

TIM Lecture Series

Born Global: A Pharmaceutical Startup Perspective

Louis R. Lamontagne

“Born globals: from the onset, their playground is the world.”

Louis R. Lamontagne
President and CEO

LTL Global Innovations and Management

Overview

The sixth TIM lecture of 2012 was presented by Louis Lamontagne, President and CEO of LTL Global Innovations and Management. Lamontagne shared his experiences as a seasoned entrepreneur in the pharmaceutical industry while reflecting on the "born global" concept, which refers to businesses that aim to address a global market from day one (Tanev, 2012; timreview.ca/article/532). The event was held at Carleton University in Ottawa, Canada, on August 9th, 2012.

The TIM Lecture Series is hosted by the Technology Innovation Management program (TIM; carleton.ca/tim) at Carleton University. The lectures provide a forum to promote the transfer of knowledge from university research to technology company executives and entrepreneurs as well as research and development personnel. Readers are encouraged to share related insights or provide feedback on the presentation or the TIM Lecture Series, including recommendations of future speakers.

This report summarizes the presentation and its key messages, including the lessons learned by audience members.

Summary

Louis Lamontagne began the lecture by describing the various definitions that exist for the born-global approach to internationalization. The born-global approach is attracting increasing attention because of the potential advantages this approach offers over conventional staged-internationalization approaches.

Lamontagne explained that, in the more traditional, "step" model of internationalization, companies first establish themselves in a domestic market, where they gain an understanding of the market and (hopefully) demonstrate solid growth. Expansion to adjacent countries is slow as the companies gain familiarity and understanding of foreign markets before venturing overseas. In contrast, born-global companies internationalize at or near their founding.

The born-global approach is potentially "game changing" and disruptive because it challenges traditional views of business internationalization. That said, Lamontagne cautions that the existence of competing definitions make it difficult to assess the born-global approach and compare studies.

Lamontagne distilled the most commonly recognized characteristics of born-global companies and the strategies they employ to gain competitive advantage. Finally, he shared a pharmaceutical perspective on the born-global concept based on his own experiences as an international entrepreneur.

Although the born-global concept provided the backdrop for the lecture, Lamontagne pointed out that he was not purporting himself to be an expert in the area. Rather, he wished to share his reflections on his own career and experience to shed light on the born-global approach and stimulate discussion and a healthy debate.

Born Global by Design?

Among the multiple definitions of born-global companies, a key distinction is whether or not the approach is

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intentional or is simply a by-product of a company's circumstance. Some definitions (e.g., Tanev, 2012: timreview.ca/article/532; Bailetti, 2012: tinyurl.com/8aqppfc), require the company to take *deliberate action* to compete globally from inception. Nonetheless, Lamontagne argued that whether a company is global by design or emergence, the "new global marketplace" has made conditions more favourable for early internationalization. These favourable conditions include modern information and communication technologies, cost-effective global transportation systems, just-in-time manufacturing, global networks and alliances, and e-commerce.

Distinctive Characteristics of Born Globals

Born-global companies seem to share the following distinctive characteristics:

1. Highly active in international markets from or near inception
2. Scarce financial resources and other assets
3. Internationalized entrepreneurial management
4. Compete on differentiation strategies
5. Leverage advanced information technology
6. Strategic alliances in foreign markets

Lamontagne pointed out that many of these distinctive characteristics could apply to any firm that wishes to reach global markets. However, for born-global firms, these characteristics take on a greater importance and these companies are likely to possess most or all of these corporate traits.

Born-Global Strategies for Business Internationalization

Born-global companies typically make use of an arsenal of capabilities to help overcome the challenges of being a small player in a competitive marketplace. Well-defined strategic orientation is critical and management must adapt strategies to the specific needs of the firm. Even if we arrive at a single definition of "born global", it is likely that no single approach is appropriate for all companies, at all times, in all markets. Yet, most born globals share two common success factors: i) resourcefulness and ii) dynamic capabilities of management and the firm.

A Pharmaceutical Startup Perspective

In Lamontagne's experience, he argues that practically all pharmaceutical startups are born global by default and this approach has always been a feature of this industry. This does not necessarily mean that internationalization within pharmaceutical companies is always by design, but the industry has always been an exception to the traditional staged model of internationalization. No company develops a medicine solely for a domestic market. By default, nearly all pharmaceutical products are aimed at a global market, and related financing, R&D, manufacturing, strategic alliances, etc. tend to be global. Thus, entrepreneurial founders "think global from inception" in all key aspects of the business, including markets, commercialization, product development, manufacturing, intellectual capital (i.e., management, expert resources and IP) and strategic alliances. Investments in projects to derive significant global competitive advantages are the norm.

