Opinion

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The Creation of Value in Pharmaceutical Firms

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The firm's organizational profile plays an important role in long term competitive success of a pharmaceutical company.

In fact, the appropriate size and qualification of an organization, in terms of both human resources and processes, unite to control the effectiveness and efficiency of the firm, and so, keep the company in a position of lasting economic equilibrium.

In addition, it is known that an organization, irrespective of the people who, over time, have been a part of it, benefits from a degree of know-how, experience and learning which together act as a lever for competitive success: an intangible attribute that is almost independent from the position of the firm at any given time.

Therefore, it would not be rash to consider a firm as a superstructure in which people, processes and know-how are each only one part, even if integrated, of the total organization.

This perspective is valid and represents an important success lever even if it is directed towards pharmaceutical firms whose organizational profile is affected by the current model of scientific information.

Functional capacities of a pharmaceutical firm continue throughout product development phase, from production to the actual sale.

The success of pharmaceutical firm is the creation of a system of intangible values that are linked to having scientific knowledge of the market and thus the target market.

In fact, "the organizational system of know-how includes strategic, operative and governance capacities, which firms have acquired in the course of the years due to the stratification of knowledge which came from the knock-on-effect of different and heterogeneous professionalism".

This assumption provides further confirmation that the frenetic search for synergy in economies of scope is the main reason behind the numerous mergers within the pharmaceutical sector[1].

Another element that qualifies the firm's organizational characteristics lies in the global nature of the product: the effectiveness that a drug has on a particular pathology normally not depends on the geographical area in which the patient can be found.

Clearly this homogeneity in consumers (and in products) on a global scale could represent a strength that facilitates the delicate phase of valorization of the existing synergies between the different departments of the same firm operating in various countries[2].

This assumption, which is true for the majority of global firms in the pharmaceutical industry, takes on decidedly distorted characteristics due primarily to different local regulatory systems.

In fact, the regulatory system - which, as already said, varies significantly from country to country - has implications on all organizational phases in the firm which are "...subject to specific obligatory administrative authorizations that often involve long time periods before authorization is granted".

However, differences in the regulatory framework prevent pharmaceutical firms from adopting global strategies which is reflected in the functions and in the knowledge that is matured and developed within the organization.

This means that it is not right to hypothesize a kind of homogenization of the pharmaceutical firms organizational structure but, on the contrary, it is necessary to verify coherence with the environment of reference.

Certainly, however, the pharmaceutical market and its respective regulations are in constant and continuous evolution, and so markets that are currently distant in terms of fundamentals, may, over time, come together and vice-versa[3].

In conclusion, a pharmaceutical firm should be considered in its "togetherness" and not globally, taking into account that aforementioned particularities represent precisely the peculiar characteristics that will be undertaken within individual areas.

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1 In effect, the evolution of the pharmaceutical market on a global scale, the total cost of research in terms of both financial and human resources as well as time, have facilitated a consolidation phenomenon in firms. The underlying reason for this is an awareness that only major organizations can be competitive.

2 Global firms could set up a single commercial department, such as a single personnel office and so on. Although, as will be demonstrated, this example is not wholly feasible.

3 In this case multinationals can fortunately make use of knowledge developed in a region that has already surpassed a specific phase in favor of their exact requirements in other regions which are characterized by a different degree of development.