

Supply Chain Network Trends: 3 Reasons Why You Need to Digitally Transform the Way You Work with Suppliers

Key Takeaways

- The growing complexity of supplier networks, the virtual workforce, and the ongoing drive toward digitalization are three factors that point to the need for a new and better way to work with suppliers.
- The global market for outsourced services in pharma and biotechnology is projected to reach $90.9 billion by 2027.
- The pharma supply chain is not "broken." But it does have challenges to address from an agility perspective.

By John Bermudez | December 23, 2020



The ongoing supply chain disruptions caused by the COVID-19 pandemic have

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made one thing clear: Pharmaceutical companies need a new and innovative way to work with suppliers and supply chain networks, so they can more quickly adjust to changing conditions, avoid or mitigate disruptions, and ensure that the right medicines are delivered to patients on time, in full (OTIF).

Digitalizing the supplier management function will require the use of multienterprise work management to eliminate data silos and enable various stakeholders to work together and share data within the same, secured application.

Over the last several weeks on Agile Supply Chain Insights, we've shared data from analyst firm IDC's recent **pharma industry survey,** which found that prior to COVID-19, 74% of suppliers were achieving 98% or better OTIF delivery rates. After the pandemic hit, OTIF rates for those same suppliers plummeted by 28%.

We also introduced the concept of **multienterprise work management**, a new type network-based software that enables supplier relationship management teams to orchestrate shared work across different functions both inside and outside the organization to achieve actionable visibility, greater agility, and better end-to-end supply chain resilience. Multienterprise work management supports the primary role of supplier relationship management, which is building better relationships through shared goals and collaboration.

Finally, we discussed how the capabilities of a multienterprise work management system on a digital network platform can help you overcome obstacles like:

- **Poor supply chain visibility.**
- **A lack of supply chain agility.**
- **Sub-optimal OTIF delivery performance.**
- **The need for better supply chain resilience.**

In this week's installment, I'd like to discuss some additional challenges facing the pharma companies and supplier relationship management teams, including the

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increasingly complex outsourced supply chain; the virtual workforce, which may be here to stay; and the ongoing drive toward digital transformation. Let's take a look at how each of these challenges points to a need for a better way to work with suppliers.

Working across a network of suppliers is challenging

The global market for outsourced services in pharma and biotechnology reached an estimated $54.8 billion in 2020, and it's projected to reach $90.9 billion by 2027, according to **a recent report** from market research firm Global Industry Analysts, Inc. As the use of outsourced services grows, the supplier relationship management team's role becomes more challenging because they have to work across a network of contract manufacturers, packagers, consultants, and other business partners located all over the world.

At the same time, COVID-19 is fundamentally changing the way we interact with our colleagues, customers, and business partners. With many life sciences companies planning to embrace work-from-home policies even after the pandemic has ended, the need to support extended virtual internal and external teams is greater than ever.

To be successful in an increasingly complex supplier network, you're going to need new types of solutions that enable you to work more effectively with teams inside and outside of your organization. A highly outsourced supply chain drives a need for digital network solutions that reduce or eliminate inefficient manual processes that are difficult to track and measure—phone calls, emails, text messages—and improve visibility for all supply chain stakeholders.

Pharma companies are increasingly interested in digitizing their supply chains

Companies across all industries have been working to become more digital for years, and the **COVID-19** pandemic has added new urgency that is fueling this

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trend.

Pharmaceutical companies have lagged other industries in digitalization of their supplier management function despite the potential benefits that digitalization offers, like improved intercompany processes and greater supply chain visibility, agility, and resilience, enabling better execution of changes and response to disruptions.

Digitalizing the supplier management function will require multienterprise work management to eliminate data silos and enable various stakeholders to work together and share data within the same, secured application.

Tighter collaboration leads to better, faster supply chain network decisions

Supplier relationship management teams work closely with contract manufacturers and other supply network partners to collaboratively make decisions. Here's an example that happens frequently in the industry:

A contract manufacturer begins a production run for a pharmaceutical company but only has enough ingredients to produce half of the order. In the absence of a collaborative decision-making process, that CMO may assume the right thing to do is produce and deliver half the order.

But what if the next product scheduled to be manufactured for that pharma company could be produced and delivered on time, in full? The pharma company might prefer to put the current production run on hold and move on to the next one, opting to ship a complete order, as opposed to fulfilling an order over time in dribs and drabs.

The pharma company's supplier relationship management team may also need to rapidly source from a secondary supplier, check finished goods inventory, update quality assurance to make the change, and work with upstream and downstream partners to adjust production and delivery plans.

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With a multienterprise work management application on a digital network platform, that CMO could simply create an issue that says, “We have only half of the API for the 20mg and 50mg capsule orders. How would you like to prioritize the use of this API?” From there the team could provide visibility to necessary parties and orchestrate a timely response.

Currently, this type of supplier issue would typically be addressed through a flurry of phone calls, emails, and time-consuming, disconnected processes. With a multienterprise work management application, all the information needed to make the best decision is available in a single, shared environment to internal and supplier team members.

The supply chain is not broken—but there is a better way

As the COVID-19 pandemic emerged and began causing supply chain disruptions in 2020, there was no shortage of news articles and blogs stating that the pharma supply chain is “broken.” But I don’t think it’s broken. While the pharma supply chain certainly has serious obstacles to overcome from an agility perspective, pharma companies and their partners the world over continue to produce high-quality products that improve the lives of patients.

Working through and managing supply chain disruptions, incidents, and changes requires a great deal of flexibility and ingenuity, and supplier relationship management teams continually rise to the challenge. But by necessity, they are forced to rely on manual processes that inherently hinder supply chain agility.

Today, there is a better way. In the coming weeks on Agile Supply Chain Insights, we’ll explore how a multienterprise work management system on a digital network platform can help your organization:

- **Overcome the top supplier relationship management challenges.**
- **Digitally transform supplier management processes.**
- **Improve supplier relationships.**

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- **Drive supply chain agility and resilience.**

Here’s hoping you have a safe and happy new year. We’re looking forward to sharing more Agile Supply Supply Chain Insights with you in 2021 and beyond.

Learn more about how to boost pharma supply chain agility and responsiveness: Download IDC’s white paper today.

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