



How to manage fast growing companies - Agility & Customer-centricity -

Position Paper

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***“Ultimately, there may be no long-term
sustainable advantage other than the ability to organize and manage”***

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Fast growing companies management – Agility & Customer-centricity

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1. Introduction: Basics regarding organizations

Organizational configurations of companies are designed to facilitate the efficient translation of strategy into actions

From strategy formulation to organizational configuration

Strategy formulation

- What is our ambition:
 - In market share?
 - In sales growth?
 - In profit growth?
 - In return on assets?
 - In corporate reputation?
- What is our corresponding strategy:
 - Cost leadership?
 - New product innovation?
 - Global branding?
 - Focus on niche segments?

Organizational configuration

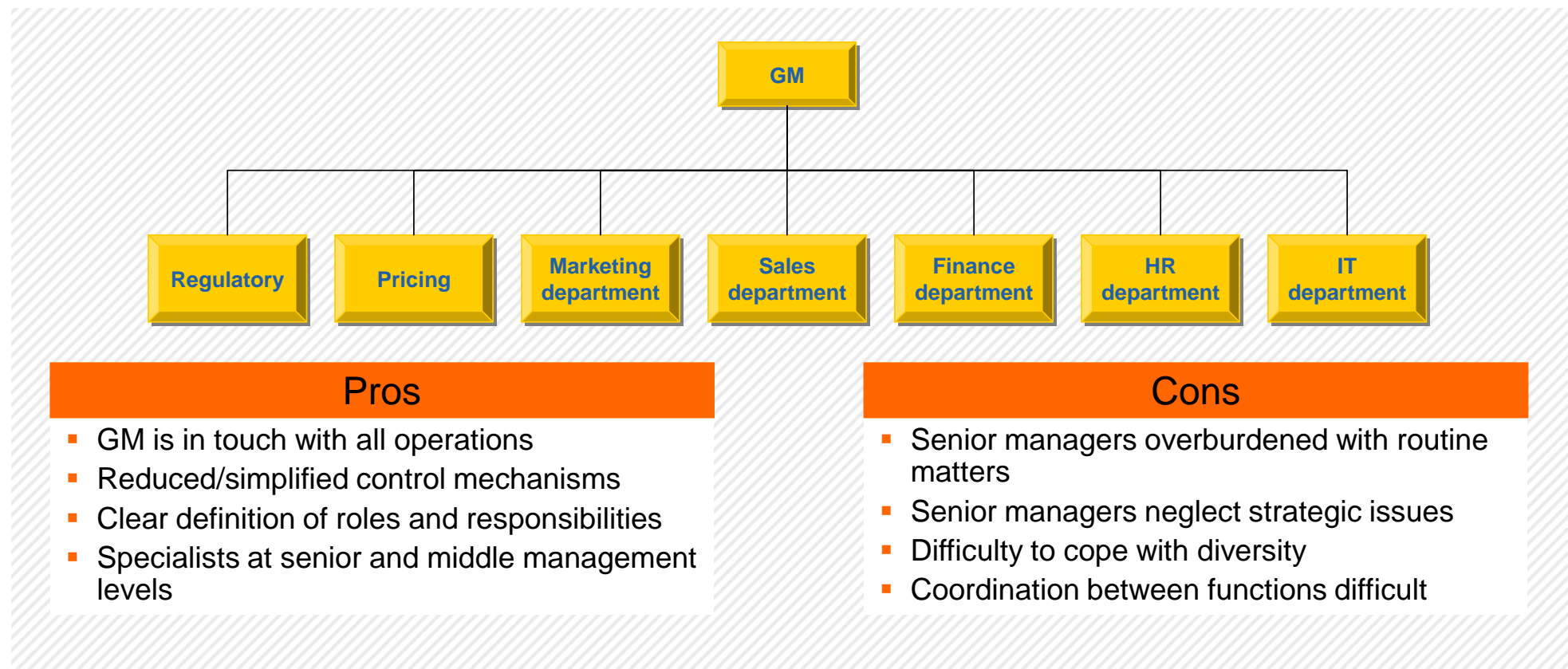
- What are the key business processes?
- How our people must behave?
- What information is needed to manage these business processes?
- What structure will best support people to achieve their tasks efficiently?
- How to (re)configure the organization to become more agile and more customer centric than competition?

