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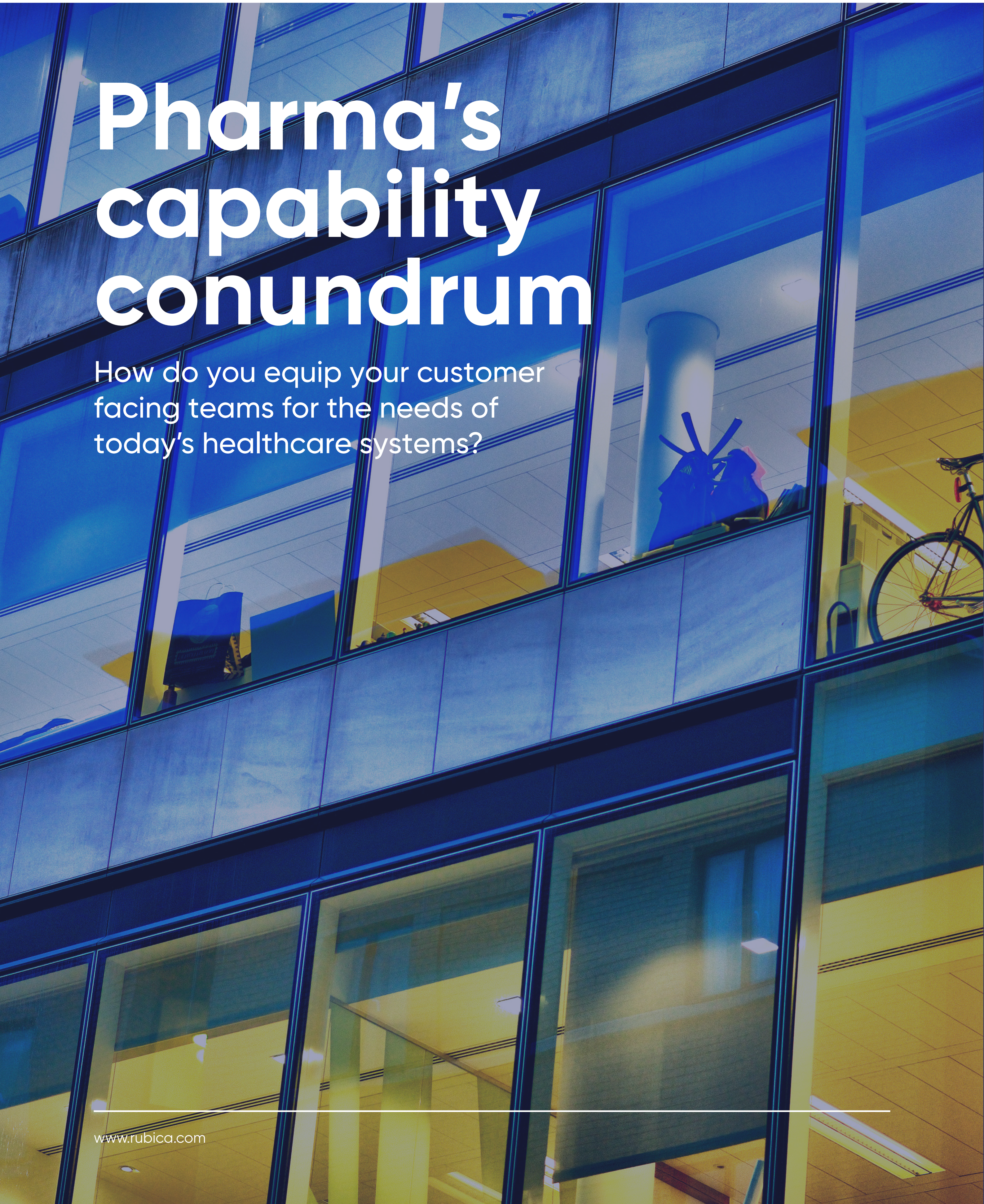

Pharma's capability conundrum

How do you equip your customer facing teams for the needs of today's healthcare systems?

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Pharma and healthcare: an evolving relationship

The challenges currently facing pharma commercial teams are a direct result of ongoing developments within healthcare and radical changes in its stakeholder ecosystem.

Traditionally, the typical relationship between pharma and healthcare was one between rep and physician with the focus frequently on primary care. For the rep, the clear priority was to push product messages (about efficacy, tolerability etc), and their success in doing so was evaluated through metrics such as call frequency.

