

The Importance of Foreign Strategic Partnerships for Pharma Companies: Saidal Groupe Case Study

أهمية إستراتيجية الشراكة الأجنبية للمؤسسات الدوائية: دراسة حالة مجمع صيدال

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Abstract:

This research paper seeks to identify the importance of foreign strategic partnerships for pharma companies in general, and saidal group in particular. Accordingly, a descriptive and analytical approach was included to address the various aspects of the topic. The results revealed that pharma companies such as Saidal group forging foreign strategic partnerships to transfer of complementary technology and patents, developing new products, and Enhance Productivity and Sales.

keyword: Foreign Strategic Partnerships; Pharmaceutical Industry; Saidal Group.

JEL classification code : D74, I11

ملخص:

تسعى هذه الورقة البحثية إلى تبيان أهمية إستراتيجية الشراكة الأجنبية بالنسبة للمؤسسات الدوائية بصفة عامة، بالنسبة لمجمع صيدال بصفة خاصة، حيث تم الإعتماد على كل من المنهج الوصفي والتحليلي في معالجة مختلف جوانب الموضوع. وكشفت النتائج المتوصل إليها أن المؤسسات الدوائية على غرار مجمع صيدال يقيم شراكات إستراتيجية أجنبية لنقل التكنولوجيا التكميلية وبراءات الاختراع، وتطوير منتجات جديدة، وتعزيز الإنتاجية والمبيعات. الكلمات المفتاحية: إستراتيجية الشراكة الأجنبية؛ الصناعة الدوائية؛ مجمع صيدال.

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1. Introduction :

Despite large investments in the pharmaceutical industry, pharma companies all over the world continue to dramatically face marked plummeting productivity, skyrocketing of R&D costs, dissipating patents, and dwindling pipeline. Hence, where the knowledge base is both complicated and expanding and the sources of expertise are widely scattered, it's hard for a single firm to guarantee all the internal capabilities required to provide newly discovered drugs as well as, to maintain the availability of past discovered ones regardless of the size of the company or R&D budget is. Thus, it's always good to forging mutually beneficial collaborations with other pharma companies. Such partnerships are crucial to facilitate resource sharing, know-how, expeditious and cost-effective.

Accordingly, collaborations between pharma companies, such as foreign strategic partnerships have become a crucial element of business model in the pharmaceutical industry in recent decades and a key activity for pharma companies. In this context, this study attempt to answer the following main question:

– Why the need for pharma companies such as Sidal group to forging foreign strategic partnerships?

In order to guide the research and remove it from dispersion and generalities, the following hypotheses were formed:

- Pharma companies such as Sidal group forging foreign strategic partnerships to transfer complementary technology and patents.
- Pharma companies such as Sidal group forging foreign strategic partnerships to developing new products.
- Pharma companies such as Sidal group forging foreign strategic partnerships to Enhance Productivity and Sales

The focus of this research is to investigate and examine the following:

- The importance of foreign strategic partnerships for pharmaceutical companies in general, and saidal group in particular.

- The factors leading to foreign strategic partnerships in pharmaceutical industry.
- Sidal's Foreign Partnership Agreements.

2. Theoretical Framework:

2.1. Foreign Strategic Partnership in Globale Pharmaceutical Industry:

Pharmaceutical industry is a highly collaborated business in which pharma companies leverage foreign strategic partnerships to advance their drug portfolios from discovery through commercializing. It is useful first to understand the meaning of foreign strategic partnership, according to (Segers, 1993, p. 273) the term refers to "those agreements that focus on a long-lasting effect on the product-market positioning of participating companies". However, (Mentzer et al., 2000, p. 550) defined foreign strategic partnership as an "on-going, long-term interfirm relationship for achieving strategic goals, which delivers value to customers and profitability to partners".

In this study, a foreign strategic partnership is defined as a long-term cooperative relationship between two or more independent pharma companies from different countries seek to achieve common strategic goals. It has been well known that big pharma and biotechs benefit from foreign strategic partnerships to extend into new markets or expand their pipelines without having to invest in internal discovery and development costs. In return, smaller companies are provided with the funding required to move their businesses forward and establish themselves in the industry. Hence, no single company has the scale and expertise that guarantee all the internal capabilities required on its own, especially facing a challenge with the size of the emerging Coronavirus disease (COVID-19). This has consequently brought companies together with a new collaborative spirit (see fig. 1).