Source: Smart Pharma Consulting after G. Johnson

1. Introduction: Basics regarding organizations

Functional structures are centralized around functions, creating 'functional silos' which are not appropriate to cope with product specificities

The functional structure

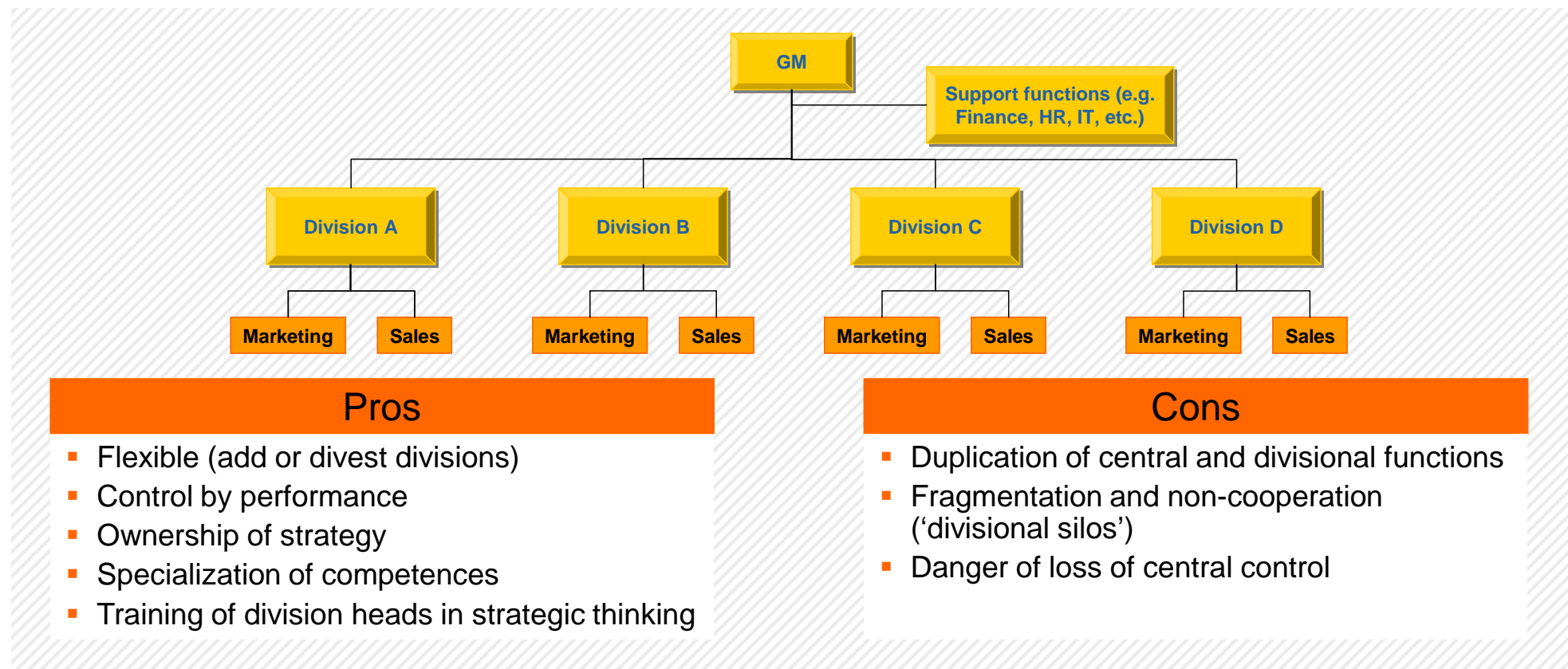


Source: Smart Pharma Consulting after G. Johnson

1. Introduction: Basics regarding organizations

Multidivisional structures or structures in Business Units organize the activities of the organizations around its product or service offering or/and by geography

