## Contents

List of Contributors XVII Foreword XXI

1Introduction to the Book1Alexander Schuhmacher, Oliver Gassmann, and Markus Hinder<br/>Reference8

v

- 2 Global Epidemiological Developments 11
- Stephan Luther and Peter Schmitz
- 2.1 Introduction 11
- 2.2 Model of Epidemiological Transition 12
- 2.3 Global Burden of Diseases 15
- 2.3.1 Trends in the Distribution of Disease Burden *16*
- 2.4 Infectious Diseases 20
- 2.4.1 (Re-)emerging Infectious Diseases 23
- 2.4.2 Neglected Tropical Diseases 26
- 2.5 Noncommunicable Diseases 29
- 2.6 Antimicrobial Resistance 32
- 2.7 Dynamics 35
  - References 38

3	The Value of Pharmaceutical Innovation: Concepts and	
	Assessment	45

- Sam Salek and Paul Kamudoni
- 3.1 Introduction 45
- 3.2 Concepts and Definitions of Value 46
- 3.3 Stakeholder's Perspectives on Value 47
- 3.3.1 Drug Regulatory Agencies 47
- 3.3.2 Health Technology Assessment 47
- 3.3.3 Patients 49
- 3.3.4 Prescribers/Clinicians 49
- 3.4 Recent Developments Influencing the Definition and Assessment of Value 50

VI	Contents	
	3.5	Recommendations: Implications for R&D 51
	3.6	Discussion 52
	3.7	Conclusion 56
		References 57
	4	A Review of the Pharmaceutical R&D Efficiency: Costs, Timelines, and Probabilities 61 Alexander Schuhmacher, Oliver Gassmann, and Markus Hinder
	4.1	Introduction 61
	4.2	The Historical Perspective 62
	4.3	The R&D Phase Model 63
	4.4	The Low R&D Success Rates 63
	4.5	The Long R&D Time Intervals 67
	4.6	The High Cost of Pharmaceutical R&D 71
	4.7	The Reduced R&D Efficiency 73
	4.8	Can an Increase in R&D Value Compensate the Reduced R&D
		Efficiency? 76
		References 78
	5	Financing Pharmaceutical Innovation 81 Sviataslau Sivagrakau
	5.1	Introduction 81
	5.2	Measuring Innovation: Categories of New Drugs 84
	5.3	Productivity of Pharmaceutical Industry throughout
		Time 86
	5.4	Measuring the Cost of Developing New Medicines 87
	5.5	Funding Drug Development: a Global Endeavor 91
	5.6	Public and Private Funds: Complementary Finance for Drug
		Development 95
	5.7	How Commercial Drug Development Projects Are Financed Today:
		Big Firms, Small Firms, and Their Cooperation 97
	5.8	Public Health Economics and Financing Pharmaceutical
		Innovation 99
	5.9	Conclusion 101
		Acknowledgment 102
		References 102
	6	Challenges and Options for Drug Discovery 107 Werner Kramer
	6.1	Introduction 107
	6.2	Paradigm Shifts of R&D Organizations 108
	6.3	Productivity of Drug Discovery 109
	6.4	Is There an Innovation Gap in Biomedical Research? 111
	6.4.1	To Go for First in Class or Best in Class 112
	6.4.2	How We Define Medical Innovation? 112

