PharmaVOICE

THE FORUM FOR THE INDUSTRY EXECUTIVE

Volume 4 • Number 10

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PharmaVOICE is published 12 times per year by PharmaLinx LLC, P.O. Box 327, Titusville, NJ 08560. Application to mail at Periodicals Postage Rates is pending at Titusville, NJ 08560 and additional mailing offices.

Postmaster: Send address changes to PharmaVOICE, P.O. Box 327, Titusville, NJ 08560.

PharmaVOICE Coverage and Distribution: Domestic subscriptions are available at $190 for one year (12 issues). Foreign subscriptions: 12 issues US$360. Contact PharmaVOICE at P.O. Box 327, Titusville, NJ 08560. Call us at 609.730.0196 or FAX your order to 609.730.0197.

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Managing the partnership

As pharmaceutical companies struggle to maintain lofty growth rates while plugging holes in their piplines, alliance-based R&D and commercialization strategies offer the best hope, according to analysts at Cutting Edge Information.

Analysts say recent fixes only go so far: returns on pharmaceutical mergers and acquisitions, for example, have proven short-lived. Further, many analysts condemn firms' R&D productivity and point out that current drug pipelines show little promise of replacing current blockbusters.

Partnering capabilities — the ability to advance products from both internal and external developers — are rapidly rising in strategic importance. According to Cutting Edge's research, in some top organizations more than 25% of revenue comes from products brought in from elsewhere, and this trend is increasing. For example, one company aims to fill 50% of its pipeline with in-licensed and codeveloped drugs.

Estimates from McKinsey & Co. point out that of the top 25 drugs today, 12 were discovered or developed by a company other than the one that launched them. According to a recent company survey of senior business-development managers in the pharmaceutical industry, 85% expect the number of alliances to increase during the next five years.

But simply forging partnerships does not solve the industry's problems. Bringing drugs to market and then marketing those products more than ever hinges on how well alliances are managed from a strategic, operational, and organizational standpoint. It takes considerable efforts by all parties involved to unite dissimilar structures, business processes, decision-making procedures, technical systems, and cultures. By some estimates, only one out of every three alliances meet expectations, Cutting Edge analysts say.

"Purdue represents what I think is part of a larger trend in the last 10 years," says Allen Downs, executive director of license and business development, at Purdue Pharma L.P. "What started out as discovery-based alliances are now copromotion alliances because of the competitiveness and rapid launch of products in certain very intensive categories. Companies have realized they can't buy their way to success, especially if they want rapid success. And now that time is a precious commodity, they realize they need to align themselves with others who can support their success either at the discovery and development stage or in the marketplace. We will see more and more alliances."

We realize that relying entirely upon an internal R&D organization can limit the company's growth and does not fully leverage the resources of our company or help us build our business going forward.

"Getting it right," Cutting Edge researchers say, has become critical for business development and licensing teams in every single company.

Under pressure to win top deals, these groups are rapidly evolving their tactics, structures, processes, and resource allocations; almost 75% of the business development and licensing groups examined in a recent research study had recently restructured or have plans to.

According to Christophe Degois, senior director of global alliances and operations at Genentech Inc., as the number of alliances increases, companies are going to pay more attention to alliance management.

"Companies are putting processes in place to make sure the alliance is going to succeed," he says. "At Genentech we have a core team that is matched with the core team at the partner and, at the beginning of the collaboration, we plan a conflict-resolution process."

Taren Grom
Editor