



Novasecta

FIVE IMPERATIVES FOR STRATEGIC AND OPERATIONAL EXCELLENCE



As technological advances and competition in the pharmaceutical ecosystem accelerate, it is vital for companies to stay at the cutting edge. The leading pharmaceutical companies focus, move fast and move together. They embrace strategic and operational excellence.

Why is strategic and operational excellence important?

Pharmaceutical and biotech companies must optimise the effectiveness of the multiple value-driving functions that are required to successfully discover, develop, and commercialise products. These functions each have highly specific expertise, often geographically dispersed. Such expertise is only valuable when it is applied to benefit the strategic focus of the company. Teams must also work cross-functionally and optimise interfaces throughout the organisation and with external stakeholders. This alignment and integration of expertise is at the core of strategic and operational excellence. It is fundamental for pharmaceutical and biotech companies to meet patients' needs.

What does good look like?

Companies that embrace strategic and operational excellence focus, move fast and move together. Their clear strategic focus ensures everyone is aligned with each team's purpose and priorities. Each team's and individual's role to deliver this is clear, as are the capabilities required to succeed. Team members are empowered through simple and agile decision-making processes that drive the organisation towards its goals. Finally, people across the organisation sustain and enhance a collaborative and constructive culture that supports the creation of a valuable R&D pipeline and drives sustainable profitability.



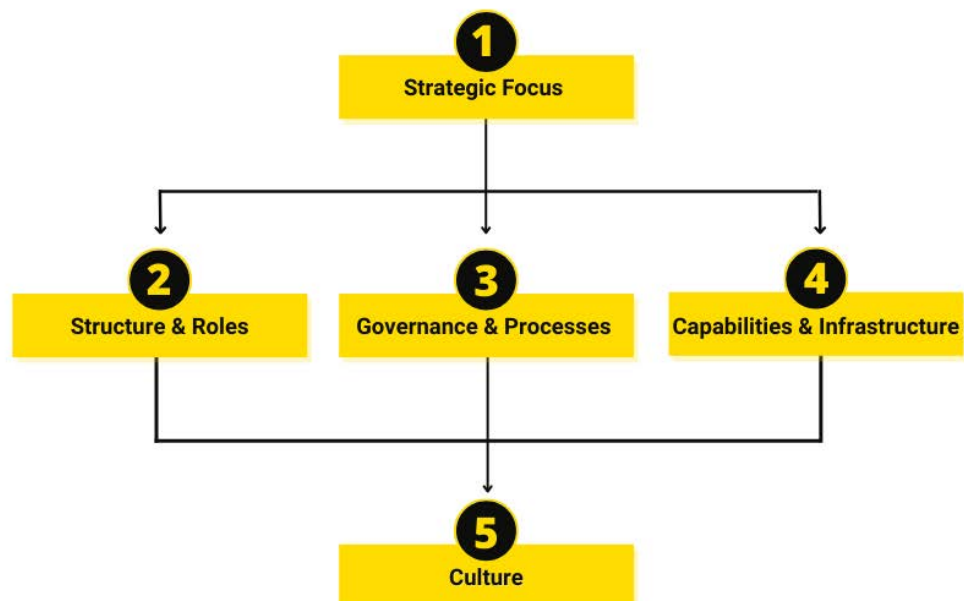


The imperatives you need to focus on

Embedding strategic and operational excellence in a functional team or organisation requires an integration of five imperatives:

1. **A strategic focus** to clarify the priorities and effectively communicate how the organisation delivers value and meets the needs of its stakeholders.
2. **Structure and roles** to ensure people and teams actively contribute to achieving the strategy, including how they work collaboratively and interface with each other.
3. **Governance and processes** to enable effective decision-making and ensure strategically important initiatives progress.
4. **Capabilities and infrastructure** to deliver defined priorities, including clear decisions on which capabilities to develop internally and which to outsource.
5. **A culture** that is constructive and celebrates the behaviours and mindset that will set the organisation up for success.

Strategic and Operational Excellence Framework





EMBEDDING THE FIVE IMPERATIVES FOR STRATEGIC AND OPERATIONAL EXCELLENCE

The five imperatives feed into one another, and building them into your organisation will ensure all areas of the business are pulling effectively in the same direction. Here we take a closer look at the purpose and value of each one.



1 STRATEGIC FOCUS

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Why is it important?

A well understood and clearly communicated strategic focus is the first and most important step towards strategic and operational excellence. Each team in the organisation must be aligned with its priority activities and understand how it delivers value to stakeholders and patients.

