

Strategic Partnerships in The Pharmaceutical Industry Amidst Covid-19 Pandemic

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Received: 01/04/2022

Accepted: 23/04/2022

Published: 30/06/2022

Abstract:

The purpose of this research paper is to look into the effect of Coronavirus disease (COVID-19) on the global pharmaceutical industry's ability to build and form strategic partnerships. The study used a descriptive and analytical approach to address the many facets of the subject, using periodic statistics reports.

The findings revealed that the COVID-19 pandemic sparked an unprecedented level of partnerships among pharmaceutical companies eager to accelerate the development of vaccines or therapeutics to combat the virus.

Keywords: Strategic Partnerships; Collaboration; Pharma Companies; Pharmaceutical Industry; COVID-19.

JEL Classification: D74; I11.

Introduction

As economies around the world are suffering unfolding from the impact of the novel coronavirus disease (COVID-19) outbreak, and at the time that first, second, and third (and potentially even a fourth) wave still keeps the world in its grips. Businesses are facing a widespread disruption. During these unprecedented times, pharmaceutical industry takes center stage in the COVID-19 fight. The COVID-19 pandemic rapidly provoked a significant level of partnering activity in amongst pharma companies keen to expedite the development of vaccines or therapeutics to tackle the virus, and to responded to the rapid challenges arising from disruption in supply chains and the need to change business processes.

It has been well known that big pharma and biotechs benefit from 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.

The Question of The Study

This research paper seeks to explore the effect of Coronavirus disease (COVID-19) on building and forming strategic partnerships in the global pharmaceutical industry, and aims to address the following key question:

– How are strategic partnerships in the pharmaceutical industry doing during the COVID-19 pandemic?

Hypothesis

Strategic partnerships in pharmaceutical industry during the outbreak of Covid-19 Pandemic witnessed a significant revival compared to the periods before Corona.

Methodology

In order to address the various aspects of COVID-19 and strategic partnerships in the pharmaceutical industry, the study 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.

I- Background of The Study

1- Defining Strategic Partnerships

In many industries, firm executives are concerned about sustaining growth and staying competitive, that's why strategic partnerships (SP) have become an essential manner for firms to address the demanding situations of doing business today.

Although strategic partnerships have become an increasingly important management tool, and despite the proliferation of strategic partnerships, there have only been a few comprehensive attempts to define them. This study will list some of the latest definitions in the following table:

Table N° (01): Definitions of strategic partnership according to various authors

Author [year]	Proposal
<i>(Mentzer et al., 2000, p. 550)</i>	Strategic partnering (SP) is an on-going, long-term interfirm relationship for achieving strategic goals, which delivers value to customers and profitability to partners.
<i>(Barysch et al., 2005, p. 05)</i>	Strategic partnering is a relationship that is broad-based, focused on the long-term and fuelled by common objectives and a sense of friendship.
<i>(Parameswaran, 2014, p. 264)</i>	SP is a loose but structured framework of collaboration between parties to address common challenges and to seize opportunities in several areas.
<i>(Koolwijk et al., 2018, p. 04)</i>	SP is a delivery method in which the owner enters into a long-term, cross-project and multi-partner agreement with a contractor and key sub-contractors.
<i>(Omar et al., 2021, p. 02)</i>	SP is the method used by economic institutions to cooperate with each other with the intention of a specific achievement by providing and intensifying the efforts and competencies necessary while bearing the burdens and risks that may result from this partnership in a fair manner.

Source: Authors' own research based on the literature overview.

Based on the results of table 1, one might define strategic partnership as a large-scale collaborative relationship between firms that seek to achieve common strategic goals and rapid growth in the market in the long run.

based on this definition, it can be reliably deduced the following characteristics of strategic partnerships:

- **A Collaborative Relationship:** strategic partnership is a voluntary union of a group of firms to join the various economic activity.
- **Long-run:** refers to the long-rang perspective of this type of partnership, which goes beyond the limits of ordinary short-term partnership agreements.

- **Common Strategic Goals:** the levels of performance, results, and outputs that firms seek to achieve through joint collective action.
- **Achieving Rapid Growth:** strengthening and enhancing the firm's competitive position and improving its competitiveness.