The multidivisional (BU) structure



Source: Smart Pharma Consulting after G. Johnson

1. Introduction: Basics regarding organizations

The matrix structure offers the possibilities to mix different structural dimensions but does not always work well, in practice, due to non-formal lines of authorities

The matrix structure



Pros

- Integration of knowledge
- Flexibility
- Possibilities to have dual dimensions

Cons

- Length of time to take decisions
- Unclear job and task responsibilities
- Unclear cost and profit responsibilities
- High degrees of conflicts

Source: Smart Pharma Consulting after G. Johnson

1. Introduction: Basics regarding organizations

The choice of the structure should be made according to the particular strategic challenges ('contingencies') the organization faces or is going to face

Structural models of organizations: Comparisons

Challenges	Functional structures	Multidivisional (BU) structures	Matrix structures
Maintain control	X X X	X X	X
Change management	X	X X	X X X
Foster competitive insights	X X	X	X X X

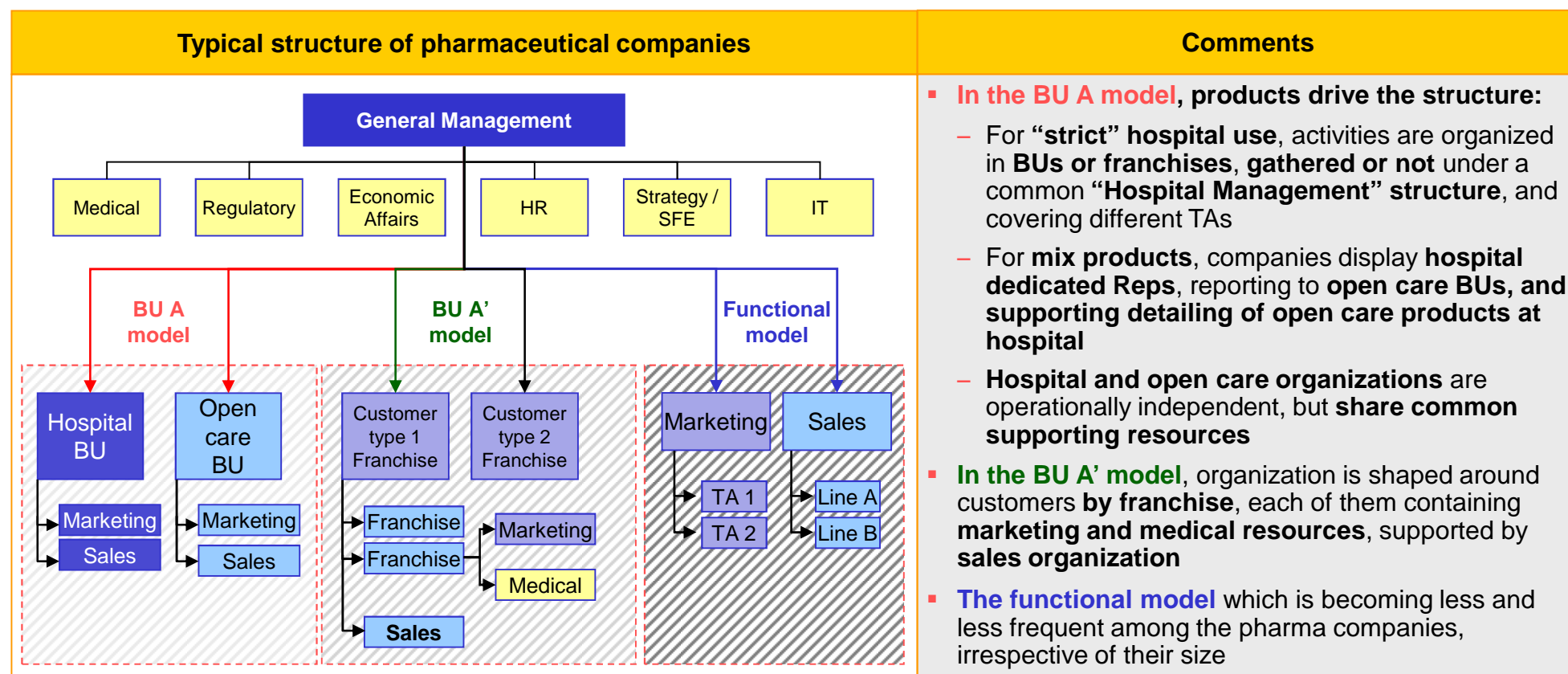
X: Reflect the level of appropriateness

Source: Smart Pharma Consulting after G. Johnson

2. Benchmarking of pharma companies

Most pharmaceutical companies display an organization in BUs (by market segment, TA or customer type), supported by common shared activities

Pharma sector organizational models

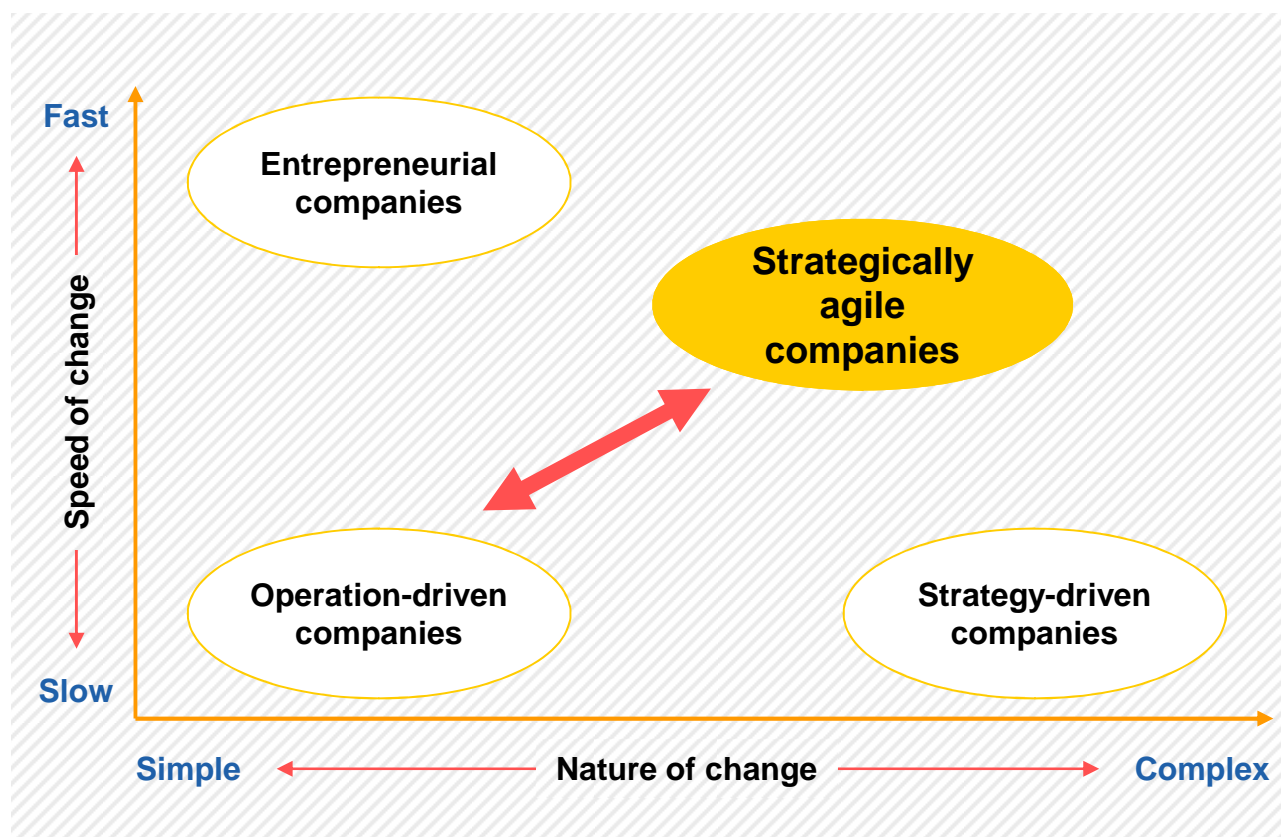


Source :Interviews of collaborators from six pharma companies (2009) - Smart Pharma Consulting analysis