Today, the industry recognises that this model is no longer fit for purpose. The prescriber's decision-making autonomy when it comes to which drug to prescribe, and their influence on patient treatment pathways have both reduced over time. Instead, decision-making has shifted, in many markets, to secondary care, regional formulary boards, financial administrators and new governing bodies such as health innovation networks.

It's this extended stakeholder ecosystem that pharma companies are striving to acknowledge when devising their commercial (and development) strategies. And it raises the urgent question whether today's commercial teams have the capabilities they need to operate successfully in this new world order.

The challenge for pharma can only get more difficult

It's widely acknowledged that the historic operating model for commercial teams is no longer fit for purpose. An evolving landscape demands a new approach.

> *"Many of the developments in the pharmaceutical industry mirror those in the automotive sector. Like pharmaceuticals, the industry is relatively mature and made up of a few major players. And automakers also face intense pressure from regulators – in their case to cut emissions, accelerating the move toward electric and other non-polluting vehicles. The growing dependence upon technology, primarily software, is attracting the interest of new entrants such as Google, Uber and Tesla who are focusing on mobility, rather than on the automotive industry itself [1]."*

Changes in healthcare dynamics have forced pharma companies to evolve the remit of commercial roles that were once predicated on disease and product-specific knowledge. Increasingly, these roles have been required to adapt to new, multi-channel ways of working, interfacing with a much wider set of stakeholders, while operating within a compliance landscape that's growing in complexity.

Similarly, Medical have had to involve themselves to a far greater extent with the broader healthcare proposition. Where it was once the norm to have a standardised set of information and clinical data for presentation to all, messaging now needs to be tailored to the specific needs of specific audiences. That's something which is virtually impossible to achieve without an in-depth understanding of the challenges facing customers within this complex and continually changing ecosystem.

And the scale of change is no less significant for Market Access. Their remit has expanded beyond pricing and reimbursement to a role focused on understanding global and local complexities, country level healthcare economics, and the perception of a treatment's value in a multitude of different healthcare markets. This transformed remit requires today's market access teams to have a much deeper and more nuanced understanding of local, regional, and global health economic dynamics.

The job of getting products approved, getting local decision makers to position them in the treatment pathways, and then getting prescribers to prescribe them has become increasingly challenging. It's clear, and has been for quite some time, that real transformation is needed.

It's certainly true that most, if not all, pharma organisations have recognised these challenges, and have usually attempted to respond. But this is an industry that has already suffered through inactivity in the face of several oncoming 'Kodak moments'. For example, the growth in biologics, now accounting for over a quarter of the global pharma market, the drive to discover cell and gene therapies, and the potential threat posed by biosimilars have all challenged pharma companies to 'think differently'. So how should they respond to what is, potentially, the biggest 'Kodak moment' of them all?

[1] Pharma outlook 2030: From evolution to revolution, KMPG

A new model for pharma/healthcare relations. Genuine partnership

It is broadly accepted that the way pharma companies connect with healthcare stakeholders correlates directly with their success in positioning their products in the relevant treatment pathway.

What is needed now is a fundamental change in the way those relationships are conducted. In essence, we are talking about companies transitioning from the role of provider to partner, establishing and building partnerships with healthcare in which they can genuinely add value, enabling them to become a true stakeholder in the delivery of the most effective treatments for patients. Product placement is still important, of course, but it will happen more naturally as a by-product of this new partnership approach, rather than as its primary focus.

Establishing and building the right kind of connections and relationships is a complex process and demands a much tighter focus on understanding stakeholder pain points, challenges, and health and social care issues. And developing that level of focus requires a much higher level of partnering capability from sales, medical, market access, and marketing teams.

What does it take to make it happen?

To establish this quality of partnership between pharma and healthcare, commercial roles need to develop new, cooperative ways of working:

- To understand and map the connections and gaps that influence the flow of information and influence between and across healthcare networks.
- To develop empathy, compassion, and an understanding of the personal and professional issues that motivate people. That means looking at relationships, pinpointing challenges, being a good listener, and recognising needs.
- To think more strategically - understanding healthcare challenges at a macro level and effecting change in both the short and long term to deliver quantifiable outcomes.
- To be more consultative and facilitative, devising solutions and change strategies in partnership with healthcare systems. Helping them overcome challenges where the interests of both parties are in step, and the pharma organisation can add real value.

