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A new operating model for pharma: How the pandemic has influenced priorities

The COVID-19 pandemic has prompted pharma companies to rethink their organizational strategies. A survey of executives suggests where value might lie.

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In the pharmaceutical industry, as in many others, the COVID-19 pandemic suddenly forced companies to operate differently. In-person meetings with colleagues became virtual, for instance, as did those with healthcare providers (HCPs)—if indeed HCPs had the time to engage with field representatives at all. And ways had to be found to make fast decisions, even though it was sometimes difficult to convene all those in the organization who would usually be part of the process.

The result was an acceleration of certain commercial-organizational trends already afoot—companies doubled down on building digital capabilities to enable virtual connectivity with healthcare professionals and patients, for example. But that was not all.

The pandemic confirmed the power of such initiatives: companies already accustomed to agile ways of working were able to adapt faster to the pandemic.[1] It called into question the value of others. Moves to restructure business units around different groups of HCPs, for instance, seemed relatively unimportant and were put on hold. It also surfaced new problems in search of solutions. How,

for example, could organizations best engage with already-overstretched stakeholders?

All those elements have prompted companies to reassess their commercial-organizational models, as all are aware that they are operating in a next-normal environment. But what might the components of those models be, and to what extent have companies now implemented them? To find out, we conducted a survey of senior executives in commercial roles at global pharma companies to understand the changes under way.
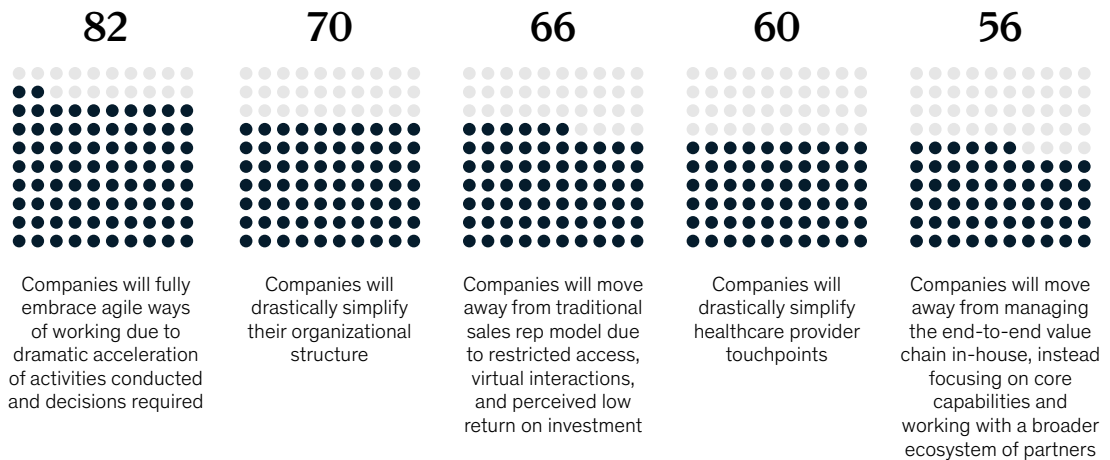
Where value lies

We first asked survey participants to assess the extent to which certain trends might take hold in the medium to long term—that is, within five to ten years. More than 80 percent think it likely or very likely that companies will fully embrace agile ways of working, and 70 percent feel that organizational structures will be radically simplified (Exhibit 1). A majority—albeit a smaller one—also feel that the traditional commercial model will no longer be fit for purpose, touchpoints with HCPs will be simplified, and companies will outsource more components of the value chain to focus on their core capabilities.

Exhibit 1

More than 80 percent of survey participants think companies will fully embrace agile ways of working.

Anticipated trends for the future of the pharma industry, % of respondents

82	70	66	60	56
Companies will fully embrace agile ways of working due to dramatic acceleration of activities conducted and decisions required	Companies will drastically simplify their organizational structure	Companies will move away from traditional sales rep model due to restricted access, virtual interactions, and perceived low return on investment	Companies will drastically simplify healthcare provider touchpoints	Companies will move away from managing the end-to-end value chain in-house, instead focusing on core capabilities and working with a broader ecosystem of partners

Source: McKinsey Future of Organization Survey, Feb 2021 (n = 50)

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[1] "An operating model for the next normal: Lessons from agile organizations in the crisis," McKinsey, June 25, 2020.

