



CREATING A WINNING BIOPHARMA STRATEGY IN THE '20s

By Mark Lubkeman and Ulrik Schulze

AS THE 2010S BEGAN, the biopharma industry faced formidable challenges. Major patents were about to expire, and owing to declining R&D productivity, new therapies were not in place to replace those revenues. Health care systems' accelerating focus on value was putting pressure on biopharma to demonstrate therapeutic value and positive outcomes. And many opportunities in the developing world involved less innovative and less profitable therapies. In addition, public trust in biopharma was low—even lower than the corresponding trust in tobacco companies. On December 31, 2009, the MSCI World Pharma Biotech & Life Sciences Index closed at 92.58.

Ten years later, the biopharma industry has built new capabilities to address many—although not all—of those challenges. From 2009 to 2019, the industry's R&D productivity increased markedly, highlighted by several breakthroughs in biologics, specialty, oncology, and rare diseases. FDA drug approvals increased from about 30 per year during the period from 2000 to

2010, to about 50 per year for the years 2014 through 2019. Drug developers leveraged insight from the genomics revolution to better understand how biology and disease intertwine. New cell and gene therapies became more viable, with many innovations targeting causes rather than symptoms. Overall, the industry is starting to make great strides in leveraging data and analytics to enhance drug discovery and measure the quality of outcomes, although it's fair to say that value-based health care remains a work in progress.

One evolving challenge for Western biopharma companies is the increasing sophistication of local biopharma companies in developing countries (particularly China), which has led to increased competition in those markets. And, unfortunately, trust in biopharma has continued to decline over the past ten years, as the public debates health care in general and drug prices in particular. On December 31, 2019, the MSCI World Pharma Biotech & Life Sciences Index closed at 217.35, for a gain of 135% over the past decade.

What will the 2020s hold for biopharma, and how can the industry create value? To answer this question, BCG has taken a cross-industry look at how to succeed in the next decade. The result of our research is a compendium called “Winning the '20s” that identifies five major business imperatives. These imperatives can help biopharma companies find opportunity in uncertainty; get ahead of the social, technological, and political trends that will define the future of business; and seize chances to play new roles and carve out new competitive spaces. The five imperatives are as follows:

- 1. Master the new logic of competition.** Logically, since biopharma is grounded in innovation, companies that learn the fastest should be the most successful. Such learning entails rapidly leveraging traditional and new data sources to enhance the understanding of disease. Although biopharma companies have always used data to build insights, going forward they will need to create a robust ecosystem of partners to improve collaboration and access data sources outside the company. These collaborative partnerships will allow them to scale data- and analytics-driven solutions.
- 2. Design the company of the future.** To capitalize on deep talent pools and rich data sources, biopharma executives need to design “bionic” companies that seamlessly integrate and manage technology and people. The merger of technology and people is already beginning, but it must extend across all components of the value chain: drug discovery and development, supply chain efficiency, commercial effectiveness, and, especially, patient insights and enhancement of care. Biopharma companies must also break down functional silos and open up closed organizations to create ecosystems that can deliver the value-based health care that society prefers. Financing those outcomes (in particular, access to curative therapies) will in some cases require cross-sector collaboration.
- 3. Apply the science of organizational change.** Inevitably, the transformational journey to become more bionic and networked will face internal resistance. Because many people in the organization will feel threatened by the changes, the company must articulate a common purpose and set of values to guide its actions. In addition, leaders will have to design feedback loops in order to systematically gather information that will help it understand what’s working in these transformational journeys and what’s not—and then make the necessary adjustments. For example, the change program for each function and geography should be tailored to ensure that organizations can absorb each one. Another important focus for leadership teams should be on how to attract and retain talent during the transformation, a time when many roles and responsibilities will be redefined.
- 4. Embrace the need for diversity.** Successful drug discovery and development has always required a diversity of opinions and perspectives. Cross-industry research shows a clear link between the diversity of a company’s management team and the company’s ability to innovate. But we believe that there is also a strong need for diversity throughout the biopharma value chain, in clinical trials, medical dialogue, desired partnerships, and key stakeholder engagement. Of course, pharmaceutical companies also operate in diverse geographic and cultural markets, in a range of diverse health care systems, and they need the capabilities to be effective across those as well.
- 5. Optimize for both social and business value.** Over the past decade, the biopharma industry has achieved much that it can be proud of: curing Hepatitis C, converting many cancers to chronic diseases with real progress toward cures, and improving the quality of life of billions of patients. But society’s trust in biopharma has declined for decades and is constraining the industry’s ability to partner with payers, providers, and

regulators to develop system-wide improvements in the delivery of value-based health care. Biopharma needs to make a concerted effort to rebuild trust with society. Many companies talk about patient-centricity, but many gaps remain between the concept and action. An important starting point for each executive team is to define the company's purpose (specifically, the intention to have a profound positive impact on patients' lives) and use that purpose to animate the company and define its place within its ecosystem.

That purpose should also drive linkages and more open collaboration with outside stakeholders.

On the verge of a new decade, what will it take to be a winning biopharma organization? No one has a crystal ball, but it seems clear that past formulas for business success may not work going forward. To win in the '20s—and beyond—companies must accept that change is essential. We believe that the five imperatives discussed here will give executives a roadmap to navigate that change.

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