2- Motives of Strategic Partnerships

There are a few firms that have all that is required to succeed in a competitive marketplace alone. therefore, for firms that don't have the resources or time to develop, it is necessary to partner with others to build differential capabilities in more areas to achieve sustainable competitive advantage.

Predominantly, firms form strategic partnerships for the following reasons (*Cebuc, 2007, p. 30*):

- achieve advantages of scale, scope and speed
- increase market penetration
- enhance competitiveness in domestic and/or global markets
- enhance product development
- develop new business opportunities through new products and services
- expand market development
- increase exports
- diversify
- create new businesses
- reduce costs.

3- Types of Strategic Partnerships

Strategic partnerships take many forms, we'll review six types of it in this study:

- **Joint Venture:** is a business arrangement in which two or more parties agree to combine their resources in order to achieve a certain goal. This could be a new project or any other activity. In a joint enterprise, each participant is responsible for profits, losses and expenses (*Gijic et al., 2015, p. 187*).
- **Collaborative R&D:** a set of different inter-organizational R&D activities between two or more independent firms engaging in a process of ongoing resource contribution to create *value* (*Knudsen, 2008, p. 10*).
- **Co-Development Partnerships:** These partnerships embody a mutual working relationship between two or more parties aimed at creating and delivering a new product, technology or service (*Chesbrough & Schwartz, 2015, p. 55*).
- **License Agreement:** is a contract between parties to allow one party the right to something that is owned or controlled by another party. The

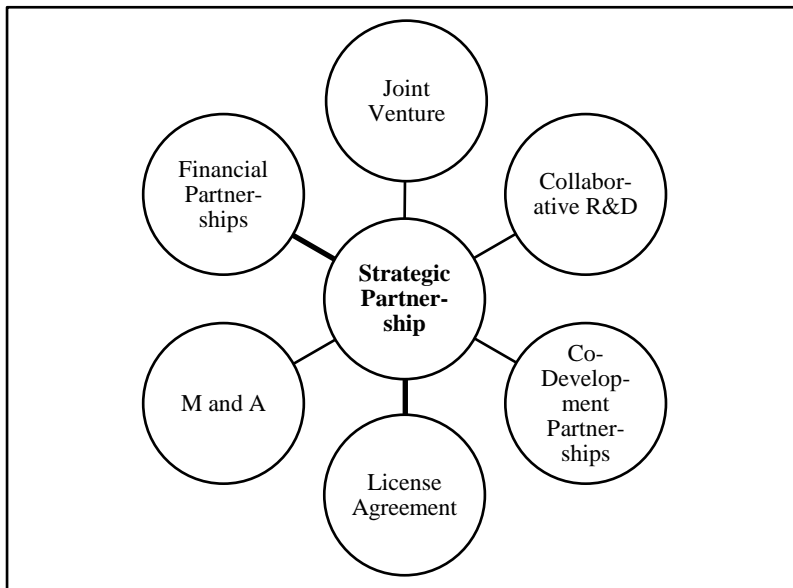
owning/controlling party usually receives some sort of consideration for granting this right (Leute, 2010, p. 01).

- **Mergers and Acquisitions:** Merger and acquisition are not the same terminologies but often it is used interchangeably. In acquisition one organization purchase a part or whole another organization. While in merger two or more than two organizations constitute one organization (Malik et al., 2014, p. 521).

- **Financial Partnerships:** A collaborative arrangement of firms that wish to reduce the financial risks associated with a project. Partners may equally share finance or one partner may contribute the bulk of the finance while the other partner(s) provides special expertise or make other kinds of contributions.

