STRATEGIC ANALYSIS OF THE WORLD PHARMACEUTICAL INDUSTRY

Dragan Kesič[*]

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The world pharmaceutical industry has been changing profoundly in the last decade. Intensive globalization, increased competitiveness and the fight for global market shares create new challenges for pharmaceutical companies. Fast globalization definitively reinforces the consolidation of the world pharmaceutical industry. Alliancing in forms of mergers and acquisitions prevail more and more as a strategic orientation for the world pharmaceutical companies. By alliancing, they tend to create strategic synergies in an endeavour to be successful, competitive and capable to continue with further development circles. The pharmaceutical industry in Eastern Europe has been, to a great majority, taken-over by their multi-national peer companies, thus creating completely new managerial challenges. One may forecast that intensive alliancing processes in the world pharmaceutical industry are to continue to form even bigger pharmaceutical concerns and speed up the oligopolization of the global pharmaceutical industry. It can be concluded that strategic management with a dedicated market focus is to play an even more important and especially the highest top priority function in future globalization and consolidation processes of the world pharmaceutical industry.

1. CHARACTERISTICS OF THE WORLD PHARMACEUTICAL INDUSTRY

One may define the main characteristics of the world pharmaceutical industry as follows:

- increased globalization,

[*] Dr. Dragan Kesič, Assistant Professor, University of Primorska, Faculty of Management Koper, Slovenia, Department of Marketing and International Business, Phone: +386 5 610 20 44, Fax: +386 5 610 20 15, E-mail: dragan.kesic@fm-kp.si

- changing structure of competition and increased competitiveness,
- lack of new products, despite increased investments into R&D (Research & Development) activities,
- fast consolidation and concentration of the world pharmaceutical industry,
- increased importance of strategic management,
- development of new therapeutic fields and technologies (biotechnology, pharmacogenomics),
- ageing of world population and opening up of new, not yet satisfactorily covered therapeutic fields,
- quick development of the world generic markets.

The world pharmaceutical market has undergone fast, unprecedented, tremendous and complex changes in the last several years. The pharmaceutical industry is today still one of the most inventive, innovative and lucrative of the so-called »high-tech« industries; however, we may say that the pharmaceutical industry has been adapting itself more and more to strategic market trends and market demands. Further strategic development of the world pharmaceutical industry shows clearly its consolidation, concentration and strong market orientation. The pharmaceutical industry today, with no doubt, unites one of the biggest potentials of all mankind. Development of a brand new drug is estimated to need an investment of more than $1.2 billion and takes more than 12 years to bring it as a finished, legally registered and approved product to the market place (Pharma Strategy Group, 2005). This is, at the same time, a very complex, comprehensive and highly risky job with no final guarantee that the potential new product might succeed on the market and bring back revenues.

If a pharmaceutical company wants to achieve market success with a brand new product, it needs to invest strongly into marketing and sales activities. Thus, by no surprise, we may conclude that basic research and development (R&D), together with marketing and sales activities are two of the most important operative and even more strategic priorities of the world pharmaceutical industry. Here, the biggest investments of the pharmaceutical industry are put by all means. Having analysed these figures, we have found that the biggest, inventive world pharmaceutical companies invest, on average, approximately 16% of their sales into R&D and even more, about 26% or more into marketing and sales activities (Kesič, 2006). However, these ratios, especially the one of R&D investment, are even higher with the specialists, like biotechnology and pharmacogenomic companies, and much lower with the generic pharmaceutical companies (Kesič, 2006). As mentioned, the world pharmaceutical industry is structurally not unique, as pharmaceutical companies differ according to their basic mission, performance and strategic development. We can define three different groups of the world pharmaceutical companies: pharmaceutical companies which primarily work on basic research, development and marketing and sales of brand new, inventive, original pharmaceutical products (called originators); pharmaceutical companies which primarily work on development and sales of generic products (called generic producers); and pharmaceutical companies which primarily work on basic research and development of biotechnology and pharmacogenomic products and technologies of new delivery systems (called specialists).

