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## Organizing the organization

In an increasingly competitive environment, characterized by payer pressure on prices and greater scrutiny by the regulators on what constitutes an innovative medicine, the article by Jürgen Drews [1] highlights some uncomfortable truths for both large pharmaceutical organizations and small biotechnology companies. The issue for such organizations is how to address these challenges in the context of their own particular circumstances.

Drews highlights the success of the larger biotechnology organizations; how, then, are they different from large pharmaceutical companies? They clearly have some advantages over large pharmaceutical companies that are inherent in their evolution. For example, they are generally smaller with discrete functions located on single sites, portfolio decisions tend to centre around fewer products or options, and the decision-making process is simpler. The momentum of the organization is often driven towards the success of one or two products on the market or in late-stage clinical development, with an associated sense of connection between the success of the company and the individual. Furthermore, some of the major projects that are so complex in large

organizations, such as enterprise IT, are simpler in biotechnology companies because they are free from the heterogeneity caused by mergers and because the planning of business and IT cycles are synchronized.

However, large pharmaceutical organizations cannot and should not try to replicate the structures and processes of biotechnology companies. Instead, they need to identify what makes them different and how they can take advantage of their size and financial resource in a way that the smaller organizations cannot. Drews outlines key themes that should guide business transformation over the next 3–5 years; first, although a commercial focus is a reality and a requirement, the focus should shift back to innovative medicines of the kind described by Arlington *et al.* [2]. This will change the process of discovery. The commercial imperative will be driven by the increasing threshold of innovation required by the regulators, so that Yves Dunant's approach becomes true again. The current cyclooxygenase-2 market highlights this: aside from the three compounds on the market, how many of the ten follow-up molecules in Phase II and III development are likely to even return their investment?

Second, the big pharmaceutical organizations must make an honest

assessment of where they really add value and then fully outsource the remainder of the R&D process (this is not the same as contracting out discrete projects). This is particularly pertinent within IT: organizations must understand what is simply enabling infrastructure and what is strategic, and then focus on the latter to start to leverage the massive information resource that they have available – something that the smaller organizations cannot match. New skills must be acquired within the companies, so that scientists are no longer required to be administrators, IT experts, change managers, project managers, automation engineers, portfolio analysts or any other of the myriad roles staff are currently expected to support. Large organizations must also address the way they identify and manage strategic alliances and the smaller partners (particularly the technology companies) need to provide more than point solutions and adopt realistic expectations of the revenue and business cycles of their larger counterparts.

As the larger biotechnology organizations become bigger and more successful, it will be interesting to see whether they become encumbered by the same difficulties that affect the larger, older pharmaceutical companies or whether the lessons will be learned. Early indications are not encouraging.

## References

- 1 Drews, J. (2003) Strategic trends in the drug industry. *Drug Discov. Today* 8, 411–420
- 2 Arlington, S. A. *et al.* (2002) *Pharma 2010: The Threshold of Innovation*, IBM Business Consulting ([www.ibm.com/services/strategy/files2/pharma\\_es.pdf](http://www.ibm.com/services/strategy/files2/pharma_es.pdf))

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