How pharma manages organisational complexity

The success of large pharmaceutical companies hinges on their ability to deliver innovative therapies to patients, which drives them to grow and diversify their portfolios. With more scale and diversity, organisational structures and decision-making processes become more complex. Pharma leaders can navigate organisational complexity in many ways, but two constants persist: maintaining a strategic focus and adopting an operating model that enables successful execution. In this article we report on six companies which have accomplished this task.

Large pharmaceutical companies fall into three categories based on how they generate about 80% of their innovative pharmaceutical revenue. The first are those with a focused portfolio based on one major therapeutic area. The second are balanced portfolio companies with two or three therapeutic areas, and the third are diverse portfolio companies with four or more therapeutic areas. We analysed the top performing companies by revenue to examine the nexus between portfolio diversity, organisational complexity, and profitability. Diverse portfolio companies have the largest average market capitalisation but face greater organisational complexity – exemplified by the highest average SG&A costs and headcount per $10 million of revenue. Conversely, focused companies outperform their more diversified counterparts in profitability, having the highest average earnings before interest and taxes (EBIT). The organisational complexity resulting from the scale and diversified portfolios of large pharma companies needs to be carefully managed to maximise profitability. The six companies we look at are the focused portfolio companies Novo Nordisk A/S and Gilead Sciences Inc; the balanced portfolio companies AstraZeneca Plc and Eli Lilly and Co; and the diverse portfolio companies Novartis AG and Sanofi SA.

Novo Nordisk's portfolio diversification began with obesity, an adjacent therapeutic area to its core diabetes portfolio, and then extended to other cardiometabolic diseases, such as non-alcoholic steatohepatitis and cardiovascular conditions. To ensure effective value creation amid rapid growth, the commercial organisation was restructured around three business units: diabetes, obesity, and other serious chronic diseases, giving each unit full autonomy and responsibility from therapy area strategy to product launch. R&D operations were also re-organised to accelerate the discovery of new assets across the new therapeutic areas. This included establishing a research and early development unit to validate and fuel the early pipeline through AI-assisted drug design.

Gilead has over 70% of its late-stage clinical programmes and in-licensing/acquisition deals spend in oncology, demonstrating the company's focused diversification beyond virology. To facilitate this, all functions were restructured around therapeutic area franchises, ensuring continuity across the value chain for each franchise and facilitating future capability building. Simultaneously, a lean headcount was maintained, with only 20% allocated to oncology, and a new cross-functional governance model was implemented to enable effective decision-making and execution.

Both focused portfolio companies are growing via focused diversification. To navigate organisational complexity, leaders must ensure standardised working and best-practice sharing.

AstraZeneca has more than a third of its late-stage clinical programmes and in-licensing/acquisition deals in its lead therapeutic area, oncology, while divesting established brands. To deliver growth in oncology, two dedicated R&D units, and corresponding commercial units were created – one for oncology and one for biopharmaceuticals. The organisations continue to share the same best practices and resources, from scientific platforms through to product supply and IT infrastructure to enable effective execution.

Eli Lilly is also divesting non-core assets, namely in animal health and its off-patent brands, to focus on its growth strategy, which retains metabolism as its main therapeutic area. Its vision is to create breakthrough RNA and DNA-based therapies, which already constitute over 25% of its early-stage pipeline. To support its vision, the company is heavily investing in discovery infrastructure, opening Gateway Labs, an innovative science accelerator for biotechs to access Lilly's resources, and the Lilly Life Sciences Studio, a pioneering automated lab integrating several drug discovery processes.

Both balanced portfolio companies are growing by scaling their lead therapeutic area and divesting non-core brands, allowing them to leverage existing capabilities and maintain a sharp strategic focus.

Novartis' strategic focus lies in prioritising the US market. Organisational changes reflect this focus, with the recently established global innovative medicines business unit being divided into 'US' and 'rest of the world.' The commercial organisation was also reorganised to enhance decision-making by removing therapeutic area franchises and forming commercial teams addressing US-specific patient barriers. These changes help embed a US-first mindset across clinical development and commercial decisions, while also fostering greater agility to enable effective execution.

Sanofi's strategic focus is to prioritise transformative patient-centric innovation. Changes to organisational structure, culture, and capabilities were implemented to support this. A greater focus on the innovation business was created by spinning-off the consumer healthcare business. To catalyse innovation, a culture of 'thoughtful risk taking' was cultivated at all organisational levels. Finally, a patient-directed and AI-driven R&D organisation was established which incorporates patient insights across all pipeline stages.

To manage the growing organisational complexity of this approach, leaders must use the focus to allocate resources and build capabilities effectively. As large companies continue their unique journeys to portfolio diversification, the resounding message is clear: by embracing a strong focus as the guiding light, they can successfully navigate organisational complexity and set themselves up for sustainable growth.

This article was written by Aleksandra Grasso, Consultant at Novasecta Ltd., a specialist pharmaceutical strategy consulting firm, based on white papers by Zoë Davis, Manager, and Nattalyn Teng, Associate Consultant, at Novasecta.