The previous types of strategic partnerships can be represented in the following figure:

Figure N° (01): Strategic Partnership Types

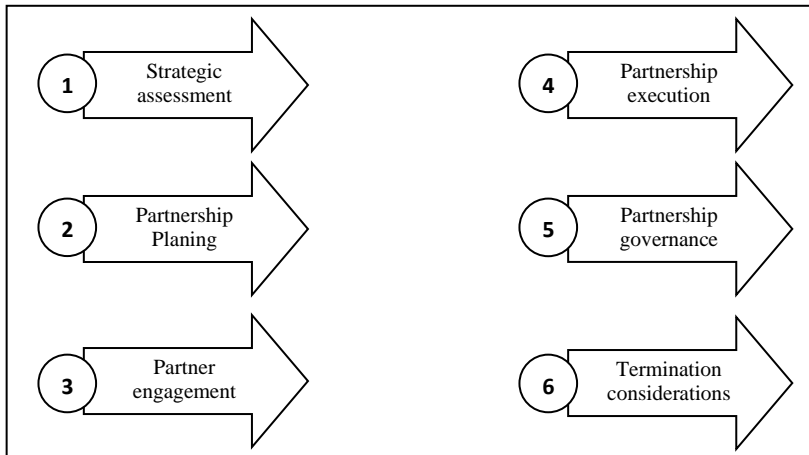


Source: Authors' own research based on the literature overview.

4- The Methodology for Establishing a Strategic Partnerships

Strategic partnerships are not easy to form, nor do they always work out. That is why it is necessary to develop and adapt best practices through trial and error. The six-step strategic partnership process illustrated below (Fig 2) (and described in detail in the discussion that follows) demonstrates a successful platform.

Figure N° (02): Strategic Partnership Process



Source: adapted from:

- Gole, W. J. (2018). *Strategic Partnerships: Applying a Six-Step Process - Guideline*. In *overview, guideline and case study*. Chartered Professional Accountants of Canada All. P. 05

According to (Fig 2), The strategic partnership process begins with the firm analyzing its strategic goals and assessing whether a partnership is the best investment vehicle to achieve any of these goals (**Strategic assessment**). When the firm decides that forming a partnership is a good idea, it develops a plan that outlines the most desirable form of the partnership, the partnering's goals, and a profile of prospective partners (**Partnership planning**). It then engages potential partners (**Partner engagement**) and eventually executes an agreement with one that is suitable (**Partnership execution**). Once the partnership is launched, the firm implement governance, monitoring, and evaluation mechanisms (**Partnership governance**). Finally, since most partnerships have a finite life, it is important for the partners to articulate provisions for the orderly unwinding of the relationship (**Termination Considerations**).

II- The empirical methodology

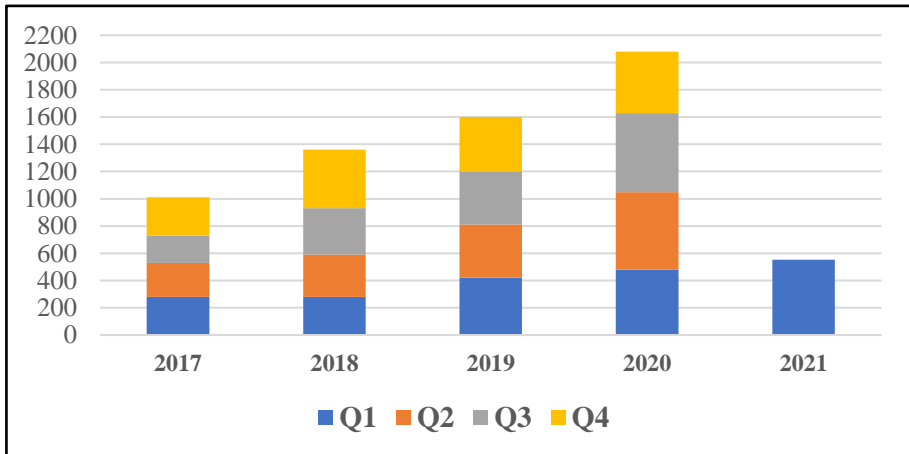
COVID-19 pandemic has reached an uncertain stage and has collapse the economy of all whole worlds. Declining stock markets, moving restrictions, lack of supply, unemployment are the major challenges worldwide due to the lockdown in the COVID-19 pandemic (Awari & Suryawanshi, 2020, p. 5194). Pharmaceutical industries of the entire world are also damaged in the COVID-19 pandemic. thence, 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.

1- Pharmaceutical Strategic Partnerships During COVID-19

COVID-19 was a catalyst for building strategic partnerships in areas of the pharmaceutical industry. As COVID-19 and non-COVID-19 related drugs and treatments continue to be developed amidst the pandemic and the demand for faster medicine development increases, no single firm 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 N° 3).

