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From Blue Skies to Pots of Gold:

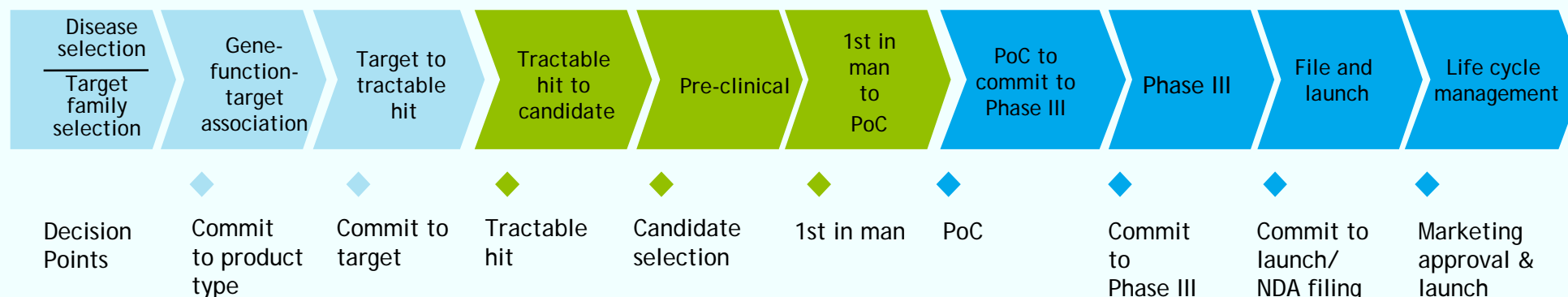
"Picking the Winners - Risk Analysis and Product Development in the Pharmaceutical Industry"

Brussels, November 3rd, 2009

Thomas Gottwald

# Numerous obstacles and risks alongside the value chain

## Phases of product development



- **Numerous players:**

**academia**, clinicians, **financial world**, foundations and grants, **governments**, **industry**, insurers, media, **mother nature**, patients, regulatory bodies...

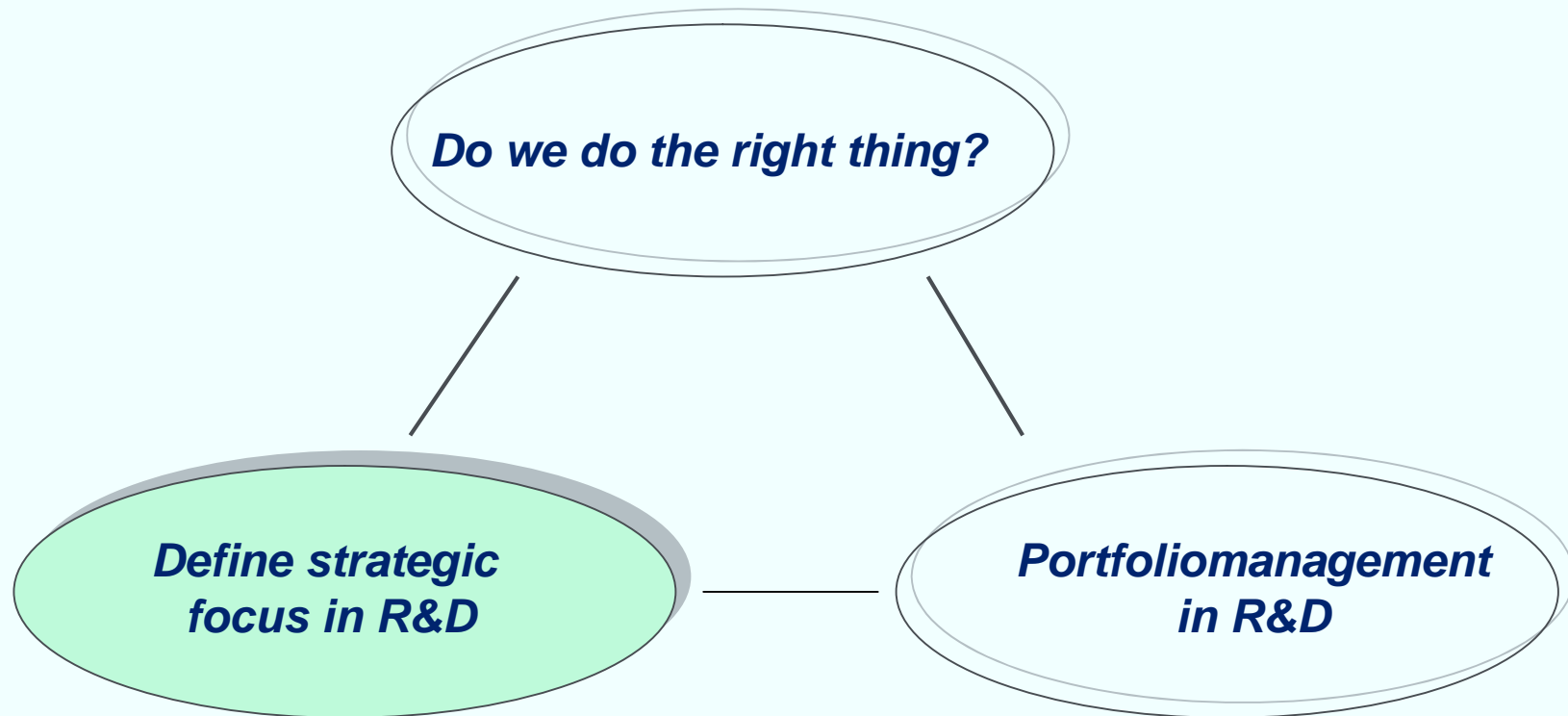
- **Each player pursuing their own agenda!**

