

The Bizarre World of Healthcare (8)

Morbus Merger

While trying to force success by means of take-over deals, big pharma is acting like a bariatric athlete who guzzles hamburgers to improve his poor running performance.

What is the pharmaceutical industry's major product? Viagra? Cancer therapeutics? Cholesterol lowering drugs? Aspirin?

Sorry, you're way off. The pharmaceutical industry's major product is mergers, of course.

M-e-r-g-e-r-s. Two companies fuse to become one.

In the pharmaceutical industry, mergers are omnipresent. It's more likely that a drugmaker will merge within, say, a decade, than obtain approval for a bog-standard drug within the same period. Mergers are literally a big deal; when it comes to big pharma, we typically witness rather oversized transactions, regrouping billions of dollars (or euros). Take as an example the two manic mergers happening at the moment: the takeover of Wyeth by Pfizer for €53 billion and the recently announced purchase of Schering-Plough by MSD/Merck for €32 billion. Roughly speaking, when it comes to mergers, the huger the merrier.

Yes, mergers are contagious. The drug industry's state of permanent flux breeds an acquisition here, a takeover there and before you know it we are over-run with annoyingly hyphenated company names and megalith corporations.

It's always the same procedure: a huge but struggling drugmaker with a poor pipeline opens its well-stocked wallet and announces a multi-billion acquisition of (or a merger with) a competitor. The chief executives then praise their planned merger with hollow phrases like, *"we have taken measures for an enhanced ability to innovate, leading us to a better use of resources, to advance our mission of applying innovative science to improve world health"*.

Wow. What carefully worded nonsense. A lame duck and a sickly loser join forces to become a charitable superman. In most cases, they don't end up as Superman, of course. More like Donald Duck.

By the way, the situation is far from being a continuous improvement for those involved. When pharmaceutical companies merge, they kick thousands of employees out of their drug plants (Pfizer's CEO Jeff Kindler intends to eliminate 20,000 jobs this year, as a direct consequence of the Wyeth acquisition, for example, while Merck plans to axe 16,000 jobs in the context of its merger with Schering-Plough).

And what next? After a few years, the combined company will face problems again, then consider its next merger, again axing thousands of jobs. It's a strange kind of periodical *déjà vu* that happens in the pharmaceutical world.

Bizarre company names are the most obvious result of big pharma's merger habit. Take artificial names such as Sanofi-Aventis, or, as the wackiest prime example, the tapeworm term GlaxoSmith-Kline, to highlight firms whose favourite pastime is, well, merging.



GlaxoSmithKline (GSK) is the spawn of drugmakers GlaxoWellcome and SmithKline Beecham, who merged in 2000 to form the second largest pharmaceutical company in the world. That, however, is not even half the story. GSK's history is a tangled mess of mergers. GlaxoWellcome was formed in 1995, when Burroughs Wellcome & Company and Glaxo Laboratories merged, while SmithKline Beecham is the product of Beecham and SmithKline Beckman (1989).

Got it? The confusion continues as you go further back in time. SmithKline Beckman was formed in 1982 by another fusion of Smith Kline & French Laboratories and Beckman Inc., while the former organisation was born in 1891, when Smith, Kline and Company merged with French, Richard and Company and changed its name to Smith Kline & French Laboratories in 1929.

Yes, pharma con-fusion is as simple as that. By the way, GSK's new Chief Executive, Andrew Witty, could save millions by maintaining the firm name after its next merger (just imagine the horrible cost of changing all his 100,000 employees' headed paper, printing yet another name on billions of drug boxes and replacing tons of gaudy neon signs).

By the way, your *Lab Times* reporter is eagerly anticipating the ultimate "PfGlaxSanoRoche-MerckArtisLilly Inc." fusion product, renamed SluggDrug not later than 2020.

Are mergers economically successful? Responsible executives hurry to assure us that they are (well of course they are, considering the grandiose multimillion bonuses that executives arrange for themselves). Ask shareholders and you'll get conflicting answers (on the one hand increased profits, at least for the short term; on the other hand decreasing stock prices).

Ask an unbiased expert, however, and most mergers turn out to be only one thing. They are disastrous.

They are disastrous for the free market economy because every merger crushes a competitor, blazing the trail to a monopoly of a few selected trusts that control drug prices. They are disastrous for the thousands of employees who are sacked after mega mergers and disastrous for national economics as well. It is national economies who pick up the tab for unemployment benefit. They are disastrous for the millions of sick people that suffer from rare illnesses who will never live to see an efficient drug, because pharmaceutical trusts tend to slash their research and development expenditure after a merger. They are disastrous because the merged companies struggle along in their home-made bureaucratic ruts for years, having neither the mental nor the financial resources to be "innovative".

To conclude, morbus merger is a widespread illness that should be combatted vigorously. Is there any company out there that has the right medicine?

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