3. Strategic agility & customer-centricity

To keep their momentum, fast growing companies which operate in markets where changes become faster and more complex, need to be strategically agile

Strategic agility matrix



Examples of change drivers

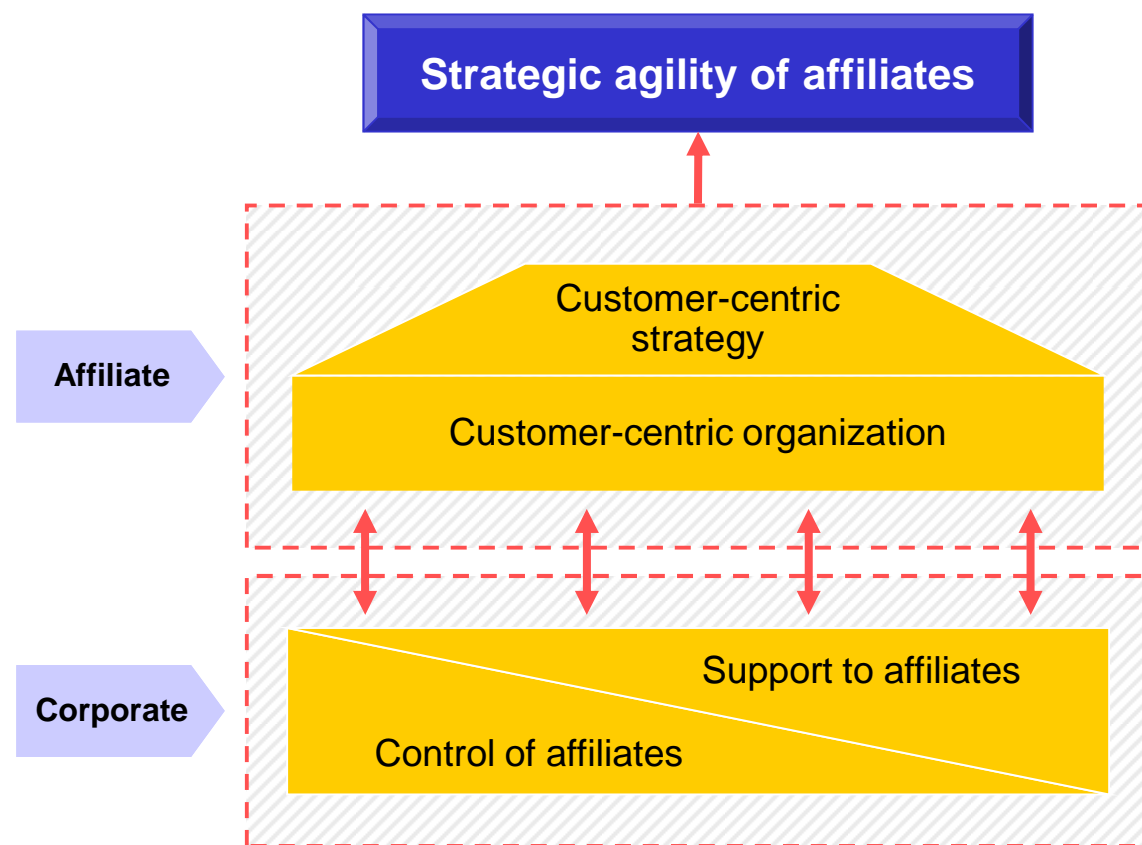
- **External drivers:**
 - Modification of healthcare regulations
 - Authoritative price cuts
 - Generics entry
 - Entry of innovative competitors
 - New therapeutic guidelines
 - New entrants
 - New technologies (e.g. Internet)
 - New customer behavior
 - Etc.
- **Internal drivers:**
 - New product launch
 - New indication
 - Modification of structures
 - Recruitment of new competencies
 - International development
 - New process introduction
 - Etc.