We need to shortly illustrate the size of the world pharmaceutical market. The world pharmaceutical market has been growing steadily in the last years. In 2005, it posted total sales of $602 billion and a growth rate of 10%. The fastest growing world markets and regions are the markets of China, Central and Eastern Europe (Russia, Poland, Romania) and certain markets of Latin America (Brazil, Mexico, Chile). Nevertheless, it is estimated that the world pharmaceutical market will grow by an average of 7% CAGR (Compounded Annual Growth Rate) till the year 2010 (Pharma Strategy Group, 2005). However, it is estimated that, due to several factors – the expiration of patent protection of some of the best sold pharmaceutical products in the most developed world markets (major impact is in the USA), worldwide healthcare cost reduction and restructuring, ageing of the population and price pressures – the world generic markets tend to grow even faster by an average of 12% CAGR till the year 2010 (World Review, 2005, Pharma Strategy Group, 2005).

Table 1. World pharmaceutical market 2000-2005

Year	Value in billion $	Growth in %
2000	358	
2001	387	8.1
2002	422	9
2003	490	16.1
2004	547	11.6
2005	602	10

Source: World Review 2005.

The leading world pharmaceutical markets in terms of sales and also of per capita consumption of medicines are the USA, Japan and Germany. The size of the American pharmaceutical market comprised more than 40% of the whole world pharmaceutical market in 2005. The leading world pharmaceutical market has some specific factors which distinguish it from the other world markets like: generally free pricing policy of medicines which is not a common issue with other markets (they have usually regulated reference pricing systems, especially in the EU); high consumption of medicines; intensive marketing activities, sometimes called »turbo marketing«; and intensive competition.

Table 2. Leading world pharmaceutical markets in 2005

Position	Markets	Value in billion $
1.	USA	248
2.	Japan	67
3.	Germany	29
4.	France	26
5.	United Kingdom	17
6.	Italy	16
7.	Canada	14
8.	Spain	12
9.	Brazil	9
10.	Mexico	8

Source: own estimation, according to World Review 2005

The products themselves are the main generator of growth of the world pharmaceutical industry. Pharmaceutical companies compete on products' characteristics and tend to invest heavily into marketing activities in an endeavour to gain physicians'/patients' loyalty and, moreover, to compete directly with other pharmaceutical companies. According to this, it is no surprise that the biggest world multinational pharmaceutical companies invest more than 25% of their sales into marketing and sales activities in a goal to get considerable global market shares.

For a better understanding, one may define the generic product as a bioequivalent product with the same active ingredient as an inventive, original one and is subject to standard registration procedure as the original one, nevertheless is only legally allowed to be launched upon final expiration of all pending intellectual property rights (patent expiry). According to this fact, and taking into account that the generic producers do not need to invest huge sums of money into basic R&D activities, they merely compete, straightly said, only on the lower prices of their products. Development of particular world generic markets is in strong connection with existing legislation which may favor or not the development and growth of a generic market. The most developed and the biggest world generic market in terms of sales is the generic market of the USA which has reached close to $40 billion in sales in 2005 and posted a growth rate of 12%, which is even higher than the growth rate of the whole pharmaceutical market of the USA, which grew by 7.5% in the same year (World Review, 2005).

Table 3. Leading world pharmaceutical companies in 2005 (originators)

Position	**Company**	**Country of origin**	**Sales in billion $**	**World market share in %**
1.	Pfizer	USA	44.3	7.4
2.	Sanofi-Aventis	France	33.6	5.6
3.	GlaxoSmithKline	United Kingdom	32.1	5.3
4.	Novartis	Switzerland	24.9	4.1
5.	AstraZeneca	United Kingdom	23.9	4.0
6.	Johnson&Johnson	USA	22.3	3.7
7.	Merck&Co	USA	22.1	3.7
8.	Roche	Switzerland	21.5	3.6
9.	Wyeth	USA	15.3	2.5
10.	BMS	USA	15.3	2.5

Source: own estimation, according to official companies' data

The leading ten world pharmaceutical companies currently command more than 42% of the market share of the global pharmaceutical market. For comparison reference, this figure was only 30% 10 years ago (Pharma Strategy Group, 2005). This is a clear sign and proof how an intensive market consolidation and concentration of the pharmaceutical industry has changed the world pharmaceutical market in the last several years.