Source: in part GSK

# Do the right thing !

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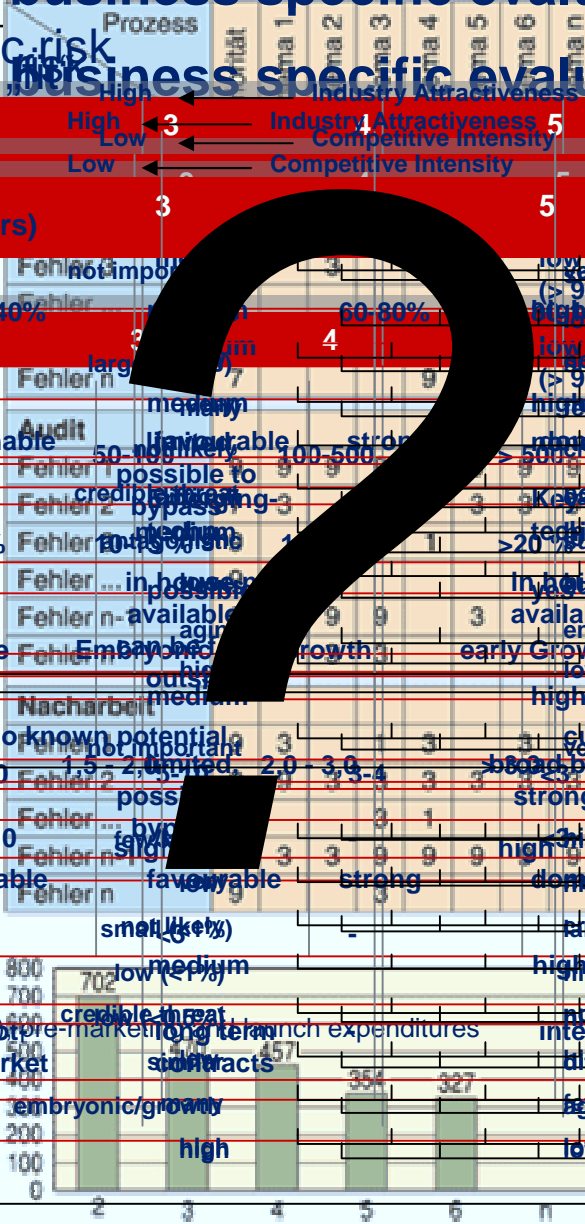
Strategic Focus and Portfoliomanagement define the „What“?