In addition to that broad, forward-looking view, we wanted to understand where companies were focusing their efforts right now. We therefore asked participants to consider a list of 20 different organizational initiatives and assess them by the current level of implementation within the company and their perceived value. The results did not always square with general perceptions of the medium-to-long-term outlook.

Even though most respondents agree that organizational structures will become much simpler, they regard some of the initiatives that could deliver that change (such as deploying new internal coordination tools to enable collaboration) as having low value. That result possibly reflects the fact that, in the short term at least, the pandemic has revealed more urgent matters to tackle. What is noticeable, however, is the extent to which certain types of initiatives—those that engage HCPs and other stakeholders, those related to organizational structure, and those related to agile ways of working—are clustered according to their value and level of implementation (Exhibit 2).

Stakeholder-engagement initiatives: High value; high implementation

One cluster is of the initiatives that survey participants judge will deliver high value and that companies have made good progress in implementing. Most of those initiatives fall into the stakeholder-engagement category.

At the top of the list is the broader development of digital and analytic capabilities. That development was a high priority before the COVID-19 pandemic, but many companies are now doubling down on building these capabilities to strengthen virtual interactions with healthcare professionals, give more employees more data and information for fast decision making, and facilitate seamless engagement with stakeholders. One pharma company used advanced analytics in quality management to reduce deviations by more than 65 percent and to find and eliminate several root causes of recurring deviations that had been impossible to detect with traditional tools.[2]

Importantly, several stakeholder-engagement initiatives feature on the high-value, high-implementation list that were not a priority for many companies before the pandemic. Until recently, few companies saw reason to change the traditional "push" marketing model, whereby sales representatives largely relied on face-to-face meetings with HCPs. During the pandemic, however, physical meetings have often been barred because of pandemic protocols, and HCPs have been too busy to meet with salesforce personnel—physically or virtually.

These challenges have quickly taught executives the value of making sure that interactions are well tailored. Online and email interactions now help some organizations track the types of information that HCPs and their patients are seeking. For example, one large pharma company is reassessing its old HCP portal, which contains primarily branded content. It is experimenting instead with a virtual interaction portal that has self-serve functionalities for signing up for conferences and finding drug-usage instructions or educational materials. The model has shown encouraging early signs based on HCP log-ons and feedback.

Companies are also newly prioritizing HCPs' and other stakeholders' access to subject-matter experts. Before the pandemic, such interaction was rare: experts did not have the capacity to attend in-person meetings, and it might have felt awkward for them to join meetings by phone. But times have changed. Accustomed to pandemic-related working conditions, most HCPs would now appreciate an offer to transfer their calls to experts—a move that improves a company's remote interactions with HCPs and extends experts' reach. Recognizing the value, one company has created new, nonsales roles that serve as single points of contact for HCPs and stakeholders, whatever their needs: commercial, medical, or market access. The aim is to help connect stakeholders to the right information and right expert instantly.

[2] Álvaro Carpintero, Tacy Foster, Evgeniya Makarova, and Vanya Telpis, "Smart quality: Reimagining the way quality works," McKinsey, January 25, 2021.

Exhibit 2

Initiatives such as those related to organizational structure and agile ways of working are clustered according to their value and level of implementation.

