

# Pharma Operational Strategy

Best-in-class Series

*What to know & understand about  
Strategy Execution*

*“Strategy without action is a daydream.  
Action without strategy is a nightmare”*

Corporate strategy selects the strategic segments, business strategy creates a competitive advantage and operational strategy defines the appropriate organization to meet the objectives

### Definitions

- Amongst multiple possibilities, we propose the following definition for strategy:

*“Strategy is the long-term direction and scope set by a company to fulfill stakeholders<sup>1</sup> expectations through proper capability building and resources allocation”*

- One can consider three basic strategic levels in any pharma company:

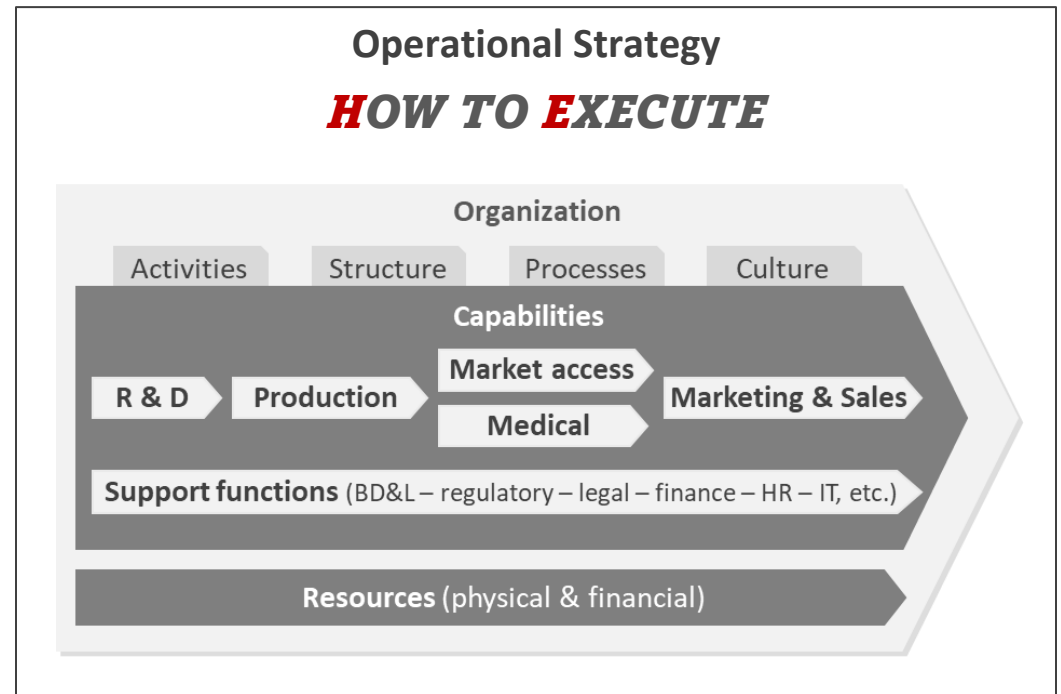
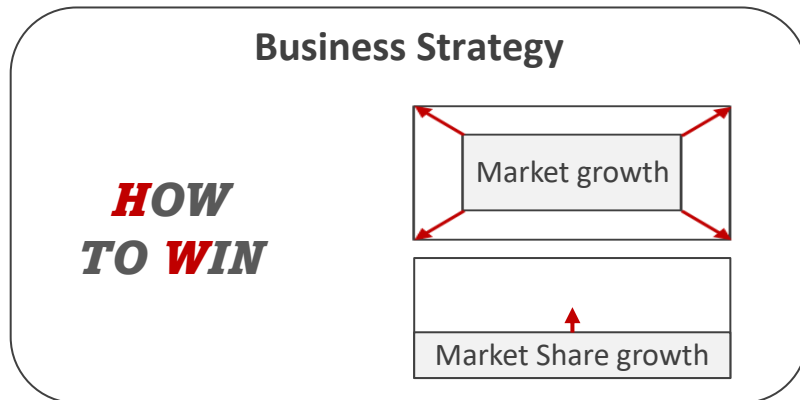
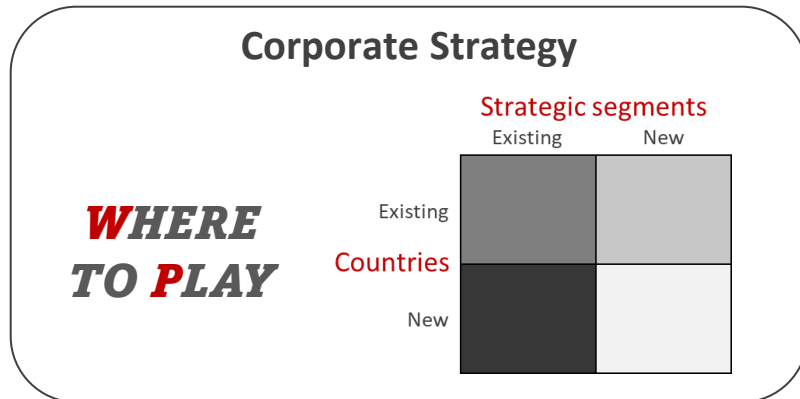


Sources: Smart Pharma Consulting, adapted after G. Johnson et al., Exploring Corporate Strategy, Pearson, 2019

<sup>1</sup> Basically authorities, customers, employees and shareholders –  
<sup>2</sup> Consumer Health Care, including OTCs, food supplements, minerals, vitamins, etc.