6.5	Why Did Drug Candidates Fail? 113
6.5.1	Why Is the Dropout Rate So High in Early Clinical
	Development? 115
6.5.1.1	Drug Behavior In Vivo: Role of Transport Proteins 115
6.5.1.2	Hypes and Lack of Scientific Thoroughness 116
6.6	Implications from the "Lessons Learnt" for Future Drug Discovery Research 123
6.6.1	Organization of Drug Discovery and Development 123
6.6.2	Elucidation of the Physiological Validity of a Target for the Human Disease 125
6.6.2.1	Extensive Inquiry of (All) Published Data of a Target or Pathway 125
6.6.2.2	Integrative Knowledge Management 127
6.6.2.3	Demonstration of the Involvement of a Target in Human
0.0.2.0	Disease 128
6.6.2.4	A Stringent and Comprehensive Test Sequence 132
6.6.2.5	Translational Clinical Trials 135
	Acknowledgment 136
	References 136
7	Translational Medicine: Enabling the Proof of Concepts 141
	Gezim Lahu and John Darbyshire
7.1	Introduction 141
7.2	Translational Medicine and Its Role/Value in Early
	Development 143
7.3	Knowledge Generation 144
7.4	Types of Data, Experiments, and Tools Needed to Move from Basic Research to Early Clinical Development 144
7.4.1	Dose Selection 145
7.4.2	Animal Models 146
7.4.3	Fraction of NOAEL and Efficacious Dose 149
7.4.4	Allometric Scaling and PBPK 150
7.4.5	Physiologically Based Pharmacokinetic Models PBPK 151
7.4.6	Pharmacokinetic and Pharmacodynamic Modeling 151
	·
7.5	FIM (Dose Escalation and MTD) 153
7.5 7.6	FIM (Dose Escalation and MTD) 153 Proof of Concept (PoC) 154
	FIM (Dose Escalation and MTD) 153 Proof of Concept (PoC) 154 Summary 156
	FIM (Dose Escalation and MTD) 153 Proof of Concept (PoC) 154
	FIM (Dose Escalation and MTD) 153 Proof of Concept (PoC) 154 Summary 156
7.6	FIM (Dose Escalation and MTD) 153 Proof of Concept (PoC) 154 Summary 156 References 157
7.6	<ul> <li>FIM (Dose Escalation and MTD) 153</li> <li>Proof of Concept (PoC) 154</li> <li>Summary 156</li> <li>References 157</li> <li>Preclinical Safety and Risk Assessment 161</li> </ul>
7.6 8	<ul> <li>FIM (Dose Escalation and MTD) 153</li> <li>Proof of Concept (PoC) 154</li> <li>Summary 156</li> <li>References 157</li> <li>Preclinical Safety and Risk Assessment 161</li> <li>Paul Germann and Rob Caldwell</li> </ul>
7.6 8 8.1	<ul> <li>FIM (Dose Escalation and MTD) 153</li> <li>Proof of Concept (PoC) 154</li> <li>Summary 156</li> <li>References 157</li> <li>Preclinical Safety and Risk Assessment 161</li> <li>Paul Germann and Rob Caldwell</li> <li>Introduction 161</li> </ul>

8.2.2 In Vitro Experiments 162

VIII Contents

Contents	
8.3	Case Study: hERG Assay 163
8.3.1	In Vivo Experiments 164
8.4	The Preclinical "Package" during the Development of an
	NME 165
8.5	Factors Influencing the Preclinical Data Set 166
8.5.1	Timing and Costs 167
8.5.2	Intended Clinical Application Route 167
8.5.3	Treatment Duration and Treatment Frequency 167
8.5.4	Clinical Indication 167
8.5.5	Ongoing Changes of the Regulatory Landscape 168
8.5.6	New Drug Formats 168
8.6	Translation into Humans: The "Therapeutic Window" 169
8.7	Influence of Intended Therapeutic Use on the Risk Assessment
	(RA) 169
8.8	Deep Dive Case Study: Safety Assessment of Biological Drug
	Formats 170
8.9	NBE Case Study 1 175
8.10	NBE Case Study 2 175
8.11	Carcinogenicity Risk Assessment for Marketed Drugs 176
8.12	Treatment Duration 178
8.13	Conclusion – the "Art" of Preclinical Safety: Summarizing the
	Concept of Hazard Identification and Description, Risk Assessment,
	and Risk Management 179
	Acknowledgment 179
	Disclosures 180
	References 180
9	Developing Commercial Solutions for Therapeutic
	Proteins 183
0.4	Galina Hesse
9.1	Introduction 183
9.2	Developing Commercial Solutions for Therapeutic Proteins 184
9.2.1	Defining a Target Product Profile 184
9.2.2	Developing Formulations for Therapeutic Proteins 186
9.2.3	Testing Formulations for Therapeutic Proteins 188
9.2.4	Development of Primary Containers 188
9.2.5	Development of Application Systems 190
9.3	Quality by Design 192
9.4	Examples for Innovations in Manufacture of Sterile Pharmaceutical Products <i>194</i>
0.5	
9.5	Summary 197 List of FDA/ICH Guidances Referenced 198
	List of FDA/ICH Guidances Referenced 198 Disclaimer 199
	References 199
	NEIEIEIIUES 177

