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December 2008

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Organisational Polygamy

Paul Gardiner and Andrea Sobrio explain why most companies need 'organisational polygamy' to maximise profit and best serve their customers.


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Traditionally, pharmaceutical organisations consist of small global and regional organisations and large, autonomous affiliate organisations. While this can be the best structure, for many products, therapeutic areas or business units, it is less effective and more costly than centralised structures. Also, with the emergence of new technological innovations, particularly in the areas of connectivity and communication, the relevance of country borders as the main drivers of clinical decision-making is diminishing considerably.

The three organisational models

For our purposes, the three organisational models are

- traditional affiliate
- hybrid
- global/regional.

In the traditional affiliate model, the majority of headcounts and budget is allocated to the affiliates. This model is geared to offering services highly customised to local needs, and is very effective in covering large local general practitioner (GP) communities. However, this will always be the highest-cost option because of the inefficiencies inherent in replicating efforts and organisational structures in each country. Effectiveness is hampered by suboptimal dissemination of scientific knowledge, non-aligned messages across geographies and different approaches to identifying and managing key opinion leaders.

The hybrid model sees strong regional marketing and medical teams working closely with local brand teams. Affiliate activities are reduced to localisation and local implementation.

The global/regional model has all commercial operations personnel reporting into a single centralised organisation with profit and loss responsibility. A regional back-office support group (HR, finance, etc) supports the global/regional organisation.

Table 1 provides an indication of the impact of the different organisations on key functions.

Finding the right model

There are two factors that need to be considered when deciding on the optimal organisational models for products/portfolio(s)/therapeutic areas. The first is the complexity of the products (mode of action and administration) and the therapeutic area (diagnosis and treatment). Highly specialised customer groups, working with complex therapeutic areas and products, have specific needs, such as:

- ad hoc, sometimes urgent, discussions of patient cases with leading global or regional centres that have extensive product usage experience;

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- the sharing of clinical experience across geographical boundaries, (i.e., leading countries sharing with less experienced countries);
- informal networks of expert peers in which patient cases can be discussed;
- the sharing of detailed diagnosis, treatment and product expertise from the world's or region's top centres through detailed and formalised class-based or bed-side (live) seminars.

The second factor is the size of the customer base, which requires the following to be considered:

- Providing the level of support required by specialists to a GP customer base, would be prohibitively expensive.
- At the same time, a GP customer base typically needs to be covered by a large sales force in each country needing the support of an affiliate organisation.
- Peer-to-peer networking across geographical boundaries becomes more and more important as the size of the customer group decreases.
- For very small customer groups, critical mass can only be achieved regionally or globally.

Figure 1 combines the two factors discussed above.

In small or focused companies, it is feasible for all products/therapeutic areas to fit into the same quadrant. However, for mid-size and larger companies, 'organisational polygamy' is likely to be the best option.

From monogamy to polygamy

Let's look at a hypothetical scenario. ACME Pharmaceuticals had a traditional affiliate structure with the big five EU general managers, and the cluster leaders of mid-size and eastern EU countries, reporting into the European operations president.

However, ACME's customer equity surveys were showing an alarming trend. While GPs were very happy with their interactions with ACME, specialist customer groups were far less content, with oncology and intensive care performing worst.

Based on competitor research and a thorough business review, the EU operations president prepared a proposed new EU organisational structure to share with his leadership team. He titled his presentation 'Organisational

Table 1 The impact of different organisations on key functions

	Traditional affiliate model	Hybrid model	Regional/global model
P&L	Affiliate responsibility	Affiliate responsibility	Centralized responsibility
Sales	Reports into the affiliate	Reports into the affiliate	Reports into central organization
Marketing	Small central team supporting large local team	Large central team supporting very small local team	Central team only
Medical	Country medical report into affiliate medical director	Affiliate medical resources report to global/regional medical director	Central medical resources in affiliates report into global/regional medical director
Customer service	Local customer service teams	Centralised customer service teams with local backup for non-EU5 languages	Centralised customer team coordinates all customer service requests
Access to budget	Local strategy and implementation	Regional customisation of the global strategy with local implementation	Global strategy and tactics with local implementation
Support functions	Affiliate functions for HR, finance etc.	Affiliate functions for HR, finance etc.	Centalised support team for HR, finance etc.

Figure 1 Matching products or therapeutic areas to the right model.