Once corporate and/or business strategies have been designed, it is imperative to define the proper conditions of their execution to produce their expected effect

Positioning of the different strategic levels



Source: Smart Pharma Consulting analyses

The Strategic Square<sup>1</sup> guides companies to set their performance objective, select their preferred strategy at the corporate, business and operational levels

The Strategic Square – What for?



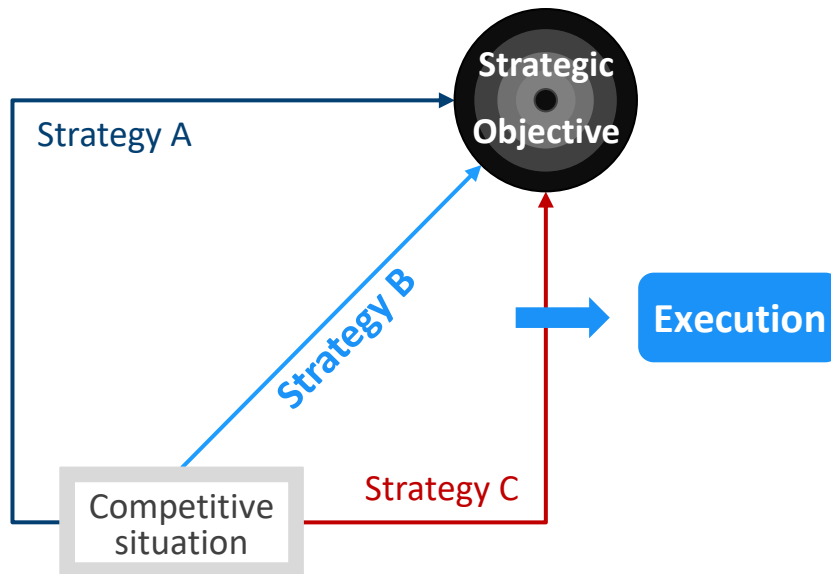
Sources: Smart Pharma Consulting

<sup>1</sup> Purpose, Vision, Mission, Core Values (see Smart Pharma Consulting [position paper on Pharma Corporate Strategy](#)) – <sup>2</sup> Including the headcounts and the organizational chart

The likelihood to achieve the set strategic objective, at corporate and/or business levels, depends as much on the selected strategy as on the excellence of its execution

### Objective setting – Strategy crafting & execution

- The strategy development – at corporate or business level – starts by analyzing the competitive situation, the associated key success factors and the challenges
- The selected strategy (or strategic priorities) is a means to achieve the set objective in three to five years time horizon
- The strategic objective should be *S.M.A.R.T.*<sup>1</sup> and be consistent with the companies' Strategic Square<sup>2</sup>
- The strategy will be then broken down into tactics that...
- ... will require a set of determinants to ensure its success



*It is essential not to dissociate strategy development from execution, both being the two sides of the same coin*

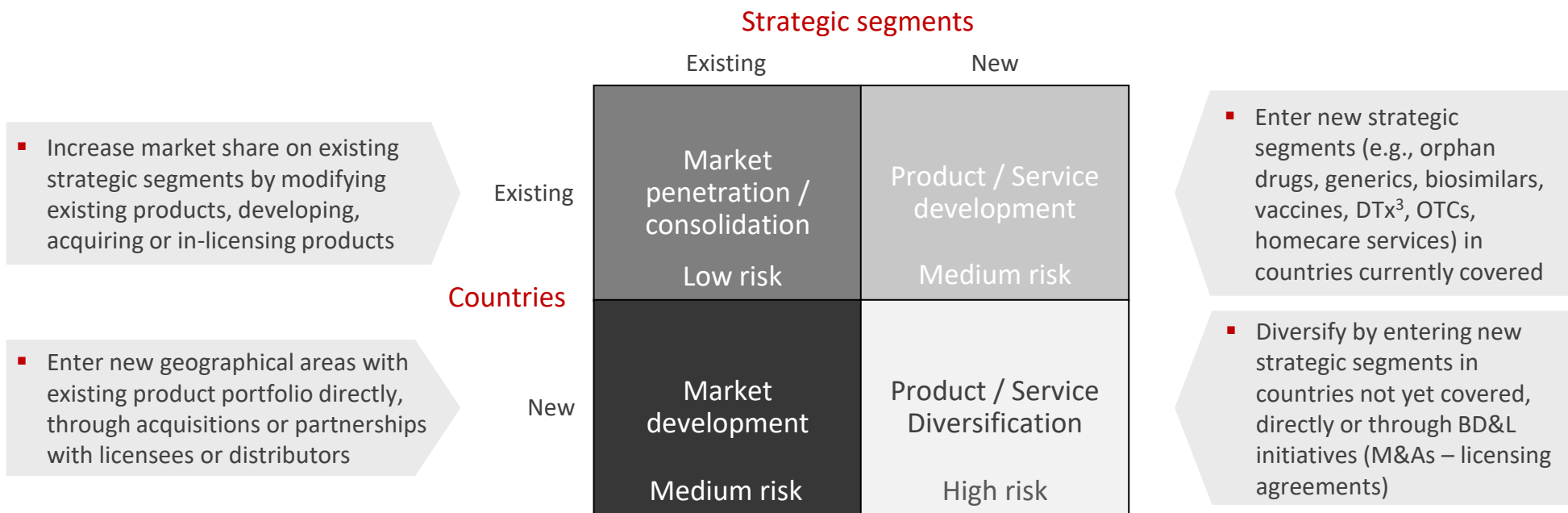
- Successful strategy execution depends on 3 key determinants:
  1. Understanding, adhesion and engagement of implementers
  2. Adjustment of the organization through its four components (i.e., activities, structure, processes and culture)
  3. Mobilization of capabilities and resources

