



# To Outsource or Not to Outsource?

MARCH 2025





# Outsourcing?

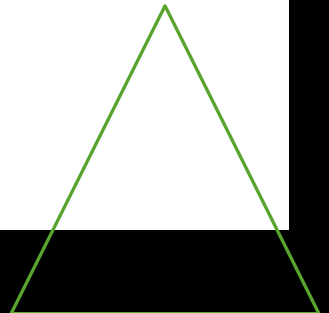
As the cost of manufacturing in Australia increases, and company budgets plateau, we see **many businesses putting freezes on hiring and resource allowances**. Couple this with the continuous expansion of a company's portfolio, this can cause a stressful working environment due to increasing demands on existing employees.

In the long run, this is causing good employees to leave businesses. And as you can imagine, companies are therefore struggling to meet supply chain demands, internal and external KPIs and customer or patient needs country-wide.

**Company executives are looking for ways to minimise company overheads while still ensuring core deliverables are met.**

In recent years, this has led to **an increase in both outsourcing and offshoring** of non-core or non-routine business activities. As an example, the first thing that comes to everyone's mind is offshoring call-centers. But there is a clear distinction between offshoring and outsourcing.

The meaning of offshoring is having work completed in a different country or international jurisdiction. Where outsourced services including having work completed onshore and locally, by Australian-based companies, which, in some cases, may have global networks in which they can leverage. **Our focus today is around outsourcing, specifically in the life science sector.**





## **But why outsource?**

What are the benefits, pitfalls  
and lessons learnt by others in  
the life science industry?

Let's delve into all these  
questions and more.




## THE FIRST QUESTION ANY BUSINESS NEEDS TO CONSIDER IS “WHY OUTSOURCE?”

Within this question, there are hidden ones;

- What are the benefits?
- Will this reduce cost?
- Will this make processes more efficient?
- Will this increase staff retention or reduce it?

And many more.


In the life science sector, we are seeing increasing instances of outsourcing. Companies are **outsourcing non-science-based activities** such as QC testing – including raw material, utility, environment and product testing – IT support, supply chain, solution preparation, engineering, maintenance, contract management and other lab support activities.



By outsourcing these activities, this allows scientists and researchers to **focus on innovation and product development**. Additionally, this allows companies to **repurpose internal headcount** to hire additional scientists, as support headcount is now outsourced. This ensures pharma and research companies can deliver on their promises to both patients and shareholders.

For some companies, this seems **almost too good to be true**, but first-generation outsourcing can be a difficult activity to navigate, especially when a company or institution have not developed clear procurement, HR and operational transition strategies.

When starting a company's outsourcing journey, **companies want to plan for the full picture – for example, 45% of non-core activities will be outsourced**. Once the strategy is established, a phased implementation approach can be taken. Well established services, such as black services – including boilers, chillers, cooling towers, lifts etc., or high-risk activities, like HV, or cleaning could be considered first as these are well established services by many FM service providers. Once a service provider is established, the client can then build on the services. However, this is only applicable if the service provider can scale up with the increasing scope. **In many cases, clients may not be able to go with one service provider.**







Depending on the services to be outsourced, **companies have two, three or more service providers to manage.** This does mean the **company will need to maintain a level of internal headcount to manage the contracts.** This will therefore create an internal 'shadow organisation' that often mirrors the service providers resource model.

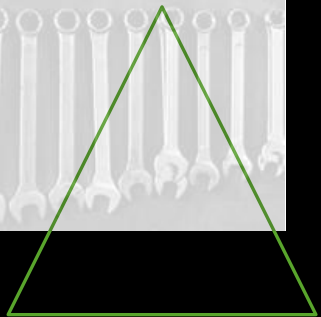
This is **specifically important** in the life science sector where the **GMP or compliance responsibility and accountability cannot be outsourced.** This additional headcount will need to be factored in the internal planning of the outsourcing model.