Table 4. Leading world generic companies in 2005 (generics)

Position	**Company**	**Sales in billion $**
1.	Teva, Israel	5.3
2.	Sandoz, Germany	4.7
3.	Merck Generics, Germany	2.3
4.	Ivax, USA	1.8
5.	Ratiopharm, Germany	1.7
6.	Watson, USA	1.65

Source: own estimation, according to official companies' data.

The world pharmaceutical industry has undergone deep changes in the last decade. Most notably, the strong process of consolidation and concentration has been going on practically in all three defined sectors; numerous mergers and acquisitions have occurred, resulting in the complete new alliances and companies, respectively.

By comparing the sales figures achieved between originator pharmaceutical companies and generic companies (see Tables 3 and 4), we can see that originators achieve almost 10 times higher sales than generics. This is primarily due to the differences in their strategic orientations: originators invest heavily into R&D and marketing and sales activities to get inventive products which are marketed at premium prices. However, generics tend to perform a typical “follower strategy”, bringing the equivalents of the original products to the markets which are priced much lower than the original ones, thus enabling the world customers to afford less expensive medical treatments and creating additional competition as well.

We may argue that competitiveness has been increasing tremendously, thus there is an urgent need for the pharmaceutical companies to behave in a good, sharp and speedy manner. We may forecast that, taking into account the described elements, a further consolidation and concentration of the world pharmaceutical industry is realistically forecasted. We may expect the formation of even bigger pharmaceutical concerns in all three sectors of the pharmaceutical industry. Besides, further lack of new products is expected with highly increased competitiveness and a furious fight for market shares and global customers' loyalty.

2. GLOBALIZATION TRENDS

We may say that globalization is almost a synonym for a modern economy. Globalization could not be possible without fast and profound technological achievements and changes. Nowadays, global competition is mostly based on knowledge and technology and the ability to serve customers fast and repeatedly. Knowledge, people and markets become more and more basic and the most important competition factors among companies and countries, too. Globalization has become almost a synonym for economic liberalization and foremost opening of world economies. Often, the globalization content is interchanged with internationalization or the liberalization of modern international economic cooperation. The most active subjects of the globalization process are multinational companies. Due to their influence, less and less of international trade can be actually described in terms of ‘free trade’, as most of is performed among the subsidiaries of multinational companies and, thus, being managed and controlled.

All this changes the structure of the world market, which has almost become predominantly oligopolistic. However, alongside the market, competition has changed as well. We may talk about the competitive advantages of particular companies. The previous meaning of internationalization has been replaced by a globalization domain and the previous meaning of the world economy has been replaced by a global economy. OECD defines globalization as the *"spreading and deepening of companies' performance with the target to produce and sell goods or services on multiple markets"* (OECD, 1993). A later definition of globalization from OECD (1994) implies that it is *"a developing pattern of international business cooperation, which includes investments, trade and contractual ways of cooperation, and targets the development of products, production, procurement and marketing. Such kind of international performance enables the companies to conquer new markets, use their technological and organizational advantages and to lower the costs and risks"*. Globalization is, thus, strongly related with an increased mobility and competition. The main drivers of globalization are definitive transnational or multinational companies.

One may assess the following characteristics as significant for their performance, especially taking into consideration the multinational pharmaceutical companies:

- multinational companies have a strong market position on the most important and strategic world markets,
- they globally integrate and connect their business performance, so national identity is no longer important,
- they perform flexible purchasing strategy,
- they have a global structure of production,
- they have a global organization of research and development activities,
- they have a global marketing organization which supports the strong market orientation and the strategic focus to customers.

We may even emphasize that globalization is in its core meaning a complex, market conditioned process, which is related and driven by the elements of a dedicated and targeted market, performing fast changes and ever-changing ways of doing business, alongside an ever-increasing competition and competitiveness, in a strive to optimally identify the changing needs of the world customers and the ability to satisfy their long-term needs. We may emphasize the customers should be treated as the most precious value of a company. This is why we point out that globalization is a market driven process. Thus, it is the core in the process of globalization to be fast, to be market oriented, to have customers, to be innovative, to build knowledge, to learn fast and to have proper information. Bartlett and Ghosal (1989) underlined that *"successful companies of today and tomorrow are these who would be able at the same time to satisfy local market needs, to increase global successfulness, to strive for constant innovativeness and to constant global learning"*.

