Creallaborations: Pharma Starts Thinking Outside the Pill Box

Creative non-pharmaceutical partnerships can offer innovators unique capabilities against the competition in a new era where challenges to market leadership are coming from every direction.

Previous columns in this series have underscored how the industry's transition into the competitive stage of its lifecycle has changed virtually every aspect of pharma's traditional business models. Despite this transition into an entirely new era, many companies continue to use old business models to compete, including "customer-centric" regional sales realignments; hasty, belated initiatives to tap opportunities in emerging markets; and endless corporate level reorganizations. These attempts routinely fail because companies have been slow to recognize that new *competitive* models—not new commercial ones – are critical to winning in this time of market churn.

However, there are a few truly pioneering companies who are thinking outside of the (pill) bottle by initiating creative competitive collaborations, or what I term "creallaborations." Creallaborations can be defined as potential game-changing partnerships with non-pharmaceutical organizations that complement, enhance, or help a pharmaceutical company reshape its competitive landscape or achieve breakthrough results. These alliances confer unique competitive capabilities or advantages that the company could not obtain internally, through unique expertise in efficiencies, processes, relationships, or technologies.

Stan Bernard, MD, MBA, is President of Bernard Associates, LLC, a global pharmaceutical industry competition consulting firm. He can be reached at SBernardMD@BernardAssociatesLLC.com.

The GlaxoSmithKline (GSK) partnership with the McLaren Group and the Teva-Proctor & Gamble joint venture are two recent examples which highlight the benefits of such creallaborations. With dramatically increasing competition and payer pressures, GSK realized that it could no longer depend solely on its traditional marketing prowess to gain competitive advantage. The company identified three new "winning market factors" essential to competing in the future: speed to market, market adaptability, and cost efficiencies. GSK then identified a potential partner which excelled in all three areas: the McLaren Group, a leading global Formula One racing car company. In September 2011, GSK CEO Andrew Witty announced a five-year partnership with McLaren to help GSK "innovate and rapidly respond to change and competitor activity...This partnership is another example of GSK looking outside its sector for inspiration and fresh perspectives on how we can achieve our strategic goals."

The GSK partnership with the McLaren Group and the Teva Proctor & Gamble joint venture are two recent examples which highlight the benefits of creallaborations.

McLaren is recognized for high-speed, results-driven race car performance based on real-time monitoring, sophisticated system analytics, and flexible, just-in-time decision-making competencies. McLaren has used such engineering and technical expertise to simulate, monitor, assess, and enhance the performance of every single component within its cars during a race. In fact, McLaren's supercomputers can process telemetric data simultaneously from over 3,000 Grand Prix car races.

GSK plans to apply this powerful technology to significantly improve its global efficiency, productivity, and adaptability in supply chain management and clinical research. To help facilitate this knowledge and technology transfer, the two companies will jointly build and leverage the "McLaren GSK Centre for Applied Performance." The facility will train GSK employees to deliver world-class results across its 2,000 production lines in 80 global factories. In addition, the GSK nutritionals division will construct an all-new mission control facility at its London headquarters modeled after McLaren Racing's own Formula 1 race-strategy mission control center. The facility will help expedite management and decision-making for wholesaler stocking, inventory management, pricing, customer responses, and competitor activity. GSK will also evaluate how McLaren's system of in-car driver communications can be applied to modify and expedite clinical trials.

McLaren Group's Executive Chairman Rod Dennis summarized this approach by stating that "this all-new collaboration between McLaren Group and GSK—McLaren's first ever such association with a major pharmaceutical corporation—represents a strategic partnership that engages two great British companies at a variety of levels across a number of disciplines in a multi-faceted and ground-breaking way. Specifically, our intention is that GSK will harness McLaren's world-beating Formula-1 bred technology processes and operational dynamism, in order to enhance its performance across a wide variety of its divisions in a way that none of its competitors can match."

Photo Credit: GlaxoSmithKline

Strange bedfellows: GSK CEO Andrew Witty and Ron Dennis, Executive Chairman of McLaren Group hope to add some horsepower to GSK's supply chain management and clinical research programs.

Teva taps the consumer world's biggest brander

Despite being the world's leading generics company, Teva Pharmaceuticals also recognized the need to adapt its competitive business model. Teva is increasingly competing with not only generics but also branded products, which innovators are continuing to promote after patent expiry to supplement flagging sales. Brand versus generic battles are particularly fierce in the growing emerging markets, where price differentials are smaller than the United States and consumers have strong brand recognition and loyalty. Consequently, Teva needed to dramatically enhance its branding capabilities, product portfolio, and global reach.

To that end, Teva formed a global joint venture in November 2011, called PGT Healthcare with Proctor & Gamble (P&G), the world's recognized leader in product branding. The two companies will combine their two global over-the-counter (OTC) businesses with plans to build a $4 billion business leveraging P&G's strengths in consumer research and marketing, with Teva's experience and relationships with regulators and pharmacies. The joint venture will pool Teva's active pharmaceutical ingredients with P&G's recognized brands to create novel OTC products, such as new Vick's allergy relief combination products and line extensions.

Leaders of the two companies have publically emphasized PGT's competitive advantages, stating that their combined capabilities are "unmatched in the industry" with "one of the broadest and deepest OTC product portfolios and geographic footprints." However, Teva's primary underlying motive is to learn and apply P&G's best branding practices globally to its growing portfolio of branded generics and OTC products and, ultimately, its innovative products. "P&G has demonstrated it may be better than anyone...when it comes to branding, [which] increases the efficiency and the success," said Eli Shani, PGT's chief operational officer.

The five steps to creallaborations

These are only two high-profile examples of creallaborations being developed in the pharmaceutical industry. Pharmaceutical companies seeking to enhance their competitive models and positions should adopt a five-step "Creallaboration Framework" for creating innovative collaborations:

- Creallaboration analysis—Identify and prioritize the Winning Market Factors in a particular competitive space to determine essential new corporate capabilities.
- Creallaboration brainstorming—Brainstorm and broadly analyze potential non-pharmaceutical partners and their capabilities to select the best potential matches.
- Creallaboration contests—Conduct scenario analyses, innovation tournaments, or competitive simulations to test potential company and competitor collaborations.
- Creallaboration actions—Quickly explore and execute on selected creallaborations.
- Creallaboration monitoring—Develop clear objectives and parameters for evaluating and refining such initiatives.

Pharmaceutical companies and professionals that recognize the importance of identifying and leveraging unique, first-in-class capabilities from other industries and partners will gain significant first-mover advantages, resulting in a much more competitive and timely business model. PE