Now you might ask, well, **if I still need internal head count and I need to plan everything upfront, why do it?**



So, **tell me some good news...**

Before you make the leap and outsourcing everything, let's consider the pros and cons. At a high level, the benefits of outsourcing include:

- **Streamlining core activities** for scientists, researcher and manufacturing staff by removing non-routine activities
  - **Increased labor availability to execute tasks** without increasing internal headcount
  - **Reduced overhead costs** as the service provider will be considered as contractor / non-labor resource
  - **Reduced production time** as non-routine tasks will not require manufacturing staff support – for example, escorting maintenance staff in cleanrooms, supporting solution preparation etc.
  - **Allows access to a larger talent pool** both locally and globally, when the service provider has a global network to tap into
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Often the **benefits**  
**may not be seen** in  
the **initial stages** of  
outsourcing.







# Success depends on...

## **Client Maturity**

Does the client have all their processes established, clear responsibilities defined, systems in place, data ready for handover. If not, then this can make it difficult for the service provider to understand how their services interact with the client.

## **Strategic Development**

When this planning step is skipped often this leads to an extended mobilisation phase. Prior to entering an RFI stage, it's important that internally, the client is aligned, and the scope of services is defined in a clear and measurable way.

## **Scope of Works**

Coupled with the strategy, having a scope of works is necessary when finding an appropriate service provider. Often, we see many service providers specialising in either hard (e.g. maintenance and engineering) or soft services (e.g. cleaning, pest control, catering etc.), meaning that they may further outsource downstream contracts for some scopes. If these scopes are 'fluffy' or do not follow 'SMART' principles, then it will be difficult for the service provider to issue an accurate price at the RFT stage, causing variations later in the contract stage.

## **Client Change Management**

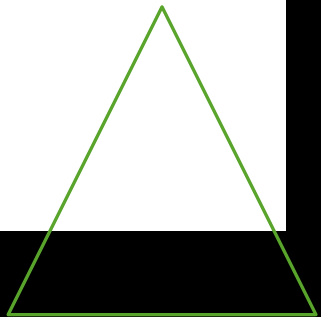
Often the decision to outsource is based on executive cost saving decisions. In this case, the client staff who are responsible for the outsourced services may not have experience with this operations model. Having a clear change management strategy is essential to train both the internal staff and outsourced service provider.


## **Mobilisation Phase Duration**

If the service provider is not provided appropriate time, resources or client information to mobilise the services, this will directly impact the first 12 months of services provided.

## **Service Provider Maturity**

Depending on the level of outsourced services and the client industry, the selected service provider will have varied experience. For example, in the life science sector within Australia, there are only a handful of cleaning companies who are qualified to clean GMP manufacturing spaces or physical containment labs. During the initial planning and tendering stages of the outsourcing journey, the client needs to consider how many service providers they are willing to accept to delivery the services.





Outsourcing has many benefits, but like baking a good cake, **you need the right planning** and preparation before executing.



# Yes, there are risks!

In Australia, and specifically in the life science sector, **there is both a lack of experience in outsourced service providers and a lack of understanding from the client.**

Don't get me wrong, there are many clients and companies who outsource successfully and there are several service providers who have experience. It all depends on the service and industry. But when we talk specifically about life science and GMP / regulated environments, such as containment labs, experience is limited.

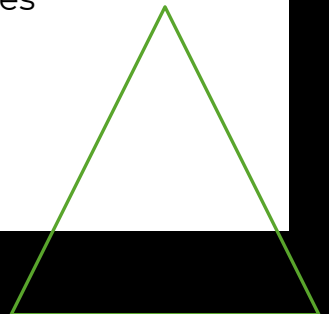
**When outsourcing goes wrong, we are quick to blame the source**, in the case the service provider, **rather than the reason why they are there in the first place.** So, let's take a step back as consider "why did we outsource in the first place?"

As mentioned, outsourcing is often a cost saving decision made by executives. **When the decision is not communicated in the correct way, or, a robust change management process is not followed, this can lead to significant risks at the operations level.**

Some issues that may be seen by leadership may include:

- Communication issues between client staff and the service provider
- Vilification of the service provider when requests or KPIs are not met
- Exclusion of service provider in key planning or strategic meetings
- High turn-over of staff due to high-stress environment, leading to higher costs, longer mobilisation phase and operational disruption due to no staff / new staff in roles
- Incorrect or insufficient information shared with service provider by internal client staff or procurement team/s
- Limited access to systems or data to service provider as they are considered a 'contractor'

Often these behaviors are seen on well-established sites where client staff fear job-loss or redundancies.