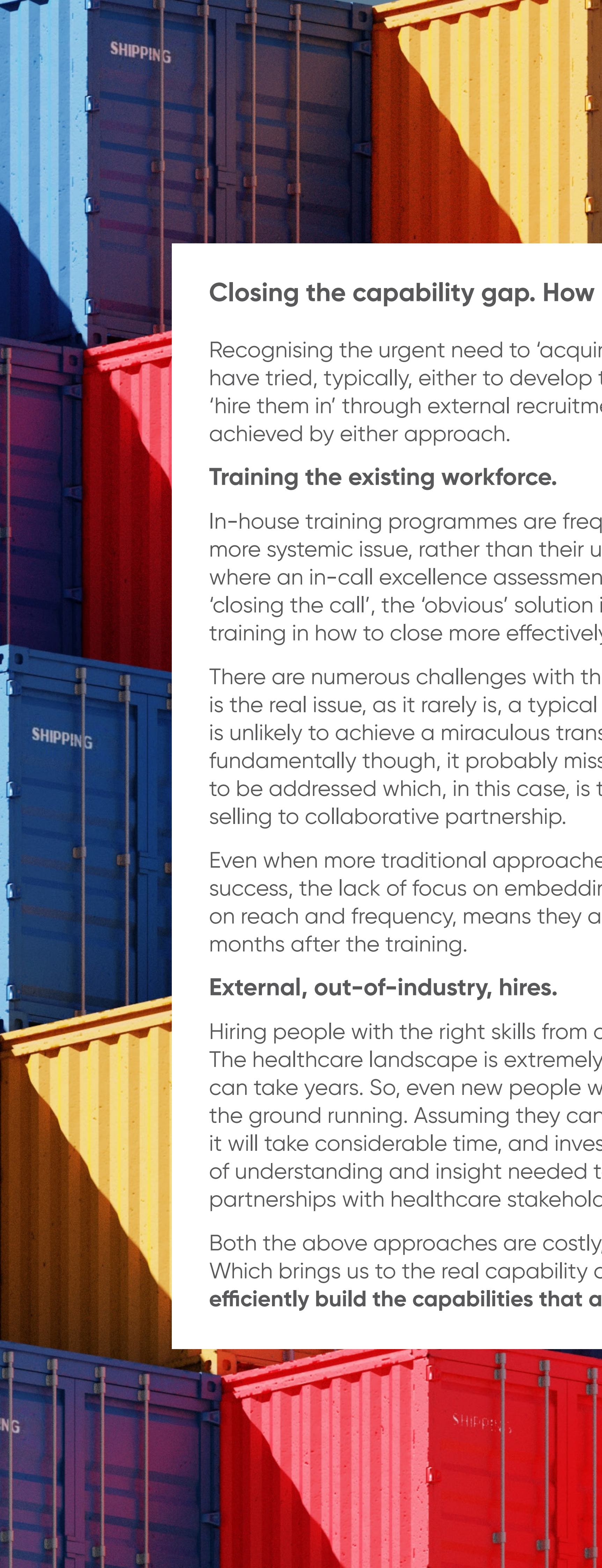
Why isn't pharma already doing this?

Most pharma organisations have, at some level, recognised the need and are making efforts to respond. But transitioning from vendor to systems level partner cannot be achieved simply through new processes, systems, or even role re-designs. It is a complex transition, demanding a mindset shift, the unlearning of embedded behaviours, and the development of new and often complex skills and capabilities.

Rubica's extensive research across commercial pharma organisations identifies thematic deficiencies in the adaptive capabilities needed to drive the transition. Those capabilities include:

- the ability to see the big picture, so as to understand ecosystem dynamics at a macro and micro level
- create network maps that depict direct and indirect influence across complex systems
- a strategic and problem-solving mindset and ability to accelerate change
- proficiency in creating value-based narratives to create common conviction
- the ability to develop system level relationships built on trust - enabling short and long term opportunities to flourish
- competence in working collaboratively across functions to create collective effort
- data assimilation and insight generation capabilities to inform robust decision making
- the ability to lead without authority to successfully influence senior stakeholders

These are capabilities that, until recently at least, haven't typically been targeted or tested in recruitment, as they are rarely included as critical requirements in role profiles or job descriptions. The result is an industry-wide 'capability gap'. Pharma is currently lacking the skills needed to build relationships with stakeholders at the level required to understand their needs and challenges.