# Portfolio-management: business specific evaluation criteria

## Criteria to assess economic risk

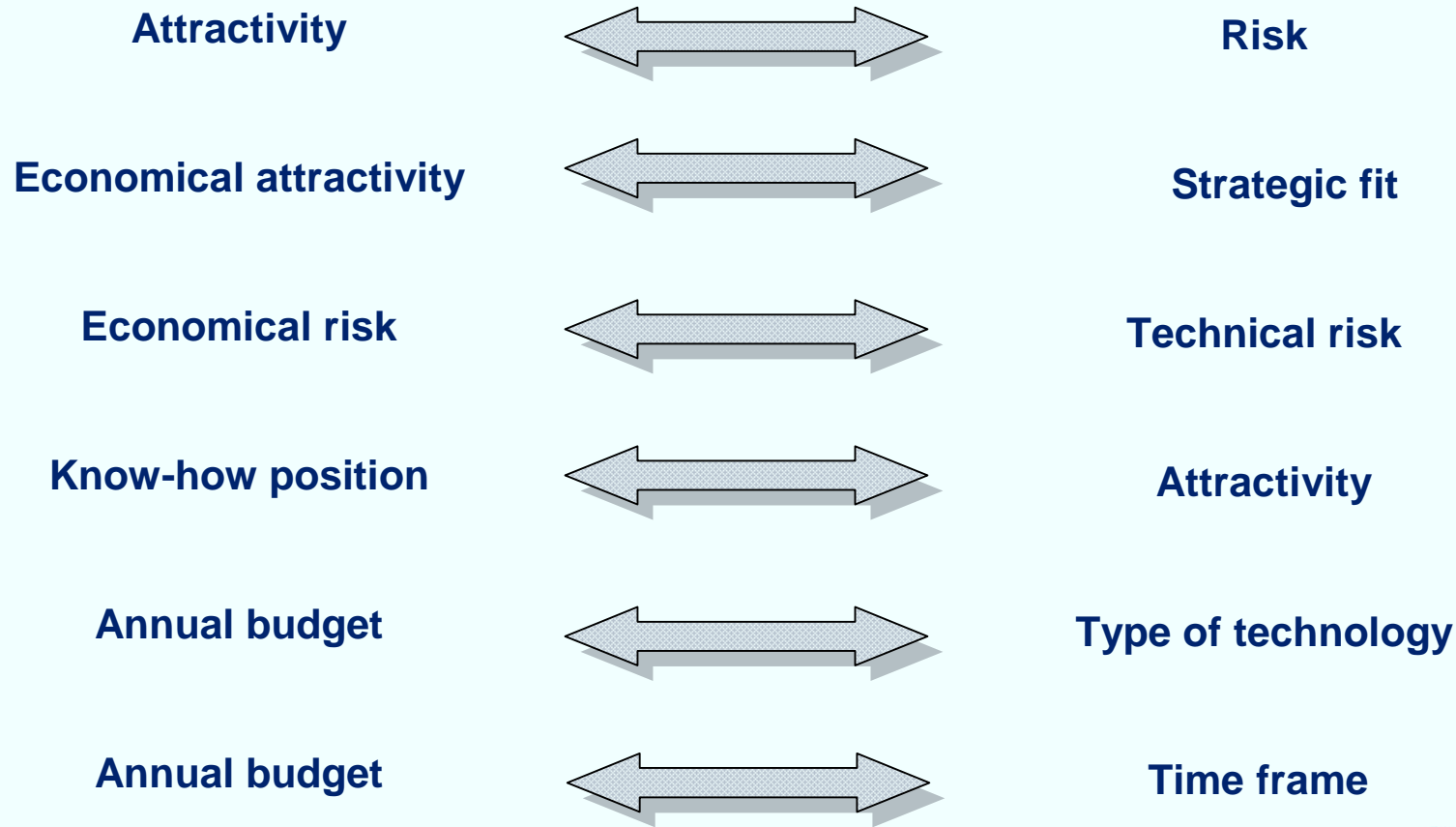
Criteria / Rating	1	2	3	4	5	Percentage	Weighted result
<b>1. Threat of buyers entrants (entry barriers)</b>							
Sales by units/price of single buying	high	not important	not important	not important	not important		
Probability of success (< 40%)	high	not important	not important	not important	not important		
Fit to the buying strategy	high	not important	not important	not important	not important		
Criteria / Rating	1	2	3	4	5	Percentage	Weighted result
<b>2. Power of suppliers</b>							
Return on investment of switching supplier	5-10%	5-10%	5-10%	5-10%	5-10%		
Match of available resources and project	available	available	available	available	available		
Market maturity	Aggressive	Mature	Mature	Mature	Mature		
Synergies to other projects	none	none	none	none	none		
Development of single supplier	1-1.5	1-1.5	1-1.5	1-1.5	1-1.5		
Rate of change	low	low	low	low	low		
Effect on existing business	high	high	high	high	high		
Technology position	weak	weak	weak	weak	weak		
-Market with high rate of change	high	high	high	high	high		
Total							
Social acceptance (for example risk to sourcing of raw materials)	low	low	low	low	low		
* <b>Sum</b>						100%	
<b>Profitability of suppliers</b>							



## R & D portfolio – selection process

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Portfolios can be tailored to reflect the situation. Specific decision to be made with regard to...



