

## Chapter 42

# Research of Strategic Global Development Trends and Competitiveness in the World Pharmaceutical Industry

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### ABSTRACT

*In this chapter, the authors analyze strategic global development trends and competitiveness in the world pharmaceutical industry. They find some most significant characteristics of the world pharmaceutical industry, which greatly influence the global development in this “high-tech” industrial sector. The global pharmaceutical industry has been consolidating over the past 30 years. According to the research, the main strategic reasons for the intensive consolidation processes in the world pharmaceutical industry include the following: lack of new products to drive sales growth, huge investments needed for R&D activities to develop new products, fast globalization processes of the global economy, global marketing and sales activities that need large investments, and changed structure of competitors created by M&A strategies and consolidation processes. The concentration process, which is still going on, has created many new pharmaceutical players; however, some previously well-known pharmaceutical firms have disappeared from the global marketplace.*

### 1. GLOBALIZATION

We can stipulate that globalization is almost a synonym for the modern economy. Globalization could not be possible without fast and profound technological achievements and changes. Today, global competition is mostly based on knowledge

and technology and the ability to serve customers properly, swiftly, and repeatedly. Globalization has become almost a synonym for economic liberalisation and foremost opening up of numerous world economies. However, alongside the world markets, competition has tremendously changed as well. Internationalization has been replaced by

a globalization and the world economy has been replaced by a global economy. The Organization of Economic Cooperation and Development (OECD) (1993) defines globalization as »The spreading and deepening of companies performance with the target to produce and sell goods or services on multiple markets “(p.56). Later definition of globalization by the OECD (1994) emphasizes that “More precisely we may define globalization as a developing pattern of international business cooperation, which includes investments, trade and contractory 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 organisational advantages and to lower the costs and risk” (p.37).

Globalization is strongly related to the increased mobility and competition. We may highlight that the most important and influential drivers of globalization are transnational or multinational companies. We may also stipulate that the following characteristics are significant for their performance, especially by taking into consideration activities, business strategies and performances of multinational companies in world pharmaceutical industry, which we aim to research and present in more detail:

- Multinational pharmaceutical companies have had a strong market position on the most important and strategic world markets with holding of their considerable and major market shares,
  - They globally integrate and connect their business performance, so national identity is no longer important,
  - They have a flexible purchasing management strategy,
  - Have a global network structure of production,
  - Have a global network organisation of research and development activities,
  - Have built a global marketing organization structure which supports a dedicated market orientation and a strategic priority focus to global customers.
- We may even emphasize that globalization is, at its core, a very complex and definitively market conditioned and driven process strongly related and driven by a whole palette of elements of marketing way of thinking and performing, sudden changes, and ever-changing ways of doing business, alongside an increasing competition and competitiveness, in a strive to optimally identify changing needs of various world customers and by ability to satisfy their longterm yet uncovered needs. We can say that globalization is a strong market-and competitiveness-driven process. Thus, in a process of globalization it is of utmost importance to be fast, strongly market oriented, to have loyal customers, to be inventive and innovative, to have proper knowledge, to be able to learn fast, to have proper information, and to make quick decisions. Peter Drucker (1992) mentioned five important elements of development which would influence greatly the strategies, structure and performance of future companies:
- “Economic relations would be performed in the direction among trade blocs instead of countries,
  - Business performance would increasingly be a matter of strategic alliances integrated into a world economy,
  - Restructuring of business would be intensifying and more globalizing, so it would be important to have information and knowledge,
  - Strategic management of companies would be decisive for competitive success,
  - Intensive market orientation of companies would be a core advantage for achieving a competitive advantage over competitors” (p.112).

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