

Front & Center

Use Strategic Thinking to Excel

Executives across the biopharmaceutical industry deal with transformation on a daily basis, but few have learned to leverage the new norms in healthcare. Too many executives continue to apply the same strategies and rely on the same tactics that drove success five and 10 years ago. Strategic thinking brings the discipline that can generate new insights capable of building innovative strategies that lead to competitive advantage in today's ever-changing world.

Strategic thinking is the ability to generate business insights on a regular basis to build competitive advantage. It's a popular concept that can yield profound benefits to a business, yet few executives master it. More than 40% of managers cannot articulate their company's strategy and fewer than 25% of U.S. executives demonstrate strong strategic-thinking abilities. Stronger strategic thinking can drive improvements in commercial and clinical results for almost any biopharmaceutical company. Yet, like any other skill such as putting in golf or playing the piano, strategic thinking needs to be practiced on a regular basis to yield results.

Pharmaceutical Executive spoke with Rich Horwath, CEO of the Strategic Thinking Institute (STI) and author of *Elevate: The Three Disciplines of Advanced Strategic Thinking*, to explore the potential of strategic thinking in the biopharmaceutical world. During the past two decades, he has engaged with more than 20 biopharmaceutical companies, including six of the top 10 in the world, facilitating strategy conversations among cross-functional executives to

align strategies and helping leadership teams develop their strategic thinking and planning capabilities. As competitive pressures intensify and margins continue to compress, companies that master strategic thinking are more likely to survive and thrive than competitors continually stuck

in the tactical weeds of the business. Mr. Horwath shared the following insights on how leaders can develop strategic thinking into an enterprise-wide capability.

Strategic Thinking Missing

According to studies with executive recruiters, strategic thinking is the most-valued skill among biopharmaceutical leaders. Companies and executives value strategic thinking for a very

good reason: Strategic thinking generates results. Harvard Business School researchers compared financial results of companies over a 10-year period. Firms with coherent, well-articulated strategies outperformed their competitors in profits (by 304%), total sales (by 332%) and shareholder returns (833%).

A survey of 10,000 senior executives asked to identify leadership traits that are important to their organization's long-term success came up with "strategic" 97% of the time. Organizations respond positively to strategic thinking. Team members who believe their leader has a clear strategic direction are 40% more committed, but few ever get to demonstrate their commitment. American Productivity & Quality Center data show that not only is strategic thinking the single-most important executive skill, but it is also the number one skill deficiency among executives. Biopharmaceutical executives who master strategic

thinking bring a significant advantage to their firms and to their personal careers.

A Strategic Thinking Framework

The process of strategic thinking can be captured in three phases.

1. Acumen. Acumen is insight into ways to bring new value to customers, patients and the company. Acumen has been in short supply. Product is at the heart of pharma firms, but managers are missing opportunities to provide differentiated value through other avenues such as service, support and education. Leaders who are unable to configure their resources—time, talent and budget—into a differentiated value chain of activities will find it difficult in the future to keep their heads above water.

Product-centric industries, including biopharma, are subject to competitive convergence. One successful new product begets a growing list of me-too products. Managers soon find themselves struggling to grow new and renewal prescriptions. The more follow-on products in the marketplace, the more difficult it becomes to define value except in terms of lower price, which sparks a race to the bottom in financial results, R&D support and shareholder returns. In an era of me-too products, generics, biosimilars and ever more narrowly defined patient populations, product alone no longer defines value to the different stakeholders that determine pharma success and failure. The key is for leaders to have the strategic ability to map out their product or therapeutic area ecosystems. Once these ecosystems are visually constructed with their spectrum of activities and connections, leaders can then determine where to apply their innovative resources.

Acumen generates the insight, the aha moment that sparks the recognition of that unique value a group can bring to



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prescribers, patients, payers, regulators, pharmacy benefit managers, legislators, patient interest groups and other third parties that crowd the pharma ecosystem. Acumen prompts managers to recognize that a changing environment requires new strategies to continue success. Success today is not about being better than the competition—it's about being different from the competition in ways that customers, patients and other stakeholders value.

What constitutes value will likely change from company to company, but all successful pharma firms must identify ways in which they can provide value that sets them apart from the competition. Just as General Electric and other product-centric companies have evolved service and other non-product profit centers, successful pharma firms must develop new ways to deliver greater value to individual stakeholders and to the overall healthcare system.

2. Allocation. Allocation is the way managers choose to distribute resources, be it personnel, time, money or other assets, to turn those new insights into concrete activity. Not long ago, allocation was largely a matter of fielding an army of sales reps to support a new product, bringing the same product message in much the same way to every potential customer. Given changes in access to prescribers, the growing involvement of patients and others in product selection and the shifting landscape of purchasing decisions, flooding a market with sales reps may no longer be the answer.

Managers at all levels must have the urgency to reallocate their resources—their time, their people, their budgets—throughout the year from underperforming areas to ones with greater potential and performance. Unfortunately, most companies are still afraid to give their managers real resource allocation re-

sponsibility. As an example, regional and district sales managers rarely have the ability to move their sales and clinical specialists within their geographies to best meet the needs of customers. While “empowerment” is a nice word to toss out during a speech at the company's annual meeting, it's rarely realized in the field. If you want your people to move from tactical to strategic, you have to give them the knowledge and tools to effectively allocate all of their resources, including people.

3. Action. Action is the discipline to stay focused on a few key priorities. A to-do list of 15 tasks is not a priority action plan; it's a laundry list, and laundry lists do not set effective strategy.

Moving to action is focusing on the two or three key things that will drive business in a specific territory or region. That requires broad agreement within the company on both the insights and the resource allocation that is driving those priorities. Too often, strategy and the actions taken to implement strategy are unclear at the operational level. Top executives may think they have developed a clear strategy, but the real test comes at the regional and district levels. Do those lower level managers understand the strategy? Can they articulate it in their own terms? Can they translate it into concrete actions that will produce the expected positive results? For too many companies, the answer is no. Why? Because these managers have grown up with a sole focus on tactics, so they must now be equipped to think strategically.

Strategy Conversations Are Key

STI research found that only 35% of managers believe their local strategy is aligned with other functional units within the company. The familiar silo structure that built the biopharmaceutical industry is alive and well and throttling

success in today's competitive environment. How often in your organization are the brand, field sales, account management and managed markets teams' strategies in alignment?

Communicating and aligning strategy throughout the organization is crucial. Meetings intended to communicate and foster strategic initiatives and execution are too often 80% presentation and 20% discussion. Successful companies flip that ratio to 20:80. In an era of specialized markets and non-product based value adds, the same old didactic dog and pony show that once supported product sales adds no new learnings, no new insights, and no new value to what the field force does or the results they produce. People are hungry to talk with one another face-to-face about their key business issues. Are you giving them the forum and framework to have those strategy conversations?

Strategy is traditionally set at the top, but the most successful companies understand that it is those who are closest to the customer are the ones who can best understand what constitutes value in the ever-changing marketplace. Companies that have developed ways to foster a free flow of insight in both directions, top down and bottom up, experience more profitable growth at faster rates because they are better able to deliver value that makes a difference to customers.

Creating an Insight Network to create, share and act on insights can seismically shift a company's culture from reactive and whiny to proactive and assertive. Companies that fail to share information throughout the organization increasingly find themselves unable to innovate, unable to identify or deliver new value and unable to thrive. Strategic thinking is no guarantee of success, but companies that think strategically on an enterprise-wide scale are far more likely to excel.