*“The only valid strategy is the one that can be properly executed”*

## Four basic corporate strategies can be adopted by pharma companies to secure a long-term and profitable growth, in line with their shareholders' expectations

### Corporate strategy: Where to Play? – The Development Strategy Matrix<sup>1</sup>

- The Development Strategy Matrix is a practical tool to select the most attractive sources of growth
- Diversification is in general the riskiest option because the farthest from the company core competencies
- However, playing in diverse strategic segments<sup>2</sup> with different characteristics may enable to mitigate certain business risks



Sources: Adapted by Smart Pharma Consulting from H. Ansoff (HBR 1957)

<sup>1</sup> Has been adapted from the original Ansoff Matrix whose axes are Markets & Products / Services –  
<sup>2</sup> A strategic segment encompasses products and/or services characterized by the same combination of key success factors and the same level of attractiveness (e.g., orphan drugs, vaccines, OTCs) – <sup>3</sup> Digital Therapeutics

The relevance of the selected strategic segments – defined at corporate level – depends on companies’ capabilities to win on these segments

Business strategy: How to Win?

**WINNING**

Once a playground (segment) has been chosen, companies must define...



... What does **WINNING** mean?

- Prior to answer the question “How to Win?”, one must agree on a business definition for “Winning”
- “Winning” is a subjective term which depends on:
  - Companies’ Strategic Square<sup>1</sup>
  - Companies’ capabilities to fulfil customers’ and shareholders’ expectations, and preferably better than competitors do

*“Winning is delighting your stakeholders, whoever they are, in line with your Strategic Square”*



... How to **WIN**?

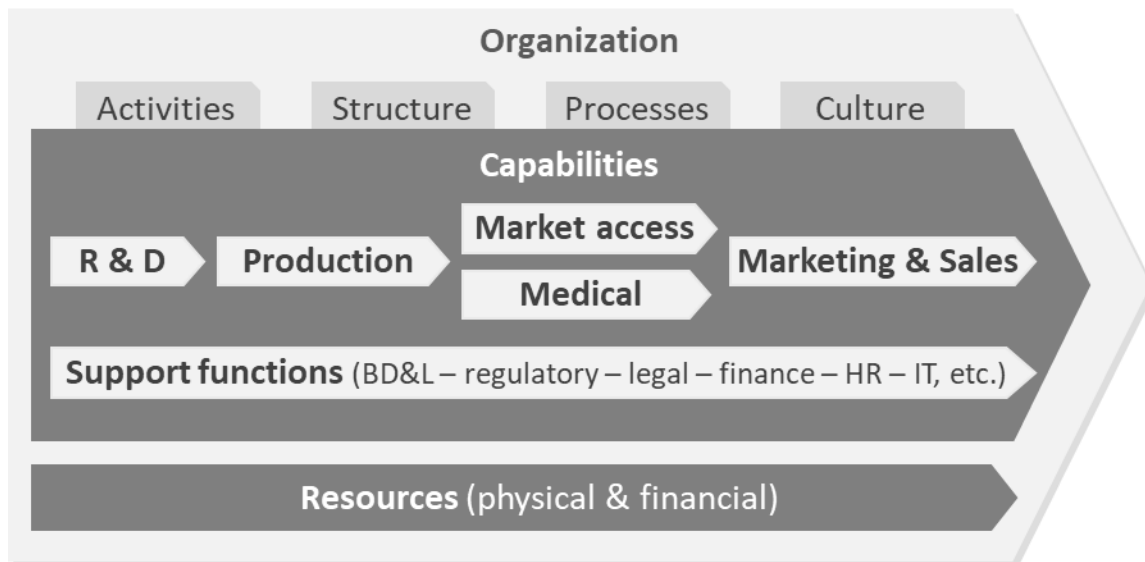
- There is not one single recipe to win, it depends on the business environment and companies’ own competitive sets of strengths and weaknesses
- At a high level, the choice is whether to strive to:
  - Grow the market segment, especially on niche markets where there is no or limited competition (e.g., certain rare diseases)

or

  - Get preferred by stakeholders, to the detriment of competitors

The quality of the strategy execution is mainly driven by the companies' organizational design, its available capabilities and the proper allocation of resources

## Operational strategy: How to Execute?



### **How to EXECUTE?**

- To ensure an optimal execution of the strategy, at the operational level, pharma companies require to have the right:
  - Organization
  - Capabilities
  - Resources
- The organization should be considered through its four components:
 

