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CURRENT EMPIRICAL RESEARCH

The Role of International, Technological and Social Context in Considering Strategic Alliances in the Biotech–Pharmaceutical Industry

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In this issue, we have a thought-provoking article that relates to managing risk in designing strategic alliances in the biotech–pharmaceutical space. Joanne L. Scillitoe, Shanthi Gopalakrishnan, and Michael D. Santoro investigate factors that influence specific governance structures in strategic alliances for the development of new medications in their article, “The Impact of External Contexts on Alliance Governance in Biotech–Pharmaceutical Firm Alliances.”

Scillitoe and colleagues explore a key aspect of managing risk in innovation—the creation of governance structures in strategic alliances. Partnerships between biotech firms and pharmaceutical companies provide each partner with the needed skills, knowledge, and competencies to commercialize promising new drugs. But the creation of an alliance presents some degree of risk to both partners. The success of these partnerships depends, in part, on the governance structure of the alliance—whether there is a presence or absence of equity involvement. The choice of governance structure has been shown to be related to a number of contextual factors, and in this article, the authors explore the role of international, technological and social context in influencing the choice of structure from the perspective of the biotech partner.

In terms of international culture, the article explores the effect of national cultural differences, hypothesizing that greater differences in culture between partners increases the likelihood of creating equity structures. In the context of technology, the article hypothesizes that biotech firms situated in areas with a greater technological knowledge base will be more likely to form nonequity alliances with their pharma partners. And finally, the authors hypothesize that the greater the credibility of the biotech firm, formed through social networks, the more likely the firm is to form nonequity alliances.

Their findings support their proposition that greater national cultural distance increases equity alliances, but do not support the hypothesis that firms from more technologically munificent areas are more likely to form nonequity alliances. Firms with greater credibility were found to be more likely to engage in nonequity arrangements. These findings provide important insights for biotech firms, pharmaceutical firms, and the broader study of strategic alliances. When managing risk and protecting important intellectual and technological capital, firms are wise to consider the international and social contexts of the relationship.

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