Case Prospectus

IDEC PHARMACEUTICALS CORPORATION

http://www.idecpharm.com/

Background: IDEC Pharmaceuticals (IDEC) is a hyper-allianced developer of immunotherapies for cancer and autoimmune diseases. Most of IDEC’s products have not yet received final approval from the FDA. The FDA, however, has fully approved one product, Rituxan™. In fact, Rituxan™ has become a preferred drug for treatment of certain types of non-Hodgkins lymphoma. Currently, Genentech manufactures Rituxan™ under terms of an IDEC/Genentech strategic alliance, even though Rituxan™ is IDEC’s only significant source of revenue.

The case begins with an industry overview, an introduction to IDEC Pharmaceuticals, and information about IDEC’s business processes and its many strategic alliances. The case presents facts with a subtle pro-IDEC bias. Given this bias and IDEC’s success to date, it may be natural for students to focus on the opportunities associated with IDEC’s strategic alliances. Such alliances, though, also present many business risks. Through in-class discussion, students should discover the nature, scope, and financial-statement implications of the benefits and risks associated with strategic alliances.

Case learning objectives: Students completing this case will:

- Gain an understanding of how, under strategic-systems auditing (SSA), auditors obtain a sufficient knowledge of their clients’ business to assess audit risk as it relates to current and potential business risks.

- Obtain knowledge about the biotechnology, pharmaceutical, and biopharmaceutical industries in general and to IDEC Pharmaceuticals in particular. Students also will learn how companies in these industries create value as well as some of the opportunities and risks that these companies confront.

- Understand the role of strategic alliances in business, including the motivations, risks, and rewards and the impact the relative bargaining power each alliance partner has in determining how risks and rewards are allocated.

Level of use: This case is suitable for undergraduate and graduate auditing courses. The case also may be used in undergraduate or graduate (MBA) strategy courses to highlight the role of strategic alliances in management practices as well as in undergraduate or MBA courses that focus on business valuation or financial-statement analysis.

Time to complete: Instructors can employ a one- or two-class approach with a class time of 90 minutes. The two-class approach is appropriate for students with limited exposure to SSA because it devotes considerably more time to SSA fundamentals and the process by which the SSA auditor assesses audit risks.

Note: As background, students should be encouraged (required) to read, Auditing Organizations Through a Strategic-Systems Lens by Bell, et. al.