

Labcorp Drug Development Recognized for

2021

Competitive Strategy Leadership

Asia-Pacific Functional Service Provider
in the Pharmaceutical Industry

Excellence in Best Practices



labcorp

Drug Development

Strategic Imperatives

Frost & Sullivan identifies three key strategic imperatives that impact the functional service provider industry: disruptive technologies, innovative business models, and transformative Mega Trends. Every company that is competing in the FSP space is obligated to address these imperatives proactively; failing to do so will almost certainly lead to stagnation or decline. Successful companies overcome the challenges posed by these imperatives and leverage them to drive innovation and growth. Frost & Sullivan’s recognition of Labcorp Drug Development (formerly known as Covance Inc.) is a reflection of how well it is performing against the backdrop of these imperatives.



Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated companies. Labcorp Drug Development excels in many of the criteria in the functional service provider in the pharmaceutical industry space.

AWARD CRITERIA	
<i>Strategy Innovation</i>	<i>Customer Impact</i>
Strategy Effectiveness	Price/Performance Value
Strategy Execution	Customer Purchase Experience
Competitive Differentiation	Customer Ownership Experience
Executive Team Alignment	Customer Service Experience
Stakeholder Integration	Brand Equity

Dedicated Functional Teams Supporting Effective Client Management

As the drug development market continues to expand in Asia-Pacific, pharmaceutical and biopharma customers need insourcing support via functional service providers (FSPs) to rapidly scale their workforce and keep pace with changing business demands. Through flexible insourcing models, customers can optimize their level of operational control and distribute risk across development portfolios. Increasingly, Asia-Pacific customers are partnering with FSPs to enhance traditional working models, resulting in increased value sharing, greater support, and access to expertise through outsourcing and insourcing FSP models.

The Labcorp Drug Development (Labcorp) FSP model (FSPx) offers a number of configurable service delivery arrangements based on each customer’s unique needs and preferences. By driving the progression toward enhanced working models, the Labcorp FSPx team has transitioned key accounts from traditional full-time equivalent (FTE) models to embedded employee and enhanced FTE input-based models. As a result, it increases the value created for customers. In the embedded employee model, the customer retains overall accountability, responsibility, and direction of a given study, including the provision of direct management and work assignments to the assigned resources. With an enhanced FTE model, the customer retains overall accountability, responsibility, and direction of the study while the Labcorp team is responsible for liaising with the customer and creating work assignments for the assigned resources. Overall, FTE models create a strong productivity and efficiency focus through the direct correlation of FSP provider costs and service outputs.

Moreover, Labcorp’s internal Asia-Pacific recruitment and talent advisor team offer a scalable service delivery model with a record of rapid response to fluctuating hiring demands. The team has a record of success due to its dedicated local expertise and well-established sourcing channels across the region. The company’s strategy focuses on clearly delineating the customer and Labcorp’s team members’ roles and responsibilities, allowing for consistent information sharing to facilitate decision-making at the project team and senior management level. The company’s emphasis on unique customer engagement and value delivery is driven by dedicated functional teams with effective alliance management. Labcorp’s goal is to create a

true partnership between the customer and its FSP team, resulting in open, continual, and flexible communication to ensure progress in a streamlined matter for the clients' betterment.

Managing Cultural Shifts to Sustain Growth

Labcorp's superior market position in Asia-Pacific results in exceptional human capital and the ability to transform key challenges into strengths through best practices. The company regularly benchmarks its salary structures, internal promotions, performance incentives schemes, training, and technology solutions specific to the FSP environment per the market.

The following examples embody the successful practices that have helped Labcorp sustain strong growth momentum over the past two years. Specifically:

- a) **Recruitment:** Securing the right talent at the right time is critical. Through proactive market engagement and candidate qualification to launching a compelling offer, the company has generated more than 640 new hires to its Asia-Pacific FSP team in 2020.
- b) **Retention:** Retaining top talent in highly competitive markets is challenging. With the delivery of its compelling offers along with a positive end-to-end quality control system, the company cultivates a competitive climate.
- c) **Culture:** Sustaining employee engagement and customer focus is necessary to stand out in a competitive environment. Labcorp fosters an environment that links talented people with committed line managers, enabling effective coaching and growth opportunities. More than 40% of Labcorp's new hires in 2020 came from its employee referral program. Moreover, that same year, an FSP staff engagement survey indicated that 86% of Labcorp's FSPx employees shared that Labcorp is a great place to work.
- d) **Alignment:** Integrating global best practices with local expertise and social and cultural norms is necessary to thrive in the current market. Labcorp's stable and scalable regional organization embraces the local culture and works to meet the needs of its customers through a well-established regional and local management framework combined with global alignment and support.