Lamontagne next described recent changes to business models in the pharmaceutical industry. The development of medicines used to be mostly the domain of large multinationals. However, the advent of genetic engineering in the 1970s allowed entry of small firms, which can now compete head-to-head with multinationals. Multinationals have responded by increasingly focusing on the revenue side of the pharmaceutical business, thus becoming large marketing engines for pharmaceutical products, many of which were developed through more cost-effective out-sourcing/alliances and acquisitions with smaller firms.

Although Lamontagne argues that pharmaceutical startups are born global by default, the evolution in business models underscore several increasingly relevant elements of the born-global concept:

1. Understanding market nuances and demands prior to product development is critical.
2. Success depends on worldwide strategic alliances, particularly for marketing.
3. Companies must comply with regulations in multiple jurisdictions, which greatly impacts strategies for clinical trials.
4. An entrepreneurial management team that has international experience and "know-how" is essential.

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5. Manufacturing typically involves multiple geographies.
6. R&D depends on worldwide strategic alliances (both private and public).
7. From inception, there must be a global strategy for intellectual property.
8. Pharmaceutical companies must seek global sources of investment capital; Canada lacks sufficient investment capital to support the biopharmaceutical industry through its requirement for multiple successive financing rounds as potential products move through pre-clinical and clinical development phases.

Conclusion

In closing, Lamontagne emphasized the attractiveness of the born-global approach in light of the ever-increasing globalization of markets. He called for support for born-global companies by business and financial leaders, stakeholder communities, academic scholars, and government policies and programs. Lamontagne concluded by saying: "From an intuitive perspective, 'born global' is a simple business concept; however, the strategies and execution behind it are very complex and challenging. And, of course, we only hear about the success stories - there are several questions that remain unanswered. The jury on 'born global' is still out."

Lessons Learned

In the discussions that followed the first and second parts of the presentation, audience members shared the lessons they learned from the presentation and injected their own knowledge and experience into the conversation.

The audience also identified the following key takeaways from the presentation:

1. Globalization seems to be an artefact of global change, especially the development of the Internet.
2. You can be small and global.
3. The chances of global success are increased by founder experience, international management experience, and networks. These factors are particularly valuable when trying to globalize with scarce resources. Infrastructure can also enable success.

4. There is no specific recipe for success, nor is there a common definition of "born global".
5. Dynamic capabilities are essential; born-global companies must be flexible.
6. Opportunities lie in niche markets that are worldwide.
7. Thinking about going global from Day 1 is different from implementing from Day 1.
8. If you wish to be a born-global company, it is essential to understand your target market, even more so than for other companies. This includes knowing the costs and benefits of conducting business in each region.
9. Large companies are increasingly becoming marketing machines that outsource R&D. Therefore, small companies can compete, or at least co-exist, with large global players through niche R&D. However, for an individual company, the risk is that all the eggs are in one basket.
10. To be born global, you need to approach the problem of globalization differently. It is not about deploying a large, international sales force. Born globals need to rely on new strategies that leverage the help of others, both locally and globally.

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About the Speaker

Louis Lamontagne is the President and CEO of LTL Global Innovations and Management, Inc., which he founded in 2009. LTL Global Innovations and its wholly-owned subsidiary LTL Global BioEnergy Corp. are primarily focused on the development and commercialization of renewable and sustainable co-generation of combined heat and power (CHP) modular technologies using biomass as fuel. He was recently appointed as Global Practice Lead for the Life Sciences in Canada by the Department of Foreign Affairs and International Trade (DFAIT) and is interim CEO of Alztech, a USA based biopharma company focused on the development of novel therapies for Alzheimer's Disease. Dr. Lamontagne formerly served on the Board of Canada's Natural Sciences and Engineering Research Council (NSERC) (and is a member of the Council's Committee on Research Partnerships), the Board of Governors of Algonquin College, the Board of Directors of the Ottawa Hospital Research Institute (OHRI) representing the Ottawa Hospital, the Riverside Hospital, the Civic Hospital, the Children's Hospital for Eastern Ontario, and the Heart Institute. He is also on a Board of Advisors for the Canada Science and Technology Museums Corporation, comprising of the Canada Food and Agriculture Museum, the Canada Aviation and Space Museum, and the Canada Science and Technology Museum.

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