Closing the capability gap. How not to do it.

Recognising the urgent need to 'acquire' these capabilities, pharma companies have tried, typically, either to develop them within their existing workforce, or to 'hire them in' through external recruitment. Yet we rarely see real success being achieved by either approach.

Training the existing workforce.

In-house training programmes are frequently targeted at the symptoms of a more systemic issue, rather than their underlying cause. To take one example, where an in-call excellence assessment has identified a possible weakness in 'closing the call', the 'obvious' solution is to put the entire sales team through training in how to close more effectively.

There are numerous challenges with this approach. Even if 'closing the deal' is the real issue, as it rarely is, a typical one or two-day training programme is unlikely to achieve a miraculous transformation in people's ability. More fundamentally though, it probably misses the more systemic issue that needs to be addressed which, in this case, is the need to transition from transactional selling to collaborative partnership.

Even when more traditional approaches to skills development do show early success, the lack of focus on embedding them, and the unchanged focus on reach and frequency, means they are unlikely to still be in evidence a few months after the training.

External, out-of-industry, hires.

Hiring people with the right skills from outside the industry is often challenging. The healthcare landscape is extremely complex, and learning to navigate it can take years. So, even new people with the right skillset are unlikely to hit the ground running. Assuming they can adapt to healthcare's complexity, it will take considerable time, and investment, before they have the level of understanding and insight needed to start building those necessary partnerships with healthcare stakeholders.

Both the above approaches are costly, inefficient, and usually ineffective. Which brings us to the real capability conundrum. **How do we effectively and efficiently build the capabilities that are critical to our organisation's success?**

Driving the change that's needed – proven effectiveness in capability development.

Efficiently and effectively building the capabilities that drive tangible improvements in performance starts with recognising that this is a journey that requires a change in mindset as well as capabilities. This rigorous, stepwise approach is focused on setting an ambition and a clear direction and then recognising what needs to change in order to achieve it.

Step 1

Set your North Star. What is our ambition for three to five years from now?

Your North Star is an objectively defined, medium-term, organisational ambition. It sets a clear direction for the organisation, and is critical in understanding the organisational capabilities needed to make measurable progress that are in line with a changing portfolio and strategic direction.

Step 2

Prioritise the critical capabilities. Which will facilitate travel towards our North Star?

There will probably be multiple capabilities that can be enhanced across the commercial organisation, but it is crucial to understand and prioritise those which will have the most impact on the required direction of travel. This enables clear identification of the crucial capability gaps.

Step 3

Conduct a capability diagnosis. How does our existing capability level measure up against where we need to be?

Understanding 'where we are today' enables us to prioritise the development journey, ensuring an acute focus on the development of capabilities which are most critical to enhanced organisational performance.

Step 4

Closing the gaps identified in the North Star-critical capabilities

When designing your capability development journey, it is essential to consider the required outcomes, most appropriate solution, ideal modality, and the timeframe in in which change needs to occur. Recognising the complexity of the capabilities involved is also important and overdependence on traditional training can be counterproductive particularly if confidence and mindset are key to the challenge.

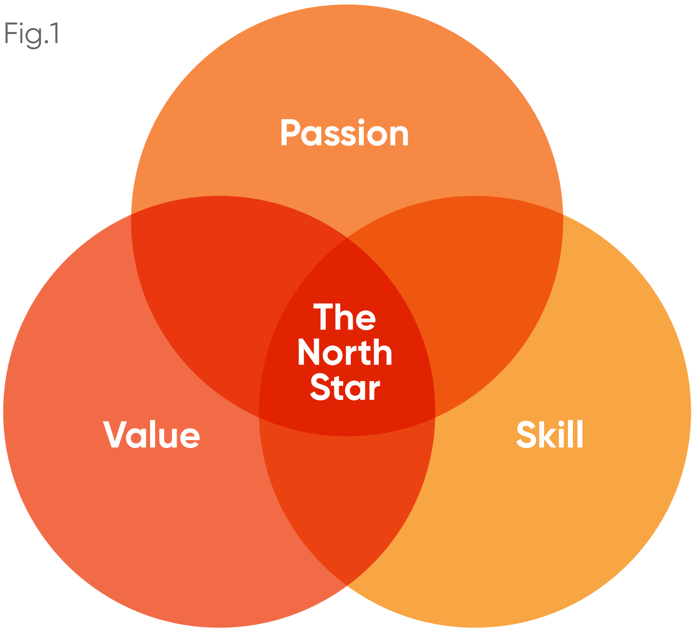
Clarifying your direction

Step 1 Set your North Star. What is our ambition for three to five years from now?