Peter Drucker (1992) mentioned that *"the most important elements of development which would influence greatly the strategies, structure and performance of the future companies:*

- *economic relations would be performed in the direction among trade blocs instead of countries,*
- *business performance would be more and more matter of strategic alliancing, which would be integrated into a world economy,*
- *restructuring of business would be intensifying and more globalizing, it would be important to have information and knowledge,*
- *strategic management of companies would be decisive for a competitive success,*
- *intensive market orientation of companies would be a core advantage for achieving a competitive advantage over competitors"*.

Svetličič (1996) defined globalization as the

- *"multidimensional process, which includes economic, political, legal and cultural contents, which together create new quality,*
- *globalization means global internationalisation or at least internationalisation of activities such as trade, foreign direct investments (FDI), contractual ways of international economic cooperation in the most important markets,*
- *globalization supports common alliancing, which needs global coordination and integration of activities in the brand new manner,*
- *globalization means production of the same products for a domestic consumption and foreign markets as well,*
- *globalization means a higher share of components from foreign suppliers in the products for domestic consumption and for the export as well"*.

Globalization is a non-return process and without an intensive internationalization, the performance of companies in a modern world would not progress. Knowledge and learning are, by no doubt, extremely important factors in the process of globalization. Bartlett and Ghosal underlined (1989) that *"successful companies of today and tomorrow are those ones who are capable to satisfy local needs, increase global effectiveness and strive for constant innovativeness and global learning at the same time"*. We may say as well that the most important size of competitiveness is entrepreneur innovativeness, capability to create new products and technologies and to understand and perform strategic management activities with a properly dedicated market focus.

3. GLOBALIZATION IN THE PHARMACEUTICAL INDUSTRY

The world pharmaceutical industry has been in the intensive processes of concentration and consolidation for a period of more than 15 years. As we argue that research and development and marketing and sales activities are two of the most important and strategic priorities of modern pharmaceutical companies and into which the greatest part of funds are being invested as well, we may say that the main and strategic reasons, according to our evaluation, for the processes of consolidation of the world pharmaceutical industry, are the following:

- lack of new products to drive sales growth,
- fast processes of globalization of the world economy,
- huge investments needed for R&D,
- global marketing and sales activities which need large investments as well,
- increased competitiveness,
- changed structure of the competition,
- world reforms of the health care systems,
- increased importance of regulatory issues (registrations, intellectual property, litigations).

According to our study and findings, there have been more than 10,000 alliancing processes in the last decade in the world pharmaceutical industry (Datamonitor, 2005). We have found that the consolidation and alliancing processes have been carried out practically in all three segments of the world pharmaceutical industry (inventive - original pharmaceutical companies, generic producers and specialists). The alliancing process has practically created brand new pharmaceutical players. Nevertheless, some previously well-known players have disappeared from the global market scene. For example, the world leading pharmaceutical company *Pfizer* has been created from five big international players like *Pfizer* itself, *Warner Lambert, Upjohn, Searle and Pharmacia,* respectively. The world leading generic player, *Teva* from Israel, has acquired more than 10 generic companies, *like Lemmon, Gry, Prosintex, Biogal, Human, Biocraft, Pharmascience, Copley, Novofarm, Bayer Classics, Sicor and Ivax* to form today's *Teva.* Recently, the generic major *Barr Pharmaceuticals* of the USA acquired the leading Croatian pharmaceutical company, *Pliva.*

We may point out that the world pharmaceutical industry has become more and more oligopolistic. In that context, one may entirely refer to Knickerbrocker's (1973) theory of oligopolistic reaction, saying that *"oligopolistic companies, as those minimizing taking risks in avoidance of destroying effects of competition, follow each other to new markets to protect their own interests. It is significant that the action of one player creates the reaction of other competitors, an action creates a reaction and so the story of the oligopolization is going on".* We may conclude that Knickerbrocker's theory perfectly illustrates and explains the process of consolidation of the world pharmaceutical industry.

Alliancing processes are continuing to speed up as pharmaceutical companies try to follow their competitors' strategies of M&A (Mergers and Acquisitions) in an endeavour to maintain their strategic global market position and long-term competitiveness. Recent acquisitions and alliancing of several pharmaceutical companies performed in 2006 just acknowledge our conclusions of the intensive consolidation and oligopolization of the world pharmaceutical industry.

