

- **Thesis:** In the article “Innovation sourcing in biopharma” by McKinsey and Company, the major thesis mainly centers around the intensely competitive environment within the biopharmaceutical industry. Companies are beginning to increasingly rely on externally sourced assets to promote new product development. The article highlights 4 key practices to communicate methods for achieving success in dealing with externally sourced assets, which have a much higher chance of being clinically successful than internally sourced assets. The first key practice, “Sharpen Focus”, emphasizes the importance of companies focusing on areas where they have the expertise and proven success. The second key practice “Use Data and Analytics”, discusses that through the help of data and advanced analytics such as AI, companies can help identify future innovation hotspots to create investment opportunities. The third key practice “build Expert Capability” " emphasizes the importance of forming expert teams with the ability to quickly evaluate external assets, especially those in their initial stages of development. The final key “Take an Activist Approach”, recommends that to maximize the value derived from external partnerships and assets, companies should adopt a more assertive approach similar to that of a private equity firm. Overall, the article mainly attempts to highlight that to succeed in this competitive environment, biopharmaceutical companies must enhance their strategies as well as invest in the right capabilities. This will ensure that their external investments lead to potential in the next wave of medical innovation.
- **Major Findings:** The article highlights several major findings in the biopharmaceutical industry. To begin with, the article first emphasizes the company's increasing reliance on external assets, In 2021, 66 percent of the industry's pipeline revenues were generated from externally sourced drugs. Data indicates these assets are also proven to have a higher launch success rate than the internal ones. Continuing, the intense competition when it comes to innovation assets is heavily emphasized in this article. The fields of oncology, infectious diseases, platform technologies, and data analytics are particularly regarded as having the most competition. There is also now an emphasis on early-stage assets. This emphasis shows the willingness to embrace higher levels of risk while attempting to pursue potential groundbreaking innovations. Lastly, this article shows the connection between strong financial performance and productive deal-making. This article does this by showing the link between financial success and the efficacy of external product development strategies within biopharmaceuticals.
- **Empirical basis:** The findings in this article are mainly based on extensive research and analysis conducted in the biopharmaceutical industry. These findings have been determined through a detailed study of various factors in the technical world such as deal activity, trends, partnership deals, mergers and acquisitions, as well as venture capital investments within the sector. The researchers have carefully reviewed data to provide a view that is rounded to the competitive environment. This article studies 21 major biopharmaceutical firms and their financial performance for 15 years to thoroughly analyze strategies used by successful companies in the field. By adopting this data-driven approach, the article successfully provides valuable insight into the changing nature of various components of product development such as external asset acquisition, enduring competition for innovation, and distinguishing strategies employed by high-performing companies operating in the field of biopharmaceuticals.
- **Implications for the practice of management:** The article shows the crucial role of effective management practices in the biopharmaceutical industry in their attempt to develop new products. In a competitive environment where there is so much competition

over innovative assets, skillful and orderly management methods become very important. According to the article companies that excel at managing their external innovation portfolios have a higher chance of being successful in this highly competitive environment. These companies usually focus on therapeutic areas where they have expertise. This approach not only enhances their value to potential partners but also ensures resources are distributed efficiently. Additionally, adept management teams utilize the tools of data and advanced analytics to identify emerging opportunities for innovation investment. This enables them to make more accurate decisions. Companies assemble dedicated teams with the necessary skills to quickly assess potential targets especially those in early development stages and establish governance structures that facilitate swift investment choices. They offer functional and operational support to portfolio assets, though taking a role similar to private equity firms, thus maximizing productivity. In conclusion, effective management practices are integral when navigating through the challenging and competitive nature of sourcing external assets within the biopharmaceutical industry since this industry determines success or failure regarding crucial investments into innovations.