

KNOWLEDGE PROCESSING

Sharing knowledge

Samir Gupta reports on an Indian business which could provide opportunities for Australian pharmaceutical companies.

Global consulting firms like McKinsey and the Boston Consulting Group (BCG) have reported the benefits of outsourcing non-core, yet critical, activities to recognized and established Clinical Research Organisation (CROs) in India.

This study was designed to understand how knowledge process outsourcing firms (KPOs), such as CROs, strategically integrate with multinational pharmaceutical companies (MPCs) and build on their respective strengths to identify opportunities.

KPOs have been referred to as “offshoring of knowledge-intensive business processes that require significant domain expertise” and “processes that demand advanced information search, analytical interpretation and technical skills as well as some judgement and decision-making”. For the purpose of this paper, KPO is defined as knowledge intensive, yet critical, activities that are outsourced to other entities rather than completed in-house.

The generic drug market is worth US\$60 billion and by 2009, 35 top branded prescription drugs will lose their patent rights, according to *The Economist*. As patent rights will no longer be a barrier to entry, MPCs will find themselves competing with generic drug companies and this has already forced vertically integrated MPCs, like Pfizer and GlaxoSmithkline, to

divert scarce resources from research and clinical trials to marketing activities. But, MPCs must continue to research and develop new drugs in order to survive, compete and prosper.

This study of one KPO, Lambda Therapeutic Research, based in Ahmedabad, India observed its staff over three weeks and interviewed employees at different levels of the organisation. Results provide an insight into how a CRO can provide critical services to MPCs.

Observations confirm that Lambda adheres to strict practices according to protocols developed in collaboration with MPCs and local and international regulations. A team of external and internal auditors regularly checks process activities and compliance to the protocols. The organisation also has a rigorous training and recruitment policy.

The author visited the air-conditioned dormitories (which housed volunteers) and were found to be of a very high standard equivalent to western hospitals. Sterile conditions were maintained 24/7. The organisation has a database of volunteers. The selection process involves matching volunteers with the study protocol. If matched, they are invited for an interview (qualified interpreters were used when required). From an ethical perspective, volunteers are given the opportunity to withdraw from the trials.

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such as inventory levels, capacity, customer information and production schedules. This information is still treated as proprietary and firms are reluctant to share it.

The potential benefits of sharing information are considerable. Supply chain management emphasises the advantages of establishing links that orchestrate activities in the entire supply chain so as to meet delivery dates, minimise inventories and smooth production schedules. In the longer term, firms must learn

to cooperate and exploit their partners' superior capabilities so as to increase the competitive advantage of the whole supply chain.

Information sharing helps companies improve their supply chain efficiency and effectiveness. It can also increase their supply chain's agility and responsiveness to changing markets, thereby sustaining their competitive position. The benefits of information sharing are invaluable for individual companies and the whole supply chain.

Lambda not only provides services to MPCs but collaborates with other CROs to open up new business opportunities. In May 2007, Lambda acquired two CROs in Europe (Poland) to expand bed and laboratory facilities for further clinical trials.

In January, 2008, Lambda will inject funds into better equipped laboratories and infrastructure such as larger in-house bed facilities. The firm employs over 420 scientists and medical practitioners and has laboratories in other locations, such as Mumbai. It has the capacity to conduct, Phase I through to Phase IV trials. The firm is accredited with Federal Drug Administration (USA), World Health Organisation and with AFSSaPs (France).

In a study of governance of exchange relationships in networks, scholars have identified many factors including reciprocity, personal relationships, control mechanisms, reputation and trust as important in explaining the duration and stability of the exchange relationship. The formal and process control mechanisms implemented by Lambda suggest that the firm is intent on enhancing its reputation and building long-term relationships based on trust. This will provide a strategic framework for an effective (doing the right things), efficient (doing things right), and adaptable (ability to adapt to 21st century market demands) organisation.

By understanding CROs such as Lambda, Australia's international trade agencies, such as Austrade, can identify and develop relationships with potential partners, sharing knowledge-based opportunities in the biotechnology industry.

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This study poses challenges for practitioners and academics and raises questions such as: "How can benefits of information sharing be better understood and exploited by practitioners?" and: "What are the barriers to and facilitators of information sharing practice?"

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There has been increasing environmental awareness and expectations regarding the activities of companies that may bring many potential legal and economic risks for companies. Capital markets are ever more responsive to these matters. There has been an increase in the number of the moral (ethical) investors who believe that they should avoid investing in certain types of companies which cause social injury or environmental damage. Also increased stringent sanctions against certain types of corporate activities because of the

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public concerns have increased the risk of investment in them.

Regarding these issues, the rational firm (the firm which wants to maximise its shareholders' welfare/reduce its costs of capital) voluntarily engages in the environmental protection activities (e.g. reducing pollution, reducing the use of natural resources and recycling previous products) and then communicates to its markets (product, labour and capital) its actions in these areas in order to differentiate itself and thereby maximise its wealth.

Thus, voluntary disclosure has, in the main, inherent economic benefits for companies.

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