Labcorp is planning on expanding its clinical FSP services in Asia-Pacific during the next three to five years, with a significant focus on North Asia. In particular, the company aims to capitalize on the strong growth momentum of the Chinese, Japanese, and South Korean insourcing markets by leveraging key value proposals and its market-leading position. It anticipates securing new customers by providing value creation through local and global partnerships.

Leveraging Configurable Service Delivery and Advanced Analytics Tools as Competitive Differentiators

In Asia-Pacific, Labcorp has emerged as one of the driving forces for global clinical response and recovery efforts in the face of the rapid emergence and spread of COVID-19. The company has defined a global cross-functional business continuity plan through decisive leadership across its regional Labcorp Global Clinical Development and FSPx service lines. As a result, it has created a scalable structure with guidelines, tools, and processes to support global operations and data integrity while protecting staff, customers, and patients.

The emergence of COVID-19 has also accelerated the trend towards decentralizing clinical trial management. As a result, regulators are becoming more receptive to virtual trial management and other decentralized solutions and technology (e.g., televisits). Strong FSP growth was also maintained through embedded leadership in customer organizations (e.g., the FSP provision of dedicated line managers, project managers, quality managers, and team leaders). Labcorp's robust FSP business strategy has allowed it to create a strong market presence and expand its array of services (e.g., data management and safety services).

Other key value propositions include:

- a) **The FSPx Service Line:** The FSPx service line offers a number of configurable service delivery arrangements based upon customers' unique needs and preferences. Such a customized approach offers customers and partners' greater resourcing flexibility and supports client-centric decision-making. Moreover, this close collaboration is instrumental in designing and implementing appropriate key performance indicators (KPIs), service-level agreements (SLAs), management metrics, employee engagement initiatives, and customized training for staff members in the region.
- b) **A Range of FSP Models:** Labcorp's range of FSP models (e.g., embedded employee, enhanced FTE, and unit deliverable) allows the company to retain responsibility for hiring and line management, thus providing direction to assigned resources while maintaining overall project control.
- c) **A Dedicated Recruitment Function:** The company's internal dedicated recruiting organization comprises more than 45 clinical recruitment staff members with a singular focus on matching customer requirements with exceptional staff whose backgrounds align with clients' critical needs. In 2020, the Asia-Pacific recruiting team secured 641 new hires for clinical FSP across all of its pharmaceutical and biopharma customers, with an average of 61 days from the requisition to the employee start date.
- d) **A People-focused Culture:** Labcorp's ability to build strong relationships is based upon trust and collaboration and is paramount to its customers' success. To ensure efficient delivery, the company aligns itself with cultural values and upholds the highest standards of ethics, acting with integrity, transparency, and accountability.
- e) **High-quality Staff:** Labcorp understands that its resources form the backbone for its customers' clinical operations. As a result, the company is highly selective when evaluating personnel. Labcorp's internal and dedicated recruiting organization only puts forward highly qualified personnel who align with the customers' requirements. Line managers subsequently hold the team accountable by routinely measuring staff performance and delivery models. The FSPx service line has a direct reporting structure for its information technology, quality, finance, and recruiting operations.

Furthermore, as an industry leader in FSP technology, Labcorp strategically integrates independent analytics tools such as Xcellerate, Spotfire, Business Objects XI, JReview, Cognos, SAS, Python, and Open Source languages, including R and RShiny. Frost & Sullivan notes that wielding these tools is an art form requiring well-established visual analytics principles, theories, and a talented pool of programmers. As the adoption of risk-based monitoring practices and new clinical informatics technologies become the industry standard to maintain patient safety and improve data quality, clinical research associates (CRAs) face a unique opportunity to thrive as monitors in this shifting landscape. From leveraging analytics for data-driven

decisions to adding new efficiencies with increased off-site monitoring, Labcorp is driving and supporting the evolving role of CRAs, thus advancing patient safety, risk management, and improved clinical trial execution.

Designed around a Customer-centric Approach that Correlates with Satisfaction

When instituting a pricing model, Labcorp seeks to have an open dialogue with customers to understand their outsourcing needs and expectations better. Labcorp subsequently considers tangible practices that can be implemented to improve efficiencies and achieve significant savings. For example, Labcorp can provide increased cost and time efficiency strategies in resource optimization, efficient team structures, dedicated vendor management, and plan harmonization. The company's "Designed Around You" approach provides pricing for each opportunity on an individual basis, focusing on each customer's specifications, requirements, and expectations. Such a unique approach ensures the highest degree of customer satisfaction, correlating to its significant growth in Asia-Pacific.