Source : Adapted from Y. Doz & M. Kosonen, Smart Pharma Consulting analysis

3. Strategic agility & customer-centricity

The best means to develop a strategically agile affiliate is to design a customer-centric organization enable to support a customer-centric strategy

Foundation of strategic agility at affiliate level



Comments

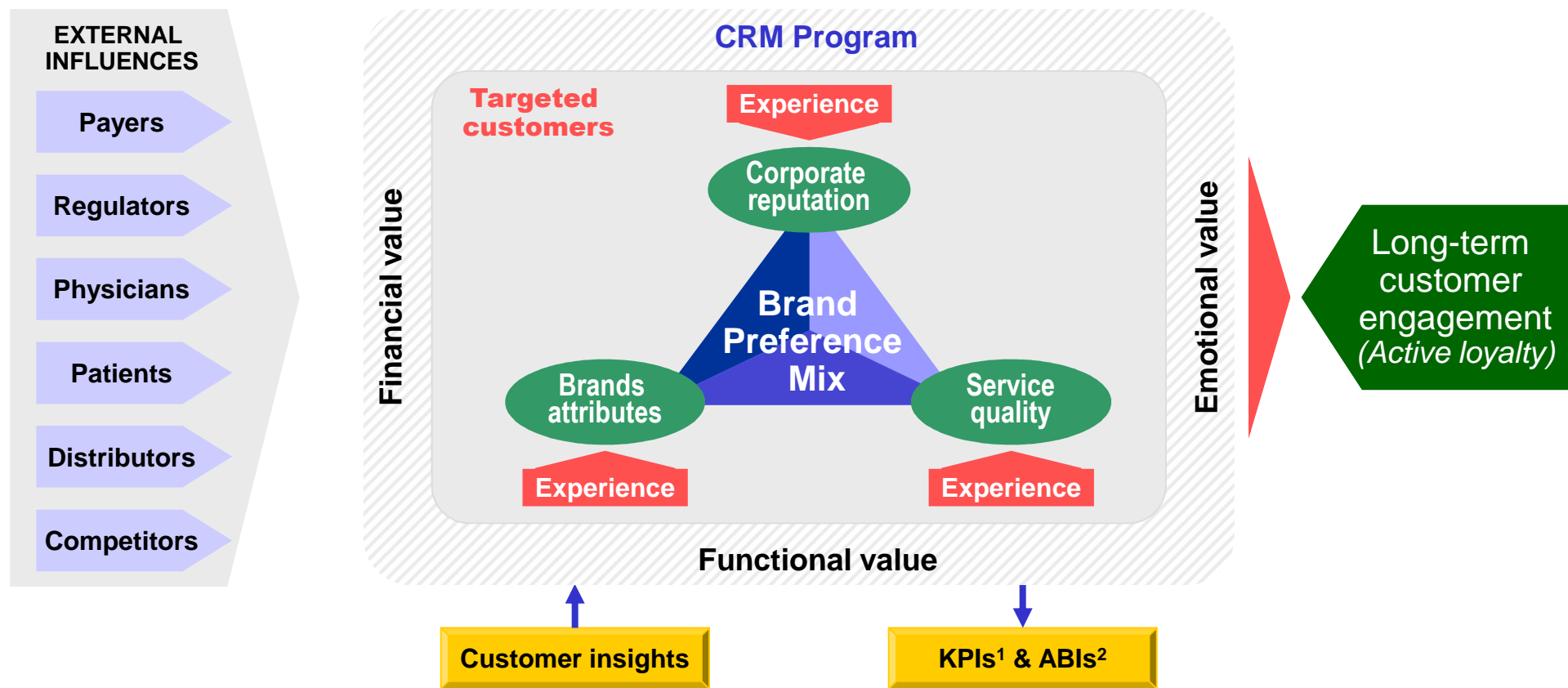
- Strategic agility is needed to **keep on growing fast** in a continuously changing environment
- Strategic agility enables to **take advantage of** external and internal **changes/disruptions** to turn them into strategic opportunities
- Strategic agility, requires from affiliates management team to:
 - Build a **customer-centric strategy**
 - Design an **appropriate organization** to implement efficiently such a strategy
- Besides, affiliates must be **strongly supported** by **corporate functions** to:
 - Develop a **higher sense of market** trends and needs than competition does
 - Maintain a **lean and learning organization**, with high **resource fluidity** and **short decision making processes**
- Corporate should specifically **monitor** the level of **strategic ability** per affiliate