In a pharmaceutical company, teams will work directly on activities that contribute to the discovery, development, and commercialisation of valuable products. People must be able to see the link between their work and the overall direction of the organisation. This empowers teams and builds trust at all levels of the organisation, because everyone is working toward a common goal and people are accountable for their contributions.



What does good look like?

An effective strategic focus defines a clear ambition and the priorities needed to achieve it. This will guide the decision-making and activity of teams and individuals, while clarifying the value they deliver to the organisation and its stakeholders. The strategic focus should be communicated effectively and continuously, to ensure ongoing alignment between teams and individuals.

Strategic focus case study: R&D Therapeutic Area Strategy

- Challenge:** A restructure in a pharmaceutical company's R&D organisation integrated two previously separate teams to establish a new therapeutic area team. It was tasked with creating attractive commercial opportunities to drive future growth beyond its core therapeutic area. The team required a clear focus to align behind, to guide how to maximise value creation from its combined portfolio and enrich its future pipeline.
- Solution:** Structured and articulated key stakeholder perspectives on the role of the new therapeutic area team and the characteristics of an attractive commercial opportunity. Developed a framework to enable a robust evaluation of each current asset, which supported evidence-based action plans on how to enrich and restructure the portfolio.
- Results:** The R&D leadership aligned on the role and portfolio strategy for the new therapeutic area team. This empowered the new team and enabled it to take the actions needed to maximise the value of its portfolio, by accelerating the progression of existing assets and enriching the pipeline with new assets.

Strategic focus case study: Commercial Portfolio and Geographic Focus Strategy

- Challenge:** A pharmaceutical company had expanded into new countries without a clear corporate strategy. It needed to prioritise and develop a clear business case for the key countries, as well as a process for continually evolving the product portfolio.
- Solution:** Built alignment across regional leaders and executive team members, and analysed portfolio sales data to develop an understanding of the drivers of, and barriers to, growth. Created concrete plans for portfolio and geographic focus that were rooted in a structured and thorough analysis of the net profit by product and region. Aligned the Executive Management Team and the Board to agree the key steps for a successful growth strategy.
- Results:** The Executive Management Team united behind a geographic focus and the portfolio priorities for each geography. This formed the basis for an organisational change that is now delivering higher profitability.



Why are they important?

Organisational structure establishes the links between roles in an organisation, the interfaces between different functional areas, and the framework for how people work together. It has a direct influence on how effectively an organisation or team delivers on its strategic focus.

The organisational structure is the most visible component of strategic and operational excellence. Improving it sends a strong signal of change throughout an organisation. By optimising structure and clarifying roles, leaders will empower teams to execute on the strategic focus.

What does good look like?

An effective structure consists of three main elements:

- Defined roles with clear responsibilities
- Influential leadership
- Allocation of budget and resources

In practice this means that each team must have a collective balance of responsibilities and expertise that equips them to make decisions within their mandate. The team must be led or supported by an individual with sufficient influence within an organisation to ensure issues or roadblocks can be effectively addressed. It should also have control of, or rapid access to, the budget and resources it needs to deliver priority activities.



Structure and roles case study: External Innovation Resourcing Model

- Challenge:** A pharmaceutical company's new corporate strategy focused on accessing increased innovation in its core therapeutic area. But its current external innovation activities were not organised in a way that would ensure access to and integration of the right innovation.
- Solution:** Assessed the global innovation ecosystem for the core therapeutic area and the external innovation approaches of peer companies. Aligned the management team on a clear focus for external innovation. This included pipeline stages, modalities, and geographies, and the lean external innovation resourcing model required to deliver that focus.
- Results:** The Executive Committee approved the new resourcing model for external innovation, including clear roles and responsibilities, and increased investments in strategic locations. This created a more focused and effective global external innovation machine that is now enriching the pipeline.



3

GOVERNANCE AND PROCESSES

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Why are they important?

Optimal governance and processes enable fast, transparent, and effective decision-making that aligns to the strategic focus and empowers the organisation to deliver priority activities.

Decision making in pharmaceutical discovery, development and commercialisation requires cross-functional inputs and trade-offs. Siloed decision-making leads to misalignment that can cause costly delays, lead to missed opportunities, and reduce the value created from R&D projects and on-market products. Governance needs to enable the right people to make the right decisions at the right time.

What does good look like?

Good governance drives effective decision-making and avoids unnecessary complexity. It brings together people with the right expertise and empowers them to make decisions. This provides teams with a clear mandate until the next decision milestone, enabling an organisation to deliver on its priorities.