Table 5. Overview of the latest pharmaceutical alliances in 2006

Target -taken-over company	Acquirer	Creating of synergies
Schering AG, Germany	Bayer, Germany	R&D, markets, marketing & sales
Hemofarm, Serbia	Stada, Germany	markets, products, sales
Serono, Switzerland	Merck KGaA, Germany	R&D, markets, marketing & sales
Schwarz Pharma, Germany	UCB, Belgium	R&D, products, markets, marketing & sales
Altana Pharma, Germany	Nycomed, Denmark	R&D, markets, products, marketing & sales
Hospira, USA	Mayne Pharma, Australia	products, markets, sales
Pliva, Croatia	Barr Pharmaceuticals, USA	markets, products, R&D (biogenerics), sales
Kos Pharmaceuticals, USA	Abbott, USA	R&D, products

Source: own estimation, according to companies' official data.

It is thus evident that some pharmaceutical companies are not able to satisfy long-term and ever-changing market needs and customers' expectations, to invest heavily into R&D and marketing and sales activities in the endeavour to bring new products to the global markets and materialize them properly. We can clearly see that this process enables the pharmaceutical companies new development circles and their long-term development and growth. We may underline that the alliancing of partners for the sake of maintaining long-term growth and competitiveness is today one of the most usable strategies in the world pharmaceutical industry. We argue that pharmaceutical companies make alliances in endeavours to create common synergies and to better exploit their common assets, knowledge, product life cycle and, moreover, to improve their strategic market positions. Thus, the most important and strategic activities of creating common strategies for the pharmaceutical companies are:

- products, to gain market shares and to drive the sales growth,
- research and development (R&D), to create new products,
- markets, to create geographic and market expansion,
- marketing and sales activities, to compete on the global markets,
- financials, to create common cost reduction synergies and investment capabilities.

Due to the complexity of the world pharmaceutical industry, we may stress that pharmaceutical companies tend to form alliances and even compete at the same time. They can cooperate on some particular projects (for example, R&D), however, they compete strongly for the particular market shares.

Svetličič (1996), thus, properly emphasized that *"alliancing of companies has become attractive due to:*

- *rising costs of the innovation and entrance to new markets,*
- *reinforcing of cost reduction competition,*
- *pressure to enlarged gaining of synergistic technologies and economies of scale and synergy with help of alliancing and acquisitions,*
- *endeavours to protect existing market shares and to conquer new ones,*
- *rising need to shrink time, needed from an innovation to enter the market with a product"*.

Pharmaceutical companies tend to internationalize and globalize their business activities sooner, as in the past, due to market liberalization, increased competitiveness and the need to reach considerable economies of scale.

According to that, Svetličič (1996) stipulates that *"modern ways of internationalization with an aid of network formation and strategic alliancing enable an internationalization without a growth of the companies. Today, companies decide for the internationalization and alliancing to:*

- *be closer to customers,*
- *increase an effectiveness,*
- *gain better access to technologies and knowledge (know-how),*
- *to protect from competitors (strategic reasons)".*

The pharmaceutical industry in Eastern Europe has been faced with the intensive globalization process as well. In our research, we found out that the majority of the pharmaceutical industry in the region has lost its strategic sovereignty. The majority of the leading and most important Eastern European pharmaceutical companies (Lek from Slovenia, Pliva from Croatia, Hemofarm from Serbia, and a great majority of the Polish, Czech, Slovak, Romanian and Bulgarian pharmaceutical companies) have been taken-over by international or multinational pharmaceutical companies in the intensive globalization and the driving merger & acquisition processes. These processes have definitively changed the strategic perspective and position of the pharmaceutical industry in Eastern Europe. Thus, it has lost its strategic stand-alone position and ability to grow and compete in the international markets and benefit on the globalization opportunities as well. A further operational rationalization and restructuring of these taken-over companies are realistically expected with some strategic and managerial implications to be implemented subsequently, including some unfavourable ones (reducing the number of business functions and number of employees, rationalization and restructuring) which will further change the outlook and strategic perspective of the pharmaceutical industry in Eastern Europe.