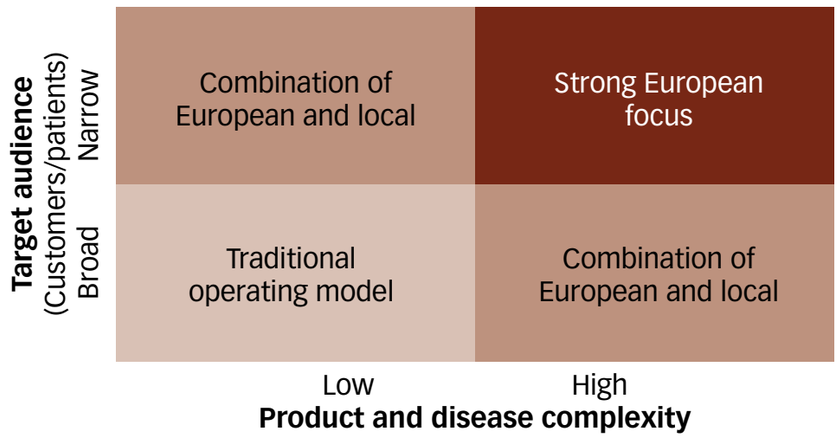


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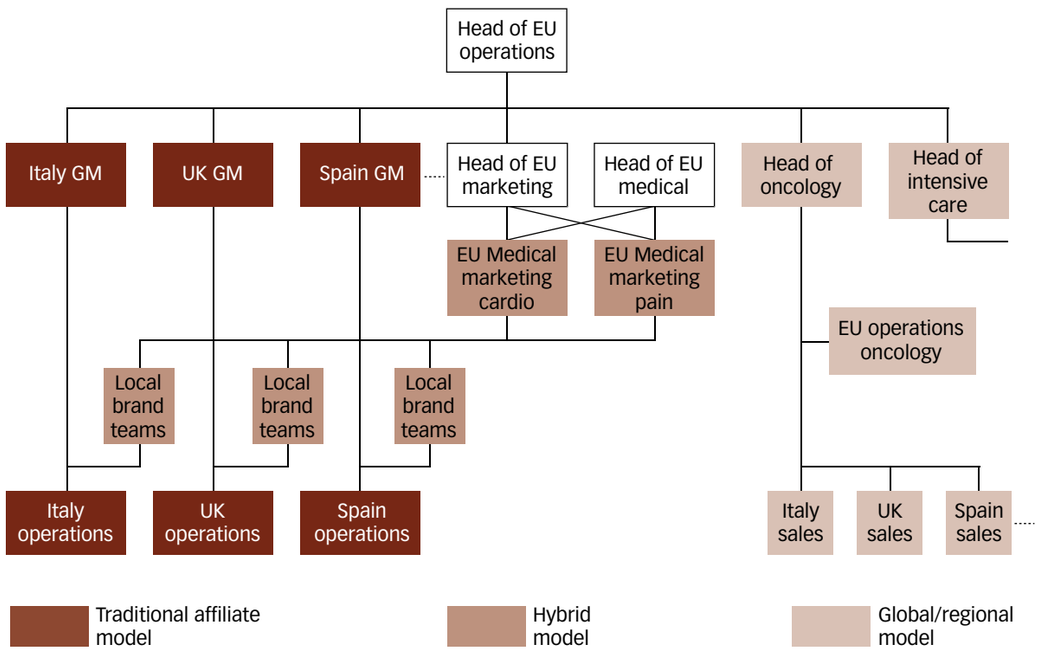
Figure 2 The polygamous organisation.



Polygamy: Why having three models is better than one.'

His proposed structure had three components:

- The successful affiliate model would be retained, with the big five general managers and the cluster leaders reporting directly into him. This model was clearly very effective for GPs.
- Since oncology and intensive care focused exclusively on specialists, and the products were a mix of complex mode of action and complex administration, each would become a pan-European business unit. The heads of these business units would have profit and loss responsibility and would report into him.
- The pain and cardiovascular therapeutic areas had specialists and GPs as customer groups. He proposed new regional pain and cardiovascular medical-marketing teams. They would report into the regional marketing and medical directors and would work closely with local brand teams to ensure that they were meeting the specific needs of its specialised and retail customer constituencies. (His presentation of the polygamous organisation can be seen in Figure 2.)

The European leadership team accepted the proposal, and the transformation programme was launched. After three months of design, and six months of preparation, the polygamous organisation was successfully launched.

The polygamous organisation's metrics continuously improved after launch. Three years after the launch, the European operations president presented organisational improvement metrics. The company chairman was particularly interested in the following metrics for oncology and intensive care combined:

- sales/rep: 30% increase
- income/rep: 40% increase
- opex/sales: 15% reduction
- sales/sales expenses: 40% increase
- sales/marketing expenses: 30% increase
- overall headcount: 40% reduction.

Despite this decrease in headcount, the intensive care and oncology business units experienced unprecedented improvements in customer equity.

Conclusion

Europe comprises over twenty countries, each with their own approval, regulatory and legal processes. This diverse yet fast converging domain is ideal for centralised or pan-European organisations, allowing the EU to become a showcase for the rest of the world.

However, while this is a successful trend in Europe, some organisations have tried polygamy, only to fail and revert back to their monogamous ways. Identifying and exploiting the benefits, whilst avoiding the pitfalls, will be critical to your success.

We've seen in the past and present how organisation models are often fashions that come and go. However, like it or not, organisational polygamy is a clear trend that will continue, and that if managed correctly, can provide a much-needed boost to your brand(s). Is it time for your organisation to start behaving in a polygamous manner?

About the Authors

Paul Gardiner is an associate, and Andrea Sobrio is a partner, at Executive Insight, a professional services firm focusing on the healthcare industry.

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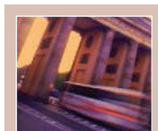

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