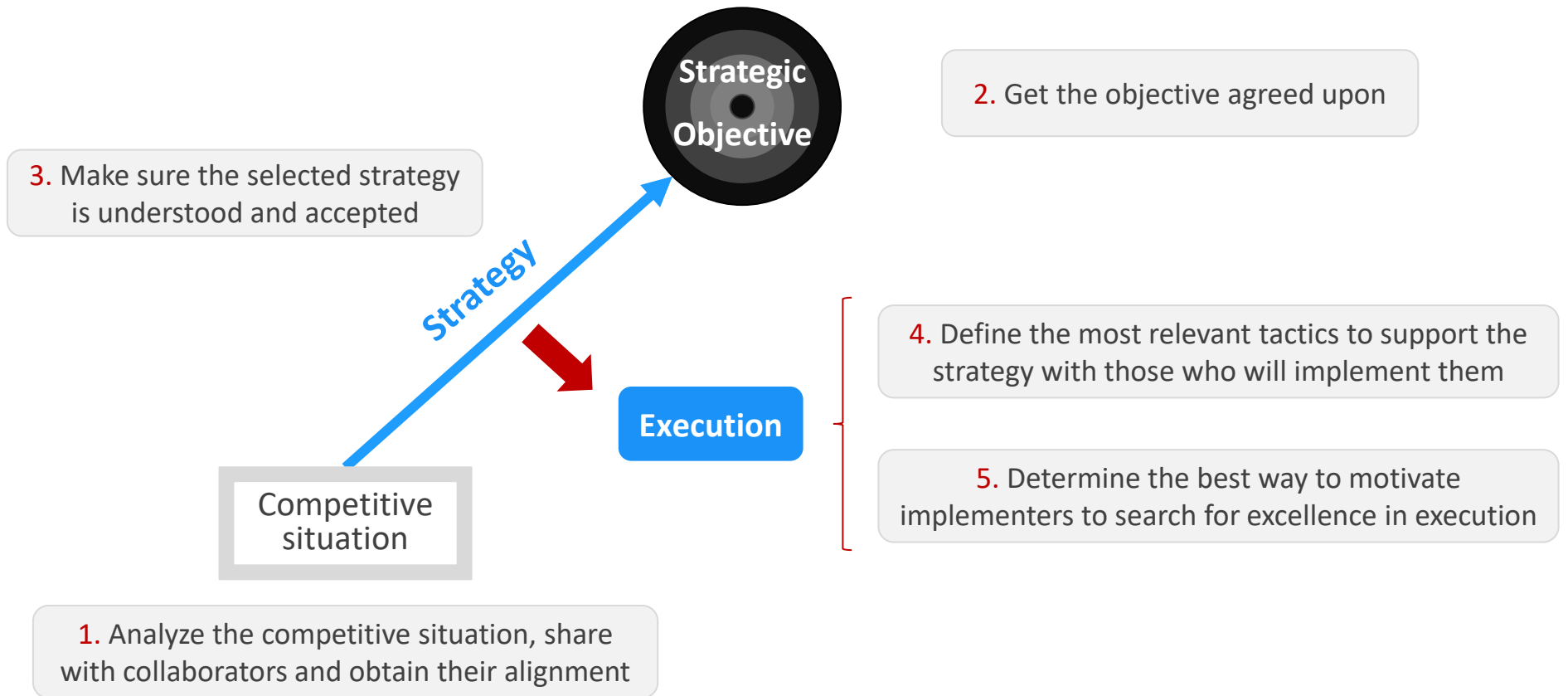
Activities – Structure – Processes – Culture
- Capabilities assessment along the value chain would define whether the company is able to execute properly the strategy
- Physical (material) and financial resources should be allocated so that to create the conditions necessary for success

*“When a strategy looks brilliant, it’s because of the quality of execution” –  
Rosabeth Moss Kanter*



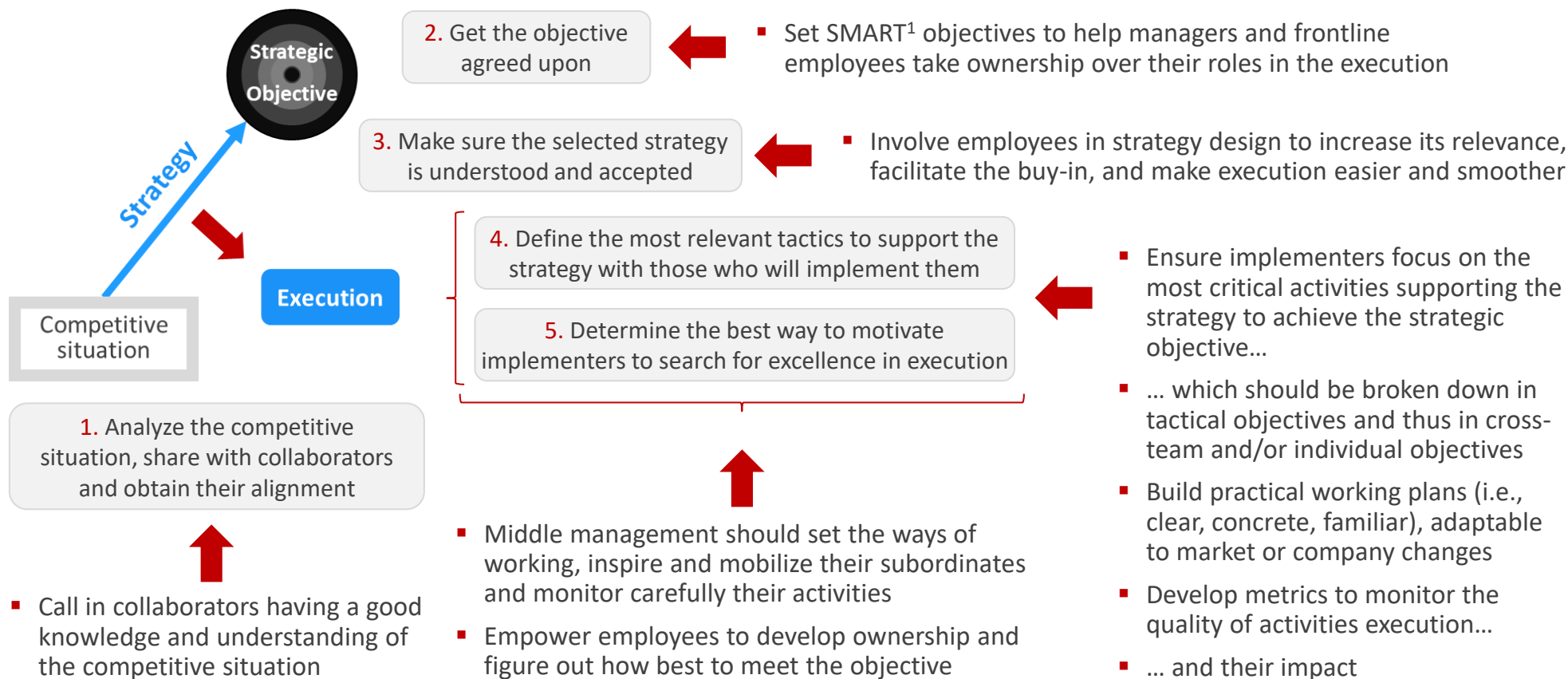
The alignment on the objective, the selected strategy and the corresponding tactics of collaborators involved in execution will make it more relevant and more efficient