4. MANAGEMENT IN THE PHARMACEUTICAL INDUSTRY

World guru of management, Peter Drucker, who has especially emphasized the core importance of strategic marketing management for a successful, long-term highly competitive business performance of companies, has once said about globalization and globalization management: *"In the years to come, there will be two types of top managers: those who would be able to think globally with strong strategic marketing management commitment and those jobless"*. Strategic marketing management with an emphasized global way of thinking, performance and management thus enables companies to put customers into the centre of all their business activities and integrally focus all business activities to a common and final goal – to be successful in satisfying customers' needs and to be better than the competitors. It is worth underlining as well the importance of innovative management and management of changes. As Bartlett and Ghosal (1989) emphasized, *"successful companies of today and tomorrow will be those ones who would be able at the same time to satisfy local needs, increase global effectiveness and strive for constant innovativeness and concomitant global learning"*.

Companies of today, and moreover, companies of tomorrow make business as they would have been on the battle fields, with fast changing competition, quick technological development, new and changing regulatory issues in the conditions of changing world trade policies, and with predominantly less and less loyal customers. We need to take into consideration that today, and even more tomorrow, customers have had in each product category numerous offers of various products and different, ever-changing demands to various combinations of products and services and to various prices. On such a rich variety of offers, customers will definitively decide for that product or service which would be able to optimally fulfill their individual needs and expectations. Thus, it comes as no surprise to us that successful companies know how to satisfy their focused customers. In these companies, strategic management with a strong market orientation represents a business philosophy of the whole company, instead of being just a separate function. This perfectly underlines Peter Drucker (1973), when saying *"strategic marketing management is so important that it cannot be a stand-alone function. If we look upon it from the point of final result, that means from the point of final customer, marketing represents whole business, whole business performance. Care for a strategic marketing must go through all company structures. Business success is not dependent upon a producer, but upon a customer. Thus whole and thoroughly a strategic marketing management concept should be the most important one in a company, and must prevail over innovativeness, organization, financial resources, physical sources, productivity, social responsibility and demand for a profit making"*. Strategic marketing management is especially important in the pharmaceutical industry as pharmaceutical companies tend to be market oriented and proactive by emphasizing the advantage of their pharmaceutical products, as they try to communicate within regulatory allowed frameworks, they tend to build strong brand names (trade marks) and create long-term loyalty to final customers. Thus, we may argue that strategic management with a strong market orientation is, by all means, the most important top business function in the global pharmaceutical industry.

The concept of strategic management with an emphasized market orientation and a certain focus clearly designates one company's business philosophy, respectively. We may entirely agree with Corstjens' (1991) conclusions that *"sector of the pharmaceutical industry, despite being very specific in all aspects, is an ideal case, how the practice and usage of strategic marketing management concept directly relates to a very successful business performance of this industrial sector"*.

According to our estimation, strategic management with a strong market orientation focus is, by no doubt, the most important function of a long-term successful company's business performance. Changes of today's world, even yet of tomorrow, are so fast and profound that it is difficult to follow them entirely. This is especially significant for the world pharmaceutical industry. However, changes represent new challenges as well and create new business opportunities. Thus, it is important to react and act quickly and to be proactive. The urgency of a quick adaptation is not just the strategy for smaller companies and countries but is a valid strategy of a victorious survival for bigger systems, too, as changes in the world economy and globalization are fast and tremendous. It is why we may argue that a strategic management with a dedicated market orientation is the decisive factor of strategic business success in a highly globalized and ever-changing world market place.

We may say that the world pharmaceutical companies perform their business activities in a very turbulent environment which requires constant adaptation to changes and quick final action decisions. We are of the opinion that pharmaceutical companies which want to be globally leading ones and successful business performers in the future need to primarily think entirely and differently about customers, markets, competitiveness, competitors, and strategy with relation to structure to reach the planned goals. They need to especially bear in mind that the needs of tomorrow's customers are different from the needs of today's customers and they do change fast and tremendously in relation to the elements and facts which are important to the pharmaceutical industry itself. In that relation, we foresee the decisive role of strategic management with a strong market orientation as crucial and most important as well for the pharmaceutical companies to be successful performers in the future and even more globalized world.

5. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The world pharmaceutical industry has been changing profoundly in the last decade. Intensive processes of concentration and consolidation have been continuing in all three sectors of the world pharmaceutical industry. The fast globalization process definitively influences and reinforces the consolidation of the world pharmaceutical industry. Increased competitiveness and the amended structure of competitors impact the strategic orientation of the world pharmaceutical companies. Alliancing, in forms of mergers and acquisitions, prevail more and more as a strategic orientation for the world pharmaceutical companies.

By alliancing, they tend to create strategic synergies in endeavours to be globally and long-term successful, competitive and capable to continue with the needed development circles. We may estimate that further alliancing processes in the world pharmaceutical industry are realistically expected. In that relation, Hamel and Prahalad (1994) stipulated that *"a competition for tomorrow will be predominantly among allied companies, that means among a coalition of the companies and stand-alone companies. Coalition of companies will be needed for several reasons; it is obvious that not a single company has had enough needed resources to benefit from the potential of new products, and needed knowledge and skills to change its vision into reality; companies need to make the partner alliancing to lower risks, to increase business effectiveness and competitiveness. Companies cooperate and compete at the same time. These two phases are interchanged, predominantly as future becomes for all much more complex".* According to our research survey, we may argue that alliancing processes in the world pharmaceutical industry are to continue to form even bigger pharmaceutical concerns and conglomerates and to even speed up further the oligopolization of the global pharmaceutical industry.

However, we may argue as well that a fast consolidation of the world pharmaceutical industry is a market driven and conditioned process by significant strategic management issues, like a lack of new products, intensive competitiveness, fast globalization, increased global marketing and sales activities, changed structure of competitors, fight for global market shares and customers' loyalty. Thus, we may again properly refer to Hamel and Prahalad (1994) who exclusively put the strategic importance of customers to the highest strategic priority of a company by saying that *"a company that wants to be successful even tomorrow and wants to make profits on tomorrow's markets, must build up competitive advantages which will bring higher relevant value for tomorrow's customers. If a company wants to be a leader, it must be capable to re-inovate its industrial segment and re-check its main strategies. A company must predominantly become different. If a company wants to be a leader in the future, it needs to learn to think differently primarily on four issues: customers, meaning of competitiveness, strategy and organizational structure. There is no* *company able to find the tomorrow day first if it waits and monitors today's customers' needs. Companies which create a future are those ones which constantly search for ways to use their competitive advantages in the new manner, in the new context and goal, to satisfy future needs of the customers. If a company is not able to create future markets and ways to satisfy future needs of customers, it will find itself on the magically spilled treadmill, hopelessly trying to catch future competitors with falling profits of past performances".*

This is why we emphasize that advanced strategic management with a strong market orientation focus should be the most important strategic priority of a company that wants to be a successful business performer, to maintain its long-term sustainable growth, competitiveness and assure its long-term development and competitive market position.

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STRATEŠKA ANALIZA SVJETSKE FARMACEUTSKE INDUSTRIJE

Sažetak

Svjetska farmaceutska industrija uvelike se promijenila u posljednjem desetljeću. Intenzivna globalizacija, povećana konkurencija i borba za udjel na globalnom tržištu stvorili su nove izazove za farmaceutske kompanije. Ubrzana globalizacija definitivno je djelovala na konsolidaciju svjetske farmaceutske industrije. Stoga sklapanje savezništva u obliku pripajanja i akvizicije sve više i više postaje temeljnom strateškom orijentacijom svjetskih farmaceutskih kompanija. Spajanjem one žele stvoriti stratešku sinergiju kako bi postale uspješnije, konkurentnije i sposobne za nove cikluse istraživanja i razvoja. Farmaceutsku industriju u Istočnoj Europi u većini su preuzele multinacionalne kompanije, čime su se stvorili novi menadžerski izazovi. Može se predvidjeti da će intenzivni procesi povezivanja u svjetskoj farmaceutskoj industriji stvoriti još i veće farmaceutske koncerne i ubrzati stvaranje oligopola na globalnoj razini. Može se zaključiti da će strateški menadžment, s izrazitom tržišnom orijentacijom, odigrati važnu ulogu i biti prioritetna funkcija u budućoj globalizaciji i konsolidacijskim procesima u svjetskoj farmaceutskoj industriji.