Fig.1: Total Pharmaceutical Partnership Agreements during 2019-2020

Source: Authors' elaboration depending on (Biomedtracker, 2020, p. 03)

The first quarter of 2019 featured 110 partnership deals (valued together at \$35.95bn). During Q2 2019, there was a slight decline in the number of deals to 95 and the aggregate deal value dipped to \$24.8bn. However, in the opening quarter of 2020, deal volume rebounded with 173 transactions and deal value increasing to \$40.6bn; by Q2 2020, the numbers escalated further with 219 partnerships together valued at \$44.1bn (Biomedtracker, 2020, p. 03).

2.3. Motives for Foreign Strategic Partnership Among Pharma companies:

Pharma companies use foreign strategic partnerships to gain a number of operational and financial advantages which can be summarized in the next table.

Table 1: The factors leading to foreign strategic partnerships

<i>Product performance Produce</i>	<i>Position in the sector Construct</i>	<i>Capabilities and competencies</i>
Produce using the most recent technologies.	Construct position in the sector.	Access to new opportunities through a constant flow of innovation.
Marketing beyond national borders.	Consolidate position in the sector.	anticipate rivals to maximize the creation of value
Sales based on product performance.	Economies of scale and Scope	reduce total cost for the product or client segment.
/	/	acquire advantages in responding to changing conditions and emerging opportunities

Source: adapted from (Išoraitė, 2009, p. 42)

3. Pratical Framework:

3.1. Overview: Who is Saidal?

Saidal Group is an Algeria-based big pharma company with a long history in developing, producing, and commercializing pharmaceutical products for human uses, both in the local pharmaceutical industry and in the African context. The group was established in 1982 by the state with a capital of 2.5 billion dinars, following the restructuring of the Central Pharmacy of Algeria (CPA) which contributed to Saidal’s development into a manufacturing company with three divisions (Pharmaceutical, Antibiotics, and Biotech).

As the national leader of generic medicine, Saidal has the role of contributing as much as possible to prevent, treat and improve the quality of citizens’ life while meeting the major medical needs (Saidal Group, 2020a). The group achieved an important stage of developments that required to be stating:

- Manufacturing its own branded generic medicine;
- Manufacturing medicines under license from global pharmaceutical companies;
- Expanding its range of products (Saidal currently sells a range of 215 drugs all forms and dosages confused, represented in 21 therapeutic classes);
- Offering medicines and similar products of better quality, at competitive prices;
- Developing partnership agreements with foreign companies, and increasing the marketing and sales effort (Group Saidal, 2014, p. 04).

After three decades of intense activity, Saidal is now known as an important actor and instrument of national public health policy in Algeria. Within its primary mission, the group aims for a lead position in the pharmaceutical industry in Algeria, and seeks to be a key player in open to new technologies and innovation highly competitive environment, with constant concern to preserve its brand and its sustainability.

3.2. Saidal's Foreign Partnership Agreements:

Since its formation, Saidal has stepped into various milestones by entering into strategic partnerships with foreign and global pharmaceutical leaders in order to realize its strategic goal (know-how and expand its range of products) (Zerhouni & Elfellousse, 2013, p. 16). Most of Saidal's partnership agreements concerns with two main activities, manufacturing agreements and joint ventures (Group Saidal, 2014, p. 14).

3.2.1. Manufacturing Agreements :

Manufacturing agreements (MA) have long been a common practice in the Saidal group (see table 2). Hence, this type of agreements has a great significance to Saidal; because it represents an appropriate instrument to cut through patents, trademarks, and know-how in exchange for manufacturing medicines of foreign parties in the group's production units, either for their own account or under the label of partners.

Table 2: Saidal's Manufacturing Agreements

<i>Partner</i>	<i>Origine</i>	<i>Date</i>	<i>Number of Product</i>
<i>Pfizer</i>	USA	1997	07
<i>Novo Nordisk</i>	Denmark	1997	01
<i>Ram Pharm</i>	Jordan	1997	03
<i>Medi Cuba</i>	Cuba	2001	04
<i>Hayat Pharm</i>	Jordan	2001	02
<i>Dar Al Dawa</i>	Jordan	2002	07
<i>Eli Lilly</i>	USA	2002	02
<i>Sanofi Aventis</i>	France	2003	09
<i>Mepha</i>	Switzerland	2004	03
<i>Abolmed</i>	Russia	2004	04
<i>Biotechnica</i>	Tunisia	2004	03
<i>Solvey Pharm</i>	France	2004	02
<i>Meheco</i>	China	2005	03
<i>Holdi Pharma</i>	Egypt	2007	ND
<i>Servvier</i>	France	2014	ND
<i>CKD OTTO Pharma</i>	Korea/Indonesia	2020	06
<i>Novo Nordisk</i>	Denmark	2021	01

Source: Authors' elaboration depending on:

- (Saidal Group, 2020b)
- (ABDELLAH et al., 2020, p. 107)
- (Zouied, 2014, p. 03)

Table 2 gives information on the manufacturing agreements signed by Saidal in which the group is allowed to produce on behalf of their foreign partners. The table lists (16) agreements to manufacture more than 56 medicines. Furthermore, due to the outbreak of the emerging Coronavirus disease (COVID-19), Saidal is now underway to discuss a manufacturing partnership with a Russian operator to produce the “SPUTNIK V” Covid-19 vaccine. It's said that Saidal will be the exclusive producer of the vaccine in Algeria (APS, 2021).