Moreover, the Labcorp team routinely and proactively negotiates master service agreements (MSAs), covering the full and potential future scope of services while providing a legal and contractual framework, including the relationship's financial terms. For example, once an MSA is agreed upon, an umbrella scope of work can be developed that allows a flexible approach to contracting any additional FTE role requirements. The MSA also provides the basis for study-level contracting, providing customers a streamlined, flexible process that follows an agreed-upon contractual framework. As a result, work can be started and managed expeditiously.

A Structured Approach Driving a Superior Customer Service Experience

The Labcorp team assigns a single point of contact to its clients, thereby providing streamlined communications with customers at the local level for employee performance, contract, and financial discussions. As the partnership grows, Labcorp can create a structured and dedicated alliance that allows it to streamline communication further, share best practices, and provide effective management. The company offers a wide range of services through its FSP models, and its customers collaborate on creating a delivery model that best meets their needs. Moreover, the Labcorp FSPx framework allows team members to offer customers a customized experience (e.g., from individualized proposal development and pricing to unique and modifiable KPIs, KSIs, and SLAs), ensuring quality and value is delivered and sustained.

Customer feedback is also open and timely, with direct line manager contact points and clear escalation steps. The result is swift follow-up once opportunities and challenges are identified. Furthermore, well-established executive oversight and support frameworks provide higher-level oversight, ensuring customer relationships receive all of the necessary attention, support, and resources needed to maximize client value. Resources and key quality and performance metrics are overseen by a purpose-built governance model, with each customer relationship including a partnership lead to manage the work portfolio and functional leads to serve as the primary point of contact. Understanding customers' needs across the region and advocating for those clients internally is critical to the company's successful partnerships, and is evidenced in its significant and sustained growth across the FSPx organization in 2020.

Leveraging Regional Commitment to Generate Strong Brand Equity

Labcorp provides end-to-end drug development, medical devices, and diagnostic services ranging from early-stage research to clinical project management. The company's team currently has approximately 28,000 employees worldwide and a global network of operations. Moreover, Labcorp has in-depth expertise in supporting clinical project-related activities, inclusive of FSP, in approximately 100 countries. The studies include various therapeutic areas such as oncology, hematology, immunology, cardiovascular, gastroenterology, allergy, urology, endocrinology, pediatrics, and ophthalmology.

Labcorp has also taken part in the creation of each of the top 50 bestselling medicines in the market. The team has considerable experience in carrying out global studies in Asia-Pacific and has established a strong relationship with the regulatory authorities and key investigators by maintaining excellent standards and managing quality clinical studies. Labcorp's strong presence in Asia-Pacific for more than 30 years is a deliberate, strategic commitment to the region. Asia-Pacific remains a focus of future investment for its clinical development services.

Overall, Frost & Sullivan finds that Labcorp's FSPx teams' more than 20 years' experience in delivering flexible resourcing and key functional services to the pharmaceutical industry (e.g., clinical monitoring, drug safety, study and clinical data management, and biometrics) make it a valuable asset to the Asia-Pacific market. The FSPx group employs more than 5,800 research professionals worldwide under its flexible resourcing agreements, ranging in size from a few dedicated FTEs to upwards of over 1,000 FTEs, further adding value to its already-impressive service portfolio.

Conclusion

In the highly competitive functional service provider (FSP) market, Labcorp stands out due to its ability to efficiently and cost-effectively support patient safety, risk management, and the conduct of clinical trials. With its proven ability to leverage analytics to drive data-driven decision-making and new efficiencies to extensive expertise in supporting clinical project-related activities inclusive of FSP, full outsourcing, and laboratory services in approximately 100 countries, Labcorp offers unparalleled value. Moreover, a high-quality team, customized client approach, and overall strong regional focus drive growth for the FSP business within Asia-Pacific.

With its strong overall performance, Labcorp Drug Development earns Frost & Sullivan's 2021 Asia-Pacific Functional Service Provider Pharmaceutical Competitive Strategy Leadership Award.

What You Need to Know about the Competitive Strategy Leadership Recognition

Frost & Sullivan's Competitive Strategy Leadership Award recognizes the company with a stand-out approach to achieving top-line growth and a superior customer experience.

Best Practices Award Analysis

For the Competitive Strategy Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Strategy Innovation

Strategy Effectiveness: Effective strategy balances short-term performance needs with long-term aspirations and overall company vision

Strategy Execution: Company strategy utilizes Best Practices to support consistent and efficient processes

Competitive Differentiation: Solutions or products articulate and display unique competitive advantages

Executive Team Alignment: Executive team focuses on staying ahead of key competitors via a unified execution of its organization's mission, vision, and strategy

Stakeholder Integration: Company strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