To be absolutely clear what direction your organisation should be heading in, it helps to look at your ambition through three lenses – passion, skill, and value (Fig.1). Seeing where these interact will give you a very clear idea of what your North Star should be. And the exercise will help you to move away from vague mission statements such as 'doing more of what we do better' to achieve a realistic understanding of what you can be best at.

Passion	Skill	Value
What are we truly, deeply enthusiastic and passionate about? What are the things we do that really ignite our passion?	What can we plausibly be best in the world at? That goes far beyond considering our core competence. It's not what we're currently good at, it's what we could be best at.	What drives our economic engine? What insights do we have into how we can most effectively achieve sustained economic viability?

Fig.1



Example:

'We want to be recognised by customers as the go-to provider in the field of nephrology.'

Is that your true passion? Could you realistically achieve it? What value can you offer in that field?

With an ambition as precise as this, you are in a good position to identify what you need to do to achieve it. Maybe that is becoming more empathetic in order to understand what your customers want from you and whether they are likely to appreciate what you have to offer.

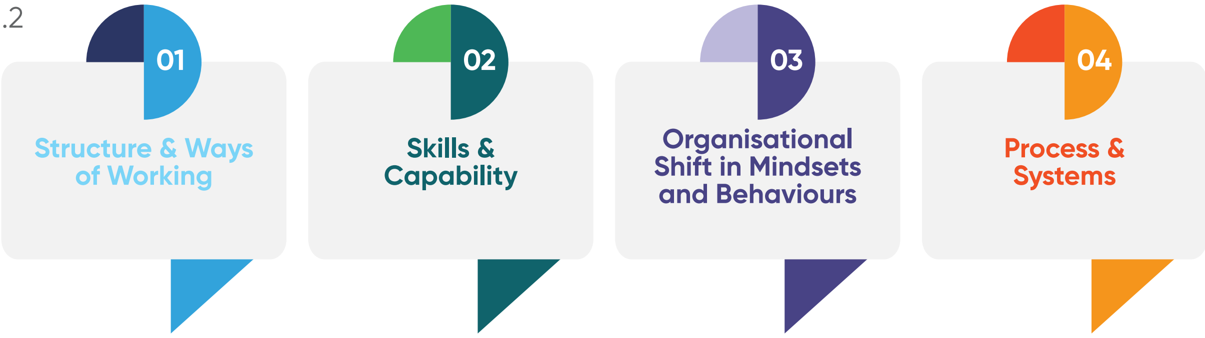
Getting your focus right

Step 2 **Prioritise the critical capabilities. Which will facilitate travel towards our North Star?**

At this point you should not be referencing your existing capabilities and roles, or the ways in which your organisation currently functions. You are purely considering what's needed to deliver the ambition you have defined.

That ambition – your North Star – will certainly herald a change in the way you currently do things. Conducting a change impact assessment (CIA) will help you to ascertain what's likely to be involved in achieving it. The CIA comprises four pillars (Fig.2) which represent the areas in which potential changes may have to be made.

Fig.2



Conducting a CIA

A collaborative approach works best and the easiest way to do this is to break it into two stages.

Stage 1. Conduct an overview workshop with the project team and business leads to pinpoint the areas within your structure that are critical in relation to your North Star.

Stage 2. Follow up with a deeper-dive session involving a representative sample of people from across your organisation. This will validate the results of the overview and reveal any nuances or hidden challenges. It's also a great opportunity to engage people early. That helps to build wider ownership and to create a network of champions who will have a vital role to play in bringing the whole organisation on your change journey. Take the advice of your HR partner as to the best time to bring people into the conversation.

WATCH OUT:
There is often a big gap between stages 1 and 2. If changes in structure are key to the North Star, realigning structures needs to be tackled before capabilities.

Some of the questions that can usefully be explored during these sessions include:

What changes to working structures are likely to be necessary in terms of reporting lines, roles, and responsibilities?