3.2.2. Joint-Ventures:

Joint-venture are frequently used by Saidal group for various purposes (see table 3), including joint creation of units with foreign laboratories

to manufacture drugs in Algeria, market development for certain medicine, conducting joint research efforts or simply to create synergies for Sidal and its partners.

Table 3: Sidal's joint- ventures

Partnership	Date	Sidal's Share	Capital	Details
SOMEDIAL Sidal – Parmaceutique Européen	1994	63.55%	2 171 million DA	Manufacture Hormonal products, Liquids, and dry forms.
PSM Pfizer - Sidal	1998	30%	912 million DA	Manufacture and the conditioning of the medicinal products and chemical specific, property of Pfizer
RPS Rhone Poulenc - Sidal	1998	30%	400 million DA	Manufacture : Anti- inflammatories, Antibiotics, Cardiology, Antiparasitic
TAPHCO Sidal – ACDIMA - SPIMACO	1999	44.51%	1 083 million DA	Manufacture generic pharmaceutical products for human use.
WPS Sanofi - Saisal	1999	30%	426 million DA	Relates to the preparation, fabrication, finishing and marketing in Algeria for Medicinal Products for Human Use
ALDAPH Novo Nordisk - Sidal	1999	10%	44 million DA	- Produce locally human insulin in conventional form. - Establish a local production of all insulin Novo Nordisk in Algeria.
SOLUPHARM - Sidal	2004	35%	150 million DA	Manufacture drugs in dry and injectable form concerning antirheumatic drugs and anesthetics.
SNM Sidal – North Africa	2012	49%	150 million DA	A unit specializing in the development, industrialization, and commercialization of anticancer drugs.
Sidal - Julphar	2016	60%	ND	

Saidal - ACDIMA	2017	ND	ND	Responsible for drug compliance studies Generics with the princeps, in the new SAIDAL Group Bioequivalence Center located
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Source: Authors’ elaboration depending on Saidal’s annual reports (2013 – 2019).

Table 3 gives an overview about the different Joint-Ventures entered by Saidal with its foreign partners. According to this table, Saidal group is engaged in 10 collaborations over the last 30 years.

3.3. Saidal’s Benefits from Forming Foreign Strategic Partnership:

The reasons for Saidal group to form a strategic partnership with foreign partners are manifold.

3.3.1. Transfer of Complementary Technology and Patents:

Saidal group regards the joint-ventures and manufacturing agreements as vehicles to acquire the complementary technology of the partners and bring together complementary skills and talents which cover different aspects of know-how needed in the pharmaceutical industry. By pooling know-how and patents, significant innovation and superior products are expected.

In this context, Saidal had developed a sum of patents with its foreign partners which can be illustrated in the table below:

Table 4: Saidal’s Patents Developed with Foreign Partners

Patent	Filling Date	Registration Date
Formulation of orodispersible tablet coated with acetylsalicylic acid	2005	2006
Formulation of an orodispersible tablet containing acetaminophen coated	2005	2006
Method of manufacturing a powder for suspension of amoxicillin trihydrate	2005	2006
Adjuvant treatment with antidiabetic herbal	2007	2008
Producing a herbal slimming capsule	2007	2008

<i>Producing a herbal cream veinoprotecteur</i>	2007	2008
<i>Capsule manufacturing adjuvants</i>	2007	2008
<i>Capsule manufacturing additives in anti hypertensive treatment</i>	2007	2008
<i>Formulation of ordispersible tablet of ondansetron base</i>	2007	2008
<i>Manufacture of natural sexual stimulant capsule</i>	2007	2008
<i>Formulating an orodispersible tablet olanzapine base</i>	2007	2008
<i>Manufacturing process as sublingual tablets</i>	2008	2010

Source: Authors' elaboration depending on (INAPI, 2021)

Table 4 displays the numbers of patents that Saidal has developed with their foreign partners. These patents are very little compared to other companies in the pharmaceutical industry. According to the Algerian National Institute of Industrial Property (INAPI), Saidal has registered a total of 14 patents, 12 of them was a co-work with foreign partners in the period 2006-2010. Afterward, Saidal couldn't manage to develop any patents so far.