**So, what issues and risks should you be aware of for a new site, company or start-up?**  
Some examples may include:

- Service providers may be inexperienced in the industry they are employed – for example, life science – and may not have the appropriate QMS or compliance experience, leading to higher training costs or longer mobilisation phase
- Limited resources with the appropriate experience available or use foreign / student labor (i.e., staff of visas), leading to high turn over
- Services provided may not meet expected standard, especially if the mobilisation and operational phase occur in parallel or inappropriate information provided by the client
- Increase costs due to variations or changes in contract / scope of works, leading to a higher costs or other budget impacts





In most cases these **issues equate to operational impact**, including, but not limited to:

- Extended mobilisation phases and delay to go-live
- Impact to licensing or audit date – for example, TGA or OGTR
- Increased operational costs – both labor and non-labor
- Increased non-conformances – deviations
- Unplanned production downtime



Considering the  
risk, **do you**  
**outsource or not?**

# It all depends...

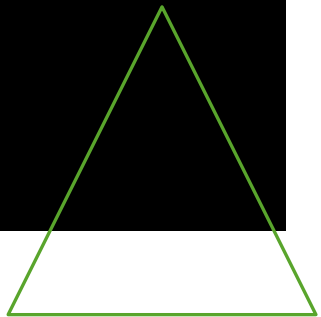
While previously mobilising outsourced contracts, what I found was, all service providers require a few things before mobilising or going live:

- **Clear Scope of Work that meets SMART principles.** This is critical when services are required quickly and a contract needs to be in place within a few weeks or months.
- **Defined KPIs.** Like the scope of work, this is critical to ensure the service provider knows what targets they are aiming for and support activity prioritisation.
- **Defined Fee Structure.** Will the contract be delivered on a cost plus for the first 12 months, followed by fixed fee or a combination – e.g., maintained delivered on cost plus during DLP and labour resourcing as fixed fee, ensuring the service provider is accountable for hiring appropriate resources to complete defined scope.
- **Resourcing Expectations.** As part of the initial proposal between the client and the service provider, resources should be discussed. This ensures that the appropriate staff can be hired during the mobilisation phase.
- **Budget Allocation.** This needs to align with the scope of work and resourcing requirements. If they don't align, this can impact budget, cause variations or impact the ability for the service provider to meet the KPIs (if appropriate resourcing not allocated).
- **Data from the Client.** Depending on the service – either soft, hard or combination of both – the service provider will need some, or all, of the following:
  - Client SOPs and associated training plans
  - Client Forms – e.g., equipment logbooks, cleaning forms etc.
  - Asset Data (if available)
  - Any special PM schedule/s or expectations – e.g., validation required every 3-months based on a client testing requirement or risk assessment
  - Access to client systems – e.g., CMMS, QMS etc.



# By providing information upfront ensures both client and service provider success!

This ensures that mobilisation is successful. **However! Operations during implementation must be considered.** Often for existing sites, both the client and service provider are trying to mobilise and operate at the same time, overall impacting:

- Ability to provide all the recommended information upfront – e.g., asset or PM data may not be uploaded to the CMMS
  - Service delivery expectations as the service provider has not had sufficient time to mobilise the services
  - Blow outs to mobilisation timelines, as often seen, mobilisation resources are used for operational tasks
  - The budget is variable due to prioritisation of operations rather than mobilisation, leading to a higher number of 'ad-hoc' requests and implementing 'Band-Aid' fixes until the contract is mobilised
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The two biggest lessons learned when mobilising multiple contracts are:

1. **Segregate mobilisation activities from operational staff.** For a short period of time, invest in additional labor to ensure both client and service provider labor are focused on their specific deliverables
2. **Go on the mobilisation and change journey together.** When developing detailed scope of works, roles and responsibilities, RACIs, KPIs etc., these should be developed in conjunction with both teams

This ensures primarily that all parties are on the same page, but consequently also improves communication between all team members and to ensure that everyone knows what role they play in the big picture.





