

# a perfect storm

A 'change' epidemic is gripping pharmaceuticals and it appears to be gathering pace.

*by Bryan MacDonald*

Managing the tension between patent expiry and the politics associated with dealing with government funding and gaining reimbursement is creating a complex challenge for the boards of large corporate pharmaceuticals. Add to this, pricing pressures, declining R&D productivity, and stiff competition from generic drug manufacturing and we begin to see something akin to a 'Perfect Storm'.

In these tough times, the companies which will succeed and prosper will be those willing to adapt their business model, particularly through the use of collaborative processes and underpinning technologies. By investing power in the Chief Information Officer a clear advantage can be won. The right sort of IT leader will simplify time-consuming processes, encourage collaboration and help build and maintain competitive advantage, for the long term.

# What are the challenges facing big pharma?

## A changing product

Generating revenue on drugs 'off patent' has become increasingly difficult to achieve. Replacing revenues from previous blockbuster drugs, particularly with generics on the market at a tenth of the price, is also causing concern. The solution seems to lie in greater diversification, specifically around collaboration with bio-tech firms and the producers of the generics.

## Efficacy

We see evidence of big pharmaceuticals striking early deals with government in an attempt to agree a price point for drugs whilst they are still in the development phase. By locking governments down they can then charge more on an 'efficacy' basis.

## Cost versus innovation

The whole Life Sciences sector is becoming more cost conscious, yet progressive organisations are still willing to embrace more lateral thinking to increase market share. Nowhere is this in better evidence than at GlaxoSmithKline. Their new CEO Andrew Witty is open-minded to different ways of doing business. He is committed to discarding organisational principals which fail to add value, replacing them with innovations and concepts that encourage greater external collaboration. As a result, the business feels progressive and well-equipped to tackle the prevailing challenges.

# Why has it been so hard to innovate in the past?

Attempted industrialisation of the R&D process of what is essentially an academic approach based on focused and disciplined research.

**Cultural mis-match** – biotech environments provide the right cultural atmosphere to attract maverick

talents. Large corporates often suppress these traits and reward conformity.

**Difficult to scale in R&D** – it is a counter intuitive principal. The historic wisdom was to throw more resource and effort at discovery, in the hope of getting to market faster. Whilst this works well in manufacturing, it only adds complexity to the R&D process.

# How can IT leaders make a difference?

IT leaders help companies operate as an enterprise. The global competency model is changing; silos are breaking down and with better information flow across the entire business, organisations can make informed global decisions. More than anyone else in the organisation, CIOs are aware of the interdependency of common data that each function needs to operate as a united enterprise. By providing a cohesive business process roadmap and data flow, CIOs can stimulate debate in both innovation and cost reduction.

As organisations strive to reduce management layers, IT leaders can increase automation on the manufacturing and supply side with greater systems standardisation and process uniformity, ultimately reducing the cost of sale and speed to market. The right CIO can also encourage:

## Collaboration

The whole R&D model is changing – moving away from a heavily centralised model to a dispersed model with greater emphasis on external investment and collaboration.

As large companies diversify their approach and provide more capital to smaller bio-techs, IT is making it possible to work with these external organisations using new collaborative technology. Historically, IT treated data like Fort Knox treats gold. Data secrecy was critical and an enormous

emphasis was placed on security. Now the priority is to make the right data secure and unlock the rest for collaborative purposes. The collaborators range from GPs to clinicians, investors, third party consultancies, bio-techs and academics.

## Customer automation

New processes and “technology-enabled” information flow provide new ways for sales forces to stimulate and capture demand. The fundamental shift from selling based on instinct to selling based on insight will be a huge opportunity for Pharma companies. Greater use of Web-based campaigns and the gathering of comprehensive field data from GPs and clinicians will help evaluate changes in behaviour; ultimately changing the marketing mix.

## Supply Chain

There is an opportunity to see the supply chain cycle as a complete enterprise. In most of big pharma the supply chain is still organised around lines of business with change driven by compliance issues as opposed to investment in optimisation. Strengthening the Supply Chain capability increases the responsiveness to changing customer needs and demands.

## Focus on process change

Companies can increase their competitive advantage by using technology that allows them to perform more clinical trials with the same amount of resources, by integrating data to gain actionable insight. However, efficiency will eventually begin to diminish and the next competitive advantage will come from an ability to effect deep, sustaining process improvements. To achieve this step-level increase in effectiveness, a detailed and critical review of existing processes must be undertaken, looking for ways to weed out duplicate and non value-added steps. To do this properly requires tools that offer robust analytics, predictive modelling and simulation, a view of the entire portfolio of

clinical study, and easier integration with enterprise applications.

## Can IT step up to the plate?

Whilst process simplification and systems standardisation remain high on the CIO's ‘to-do’ list; driving organisational and behavioural change must take priority. This means paying attention to:

**Reputation** – even today, with all the advanced technology interventions, IT is often viewed as a reactive function, unresponsive to the pace of business change. Its reputation continues to be damaged by the misalignment of the function and the business priorities, and by the speed in which it can respond to business change.

**Language and leadership** – one of the biggest complaints business leaders have of the CIO is that they still rely on a different communication set. They often choose to use technology as a linguistic tool rather than spread messages of innovation and business transformation. CIOs need to be hybrid leaders who are able to combine a deep-rooted understanding of business principles with exceptional leadership and process/technology understanding.

**Talent** – IT functions may lack fresh talent as they seek comfort in the familiar and operate in the past. Home-grown IT talent in pharma seems to leave and move into sectors which offer better challenges and proximity to business leaders. CIO functions in pharmaceutical companies would benefit from an injection of new DNA from sectors which focus on consumer markets and commercial activity

## CIO practice

We help organisations gain competitive advantage in their IT function through the introduction of the most talented CIOs and IT leaders. The qualities we look for are both technical and behavioural. Truly successful candidates demonstrate evidence of leadership and influence; they are able to articulate their vision and implement complex and insightful change programmes that drive competitive advantage. At the same time, they must have a solid understanding of the technology business and its role in helping reduce complexity through systems standardization and simplification. Lastly, they are fluent in managing their P&L and are able to deliver IT at the lowest possible cost.

*For more details contact:*

**Bryan MacDonald**

Partner, Global CIO practice

+44 (0)20 7075 4110

[bmacdonald@heidrick.com](mailto:bmacdonald@heidrick.com)

## Heidrick & Struggles

Heidrick & Struggles is recognised as one of the world's leading executive search firms. For over fifty years we have been building deep relationships with the world's most talented individuals on behalf of the world's most successful companies. Through the strategic acquisition, development and retention of talent we help our clients – from the most established market giants to the newest market disruptors – build winning leadership teams.

## HEIDRICK & STRUGGLES

[www.heidrick.com](http://www.heidrick.com)

Copyright ©2008 Heidrick & Struggles International, Inc.  
All rights reserved. Reproduction without permission is prohibited.  
Trademarks and logos are copyrights of their respective owners.



Printed in the EU on recycled paper made from 80% post-consumer waste, 20% from well managed forests.