Source : Smart Pharma Consulting model

3. Strategic agility & customer-centricity

To be effective and efficient, customer-centric strategies should be supported by an appropriate thinking process, including customer insights and adequate monitoring

Integrated customer-centricity strategy in the pharma sector



Source : Smart Pharma Consulting model

¹ Key performance indicators – ² Activity-based indicators

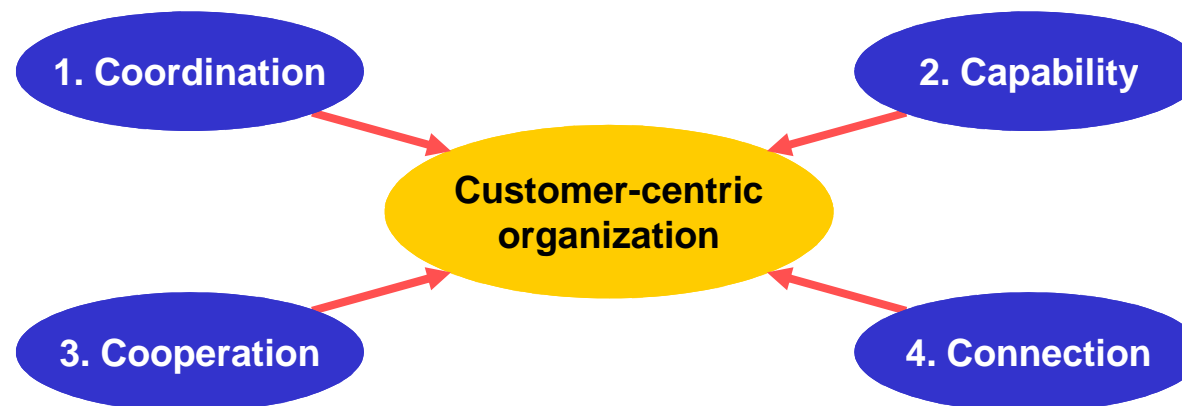
3. Strategic agility & customer-centricity

High market sensitivity, simple and short processes, cross-departments coordination and cooperation to better serve customers will contribute to sustain strategic agility

Customer-centricity organization: The 4 Cs

- Customer-focused organization (silos around customers vs. brands)
- Knowledge- and experience-sharing
- Harmonization of activities

- Skills to develop and deliver high value solutions
- Ability to explore and discover customer insights (deep knowledge of their needs, wants, behaviors)
- Motivated and empowered collaborators



- Project teams including members from various departments centered around customers
- Shared customer database
- Introduction of metrics to foster cultural change