Contents IX

10	The Evolution of Clinical Development: From Technical Success to	
	Clinical Value Creation 203	
	Markus Hinder and Alexander Schuhmacher	
10.1	Introduction 203	
10.2	CD: Changes and Challenges 204	
10.2.1	Clinical Endpoints: From Symptom-Oriented Endpoints to Hard and Predefined Endpoints 204	
10.2.2	Determination and Quantification of Risks 205	
10.2.3	Assessment of Medical Progress in Context of Available Therapeutic Options 206	
10.2.3.1	EbM 206	
10.2.3.2	Health Economics, Pharmacoeconomics, and the Fourth Hurdle 207	
10.2.3.3	Results of These Changes and Challenges 208	
10.3	Technical Success and Clinical Value Creation in CD in the Future 208	
10.3.1	Established and Novel Approaches to Determine the	
	Dose–Exposure–Response Relationship 210	
10.3.2	Comparators 212	
10.3.3	Patient Stratification to Increase Treatment Response and Benefit	
	and Reduce Risk 212	
10.3.4	New Operational Tools to Succeed in Trials with Increased	
	Complexity, Special Populations, or Large Size 213	
10.3.5	Collaboration and Outsourcing as Tools to Work in Networks 214	
10.3.6	Collaboration across Sectors and Industries to Boost the Next Wave	
	of Innovation 215	
	Disclaimer 218	
	References 218	
11	Translational Development 225	
	Nigel McCracken	
11.1	Introduction 225	
11.1.1	Legacy 226	
11.2	Translational Development 227	
11.2.1	TP 228	
11.2.2	Translational Toolkit 229	
11.3	Dose Optimization 230	
11.3.1	Physicochemical Properties 231	
11.3.2	Target Affinity and Selectivity231	
11.3.3	Clearance 231	
11.3.4	Prediction of Human Dose 232	
11.4	Pharmacogenomics 233	
11.4.1	Patient Segmentation 233	
11.4.2	Disease Segmentation 234	
11.4.3	Utility 237	

X Contents

Contents	
11.5	Biomarker Development 238
11.5.1	Biomarker Activities 239
11.5.2	Assessing the Opportunity 239
11.6	Systems Pharmacology 240
11.7	Rational Drug Development 241
11.8	Concluding Remarks 242
11.0	References 242
12	Forty Years of Innovation in Biopharmaceuticals – Will the Next
	40 Years Be as Revolutionary? 245
	Mathias Schmidt, Sanjay Patel, Petter Veiby, Qiang Liu, and Michael Buckley
12.1	Introduction 245
12.1.1	The Value Proposition of Biologics 246
12.1.1.1	The Patient Perspective 246
12.1.1.2	The Pharmaceutical Industry's Perspective 248
12.1.2	Biosimilars: A Blessing or a Threat to Innovation? 250
12.1.3	Further Innovation in Biologics – Incremental or
	Revolutionary? 252
12.2	The Evolution of Biologics Manufacturing 252
12.2.1	Introduction 252
12.2.2	CHO Cells: The Industry Workhorse 253
12.2.3	Protein Production Strategies 253
12.2.4	The Impact of Increasing Titers on Manufacturing Facilities 255
12.2.5	Protein Purification Platforms 256
12.2.6	Conclusion: What Will the Next 40 Years of Innovation Bring? 258
12.3	The Evolution of Alternative Scaffolds 259
12.3.1	Novel Small Protein Scaffolds 260
12.3.2	Single-Chain Fragment Variables and Diabodies 260
12.3.3	Single-Domain Antibodies 261
12.3.4	Nonantibody Scaffolds 261
12.3.5	Bispecific Single-Chain Fragment Variables and Diabodies 263
12.3.6	Other Bispecific Antibody Formats 264
12.4	Antibody-Drug Conjugates 265
12.5	The Next Wave of Biologics 270
12.5.1	Orally Available Biologics 271
12.5.2	Biologics That Enter the Cytoplasm 271
12.5.3	Biologics That Pass the Blood–Brain Barrier 272
12.5.4	Translational Medicine as Driver of Innovation 272
	Disclaimer 273
	References 273
10	
13	Vaccines: Where Inertia, Innovation, and Revolution Create Value,
	Simultaneously and Quietly 277
10.1	Pierre A. Morgon and Hannah Nawi
13.1	Introduction 277