How to on-board collaborators in strategy execution (1/2)



An effective execution of the strategy requires a participative and collaborative approach, to focus on the most important activities, to develop competence and to ignite passion of collaborators

## How to on-board collaborators in strategy execution (2/2)



Sources: Smart Pharma Consulting analysis

<sup>1</sup> Specific, Measurable, Attainable, Relevant, Time-limited

The careful answers to the five key following questions will contribute to ensure an optimal execution of the designed strategy to achieve the set objective

### Key questions related to strategy execution

#### 1. What to do?

Select the most relevant activities



The translation of the strategy into selected key activities should involve those who will be responsible to implement them

#### 2. Why to do it?

Document the rationale to carry out these activities



The activities to focus on should effectively and efficiently support the designed strategy to meet the set objective

#### 3. How to do it?

Define the best practices and the best organization



The execution of the strategy should comply with the best practices to deliver the expected outcomes

#### 4. How well has it been done?

Monitor the quality of execution



The monitoring of the quality of execution will enable to adjust, if required, the manner things are done to get better outcomes

#### 5. How close are we from the objective?

Monitor the performance



The monitoring of the outcomes will enable to evaluate if the strategy produces the expected outcomes

To achieve excellence in their strategy execution, companies must design a holistic organizational system fostering the search for excellence by all its collaborators, either front line or back-office

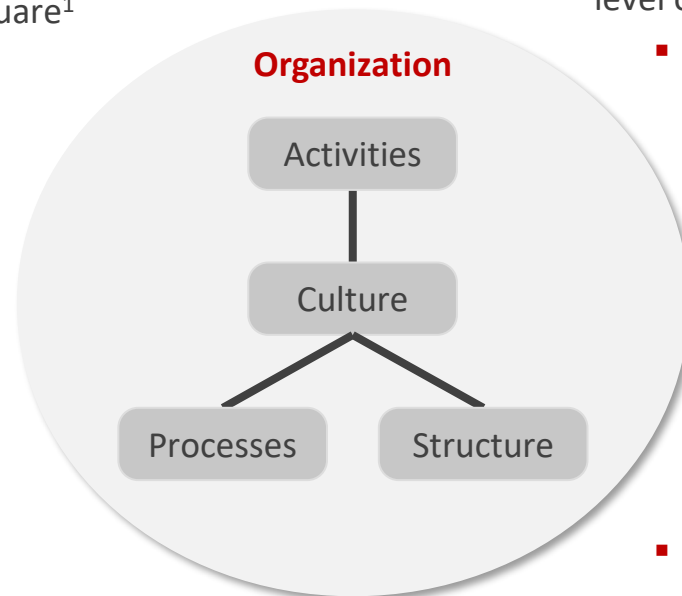
## Adjustment of the organization – Overview

### Culture

- Develop a culture of excellence to expand the market and/or gain market share through customer preference
- Create a link between the Strategic Square<sup>1</sup> and the strategic objective set so that the collaborators feel connected<sup>2</sup>
- Install a participative culture including the strategy development
- Encourage pro-activity, agility and experiment to boost excellence

### Processes

- Align objective, strategy and tactics
- Facilitate and motivate collaborations across departments / project streams
- Set up flexible execution plans
- Measure the quality and the impact of activities
- Streamline processes and set up standards of excellence