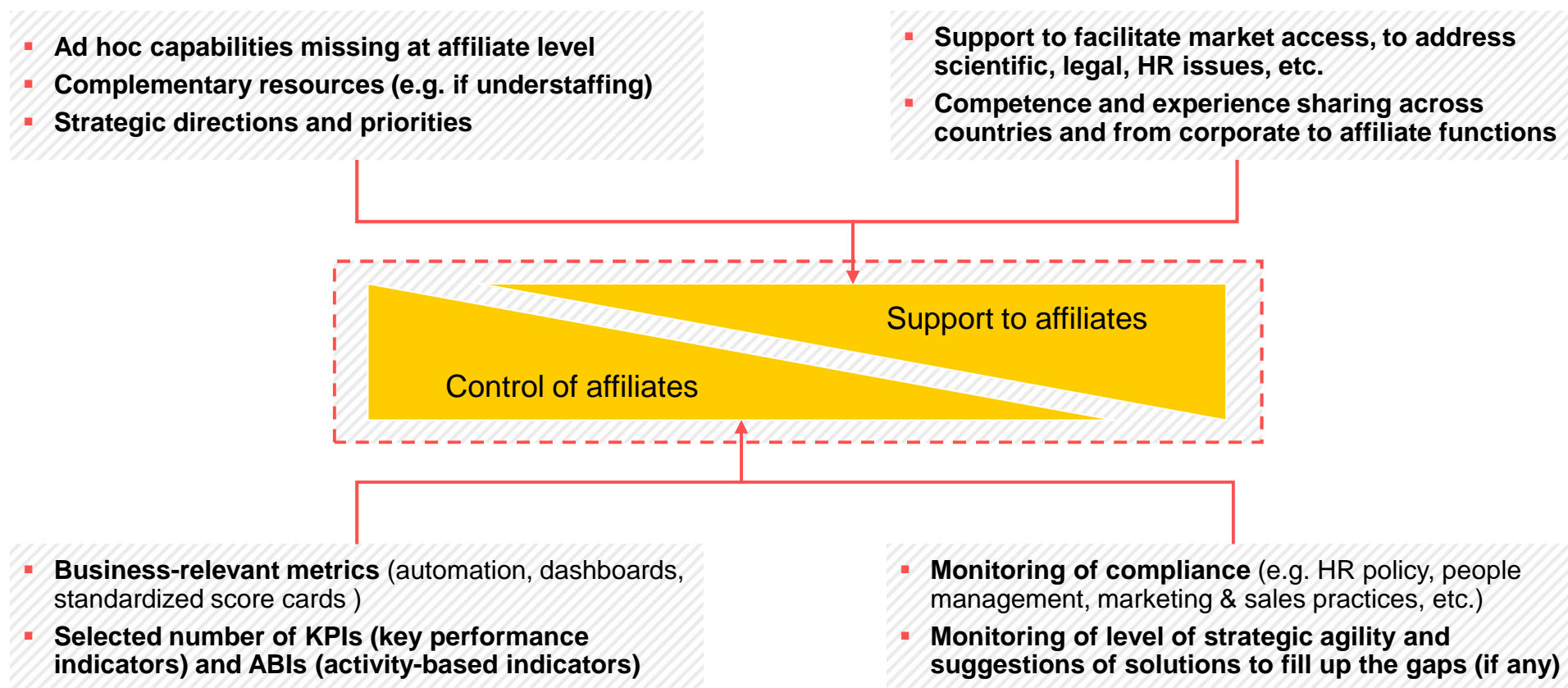
- Partnership with external players to propose unique and highly valued offerings to customers

Source : Adapted from R. Gulati (HBR 2007), Smart Pharma Consulting analysis

3. Strategic agility & customer-centricity

To create value for the affiliates, and therefore for the overall company, the corporate functions should maintain a business-driven balance between support and control

Balanced corporate support & control



Source : Smart Pharma Consulting

4. Conclusion

Fast growing companies, better than competition, offer their customers unique experiences with their products and services which induce lasting preference

Key learning

- **Fast growing companies should:**
 - Set **ambitious** objectives
 - Define a strategic organization ensuring **agility** and **customer-centricity**
 - Design an **organization** to **implement** effectively and efficiently such a **fast growing strategy**:
 - Put the **collaborators** (internal customers) **at the center** of the system
 - Institute a **sense of urgency**, especially vis-à-vis customers
 - Build a **network of market sensors** to maintain a competitive edge
 - **Shorten** and **simplify business-driven processes**
 - **Automate**, **outsource** or even have the “courage” to **suppress control-driven processes** when they do not create significant value

“Every decision – either strategic or organizational – should contribute to create customer preference”