Organizational initiatives, by perceived value and level of implementation

Net value perceived,[1] %

Level of implementation,
scale 0-3, weighted average
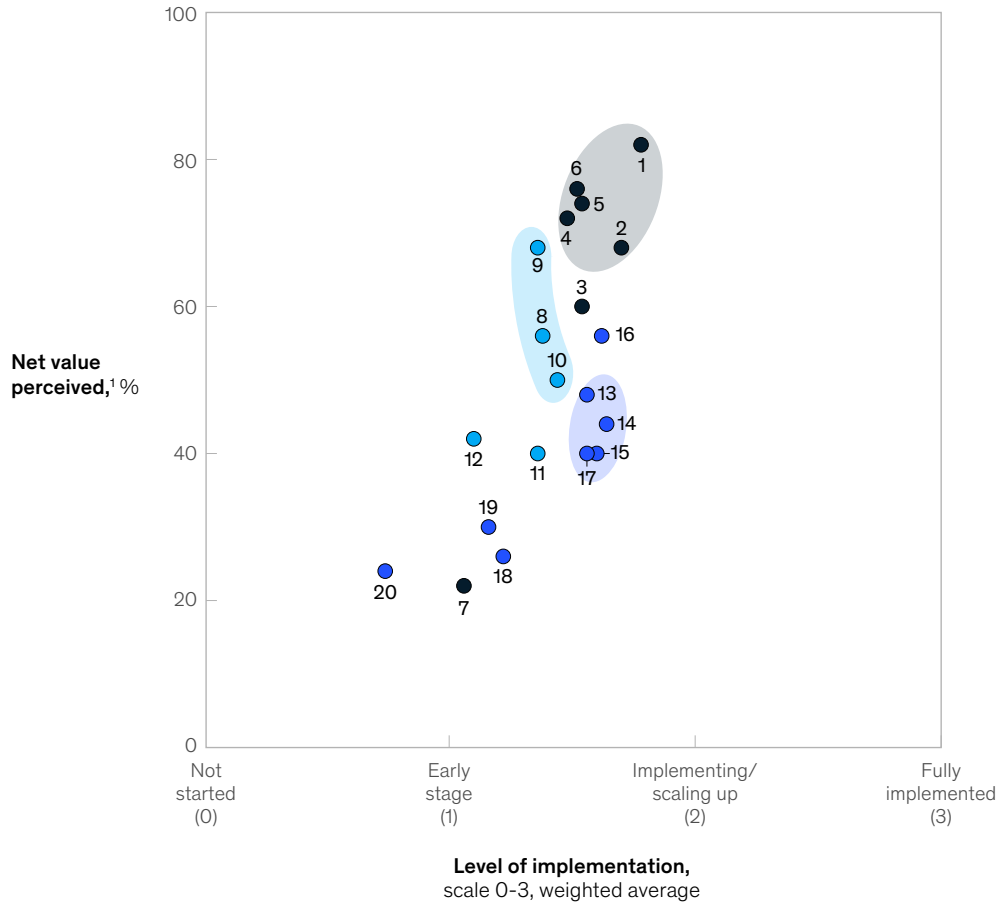
● **Customer engagement**

1 Raise digital and analytics capabilities company-wide
2 Expand field roles to increase convergence across functions
3 Create or strengthen inside/remote sales capabilities
4 Make subject-matter experts more accessible to customers
5 Shift to a "pull" rather than "push"marketing model
6 Build new business-development capabilities and practices
7 Create office-based, customer-facing teams of pooled resources to address broad customer needs remotely 24/7

● **Agile methodologies**

8 Redesign performance management to reward entrepreneurialism
9 Deploy agile ways of working more broadly to accelerate clinical trials, launches, content development, etc
10 Recalibrate risk management
11 Redesign performance management and incentives to highlight individual performance
12 Introduce marketers as "scrum masters" in agile teams, replacing traditional project managers of agencies

● **Organizational structure**

13 Significantly reduce size of traditional field force in favor of other roles
14 Deploy next-generation non-client-facing coordination tools to improve collaboration and customer orientation
15 Build functional platforms to develop institutional capabilities within brand teams
16 Realign team structures around common deliverables/end products and work cross-functionally
17 Structure business units around capabilities needed to serve the customer rather than traditional therapeutic areas, functions, or geographies
18 Develop a unified company-wide customer engagement model
19 Enhance global-to-local direct, virtual connectivity, lessening the importance of regional constructs
20 Create "satellite companies," small teams that make decisions without competing priorities outside of the specific asset being developed

[1]The sum of the share of respondents who see "high value" or "extremely high value" minus the sum of those who see "no value," "extremely low value," "low value," leaving out the "average value."
Source: McKinsey Future of Organization Survey, Feb 2021 (n = 50)

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Agile initiatives: High value; low implementation

Agile initiatives tend to be perceived as key priorities, and many companies that have implemented them have seen rewards. For example, before the COVID-19 pandemic, one pharma company that was striving to increase its R&D capacity extended agile working to more than a dozen departments and more than 700 scientists in the course of a year. The result? Capacity doubled without adding extra resources, thanks to faster decision making and accelerated development.[3] Nevertheless, implementation has not been widespread: 50 percent of survey respondents say they have not yet started implementing agile initiatives or are only in the early stages of doing so.

The consequences of slow progress have been made clear during the pandemic, when all companies have been forced to be more agile. When operating in a virtual world, interactions with coworkers, cross-functional experts, and managers cannot happen by chance. They require intent, which has often resulted in smaller meetings and more careful consideration of who should be present. And decisions are needed quickly.

