Strategic alliances in life sciences
How to unlock the full potential with your suppliers

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Ever increasing R&D costs, evolving regulatory changes and patent expiry are just some of the challenges the life science industry is facing today. Any one of these challenges causes stress but having to face any or all of them simultaneously may potentially lead to fundamental changes in the existing business and supply chain models. Entering into strategic alliances with suppliers presents an attractive solution when coping with these challenges.

The life science industry is under pressure to adopt new forms of collaboration in its supply chain – establishing strategic alliances may be the answer

We define strategic alliances as third party business relationships that share risks and rewards through enhanced collaboration between otherwise independent organisations.

Depending on their design and implementation strategic alliances can enable life science companies to address these challenges and take a more network-oriented approach to their business. Benefits of strategic alliances include:

• greater flexibility in responding to customer demand;

• improved cost effectiveness;

• better risk sharing and accountability for collaboration with internal and external supply chain partners; and

• advanced analytics and continuous monitoring for end-to-end network and operations optimisation.

Expert knowledge in all critical areas of the operational supply chain and experience in defining and forming new operating models are pivotal in unlocking these benefits.

We have broad experience in how to scope and structure strategic alliances between life science companies and their suppliers

Research has proven that the success of strategic alliances is closely linked to careful preparation and thorough planning, as there are no shortcuts to success. Building on long-standing experience in setting up strategic alliances, we have created a methodology for a workshop series, which supports our clients in establishing effective strategic alliances. This format usually lasts 3-12 weeks and is structured along three phases:

Figure 1. Strategic alliances in the integration and decision-making power framework

<table>
<thead>
<tr>
<th>Control and decision making power</th>
<th>Degree of integration</th>
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<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Equity alliance</td>
<td>Non-equity alliance**</td>
</tr>
<tr>
<td>Contractual agreement*</td>
<td>Strategic alliances</td>
</tr>
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<td>Informal collaboration</td>
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* e.g. Franchising, licensing, cross-licensing
** e.g. Joint R&D, joint product development/manufacturing/marketing, long-term sourcing agreements

Source: Deloitte Consulting AG, 2014
Phase 1 – Workshop preparation
During the workshop preparation phase we reach out to both parties seeking the strategic alliance and collect information regarding current alliance setups and the parties’ high-level supply chain configuration. We also draw up current leading practices from the life science industry and gather relevant regulatory, legal and tax considerations to be reviewed in the joint workshop session.

Phase 2 – Strategic alliance workshop
A review of the joint understanding of strategic alliances and both parties’ general willingness for further collaboration mark the first step of Phase 2.

A discussion about the current and possible future state of operational supply chains is then used to identify the initial areas of potential collaboration. It is important that both parties consider every step of the supply chain from develop over plan, source, make to sell and deliver. A strategic alliance should not be limited to the end product nor to a specific step within the supply chain; it is much more than this.

Figure 2. Overview of an operational supply chain

Next, the areas of potential collaboration which have been jointly identified are incorporated into an initial roadmap.

Deliverables Benefits
• Strategies of each company and high-level supply chain configurations • Internal and external leading practice analysis • Key insights from interviews, including guiding principles and non-negotiables
A thorough, goal-oriented workshop preparation manages expectations, identifies common ground and enables the participants to have a fruitful and efficient workshop session in Phase 2

Deliverables Benefits
• Long-list of potential collaboration topics • Initial roadmap • List of quick wins for easier collaboration • Agreed next steps with clear ownership
The combination of jointly identified areas of improvement and agreed next steps strengthens trust and the mutual commitment both parties are willing to give to each other
Phase 3 – Report-Out delivery
The outcomes of Phase 2 (strategic alliance workshop) are summarized in a Report-Out. The initial roadmap is then challenged and enhanced based on further inputs and discussions with both companies. In this phase it is important to keep the momentum and to implement the quick wins to further enhance trust on both sides.

<table>
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<tr>
<th>Deliverables</th>
<th>Benefits</th>
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<tr>
<td>• Workshop documentation</td>
<td>The Report-Out references the accomplishments of each phase and serves as a starting point for implementation</td>
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<tr>
<td>• Playbook comprising a detailed roadmap for alliance implementation with next steps</td>
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Why Deloitte?
Deep experience in scoping and setting up strategic alliances for leading life science companies:

• Application of strategic alliance frameworks that are bespoke to our clients’ needs.

• Breadth of capability across supply chain and manufacturing whilst deploying our regulatory, legal, and tax expertise to support clients at every step of the process.

• International experience to address our clients’ needs wherever they may be located geographically.

What clients say about us
We have successfully enabled the setup of multiple supply chain strategic alliances. This is what our client’s say about our work:

“Deloitte not only helped us to drive the strategic alliance setup workshop in a very systematic manner but also brought the key industry best practices on strategic alliances we were missing into the discussion.”
Head of Procurement, Tier I life science company

“We always wanted to engage into deeper collaboration with our supplier. Deloitte made the right research, structured our talks and developed with us the playbook enabling us to successfully start the pilot.”
Head of Supply and Planning, Tier I pharmaceutical company

“Our organisation prefers M&As but only if the conditions allow it. By engaging Deloitte in assessing appropriate candidates, facilitating strategic discussions and preparing both organisations for the workshops and thereafter for the pilot, we have gained substantial operational agility and have strengthened our relationship with key suppliers with a strong strategic alliance.”
Head of Business Development, multinational pharmaceutical company

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