The linkage between institutional transitions and Intellectual Property (IP) strategies of pharmaceuticals: Japanese pharmaceutical industry, 1970-2017

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Abstract

The purpose of this article is to reveal the impact of external factors on intellectual property (IP) strategy by focusing on how institutional transitions matter for IP strategy from historical perspective.

What determines the IP strategy of pharmaceuticals? IP strategy is defined here as the way through which companies create or obtain IP and what role this plays in the enrichment of drug discovery pipelines. Most research focusing on R&D productivity considers the IP strategy from scale advantage perspective and resource-based perspective, which centers on firm-specific capabilities, but have not paid adequate attention to the institutional transitions. Since institutions are typically conceptualized as “the rules of game in a society” (North, 1990; Scott, 1995), institutional transitions can be defined as fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organization as players (Peng, 2003). In response, organizations acquiesce to a variety of institutional pressures by making strategic choices (Child, 1972, 1997; Oliver, 1991, 1992).

However, the issues of how organizations (firms) make strategic choices during fundamental institutional transitions, what lead IP strategies changes in the pharmaceutical still remain largely unknown. Here the paper will challenge to analyze the issue of how institutional transitions matter for strategic choices in the four Japanese leading pharmaceutical companies during the period of 1970-2017. The paper highlights the changes in foreign investment regulation and patent system, revealing how institutional transitions impact the corporate ownership and subsequent strategies, mainly though analyzing the secondary data.

The paper shows that changes in foreign investment regulation and patent system progress the globalization in the Japanese pharmaceutical industry, thus triggering the transitions of IP strategy. Institutional transitions lead the IP strategy from imitative to innovative for improving international competitiveness. In addition, this innovative IP strategy was developed from scale advantage perspective to resource-based perspective because of increasing R&D cost year after year under institutional pressures.

Keyword: institutional transitions, external factors, research and development(R&D), pharmaceutical, ownership, patent system, innovation