Figure N° (03): Volume of all Pharmaceutical Strategic Partnerships During 2017-2021



Source: BioWorld. (2021). *Q1 2021 Biopharma Deals Landscape - Cortellis*. In *Cortellis Deals Intelligence*. p.03.

Strategic partnerships volume in the global pharmaceutical industry rebounded in the last five years. Therefore, when the COVID-19 pandemic slammed on the economy, it seemed like strategic partnerships in the pharmaceutical industry would slow down just like the other sectors. However, it hit an all-time high, the first quarter of 2021 featured 552 partnership deals (licensing, collaborations, and joint ventures) representing a 15% increase in volume from the 479 recorded deals in 2020 and the highest volume than in Q1 of the previous five years. The increase can be broadly attributed to partnerships that started to emerge between pharmaceutical companies and other research or academic institutes in a

race to find therapies or vaccines to battle SARS-CoV-2, the virus that causes COVID-19, during the global pandemic.

Table N° (02): Top 10 Strategic Partnership by Potential Deal Value Q1 2021

Deal Date	Principal company	Partner company	Projected value (\$M)
3/18/2021	Anima Biotech	Takeda Pharmaceutical Co. Ltd.	2,420
1/11/2021	BeiGene, Ltd.	Novartis	2,200
3/31/2021	BridgeBio Pharma, Inc	Helsinn	2,000
1/28/2021	Artiva Biotherapeutics, Inc.	Merck KGaA	1,881
1/18/2021	Merus N.V	Loxo Oncology at Lilly	1,680
2/10/2021	Molecular Templates, Inc	Bristol-Myers Squibb	1,395
2/26/2021	Takeda Pharmaceutical Co. Ltd.	Teijin Ltd.	1,273
2/11/2021	Ensoma	Takeda Pharmaceutical Co. Ltd.	1,250
1/12/2021	Biond Biologics Ltd.	Sanofi	1,125
2/1/2021	Shanghai Junshi Biosciences Co. Ltd.	Coherus BioSciences, Inc.	1,110

Source: BioWorld. (2021). *Q1 2021 Biopharma Deals Landscape - Cortellis. In Cortellis Deals Intelligence.* p.16.

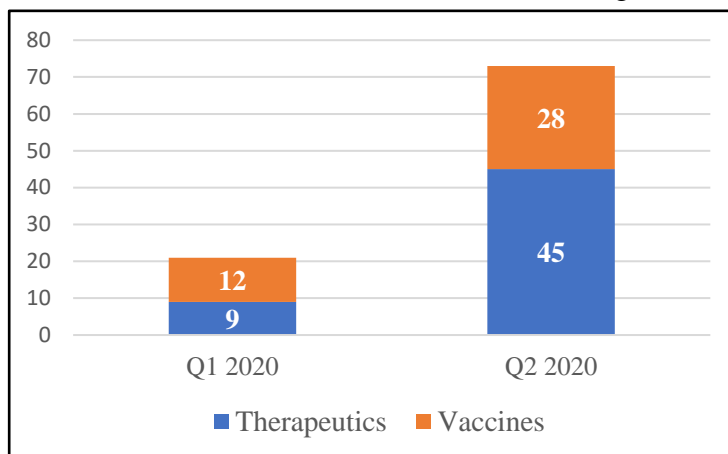
Table 2 presents the top 10 partnerships of Q1 2021 ranked by total potential deal value. Combined, these deals were worth a total of US\$ 16,334 M deals. The largest pharmaceutical partnerships of Q1 2020 was between Anima Biotech and Takeda Pharmaceutical with US\$2.42 M, with the aim of using translation modulator against neurological diseases.

2- strategic Partnerships Related to COVID-19

COVID-19 pandemic rapidly provoked a significant level of partnering activity amongst pharma companies keen to accelerate the development of vaccines or treatment to tackle the virus. During H1 2020, there were 94 such transactions penned (21 in Q1 and more than tripling in number to 73 during Q2). Initially, COVID-19 vaccine deals outnumbered

therapeutics partnerships during Q1, while the dynamic switched in Q2 as therapeutic tie-ups (45) eclipsed the vaccine alliances (28) (*Biomedtracker, 2020, p. 04*).

