

Cambridge Elements

Elements in Reinventing Capitalism

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FROM FINANCIALISATION TO INNOVATION IN UK BIG PHARMA

AstraZeneca and GlaxoSmithKline

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From Financialisation to Innovation in UK Big Pharma

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Abstract: The tension between innovation and financialisation is central to the business corporation. Innovation entails a ‘retain-and-reinvest’ allocation regime that can form a foundation for stable and equitable economic growth. Driven by shareholder-value ideology, financialisation entails a shift to ‘downsize-and-distribute’. This Element investigates this tension in global pharmaceuticals, focusing on the two leading UK companies AstraZeneca (AZN) and GlaxoSmithKline (GSK). In the 2000s, both adopted US-style governance, including stock buybacks and stock-based executive pay. Over the past decade, however, first AZN and then GSK transitioned to innovation. Critical was the cessation of buybacks to refocus capabilities on investing in an innovative drugs pipeline. Enabling this shift were UK corporate-governance institutions that mitigated US-style shareholder-value maximisation. Reinventing capitalism for the sake of stable and equitable economic growth means eliminating value destruction caused by financialisation and supporting value creation through collective and cumulative innovation. This title is also available as Open Access on Cambridge Core.

Keywords: financialisation, innovation, pharmaceutical industry, GlaxoSmithKline, AstraZeneca

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