

# BioBenchmark<sup>SM</sup> Biopharmaceutical Operations Benchmarking Study

## CONCLUSION

### BENCHMARK USE

It is important to remember when reviewing benchmark data that numbers do not always tell the entire story. Unfortunately, managers may take these study results and blindly raise their organizations' expectations without necessarily changing the infrastructure or systems that are pivotal to reaching this performance. And utilizing best-in-class numbers to develop new performance targets may not be the most appropriate use of the data without first considering the company's individual intricacies and complexities.

There are multiple uses for the study results: to identify best practices, to use as a scorecard, and to establish goals.

#### Identify best practices

One of the most important aspects of the study is the identification of best practices. Linking the "best" metrics with the business processes that support them enables certain conclusions to be drawn about what structurally and organizationally has allowed companies to perform at the highest levels.

### Scorecard

The benchmark results can be viewed as an initial report card. Companies can examine their performance in comparison to their peers to get a sense of where they excel in the industry or how far they might lag behind the best performers. Those companies that are not performing to their satisfaction may now be more motivated or supported by management in their quest to make significant changes and drive improvement.

### Establish goals

Another important use of the study is as a mechanism for establishing performance goals in different areas. Companies first need to understand their potential capabilities and how they need to internally structure their companies to attain these goals. They can then use the best-in-class performance to help set achievable targets for their own organizations. Again, companies need to be careful about putting aggressive goals into place before the company is structurally capable of reaching them.

### NEXT STEPS

The benchmark study presented here is a snapshot of the industry's current state.

There are several potential expansions to the benchmark that we will examine over the next one to two years to maintain visibility of the industry and provide ongoing information to its companies.

#### Extension to Additional Participants

Opening the study to companies that were not able to participate in this first phase is a logical next step. The benefits would be twofold:

- to provide the participating companies with a detailed analysis of their operation and a complete picture of the industry
- to strengthen the study data with a larger population of participating companies.

This extension would include North American and European companies.

#### Longitudinal Performance Tracking

This current, comprehensive survey identified the key metrics that drive performance of an organization's operating groups. Future benchmark phases would involve a less intense on-site component, with the collection of a smaller number of key metrics. The value would be to continue to longitudinally track the industry as it grows and matures and to capture performance trends.

## New Business Processes

One potential expansion to the study is to investigate other business processes not examined in the current version. Validation, warehousing and distribution, clinical trials management, sales operations, and supplier management are just some of the other important functions that have yet to be fully explored industry-wide in a benchmark study.

## Greater Depth

The study identified those process areas that are true differentiators among companies. A next benchmarking step might be to perform a more comprehensive analysis into these areas to collect additional data that would provide more insight into the reasons for performance differences. For example, assumptions can be made from the study results on the impact of education on deviation levels. But a more focused study on this topic would provide a deeper understanding of the reasons for variation, if they exist.

## SUMMARY

Many companies will be surprised at the performance levels some of their peers are achieving. Most organizations exist in a vacuum with only their employees' experience as a guide. Managers typically rely on their teams' feedback to determine expected performance levels and achievable goals, rather than systematically examine the organization's true potential. This study offers the industry a first glimpse of its operational performance and can become the impetus for dramatic change.

As expected, younger companies speak the language of operational improvement much more fluently because founding employees wish to avoid the mistakes of the past when designing internal systems. They are at a stage where implementing world-class systems and processes is easier because there is no need to re-engineer existing processes, and decision making is more rapid with fewer people involved.

Older companies will be slower to change, due to organizational inertia and the higher complexities of older products. However, even these industry veterans are slowly improving by putting a focus on performance improvement and recognizing the impending market changes that will make

well-designed internal operations vital to competitive success.

In general, the trends in the industry are positive. Most companies recognize the importance of lot release cycle time to the overall success of the company. They are taking steps to reduce cycle time by breaking down the walls between quality and manufacturing and setting more aggressive expectations of performance. Technology plays a role in this as well; a majority of companies recognize the need to implement electronic quality systems beyond the laboratories. These systems offer important functionality that provides visibility and communication among those activities that have the greatest impact on cycle time.

Nevertheless, companies still have a long way to go. If one compares the biopharmaceutical industry to traditional pharmaceuticals, there are dramatic differences in performance in areas that are not functionally that different. The luxury of high-profit margins, little competition, and company cultures based on a research mindset have resulted in organizations that can be slow to change and resistant to accountability. The addition of employees from other industries, forums like the Operations Excellence Consortium, time, and increased competition will contribute to the industry's transformation to one that recognizes operational performance as vital to company success. One question remains: Will it happen fast enough to prepare organizations for the inevitable industry changes that lie ahead?

**Tefen is a publicly traded, international operations consulting firm with offices in North America, Europe, and Israel. The firm has over 20 years experience improving the overall operational effectiveness of Fortune 500 clients. Tefen designs and implements solutions that enhance a company's productivity, efficiency, and service level in areas such as manufacturing, supply chain, logistics, IT, quality operations, testing, and product development. For additional information about the study contact [marc@tefen.com](mailto:marc@tefen.com).**

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