

CASE STUDY

From 300 to 3: Pharmaceutical Giant Consolidates Worldwide Facilities Management Services



Client:	GlaxoSmithKline
Matter:	Outsourcing contract strategy, structuring and negotiation
Area of Law:	Outsourcing
Result:	Significantly increased profits and efficiency for GSK by replacing more than 300 worldwide service providers using unique contracts with a select number of global providers using standardised agreements.



The Opportunity

UK-headquartered GlaxoSmithKline (GSK) is a FTSE 100-listed research-based pharmaceutical company that employs 99,000 people in more than 100 countries. GSK has a seven percent share of the world medicine/medical product market and, through its consumer health division, sells products under household-name brands like alli, Ribena, Horlicks, Lucozade, Aquafresh, Sensodyne and Panadol.

GSK has grown both organically and through acquisition, contracting service suppliers one at a time as the need arose. By the time it enlisted Pillsbury's help, GSK's facilities management services spanned 300 suppliers across multiple sites and product lines, each with its own locally developed service levels and pricing models. GSK sought to simplify its operating model with a standardised, scalable solution with consistent, measurable service levels delivered through a few global providers.

The Challenge

The scale of the project added significant complexity to the lifecycle aspects of the arrangement—from strategy, due diligence, contracting and transition to operational management and global rollout. GSK selected Pillsbury's Global Sourcing & Technology Transactions team to advise on the deal, and brought in consultants EquaTerra and Faithful & Gould for additional insight.

At the outset, the key challenge facing the Pillsbury team was determining the performance measures and deal structure that would satisfy the divergent needs of stakeholders within GSK (executive sponsors, site managers and operational teams) as well as suppliers hailing from multiple countries.

Further, GSK elected to consolidate its 300 local suppliers to just three global providers—one for “hard” services (e.g., operations and Helpdesk), “soft” services (e.g., cleaning and food service), and security—and to simultaneously negotiate implementation agreements with each.

The Result

The Pillsbury team focused on providing GSK a more streamlined operating model as well as accountability from its service providers. Key benefits achieved were:

Global standards

Standard “Statements of Work” were developed to describe the facilities management services to be delivered globally. Under the SoWs, each supplier performs the majority of the services needed and only engages third-party suppliers for specialised activities. Along with robust service levels and regulatory standards, the SoWs simplified provider management.

Flexibility

The contracts provided the ability to scale service models up or down to suit business needs via rate schedules for all providers. This enabled GSK’s global site portfolio to be brought into scope in a staggered fashion, dictated by business need, priority and readiness.

Simplified governance

The development and delivery of standard processes and procedures also enabled a consistent global governance regime, change management and controls.

Innovative pricing mechanisms

Each supplier’s costs were set as annual “target costs”, allowing contractors to share in the profit or loss associated with the delivery of their goods and services. In this way, suppliers are motivated to develop cost-saving efficiencies, better aligning the goals and requirements of GSK and its suppliers.

Taken together, Pillsbury helped GSK achieve a truly innovative approach to managing its service providers—saving costs, ensuring simplicity and encouraging efficiency.

On behalf of its work for GSK, Pillsbury was awarded the “Best Multi-Sourcing Project of the Year” at the 2010 European Outsourcing Association Awards.

Our Global Sourcing & Technology Transactions Practice

Pillsbury’s Global Sourcing & Technology Transactions practice offers an integrated consulting/legal advisory model that is pioneering, deliberate and proven by our years of experience, including:

- Two decades of innovative and landmark work
- A clientele that includes nearly 30% of the Fortune Global 100
- More than 1000 major transactions, with a value surpassing half a trillion dollars

Pillsbury is an acknowledged leader in the field of outsourcing. The practice has been named to the International Association of Outsourcing Professionals list of “World’s Best Outsourcing Advisors” every year since 2010.

In addition, several of our attorneys have been independently ranked among the best, including multiple “top five” rankings in the *Chambers Global, UK* and *USA* guides.