Contents XI

- 13.2 The World of Vaccines 278
- 13.2.1 What Are Vaccines? 278
- 13.2.2 Current Vaccines Are Mainly Prophylactic: Curative Vaccines Are Emerging 278
- 13.2.3 Drivers to Immunize: Individual and Collective 280
- 13.2.4 The Pivotal Role of Recommendations 280
- 13.3 The Vaccine Market: Substantial, Fast Growing, with Intense and Concentrated Competition 281
- 13.4 The Vaccine Industry: Domination of the Heavyweights, for Now... 282
- 13.4.1 Barriers to Entry: From R&D Risk to Capital Intensiveness 290
- 13.4.2 Five Forces Analysis: Competitive Intensiveness and Downstream Hurdles *291*
- 13.4.2.1 Acceptability 291
- 13.4.2.2 Accessibility 292
- 13.4.2.3 Availability 293
- 13.4.2.4 Affordability 293
- 13.5 New Vaccine Developments: Strategic Trends and Why Innovation IsNeeded All along the Value Chain 295
- 13.5.1 Where Is Innovation Needed? R&D 296
- 13.5.2 Where Is Innovation Needed? Manufacturing and Product Improvement *301*
- 13.5.3 Where Is Innovation Needed? Acceptability 301
- 13.5.4 Where Is Innovation Needed? Accessibility, Both as a Function of Supply (Availability) and Logistics 302
- 13.5.5 Affordability and Sustainability 303
- 13.6 Where Will Innovation Come from? Strategy and Players 304
- 13.6.1Take-Home Messages305
  - References 306
- 14
   The Patient-Centric Pharma Company: Evolution, Reboot, or Revolution?
   309
  - Pierre A. Morgon
- 14.1 Introduction 309
- 14.2 Health, Always... 310
- 14.3 The Mission of the Healthcare Industry *310*
- 14.4 Megatrends Affecting the Strategic Scorecard of the Healthcare Industry *312*
- 14.5 Focus on the Societal Trends and Their Consequences for the Management of Healthcare Innovation *314*
- 14.6 The DNA of the Healthcare Industry: R&D and the Management of Innovation *316*
- 14.7 Societal Expectations for Personalized Medicine 318
- 14.8 New Players Contributing to Information Management to Substantiate Value Propositions for Novel Therapies 319

