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Real innovation is the name of the game—products and technologies that specifically meet a previously unmet medical need, and therefore unequivocally attract needed funding. Market access and maintenance are knowledge-based, cross-functional processes, which leading pharma companies must implement immediately.

Financial considerations

Lower internal productivity has resulted in the pharmaceutical industry having to change the way it accesses the external assets it needs for future growth. Most of the innovative products are now coming from hundreds of emerging companies worldwide. The objective is no longer solely to identify the right asset, but to get access and secure it through more and more complex deals and value-sharing partnerships.

Questions to ask

In this changing environment, resource allocation will be a key parameter for success. Should I spend internally or acquire externally, and should I eventually divest some assets? Are the financial markets efficient? How can I efficiently track thousands of ongoing projects around the world? How can I become swift enough to grab assets before others do? How can I manage my portfolio and my risk more efficiently?

Most large corporations still rely exclusively on internal resources to identify, assess, and track innovation. They also tend to search for a similar size target, and are therefore discouraged by having to make several small deals instead. This is changing with the emergence of partnership initiatives with specialized advisory firms bringing a blend of deep sector knowledge and strong financial and deal-making capabilities. These partnerships allow for more flexibility and reactivity—two key success factors for a corporate development strategy in the years to come.

Operational activities

The pharmaceutical industry is rethinking itself from all angles simultaneously. The required restructuring and adaptation will require tremendous effort to implement operationally. Today, management has no other option but to adapt, and this includes executives at all levels. From CEOs to CFOs, to heads of R&D, no one is unaffected. This highlights a difference in pharma compared to other industries: while most industries re-engineer in stages, pharma is going through changes in all areas of the organization simultaneously. In addition, the key to success will be speed—something the industry has not been known for historically.

Why this simultaneous change?

In almost all companies, the drug development process and the R&D infrastructure will look vastly different five years from now. The biotech revolution is here, and yet some companies have been slow to move in this direction, a surprising fact considering that more than 50 percent of new drugs are now biopharmaceuticals.

As new types of drugs come to market, the impact on sales force organization will be formidable. Most new drugs introduced to the market today are hospital-based instead of community-based, as they were in the past. There is also an increasing shift toward personalized medicine. This shift has resulted in significant sales force cuts, sometimes by more than 50 percent, as these targeted drugs need the support of a smaller number of sales people. The days of thousands of primary care reps are numbered.

Manufacturing operations are also in transition. Historically, the industry has seen itself as needing to be in control of manufacturing, and has been willing to put huge asset costs on the balance sheet. Currently, because of pressure to reposition R&D assets—



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and increased opportunity to outsource—many companies are spinning out their manufacturing operations.

It won't take revolutionary competencies to capitalize on the opportunities of the current. What it will take is a new form of networked growth, horizontal collaboration, and decision-making so that all functions are working together in parallel rather than sequentially. It is clear that management teams need specialized external support and assistance to implement tailored changes rapidly and simultaneously in order to avoid being left behind.

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