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# Innovation Through Collaboration



By [Stephen E. Chick](#) , INSEAD

## **Collaborations and partnerships are defining 21st century healthcare.**

As aging populations put a strain on cash-strapped governments, chronic illness and rare disease prevention is taking centre stage in healthcare. To meet new levels of demand, the sector is ramping up its innovative capacity through collaborations. But harnessing the disruptive potential of these partnerships is still very much a work in progress, according to participants of the INSEAD Healthcare Alumni Summit in Zurich in October this year.

Collaborations are widely seen by the sector as crucial to raise extra finance amid a credit crunch, share risk, boost research productivity, discover new therapies – and ultimately to reinvent the way healthcare is delivered. So large and small pharma companies, hospitals, pharmacy chains, venture capital firms, IT consultants, and academia are forming an array of partnerships.

But all too often, these collaborations are dogged by a rash of challenges and culture clashes – between for-profit pharma and academia, between corporate cultures, between established institutions and nimble startups, and a financial sector more attuned to funding therapies in late-stage clinical

trials. A lack of openness and trust working with outside actors in general, and misunderstandings across national cultures also come into play.

“Nobody really questions the value of these partnerships. The question is, really how disruptive are those partnerships?” asked Aleksandar Ruzicic, partner at global healthcare consultancy Executive Insight, speaking on the sidelines of the INSEAD Healthcare Summit in Zurich, which gathered CEOs from across the industry to debate and discuss this issue, who cited several promising models that address promising pathways to disruptive innovation that have managed to overcome the usual stumbling blocks.

“The focus on collaborations is very timely, as the rate of innovation in many ways is increasing, and it is harder for a single player to have an impact in isolation. This is particularly true as different sources of data are increasingly available, and integration of that data into useful information can give rise to novel knowledge and opportunities,” said Stephen Chick, INSEAD Professor of Technology and Operations Management.

### **Hitchhiker’s guide to effective collaboration**

Despite these challenges, CEOs at the Healthcare Summit outlined several innovations that sprouted from collaborations and suggested promising new models for these partnerships. One such new collaboration is the Innovative Medicines Initiative now in its second edition, says Roberto Gradnik, CEO of European biopharma company Stallergenes. The 3.5 billion euros, ten-year, public-private partnership between the EU and the pharmaceutical association EFPIA supports collaborative research and builds networks of industrial and academic experts. This model of open collaboration also allows these companies to regularly share knowledge and exchange ideas with regulators and patients, and to jointly generate scientific data and solutions, Gradnik says.

### **Hives of innovation**

“Even as the tools are getting ever cheaper and better for virtual collaborations, and companies are encouraging these ever-more efficient ways of working together cross border, the emergence of healthcare corridors will be an important source of breakthroughs,” says Chris Coburn, vice-president of research ventures and licensing at Partners Healthcare, a U.S. non-profit association of academic medical centres and hospitals, speaking to INSEAD Knowledge. Coburn cites Kendall Square in the

Cambridge area of Boston near Harvard University as an epicentre of creative ferment, where venture capitalists, medical technology startups, Google, Microsoft, and biopharmaceutical companies are crowding in. Johnson & Johnson has recently opened an innovation centre there. “It is a striking model, Coburn said. “In the near future, you’ll see a lot of new outcomes because of the physical proximity of these organisations,” Coburn said.

Partners Healthcare has also recently set up a unit to study collaborations. Coburn himself has recently released a Medical Innovation Playbook, which details the innovative and commercial activity of the 65 largest medical centres in the U.S., a handbook for those looking to learn the lessons of these academic collaborations

### **True disruptors**

Coburn cites a potential breakthrough in anaesthesia - the ability to calibrate delivery of a sedative - as the outcome of a partnership that straddles development and financing. This promising new development nearing commercialisation was the fruit of a five-way tie-up of technology partner Massachusetts General Hospital, Atlas Venture Development Corporation, which set up an arm to invest in early stage therapies, Annovation Biopharma, focusing on safer anesthesia, The Medicines Company, which concentrates on cost-effective clinical proof of concept, and Partners Innovation Fund, which funds early stage technology.

“Alliances need to go beyond traditional buyer supplier relationships, and the notion of risk sharing measures as a mechanism for business model innovation is promising. The pharmaceutical industry has already got into this, and there is more potential to come,” Chick added.

### **Aggregation**

During the INSEAD Healthcare Summit in Zurich, the disruptive possibilities of intermediaries, which have grown and developed thanks to smartphones and the Internet 2.0 was explored as a potential disruptor. “It’s disruptive because the status of the physician is questioned,” Ruzicic said.

Intermediaries comprise a range of startups that empower patients to become better informed on their health and medical conditions online, such as DocDoc, which allows patients in Singapore and South Korea to search

and book medical appointments online, part of a growing online movement of companies which empower patients to better inform themselves.

Another transformative development on the horizon is hospitals and medical centres, which are aggregating themselves into chains across hundreds of entities, much in the same way as hotels or legal services. These national and increasingly international chains are able to pool management knowledge and costs to better focus on improving medical outcomes. One example is U.S. Renal Care Inc., a chain offering services to treat kidney disease that has managed to capture about half of the U.S. patient market. What is more, U.S. Renal Care offers a novel payment plan: fixed reimbursement per patient, independent of provider. “This is a business with a lot of margin,” Ruzicic said.

### **Share and share alike**

To defray the expense of starting up a laboratory in China, Riccardo Braglia, CEO of Helsinn Holding SA, a global pharmaceutical company with an emphasis on cancer therapy, told INSEAD Knowledge about the company’s co-development with a local partner. Helsinn worked with a local partner, a Chinese-American executive who was formerly with Genentech in the U.S., to set up a laboratory and research unit in a Shanghai industrial district. So far, the third-party R&D unit has been the source of five patents for Helsinn that have been extended internationally.

In Japan, to develop a treatment for anorexia in cancer patients, Helsinn split the technology, investment, clinical development, and financing costs with its local partner ONO, which obtains the rights on the drug.

### **Scaling up slowly**

As a way to gradually expand in a mega-market like the U.S., Helsinn launched a three-step plan to finance an independent sales force. Helsinn struck a three-year agreement with its U.S. distributor, Japanese pharmaceutical company Eisai. In the first instance, Helsinn agreed to take back the rights for a product on the U.S. market, and get limited rights, to talk to doctors and hospitals in a limited geographic area. In step two, the company negotiated the ability to do the same on a larger scale with a new product under FDA review, Netupitant to treat nausea in cancer patients. In the last phase, Helsinn will have full commercial rights for the entire U.S. market for Netupitant next year, and then scale up its sales force to 100, from an original 14, once the therapy is registered in three years’ time.

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The **Healthcare Management Initiative** at INSEAD was founded on the belief that many of the systemic challenges of the healthcare industry globally can benefit from the application of principles that stem from rigorous, evidence-based thought leadership.