But what happens if a company is looking for quick savings and assumes outsourcing will fix all their problems?



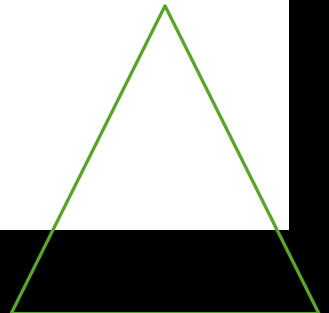
First, we all know the saying about assumptions, and secondly, outsourcing should not be looked as a 'quick fix'. **It is a long-term solution and partnership between companies.**





# For successful implementation, my advice is...

- **These things take time.** For companies looking for savings, consider a phased saving approach year-on-year and consider extending glide paths over a longer contract period so that data can be collected to initiate long term savings.
- **Planning is essential.** I've mentioned this a few times, but ensuring you have the appropriate strategy and plan in place will ensure mobilisation can be achieved on time and in budget.
- **Outsourced service providers should seek SME support.** If a service provider does not have experience in the field, there are many consultants who do. By using the right resources upfront, this will ensure an appropriate strategy is developed and an efficient mobilisation phase is executed.
- **Mobilisation should be independent.** This is especially important if operations have commenced. Mobilisation should be not executed by the same resources that are executing on operational tasks – e.g., cleaning, maintenance tasks, operations planning, invoicing etc. Obviously, you want the operational team involved, both for the service provider and client, but the execution and management can be completed independently – e.g., asset verification or CMMS uploading.
- **Make it a partnership.** Yes, there will always be the 20% of people who view the change as negative but find your champions and take your team on the journey. Often these contracts are issued for 3+ years and to ensure you get the best out of both teams, everyone should feel included and supported.





# Outsourcing is a team sport!

Outsourcing is often forced upon staff by procurement, finance or senior leadership. However, it should not be looked upon as a 'bad thing'. When planned and executed properly, outsourcing has many benefits include, but not limited to:

- Streamlining core activities
- Increasing available labor
- Reducing overhead labor costs
- Improving production times
- Providing a wider talent pool

However, if not implemented appropriately, can lead to subsequent operational risks.







Ultimately, **both the service provider and the client need to go on a journey together to mobilise and implement a successful contract.** This may include providing a clear scope of work, developing KPIs, setting resource and budget expectations and providing specific client data to ensure the service provider is set up for success.

In all cases, **outsourcing should be looked at a partnership, not a 'quick cost saving' exercise.** These things take time and require sufficient planning and change management both internally and externally. Where possible, **specialised support should be provided, and mobilisation activities should be separated to ensure operations are not impacted.** Thus, leading to a successful implementation for both parties



# Let's Collaborate!

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Thanks for reading!



# Get in Touch!



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| Acronym      | Definition  |
|--------------|---|
| <b>CMMS</b>  | Computerised Maintenance Management System  |
| <b>DLP</b>   | Defect Liability Period   |
| <b>DMS</b>   | Document Management System  |
| <b>e.g.</b>  | Example   |
| <b>etc.</b>  | Et cetera or 'and other similar things'   |
| <b>FM</b>    | Facility Management   |
| <b>GMP</b>   | Good Manufacturing Process  |
| <b>HR</b>    | Human Resources   |
| <b>KPI</b>   | Key Performance Indicators  |
| <b>OGTR</b>  | Office of the Gene Technology Regulators  |
| <b>PM</b>    | Preventative Maintenance  |
| <b>QC</b>    | Quality Control   |
| <b>QMS</b>   | Quality Management System   |
| <b>RACI</b>  | Responsibility, Accountability, Consulted, Informed   |
| <b>RFI</b>   | Request for Information   |
| <b>RFT</b>   | Request for Tender  |
| <b>SMART</b> | Acronym for the following criteria: Specific, Measurable, Achievable, Relevant and Time-Bound |
| <b>SOP</b>   | Standard Operating Procedures   |
| <b>TGA</b>   | Therapeutic Goods Administration  |





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