Making strategic pharma collaborations happen

So how can businesses determine whether strategic collaborations are an appropriate consideration for them? And once they have, how can they catalyse the opportunity to make collaborations happen? It's a complex process that requires methodology, objectivity and trusted relationships.

To start the process of considering strategic collaborations pharmaceutical companies need to view their complex businesses across four distinct units:

- **R&D assets**
- **R&D capabilities**
- **On-market assets**
- **On-market capabilities**

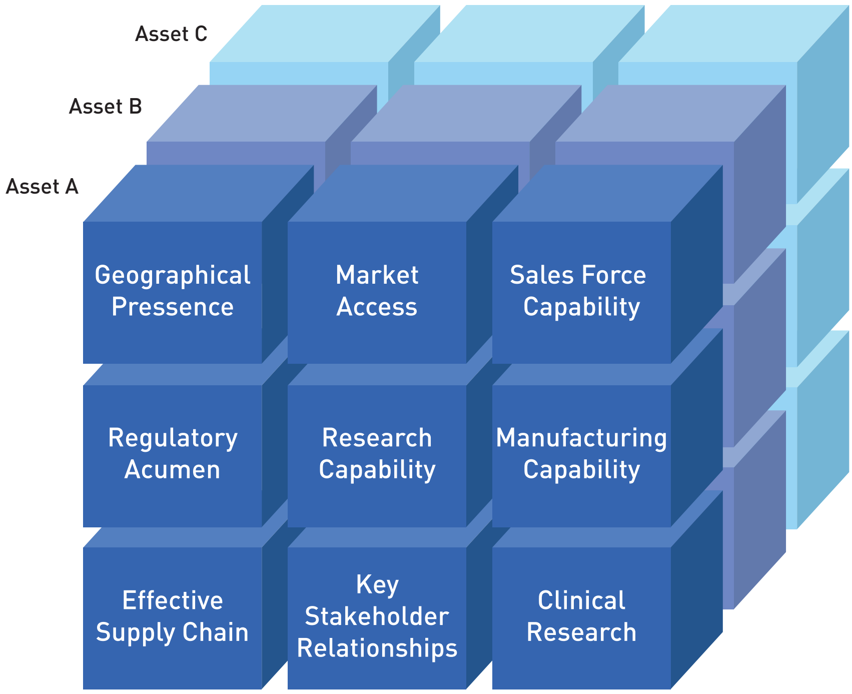
Each of these units drives value and is eminently tradable. We define them as 'Units of Transactable Value'. They're at the root of transformative strategic collaborations, and to trade them effectively requires companies to know themselves, know their market, and make their moves.

Step One: know thyself

To identify opportunities for strategically focusing their business, organisations must have a profound and critical understanding of their own Units of Transactable Value. It is only by securing a "partners-eye" understanding of the strengths, weaknesses and value of its internal assets and capabilities – right across the value chain from R&D through to manufacturing and commercialisation – that a company can determine how attractive it is to potential partners and what it really needs to trade. Critical assessment can help identify areas where a business may be 'sub-scale'. More importantly, opportunities can emerge to create greater value with the assets and capabilities the company has already got.

Naturally, identifying and valuing assets is familiar territory for pharma. It's eminently straightforward. However, the same cannot be said of capabilities, which are often harder to define and equally difficult to value. The relationships between assets and capabilities are multi-dimensional and complex; a company's capabilities are aligned within and between assets, making it essential to understand the individual parts and the relationship between the two. Structured thought is key, at Novasecta we have found that clarity can be supported by reducing down the complexity to manageable elements:

Illustrative asset and capability matrix



Despite the undeniable importance of robust self-awareness in defining strategic focus, many companies lack a clear and objective view of their capabilities and their associated value to potential partners. This makes collaborations harder to ignite. In reality, such evaluation is therefore best carried out through an honest, critical and informed dialogue between executives and their most trusted and experienced external advisers.

Step Two: look at the relevant partnership space with fresh eyes

The second phase of unlocking strategic collaboration is to identify potential partners. This is a complex process that requires a deep knowledge of the marketplace and a broad understanding of the assets and capabilities that competitors may be prepared to put 'on the table' for collaboration. Naturally, this is difficult. There is no open market for companies to disclose where their organisations are sub-scale or indeed to indicate willingness to divest parts of their business. Moreover, although communications between CEOs are generally warm and supportive, it's highly unusual for leaders to share sensitive strategic information or discuss areas of corporate vulnerability with peers.

Again, a structured and experience-based approach is key, allowing a bespoke and sophisticated segmenting of potential targets based on both analytical evidence and subtle understanding of the motivators and drivers of other companies Proxy measures can be used to improve decision-making in this area. These could include pipeline data, R&D intensity, on-market product/portfolio sales, geographical footprint and divisional headcount. Likewise, in companies that have made a significant strategic shift – for example, a move from one therapy area to another – it's a reasonable assumption that they may have legacy products or capabilities that they're willing to trade or divest.

With the right partner, proven methodology and clear decision criteria to support partner identification, it's possible to build a shortlist of potential targets for collaboration. Once established it's then a case of mapping capabilities and assets to develop deal hypotheses and rationales that may resonate with specific prospective partners.

Step Three: make your move

The sensitivities of brokering strategic collaborations mean that the final step is wholly dependent upon courage and trust. This is an exploratory and open dialogue, a long way away from pitch decks and mandates. Ideally, initial discussions with target companies will preserve the anonymity of the enquiring business, leading to a more open and honest view of deal feasibility and requirements.

Novasecta's experience in catalysing collaborations for clients is that a trusted and anonymous dialogue with a CEO or BD Head based on an initial well-reasoned deal hypothesis yields concrete interest and disclosure of additional deal hypotheses. This allows our clients to leverage the insights from such dialogues to inform – and, if necessary, change – their strategic approach. By opening the door to collaboration – irrespective of whether they choose to walk through it – organisations can benefit from real-world insights that might encourage them to rethink strategic goals. This, once again, underlines the emphasis on strategy that is inherent in collaborations – an emphasis that distinguishes it from more transactional deals.

Naturally, in the event of discussions with a potential partner becoming more advanced, dialogue is 'best unblinded' – freeing the two companies to engage, negotiate and agree directly based on an excellent starting hypothesis.

Catalysing strategic collaborations

The need for strategic collaborations across the pharmaceutical industry has never been greater. However, they are incredibly difficult to do well. Successful collaborations rely on trust, clear deal hypotheses and – crucially – courage. One of the parties has to be brave enough to propose something that is not publically available that could be of interest to another party – and this alone dictates the need for strong trust between CEOs to enable open and honest discussion of future possibilities.

In fact, the CEO is integral to the success of any potential collaboration.

CEOs know that it is their responsibility to shape the strategic focus of their business to drive value creation and growth. The most entrepreneurial recognise that they must seriously consider spin-outs, divestments and out-licensing as well as acquisitions, asset transactions and joint ventures. However, forging successful strategic collaborations requires much more than a willingness to consider innovative growth models – it requires commitment, engagement and leadership.

The good news is that strategic collaborations can be done. Our experience is that through the addition of our experience, analysis, strategic creativity and trusted CEO network our clients are catalysing strategic collaborations that would not otherwise have been considered. And in pharmaceuticals a collaborative industry will always beat an overly consolidated one.