### Activities

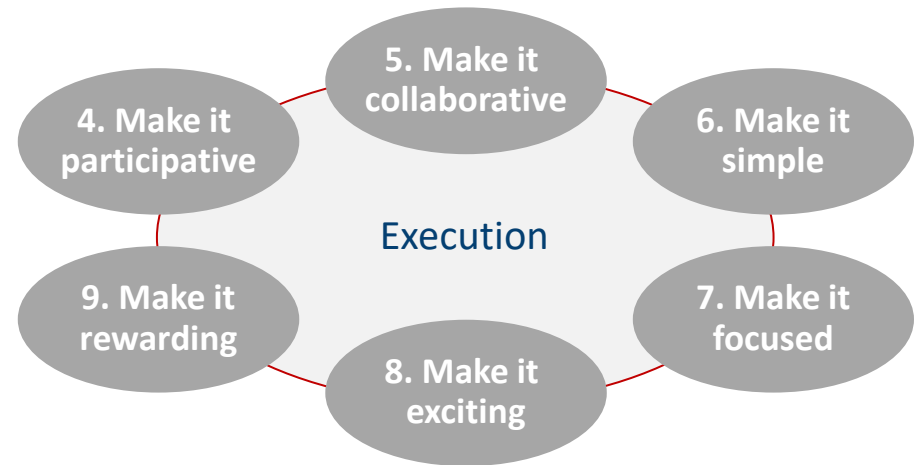
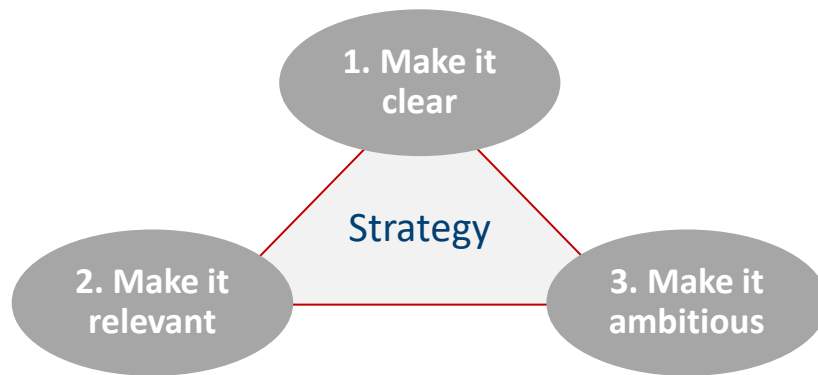
- Focus on activities that best support the strategy and that company excels in, at the level of concerned departments
- Develop the skills of managers and of subordinates in charge of the execution
  - Motivate collaborators to foster the quality of the execution to get the expected outcomes

### Structure

- Design a structure easily scalable according to the changing environment
- Set up a flat and lean organigram favoring accountability and empowerment
- Eliminate needless complexity

The proper translation of a strategy into actions requires to be clearly formulated, make sense, be ambitious enough, while providing implementers a positive experience

Guiding principles to align and engage implementers



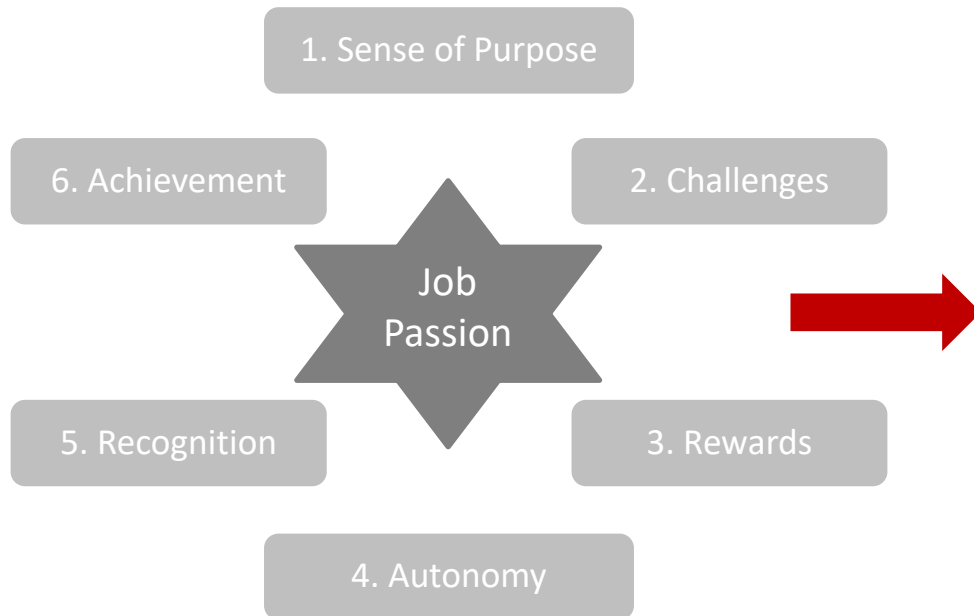
- Clarity will help collaborators better realize what it takes to execute the strategy
- The perceived relevance by implementers is key to get their full engagement
- The level of ambition should be high enough to justify the specific effort related to its execution

- Decisions should be as much as possible participative
- On-going coordination across departments is essential
- Keep initiatives simple and focus on the most effective ones
- Make sure the way strategy is implemented is stimulating...
- ... and provides implementers a rewarding experience