3.3.2. Developing New Products:

Saidal's existence and continuity depend upon its ability to satisfy the needs and desires of consumers. Therefore, foreign strategic partnerships are a perfect path for Saidal in the race for creating new products in order to ensure market share and survival in the business.

Table 5: Saidal's New developed Drugs

<i>Year</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<i>Number of Trademarks</i>	07	17	15	07	N.D	02

Source: Authors' elaboration depending on (INAPI, 2021)

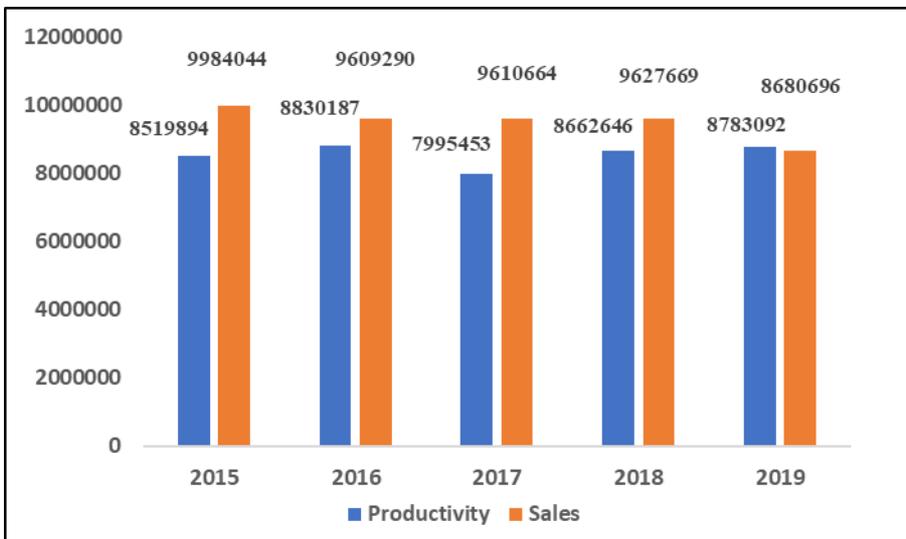
Table 5 displays the numbers of new products that Saidal has developed with their foreign partners. The table listed 48 new product during the last 6 years.

3.3.3. Enhance Productivity and Sales:

Foreign strategic partnership helps Saidal to utilize its excess production capacity better, achieve a quick increase in sales, and overall improve its competitive position in the market by enhancing the market dominance of its brands.

The following figure represent an evaluation of Saidal’s productivity and sales during the period 2015-2019, which fluctuates continuously during the last 5 years.

Fig.2: Evaluation of Saidal’s Productivity and Sales



Source: Authors’ elaboration depending on Saidal’s annual reports (2015 – 2019).

4. Study Methodology:

In order to address the various aspects of the importance of foreign strategic partnerships for pharmaceutical companies in general and Soidal group in particular, we applied a descriptive and analytical approach to breaking down the main question into the elements necessary to solve it. With regard to data sources, the study relied on periodic statistical reports issued by Soidal group and other various official reports.

5. Conclusion:

Since the pharmaceutical industry has been changing dramatically in the last few years, Foreign strategic partnerships become one of the most important strategies to pharmaceutical companies in general and Soidal group in particular in order to advance their drug portfolios from discovery through commercializing. In this research paper, we derived to these results:

- No single company has the scale and expertise that guarantee all the internal capabilities required in pharmaceutical industry. Thus, foreign strategic partnerships can be considered essential.
- Pharma companies use foreign strategic partnerships to gain a number of operational and financial advantages.
- Soidal group is a key player in open to new technologies and innovation highly competitive environment, with constant concern to preserve its brand and its sustainability.
- Soidal groupe is engaged in (16) agreements to manufacture more than 56 medicines. Furthermore, the group seeks for more agreements especially during the outbreak of the emerging Coronavirus disease (COVID-19).

- Saidal group is engaged in 10 Joint-venture over the last 30 years for various purposes.
- Saidal has registered a total of 14 patents, 12 of them was a co-work with foreign partners in the period 2006-2010. These patents are very little compared to other companies in the pharmaceutical industry. Afterward, Saidal couldn't manage to develop any patents so far.
- Saidal depends on foreign strategic partnerships to develop new drugs. The group has developed with their foreign partners 48 new products during the last 6 years.

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