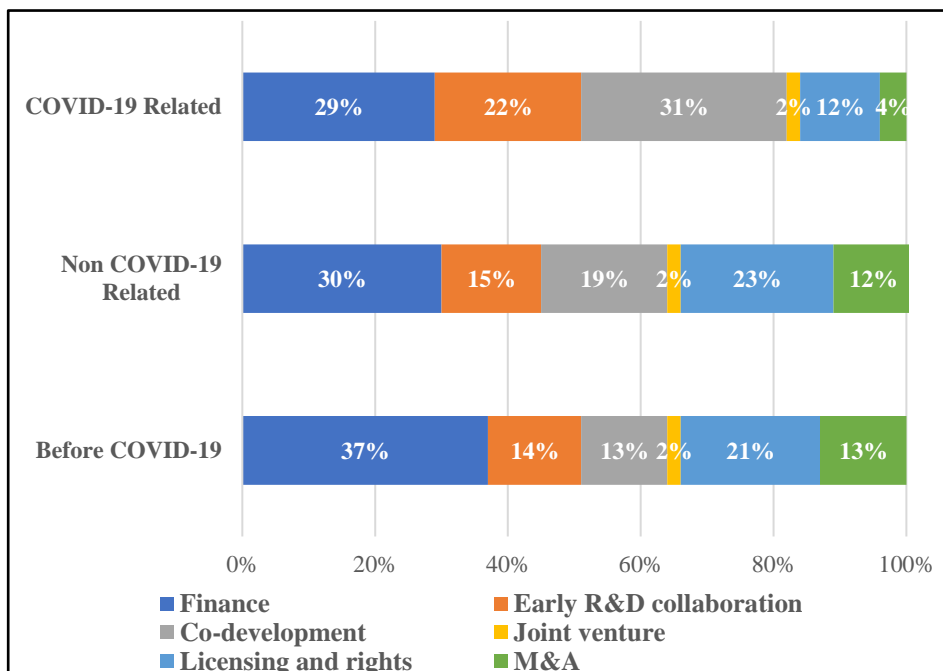
Figure N° (04): Total Volume For COVID-19 Strategic Partnerships



Source: Biomedtracker. (2020). *Biopharma Partnering and Financing Trends, H1 2020*. Pharma Intelligence. P. 04

3- Types of Strategic Partnerships During COVID-19

Fig 5 illustrates the types strategic partnerships of pharmaceutical industry before and after Coronavirus disease (COVID-19). According to the Fig 5, Licensing deals values continue to rise after the COVID-19, the pandemic created licensing opportunities for firms with vaccine technologies, diagnostic platforms, and antiviral programs with repurposing potential. The number of collaborative R&D partnerships and co-development has also increased as the industry pooled its resources to advance the development of COVID-19 therapeutics and vaccines, while pharmaceutical companies sought to supplement their internal R&D efforts with external research in key therapeutic areas. Contrastingly, Uncertainty and prudence caused finance partnerships and M&A to stall, whereas JV stayed stationary.

Figure N° (05): Types of Pharmaceutical Strategic Partnerships

Source: L et al. (2020). *Impact of COVID-19 on pharmaceutical external innovation sourcing*. Nature Reviews. Drug Discovery, 19(12), p. 829.

Conclusion:

The COVID-19 pandemic shaped the year 2020 and 2021. The pandemic quickly elicited a remarkable level of partnerships among pharmaceutical companies eager to accelerate the development of vaccines or therapeutics to combat the virus, as well as respond to the rapid challenges arising from disruption in supply chains and the need to change business processes. All of this leads us to say that the main hypothesis of the study is **a valid hypothesis**.

That being the case, the study findings can be summarized as follows:

- 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.
- strategic partnerships in the pharmaceutical industry hit an all-time high when the COVID-19 pandemic slammed on the world.
- Building strategic partnerships is an important tool to accelerating vaccine development for the fight against COVID-19.
- Strategic partnerships in pharmaceutical industry during COVID-19 takes various forms. Licensing, collaborative R&D partnerships and co-

development has risen during this period, finance partnerships and M&A has stalled whereas JV stayed stationary.

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