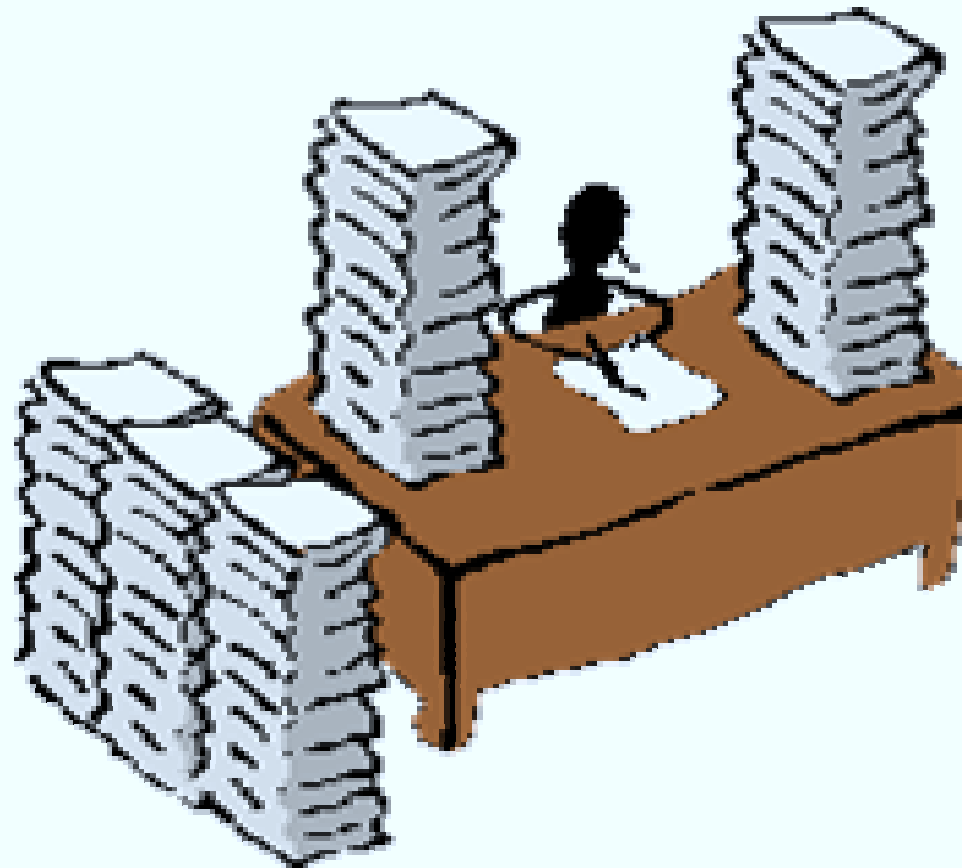
# Pick the right thing and decide !

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# Prioritize !

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# Partner !

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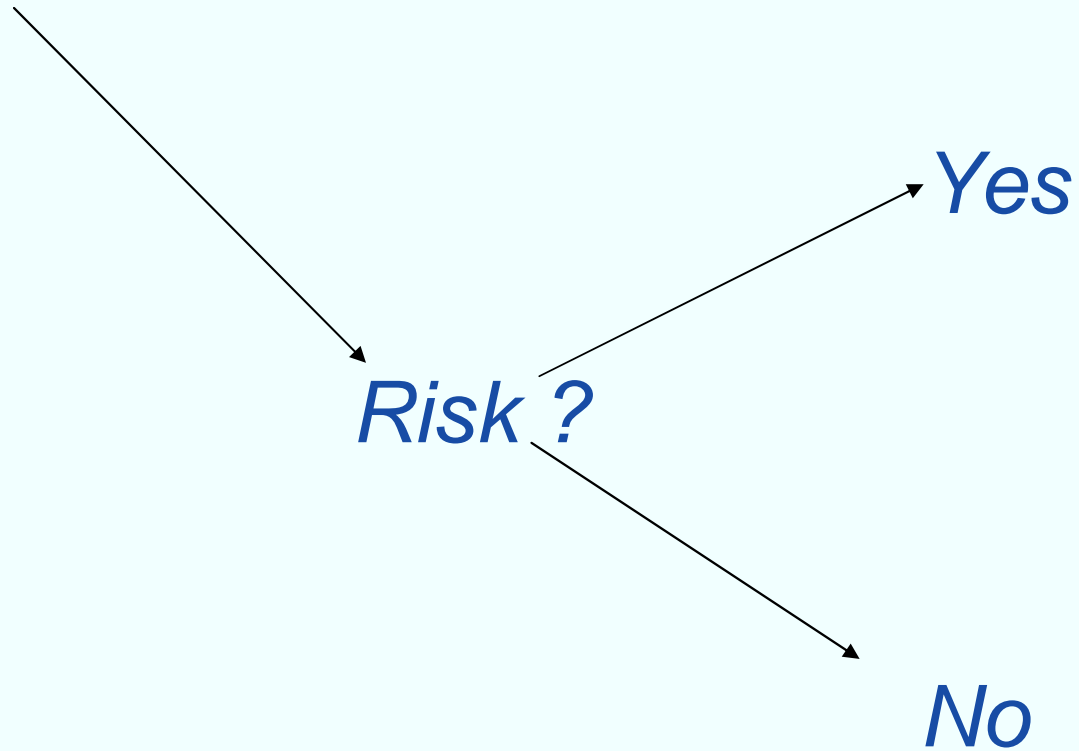
## ...with partners of these qualities

