreements are negotiated, amended, or executed.

COVID also made the industry much more aware of the inherent risk of the common practice of deriving resources, drug development, and manufacturing from offshore locations. One example of an outsourcing issue that became acute during the pandemic was the outsourcing of fluorination chemistry to China and India, a process that had been slowly progressing over the past 10 years. Although some supply chain concerns had been expressed, there was no sense of urgency until companies and trade associations began to speak up as the crisis grew in the first quarter of 2020.

To address the offshoring of APIs and other supplies, recent legislation has specifically authorized funding for critical pharmaceutical materials being developed in the U.S., and there has been strong bipartisan support to strengthen the U.S. supply chain through new policies to reinforce national security, prepare for other pandemics or threats, and create a more resilient domestic supply chain. This may be a good first step from a political point of view, although from the perspective of the pharma producer, it may not be so simple — these sorts of changes, especially when considering essential chemical compounds, take time to evaluate and to qualify.

Strengthening collaboration with suppliers. The short-term supplier relationships that dominate early-stage life sciences companies' supplier ecosystems create a higher level of vulnerability, which limits how well a company can address crises and react accordingly. Reacting to a crisis may involve tactics such as being able to quickly pivot to an alternate supplier, but early-stage companies may not have strong supplier relationships to allow for agility.

Throughout the pandemic, the life sciences supply market experienced significant volatility. From March through May 2020, availability of key supplies and other key products varied from day to day as the market attempted to adjust to the crisis. That, together with China, India, and other countries prioritizing supplies for internal use as opposed to exporting, made life sciences companies keenly aware of the need to develop stronger collaboration with all suppliers. This involved better understanding the needs of those suppliers, where their priorities may lie and why, and cultivating a broader ecosystem of suppliers that may include near-shore or onshore alternatives to Chinese or Indian suppliers.

Taking a more strategic role in procurement. While emerging companies understand the importance of making procurement strategic, it is often informal and limited to a few key decision makers in the company. As they grow, many companies find it challenging to develop the function without creating a cumbersome and bureaucratic procurement process.

To successfully transform and develop a strategic procurement role, companies need to use analytics to foster a collaborative environment with stakeholders and suppliers to understand the impact of different sourcing scenarios. By looking at the entire buying process, from sourcing and purchasing decisions to payment activities, companies can start to gather important spend and supplier data needed to make their procurement and sourcing process more strategic and supportive of their business goals. This allows them to develop the right organization structure, policies, and systems needed to manage their growing supply base.

As a result, organizations will be able to:

- improve levels of trust with stakeholders and suppliers
- integrate sourcing processes and policies with risk management
- introduce a formal RFP process for critical and high value contracts
- achieve financial savings and improved budget management.

DEVELOPING A SCALABLE PROCESS

Although the COVID pandemic created significant disruptions across the supply marketplace, emerging companies can learn from this experience and develop a scalable and strategic procurement function. In their early phases, they have a limited number of key suppliers and can keep track of contractual and purchasing data to maintain strong supplier relationships. To scale their process and maintain strong relationships, they need to align their procurement organization structure with systems, policies, and processes on an ongoing collaborative basis.

BILL CONNELL is principal and supply chain practice leader at Tunnell Consulting. He has more than 30 years of experience in both consulting and pharmaceutical operations.

DAVE STOWE is senior procurement advisor at Tunnell Consulting with global experience in the life sciences industry, including pharmaceuticals, biopharma, medical devices, medical diagnostics, and healthcare.

0 Comments LifeScienceLeader  Disqus' Privacy Policy

 Login ▾

 Recommend  Tweet  Share

Sort by Best ▾



Start the discussion...

LOG IN WITH

OR SIGN UP WITH DISQUS 

Name

Be the first to comment.

 Subscribe  Do Not Sell My Data