Inevitably, it has been the companies with more experience in agile practices that have had the edge under crisis conditions. They are accustomed to working in smaller, empowered, cross-functional teams to speed progress and are familiar with practices that have helped them adapt (such as the rapid resetting of priorities via frequent reviews). Such capabilities take time to establish.

The pandemic experience perhaps helps explains the high value that participants in our survey assign to introducing agile methodologies more broadly across the organization and to two supporting initiatives:

— *Performance management.* The first initiative is the redesign of performance management to include metrics other than sales to encourage entrepreneurial action and a focus on what matters most to HCPs. One large pharma company intends to replace sales volume with HCP feedback as a measure of performance, for example.

— *Risk management.* The second initiative is a more thoughtful, flexible risk-management approach that no longer considers each product or business unit in the same way. Recognizing the differences among them can help accelerate speed to market. One company's new risk-review process pulls together the appropriate legal, compliance, medical, and marketing resources for each business unit rather than having a single standing committee. This helps ensure that all risk reviews are both fit for purpose and efficient.

Organizational initiatives: Low value; high implementation

Though there is much talk of how the COVID-19 pandemic has accelerated certain trends in the world of work, less mention is made of the initiatives that have been deprioritized. Here, our survey results are particularly insightful, highlighting initiatives that many companies had been implementing at scale but whose value today appears less certain. Most are organizational initiatives. For example, low value was assigned to reassessing the size of the field workforce—a common, prepandemic initiative aimed at deploying resources as cost-effectively as possible. Low value was also assigned to structuring business units around the capabilities needed to serve HCPs and stakeholders rather than traditional therapeutic areas, functions, and geographies.

Precisely why these initiatives' value is being questioned now is hard to ascertain. One potential explanation is the high importance given to the HCP experience. When it comes to the effectiveness of the field workforce, the quality of HCP engagement may matter more than the coverage does. And executives are perhaps questioning whether it is worth investing so much in internal organizational initiatives, having witnessed companies still thriving when their existing structures have been blown apart by the pandemic. HCP engagement and agility could prove to be the main keys to performance. Get those right, and maybe internal structures matter less.

[3] Aliza Apple, Harriet Keane, Rachel Moss, and Valentina Sartori, "Designing an agile transformation in pharma R&D," McKinsey, July 22, 2019.

Miscellaneous initiatives: Low value; low implementation

A fourth group of miscellaneous initiatives that have failed to gain traction fall within a low-value, low-implementation cluster. Some, such as having marketers take up "scrum master" roles in agile teams, would have depended on companies making considerable progress in implementing agile ways of working, and even then, they might not have been seen to offer much additional value. Others, such as creating office-based, stakeholder-facing teams of pooled resources able to address broad stakeholder needs remotely 24/7, were only ever experimental and, it seems, failed to prove their worth. It seems unlikely that they will be reevaluated any time soon.

A strategic refresh

The COVID-19 pandemic has created an inflection point at which companies have the license to reconsider where they are investing time and resources. Any pharma company not implementing the high-value stakeholder-engagement initiatives discussed here should consider doing so without delay. If they fail to do so, they will surely struggle to compete against those able to deliver what HCPs and other stakeholders want, how they want it, and when they want. Many companies also have the scope to accelerate all things agile to support HCPs and their patients further, from the way content is created to the way capability building is delivered at scale.

Companies also need to consider carefully the various organizational constructs. The value of some initiatives may have been called into question, in which case, resources will need to be reallocated swiftly. Others, however, could still prove their worth—and indeed, lend companies a competitive edge if developed. Reorganizing the field workforce might, for example, catalyze a new engagement model if the representatives are also equipped with the hard and soft skills needed to engage stakeholders differently. And investing in internal collaboration tools may deliver outsize benefits, as many companies will retain some element of remote work after the pandemic.

Any company still expending resources on low-value initiatives should reevaluate. High-quality engagement with HCPs and other stakeholders will require the prioritization of initiatives, and resources will be limited.

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The future operating models for pharma companies may not be crystal clear. But the choices that companies make now will nevertheless influence the models' performance—speed to market, efficiency, and ability to serve more patients with better treatments. Organizations should therefore prioritize those elements of the model that are most likely to drive success and not be afraid to deprioritize those that aren't.