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- Solid drug discovery engine/pipeline
- Capability of developing compounds to proof of concept
- A growing asset portfolio, ideally close to or in the clinical phase (phase II ?!)
- Leader in a specific technology or therapeutic area based on solid science
- A strong management team
- Solid financial situation

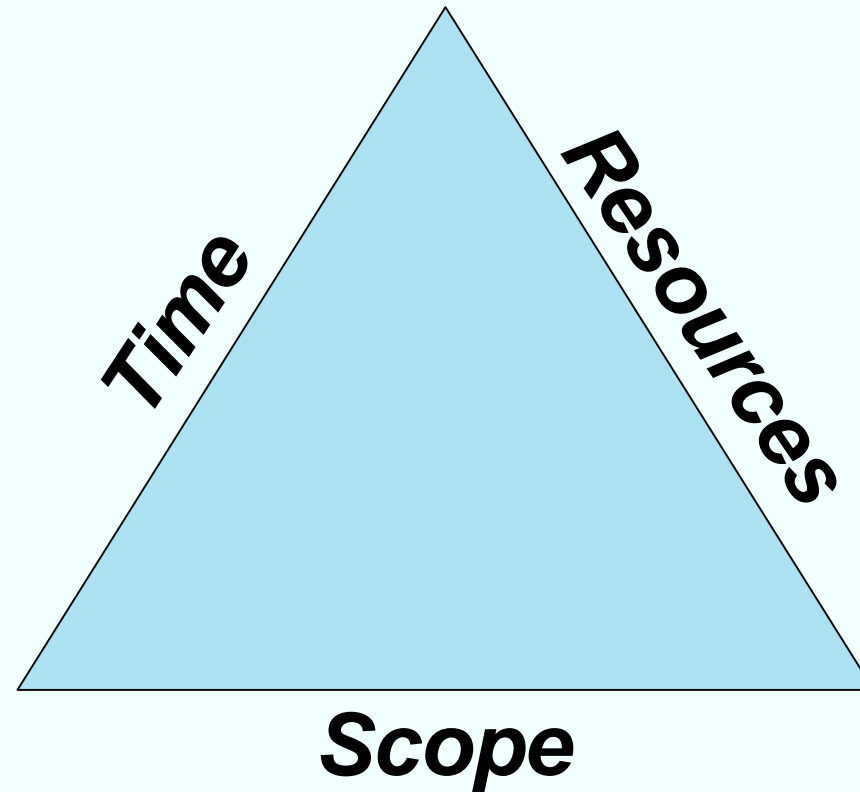
# You have to take risks...

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...but wisely!

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*The triangle of constraints*

# All players got to learn their lesson !

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## Pitfalls and problems at a glance

- Lack of Communication: pyramid versus permeability
- Lack of sense for innovation
- Risk aversion versus vision
- Resistance to change
- Partnering as a paralyzing process
- Founder syndrome
- Overregulation
- Shyness of competition in almost all segments
- Eminence versus evidence
- Lack of entrepreneurship
- Chasing the “3 month target” versus strategy
- Stubbornness
- Producing the compound
- Structure and organization

## ...and the winner is ?!

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### Prerequisites for success



You have to take risks...

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*...Pots of Gold !*