(II	Contents

Framework32314.10The Consequences for the Healthcare Industry in Terms of Governance and Capabilities14.11The Sustainable Path Forward for the Healthcare Industry14.11Take-Home Messages14.11.1Take-Home Messages13The Pharmaceutical Industry is Opening Its R&D Boundaries335Alexander Schuhmacher and Ulrich A. K. Betz15.1Introduction33533515.2Open Innovation versus Closed Innovation33633615.3Business Models in an Open Innovation Framework34134115.4Open Innovation Processes342345
Governance and Capabilities32514.11The Sustainable Path Forward for the Healthcare Industry32914.11.1Take-Home Messages331References33233515The Pharmaceutical Industry is Opening Its R&D Boundaries335Alexander Schuhmacher and Ulrich A. K. Betz15.1Introduction15.2Open Innovation versus Closed Innovation33615.3Business Models in an Open Innovation Framework34115.4Open Innovation Processes34215.5Capabilities and Attitudes Enabling Open Innovation344
<ul> <li>14.11 The Sustainable Path Forward for the Healthcare Industry 329</li> <li>14.11.1 Take-Home Messages 331 References 332</li> <li>15 The Pharmaceutical Industry is Opening Its R&amp;D Boundaries 335 Alexander Schuhmacher and Ulrich A. K. Betz</li> <li>15.1 Introduction 335</li> <li>15.2 Open Innovation versus Closed Innovation 336</li> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
<ul> <li>14.11.1 Take-Home Messages 331 References 332</li> <li>15 The Pharmaceutical Industry is Opening Its R&amp;D Boundaries 335 Alexander Schuhmacher and Ulrich A. K. Betz</li> <li>15.1 Introduction 335</li> <li>15.2 Open Innovation versus Closed Innovation 336</li> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
References33215The Pharmaceutical Industry is Opening Its R&D Boundaries335Alexander Schuhmacher and Ulrich A. K. Betz15.115.1Introduction33515.2Open Innovation versus Closed Innovation33615.3Business Models in an Open Innovation Framework34115.4Open Innovation Processes34215.5Capabilities and Attitudes Enabling Open Innovation344
<ul> <li>15 The Pharmaceutical Industry is Opening Its R&amp;D Boundaries 335 Alexander Schuhmacher and Ulrich A. K. Betz</li> <li>15.1 Introduction 335</li> <li>15.2 Open Innovation versus Closed Innovation 336</li> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
Alexander Schuhmacher and Ulrich A. K. Betz15.1Introduction 33515.2Open Innovation versus Closed Innovation 33615.3Business Models in an Open Innovation Framework 34115.4Open Innovation Processes 34215.5Capabilities and Attitudes Enabling Open Innovation 344
<ul> <li>15.1 Introduction 335</li> <li>15.2 Open Innovation versus Closed Innovation 336</li> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
<ul> <li>15.2 Open Innovation versus Closed Innovation 336</li> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
<ul> <li>15.3 Business Models in an Open Innovation Framework 341</li> <li>15.4 Open Innovation Processes 342</li> <li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li> </ul>
<ul><li>15.4 Open Innovation Processes 342</li><li>15.5 Capabilities and Attitudes Enabling Open Innovation 344</li></ul>
15.5 Capabilities and Attitudes Enabling Open Innovation 344
15.6 Open Innovation in the Pharmaceutical Industry 345
spen millor mannace and mannace and an and a spen millor and an and a spen millor and an and a spen
15.6.1 The More Traditional Elements of Open Innovation 345
15.6.1.1 Target Scouting 345
15.6.1.2 Research Collaborations 346
15.6.1.3 Drug Licensing 346
15.6.1.4 Outsourcing 348
15.6.1.5 Joint Ventures 349
15.6.2 The Newer Concepts of Open Innovation 349
15.6.2.1 New Frontier Science 350
15.6.2.2 Drug Discovery Alliances 350
15.6.2.3 Private–Public Partnerships 351
15.6.2.4 Innovation Incubator 351
15.6.2.5 Virtual R&D 352
15.6.2.6 Crowdsourcing 353
15.6.2.7 Open Source Innovation 355
15.6.2.8 Innovation Camps 355
15.6.2.9 Fluctuating Open Teams 356
15.7 New Business Models in View of the Potential of Open
Innovation 356
15.7.1 General Trends in the Pharmaceutical Industry 356
15.8 Outlook 358
References 359
16 Out-Licensing in Pharmaceutical Research and Development 363
Oliver Gassmann, Carol A. Krech, Martin A. Bader, and Gerrit Reepmeyer
16.1 Introduction 363
16.2 Performance-Based R&D Collaborations on the Rise 364
16.3 The Impact of Collaborations on the Value Chain 365
16.4 Generating Value from Pipeline Assets by Out-Licensing 367
16.5 Pharmaceutical Companies' Resistance toward Out-Licensing 372