What skills and capabilities will be required to deliver the opportunity the strategy and portfolio represents in both the short and longer term?

How will values, attitudes, behaviours, and mindsets need to evolve at an organisational level?

What about changes to policies, procedures, systems, and portals etc.?

Seeing where you are now

Step 3 **Conduct a capability diagnosis. How does our existing capability level measure up against where we need to be?**

This is the stage at which it is difficult to go it alone.

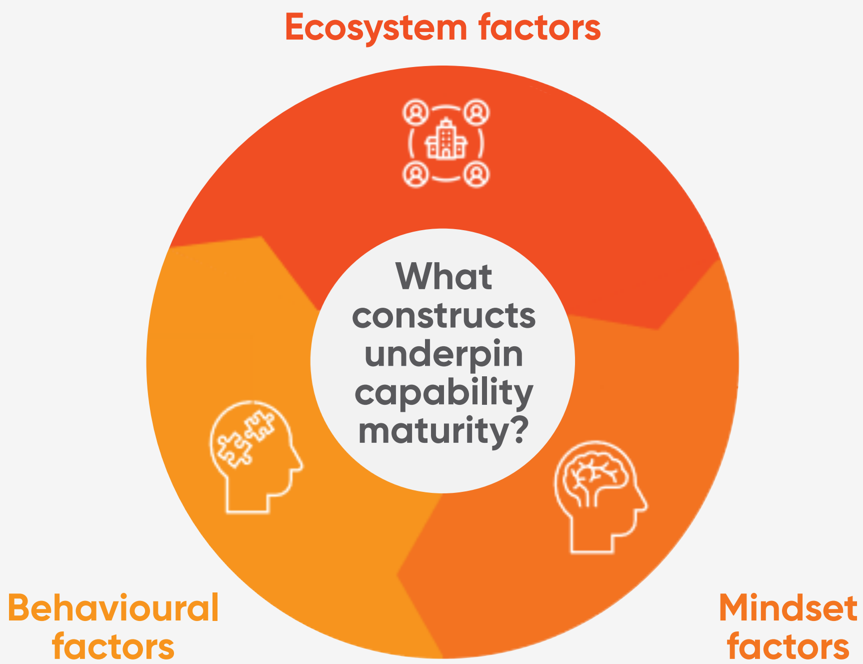
Ideally you should work with an external provider to establish an industry benchmark for 'what you need' and 'what good looks like' in that space. Only then will you be able to have an objective evaluation of where capabilities stand currently. You can then establish what requires a heavier investment of time, motivation and funds, and conversely what skills and confidence are already present, will support positive adaptability and can usefully be built on.

If you want to achieve significant change in your organisation's capabilities, it's most useful to adopt a comprehensive and holistic approach to assessing the current state. At Rubica we do this by analysing the maturity of various organisational, team, and individual constructs. To gather the relevant data, we use several different methodologies. These allow us to go beyond a snapshot of the current situation and to reach a deeper understanding of the causes and inputs that shape it. The in-depth insights gained by focusing on these underlying factors can be highly effective drivers for meaningful transformation.

Assessing capability maturity

We use three interventions to ascertain where an organisation is in terms of its ideal vs. its actual capabilities (Fig.3). These look, respectively, at **ecosystem, behaviours,** and **mindset.**

Fig.3



- For the ecosystem, we look at three factors: organisational enablers, cross-functional working, and leadership behaviours. We want to know how the organisation enables capabilities in areas such as processes, systems, and culture. We look at the extent to which cross-functional teams are integrated and working effectively together. We are also interested in whether managers and leaders signal (and reinforce) their commitment to defined capabilities.
- The behavioural factors we consider are skills, real-world application, and adaptive capability. We want to know whether, and to what extent, team members have the skills that are essential for specific capabilities. To what extent are they applying their knowledge and skills competently and consistently over time? And do they have the ability to respond and positively adapt to a landscape that is constantly evolving?
- Finally, the mindset factors that we assess comprise enabling beliefs, alignment on what 'good' looks like, and knowledge. Do team members subscribe to the beliefs that underlie the desired capabilities? Are team members and leaders aligned, with each other and with industry best practice, in their perception of the organisation's capability maturity? And to what extent do team members have a fundamental understanding of the desired capability?

