Does size matter?

Size is a limiting factor for big *and* small contract research organisations. To triumph in the selection process, CROs must convince sponsors that they can provide a rapid, high-quality service at low cost.

Sponsors are under pressure to move drugs to market faster and cheaper than ever. One of the variables that a sponsor may consider when selecting a contract research organisation (CRO) is its size. Does CRO size matter when outsourcing projects? Is big always better or do the smaller CROs have any advantages over their bigger counterparts?

'Big is better' has been the traditional ethos of the corporate industry. Both CROs and pharmaceutical companies strive to grow bigger by organic growth and through mergers and acquisitions. The bigger CROs are able to offer unrivalled resources as well as seemingly solid financial stability. Sponsors and their outsourcing managers are more comfortable knowing that they have an easier task justifying to their upper management the use of a large, well-known CRO than a small, unknown CRO. Probably the most significant advantage of using a larger CRO is that it can act as a one-stop shop for all services. If, however, the aim of outsourcing is to gain best-in-class services across all areas, then the sponsor is ultimately compromising on this objective by choosing a single CRO across functions. In addition, one must be mindful of the price tag the resource carries, while the collapse of such corporate giants as Enron has shown that big is not always stable.

Jack Welch, the CEO of General Electric, one of the largest companies in the world, once said: 'General Electric's goal is not to become smaller but to get that small-company soul and small-company speed inside our big-company body'. The trend in clinical trial outsourcing also suggests that the smaller CROs are now deemed more responsive, more accessible and less bureaucratic compared with the larger ones.

Big is not necessarily beautiful

So, why are sponsors becoming disheartened with the traditional big CROs? Increasingly cost-conscious sponsor companies have realised the potential inefficiencies in big CROs, such as lack of flexibility, variability in quality of staff, poor communication, inefficient and bureaucratic internal processes, reluctance or slowness to adapt, lack of customer focus and, of course, cost.

Smaller CROs, on the other hand, tend to be faster-paced and more innovative, with entrepreneurial management and employees. Better employee retention rates provide an excellent opportunity to build long-term relationships; while clearer channels of communication, fewer levels of filters and increased frequency of contact all help in building trust between the CRO and its customer.

Evolution and adaptation

Small CROs are continuously evolving and reacting to market trends much faster than their bigger relatives. Some CROs have adapted to accommodate the emerging markets such as Central and Eastern Europe and Latin America; some have focused on therapeutic areas; while others have taken on board electronic data capture, clinical trial management systems and web-based solutions. Small CROs also recognise their lack of global coverage and have formed alliances with other CROs to create global virtual CROs offering best-in-class full service across the globe.

> The CROs that prosper will be those that overcome their limitations.

There is no doubt that small CROs are gaining on big CROs, which are themselves now restructuring into semi-independent, therapeutic groups or functional areas to take advantage of the 'small company' structure. CROs must put forward convincing arguments that they can provide a better, faster service at low cost. While size is a limiting factor for both big and small CROs, it should not be the only factor in the CRO selection process. The CROs that prosper will be those that overcome their limitations. ■

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