Governance and processes case study: R&D Project-level Governance Model

- Challenge:** A pharmaceutical company needed to optimise project-level governance following an R&D reorganisation and changes to strategic decision-making responsibilities. It had three key aims: to simplify processes, embed agility within the current model, and reinforce project team empowerment.
- Solution:** Identified opportunities to improve the project-level governance model and created alignment across functional leaders on key priorities. Redesigned the governance model in line with the principles of simplicity, empowerment, and agility.
- Results:** The cross-functional management team agreed the newly defined project-level governance model and the implementation plan that communicated and embedded the changes. This resulted in more effective project-level decision making that is now accelerating on-budget pipeline progression.



4

CAPABILITIES AND INFRASTRUCTURE

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Why are they important?

Leaders of pharmaceutical companies must access the capabilities (people and expertise) and infrastructure (tools and platforms) required to deliver on their strategic focus. Where gaps exist, leaders should decide how to develop or acquire missing capabilities and infrastructure, or whether to outsource them.

What does good look like?

Leaders must consider the relative merits of internal capability development versus outsourcing. Building internal capabilities and infrastructure enables greater control and retains knowledge and skills within the organisation, although this approach may take significant time and effort. In contrast, outsourcing can be a more cost effective, flexible, and faster way to access required knowledge and skills. It has the advantage of providing an external perspective which can incorporate learnings from other organisations, but outsourcing partners need to be closely managed to ensure effective delivery.



Capabilities and infrastructure case study: Commercial Tender Management Capabilities

- Challenge:** A leading diagnostics company needed to maximise value across a broad portfolio of products in a range of countries, yet did not have a global tender management approach to enable this. The organisation required better visibility and control of price evolution, and a proactive engagement with purchasers to reshape its commercial model towards a value-based product-service provision.
- Solution:** Identified five key areas of focus: the tender cycle, risk and governance, product support, value-based procurement, and a tender support tool. Shaped deliverables by working in cross-functional teams. Established the need for a global mandate to implement changes that would ensure effective tender management across a wide range of affiliates.
- Results:** The implementation of a robust platform for responding to tenders that works across a range of affiliates. There is now better visibility and control of price evolution, while proactive engagement with purchasers is reshaping the commercial approach for existing and new products.



5

CULTURE

CULTURE



Why is it important?

Strategic and operational excellence is a people-based skill and requires leaders to establish an organisation-wide culture. Leaders must be role models for the behaviours, ways of working, and mindset they want to embed. This includes active communication, empowering teams, and providing constructive challenge in the spirit of continuous improvement.

What does good look like?

A positive culture is self-fulfilling. It enables organisations and teams to achieve their strategic focus. Communicating the goals of a cultural transformation has a key role to play in framing the changes to structure, roles, governance, processes, and capabilities that will create the foundations for success. If people across an organisation understand the desired culture, mindset, and behaviours, they are more likely to accept and understand the broader change program.



Culture case study: Organisational Culture

- Challenge:** A pharmaceutical company needed to improve the functioning of its corporate matrix and decision making, enhance cross-functionality, and ensure the appropriate cascading of the strategic direction throughout the organisation. This was becoming increasingly important as the company moved towards a radically different, more innovative product portfolio.
- Solution:** Diagnosed the company's business-critical issues to identify opportunities for improvement and cross-functional alignment where it was most needed. Put in place changes to structure, roles, governance, and capabilities to enable the shift to a mindset of empowerment, cross-functional challenge, and customer-centricity.
- Results:** The CEO and top management committed to prioritise the implementation of the new matrix model and to lead the fundamental mindset shift that it enabled. This allowed the desired culture to permeate through the organisation, setting the foundation for improved performance.



Embed strategic and operational excellence in your organisation

Leaders of strategically and operationally excellent pharmaceutical and biotech companies set their organisations up to successfully deliver on identified priorities. They create fit-for-purpose organisations that attract and retain a talented and engaged workforce, with everyone aligned on a common goal.

Novasecta supports pharmaceutical and biotech leaders in both R&D and commercial organisations to develop and embed strategic and operational excellence tailored to their specific objectives. Together we clarify their strategic focus and reshape their organisations to improve performance.

Strategic and operational excellence is the essential platform on which to build valuable R&D pipelines, create sustainable profitability and, ultimately, meet patients' needs.

To discuss how Novasecta can support you to embed excellence in your organisation, get in touch:



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