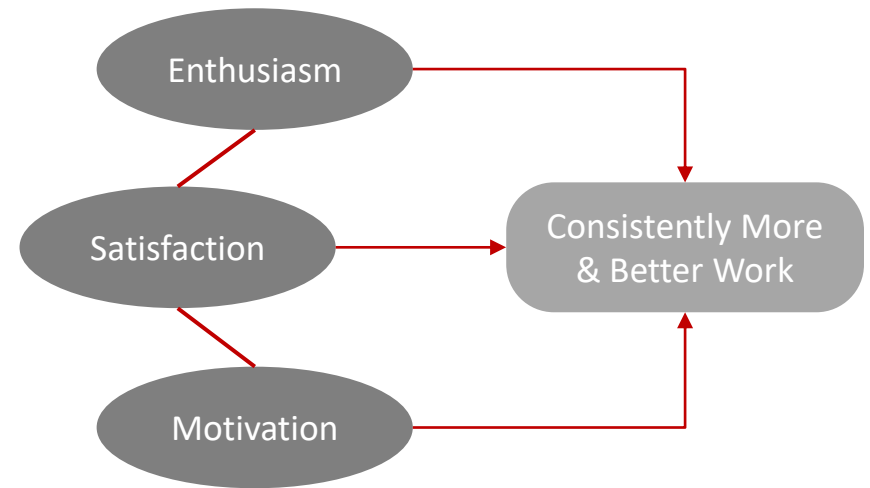
**Stimulating collaborators passion for their job is a key performance driver, especially in a context of corporate and/or business strategies execution**

**Drivers influencing the passion of implementers for their job**

Six key drivers of job passion...



... having a positive influence on collaborators' mindset



*“Pleasure in the job puts perfection in the work” – Aristotle*

The execution of the strategy should be tracked to measure its impact and to evaluate the way it is done, so that to bring possible adjustments to deliver the expected results

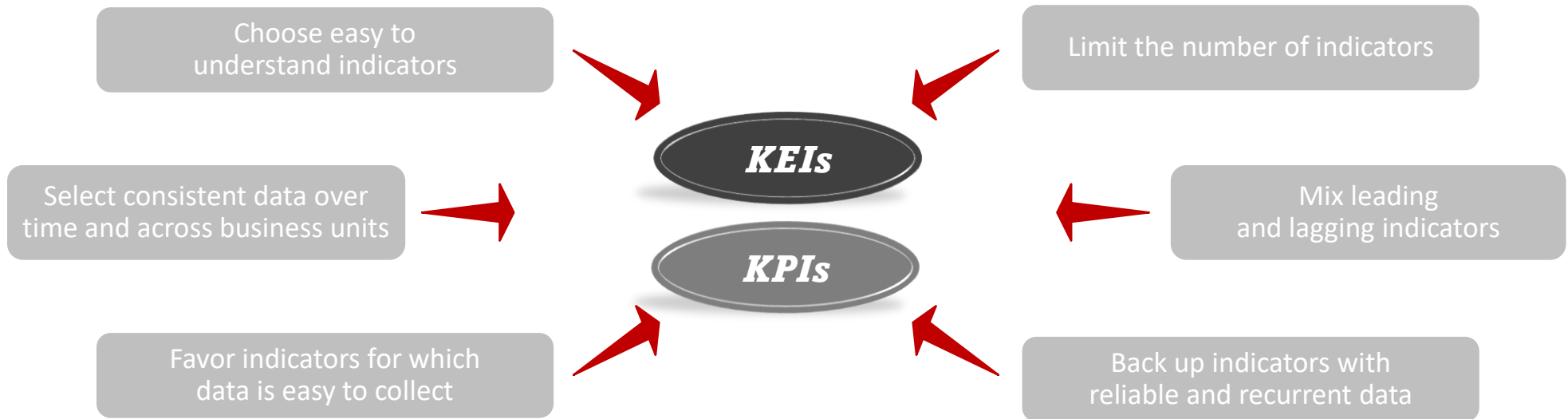
**Monitoring of strategy execution and impact**

**KEY EXECUTION INDICATORS (KEIs)**

Monitor the execution of the actions

**KEY PERFORMANCE INDICATORS (KPIs)**

Evaluate how far the set objective is achieved



*“There is no successful strategy without a systematic and rigorous monitoring of activities execution and impact”*

**It is essential to use metrics to ensure the strategy is correctly implemented and that these activities produce the expected results**

**Typology of activity-based and performance-based monitoring indicators**

| Typology            | Definitions   | Examples of KEIs <sup>1</sup>                           | Examples of KPIs <sup>2</sup>     |
|---------------------|---|---|-----------------------------------|
| <b>Quantitative</b> | Measure by counting, averaging numbers, calculating rates, ratios, etc.       | Number of gained and lost customer accounts             | Sales generated over a period     |
| <b>Qualitative</b>  | Express opinions, traits, characteristics                                     | Opinion of stakeholders                                 | Stakeholders' satisfaction survey |
| <b>Process</b>      | Measure the efficiency or productivity of a business process                  | Compliance with project deadlines                       | Days spent to execute a task      |
| <b>Input</b>        | Measure assets and resources invested in or used to generate business results | Actual vs. budgeted investment                          | Investments in a project          |
| <b>Output</b>       | Measure the financial and non-financial results of business activities        | Number of clients having a positive opinion of products | Revenues – Numbers of new clients |
| <b>Leading</b>      | Measure activities that will have a significant impact on future performance  | Quality of tendering planning                           | Pricing negotiated with payers    |
| <b>Lagging</b>      | Measure the output (success or failure) of past activities                    | Number of applications sent on time for tenders         | ROI – profitability               |

Sources: Smart Pharma Consulting analysis

<sup>1</sup> Key execution indicators – <sup>2</sup> Key performance indicators



The Operational Strategy Card ensures the strategic objective, imperatives and tactics are aligned, while the strategic planning and monitoring table favors the quality of execution and its efficiency