An evidence-based process

When it comes to assessing the maturity of an organisation's existing capabilities we adopt a triangulation approach, gathering evidence in three distinct interventions.

Proof points. We review the visible evidence, such as account reviews and strategic plans, which shows capabilities in action and compare the results against internal and external benchmarks.

A confidence and capability diagnostic. Involving the whole cross-functional team, including managers, this provides a rigorous assessment of how they see their existing capability level. It provides a clearly defined scale on which participants can rate their confidence level for a range of different capabilities.

Appreciative inquiry. We use interviews to explore the mindsets and behaviours of an organisation's highest performers. By uncovering real-life examples, we can highlight existing pockets of best practice across mindsets, skills and processes.

We ask questions such as 'When has account team and cross-functional collaboration been at its best?' and prompt them to think about the behaviours and mindsets involved.

Other typical questions could be 'What is your value proposition for your most critical customer?' or 'How did you demonstrate progress of your plan to the customers? And how did they respond?'

Your development journey

Step 4 Closing the gaps identified in the North Star-critical capabilities

Understanding where your capability gaps are and where there are existing pockets of excellence will enable you to create an initial plan and decide where to focus your efforts, ideally over a 12-month period.

To decide where you should be prioritising your focus, it's useful to consider the following:

- When creating your framework, look at the sequence of capabilities you need and the most effective way to build them. If you are weak in two capabilities, think about how they are related. Does it make sense to concentrate on one because building it first will provide the foundations for the other?
- What capabilities are critical for your organisation's strategy in the short and long term? It may be that a capability such as launch excellence has real relevance to where you want to be in two years. On the other hand, your shorter-term ambitions may be better served by, for example, improving your ability to form customer partnerships. The context is important when defining a focus area.
- What is it that's seriously compromising your ability to achieve success? It could be legacy mindsets which keep commercial teams stuck in old ways of working; metrics that encourage behaviours that are no longer strategically relevant; or perhaps it's something you are already good at but need to amplify to create the impact required.
- What are your quick-wins, and which are the slower burns? These are important contextual factors. Use an urgent/important matrix to filter what you should focus on first and incorporate these into an agile 3-month plan.
- How will you know that the capabilities you are building are having the impact required? Agree the viable indicators such as account plans, cross functional ' touch points' in addition to the strategic evidence of success.

Finally, when you believe that you have built the capabilities you need for a new way of working, make sure that you try it out. Rather than rolling it out across the whole organisation, it may make more sense to practice it with a smaller cohort. At Rubica we use a concept called Spearhead Accounts. This works by getting a high-calibre project team to focus on applying a new approach to a small number of important customers. The lessons learned from this can be applied to iron out any issues and refine the approach before its taken organisation-wide.

Summary

Pharma companies face an urgent challenge. How do they respond to a constantly evolving healthcare landscape in which traditional ways of operating are no longer fit for purpose?

There is general agreement that the way in which companies relate to healthcare stakeholders is directly correlated with their success in placing products. What is needed now is a new style of relationship which responds to changing healthcare dynamics and reflects the ever-increasing complexity of the stakeholder ecosystem.

In essence, pharma companies need to transition from their traditional provider role to that of a partner working together with healthcare stakeholders to help them meet their challenges and to deliver the most effective patient treatments.

The problem is that creating these quality partnerships is a complex process that demands a level of understanding and capability from sales, medical, market access, and marketing teams that is generally lacking.

That is the 'capability gap'.

Some pharma companies have attempted to address it through traditional training or 'hiring in' the required skills but neither approach has shown much success.

Building the capabilities that are needed to transform relationships with healthcare stakeholders and drive tangible improvements in performance requires a clear look at systemic issues and changes in mindset and behaviours at an organisational level.

This can be achieved by a rigorous, stepwise approach which is focused on setting a clear ambition and direction, and recognising what needs to change in order to achieve it.

The process has to start with clarifying your organisation's mid-term ambition and then prioritising the capabilities that are critical to achieving it. This will involve an assessment of changes that will need to happen at an organisational level, from structures and processes to mindsets and behaviours.

Through an objective audit of your existing capabilities, you can then establish what needs to be built on or developed from scratch. Finally, you can move on to developing a programme that will go beyond traditional training approaches to tackle the fundamental, underlying issues and effectively address your 'capability conundrum'.

About Rubica Change & Analytics

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