хіі

Contents XIII

- 16.6 Managing Out-Licensing at Novartis: A Case Study 372
- 16.6.1 Out-Licensing as a 10-Step Process 373
- 16.6.2 Out-Licensing Contract Design 375
- Structure of the Out-Licensing Collaboration with Speedel 375 16.6.3
- Future Directions and Trends 377 16.7 References 378
- 17 Trends and Innovations in Pharmaceutical R&D Outsourcing 383 Antal K. Hajos
- Introduction 383 17.1
- 17.2 Drivers to the Use of Outsourcing 383
- 17.2.1 Overview on the CRO Market 383
- 17.2.2 Core versus Noncore Activities 387
- Genesis of Outsourcing in the Twentieth Century: From Commodity 17.3 to Contribution 388
- 17.3.1 Outsourcing Portfolio and the Move to Full-Service Provision 388
- 17.3.2 Globalization and the Emerging Market Hype 389
- Procurement Takes over the Outsourcing Function 391 17.3.3
- Current and Future Trends in Outsourcing: From Contribution to 17.4 Innovation 392
- 17.4.1 How Has Outsourcing Itself Innovated and What Are the Future Trends? 392
- 17.4.2 How Does and Will Outsourcing Contribute to Innovation? 394
- 17.5 Discussion and Conclusion 395 References 398

## 18 New Innovation Models in Pharmaceutical R&D 401

- Alexander Schuhmacher, Oliver Gassmann, and Markus Hinder
- 18.1 Introduction 401
- Some Attempts That Were Recommended in the Past 402 18.2
- 18.3 The Increasing Pipeline Size 403
- 18.4 The Reduction of R&D Investments 404
- 18.5 The Opening of the R&D Processes 407
- The Challenge with the Return on Investment 411 18.6
- Changing the R&D Processes Is Not Enough 412 18.7
- 18.8 What Is the Best R&D Model? 413 References 414

## 19 The Influence of Leadership Paradigms and Styles on Pharmaceutical Innovation 416

## Aubyn Howard

- 19.1 Introduction 417
- What Is Your Concept or Model of Good Leadership? 419 19.2
- 19.3 Approaches to Leadership Modeling and Profiling 420
- Personality Types 421 19.3.1

XIV Contents

l	contents	
	19.3.2	Behavioral Preferences 421
	19.3.3	Developmental Stages 421
	19.3.4	Competency Frameworks 421
	19.4	The Developmental Approach to Leadership Paradigms and Styles 422
	19.5	Inner and Outer Leadership 424
	19.6	Dynamics of How Leadership Paradigms Evolve 425
	19.6.1	Magic–Animistic 426
	19.6.2	Impulsive–Egocentric 427
	19.6.3	Conformist-Absolutist 428
	19.6.4	Achievement-Multiplistic 429
	19.6.5	Pluralistic – Relativistic 430
	19.6.6	Evolutionary–Systemic 432
	19.7	Leadership at Different Levels within Pharma 433
	19.8	Optimizing Innovation in Different Organizational Models and Cultures <i>437</i>
	19.9	How Do We Support the Development of Evolutionary Leaders? <i>439</i>
	19.10	What Does It Mean to Operate from the Evolutionary Paradigm? <i>440</i>
	19.11	Leadership and Personal Mastery 441
	19.12	Building an Evolutionary Bridge to Release Innovation 442
	19.13	Conclusions 445
		References 446
	20	The Role of Modern Portfolio Management in Pharma
		Innovation 449
	00.1	Joachim M. Greuel and Axel Wiest Introduction 449
	20.1 20.2	
	20.2	Challenges in R&D and the Origin of Pharmaceutical Portfolio Management 450
	20.3	Goals and Metrics of Portfolio Management 451
	20.4	Portfolio Management as Enabler of Innovation 456
	20.5	Modern Portfolio Management Integrates In-House R&D, Business
		Development, and M&A 457
		References 458
	21	Patent Management Throughout the Innovation Life Cycle       461         Martin A. Bader and Oliver Gassmann
	21.1	Introduction 461
	21.1	The Changing Role of Patents: From Legal to Strategic 462
	21.2	The Patent Life Cycle Management Model 467
	21.3	Exploration 468
	21.3.2	Generation 469
	21.3.3	Protection 469

- 21.3.4 Optimization *470*
- 21.3.5 Decline 470
- 21.4 Example: Managing IP Rights at Bayer 471
- 21.5 Concluding Remarks 472
  - References 473

Index 475