## Operational Strategic Card

Illustrative



- The Operational Strategy Card should be developed at department / project level and support the corporate and/or strategic objectives
- The Card which describes the department / project strategic objective, imperatives and key tactics helps ensuring consistency between these three components
- Preferred strategic imperatives impact the business performance so that to achieve the strategic objective

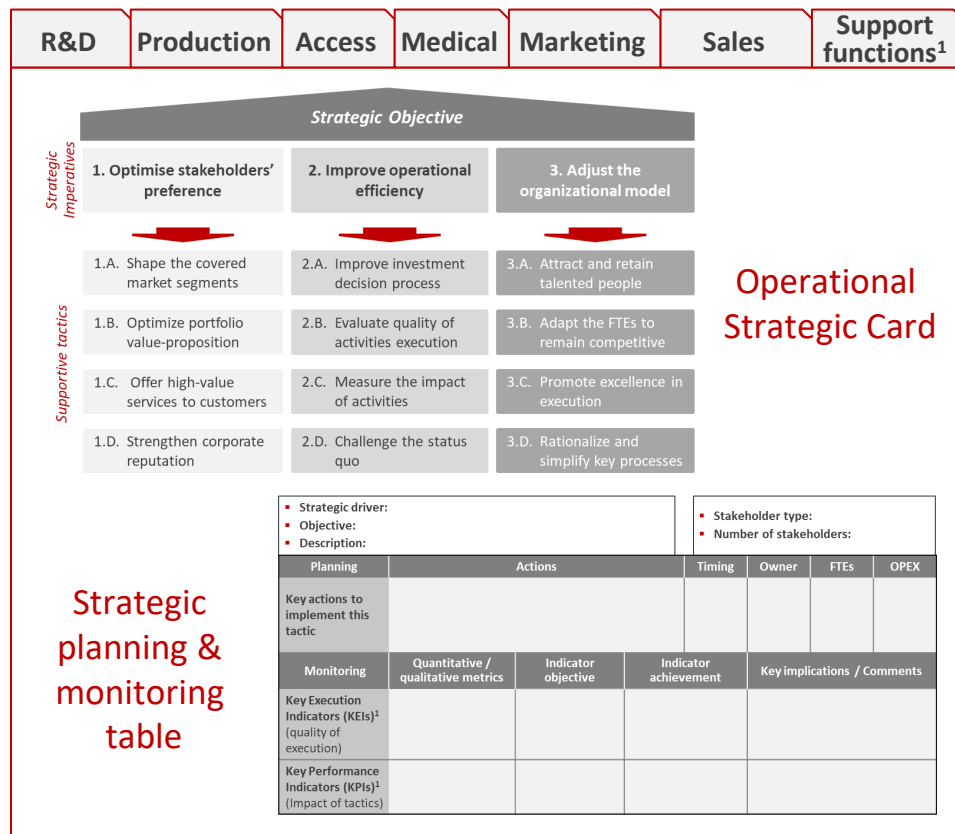
## Strategic planning & monitoring table

| <ul style="list-style-type: none"> <li>▪ Strategic driver:</li> <li>▪ Objective:</li> <li>▪ Description:</li> </ul> |                                    |                     |                       | <ul style="list-style-type: none"> <li>▪ Stakeholder type:</li> <li>▪ Number of stakeholders:</li> </ul> |       |      |      |
|---|------------------------------------|---------------------|-----------------------|--|-------|------|------|
| Planning  | Actions                            |                     |                       | Timing   | Owner | FTEs | OPEX |
| Key actions to implement this tactic  |                                    |                     |                       |  |       |      |      |
| Monitoring  | Quantitative / qualitative metrics | Indicator objective | Indicator achievement | Key implications / Comments  |       |      |      |
| Key Execution Indicators (KEIs) <sup>1</sup> (quality of execution)   |                                    |                     |                       |  |       |      |      |
| Key Performance Indicators (KPIs) <sup>1</sup> (Impact of tactics)  |                                    |                     |                       |  |       |      |      |

- The planning of strategy execution should not be fixed, but adapted in real-time to unforeseen evolution of internal and external situations
- Thus, it is necessary to ensure an agile adjustment and reallocation of focus, capabilities and resources considering these possible changes
- Coordination of key tactics with other departments and/or project streams on an ongoing basis is essential for an efficient execution
- The quality and impact of strategy execution should be carefully measured with KEIs<sup>1</sup> and KPIs<sup>1</sup> to possibly carry out adjustments

The main operational strategic challenge is to concentrate and align – across departments and project streams – capabilities and resources on the most critical actions to meet the set objective

## Coordination across project streams and departments



- Corporate and business strategies should be translated into each department's and/or project stream's specific strategic initiatives, with their objective, imperatives and key tactics
- Strategic roadmaps should be communicated and explained within and across departments / project streams
- The execution should be carried out in a close cooperation and coordination to ensure an optimal operational alignment, the leverage of complementarities and synergies
- In practice, each department / project should define:
  - What specific actions should be started, continued, expended, downsized, stopped
  - The most efficient and effective way to carry out the selected actions by setting quality of execution and performance objectives with KEIs<sup>2</sup> and KPIs<sup>2</sup>
  - The required capabilities and resources
  - The best way to engage and motivate collaborators
- Agility of the test and learn (i.e., experimental) approach would help coping with the volatility of the environment

Sources: Smart Pharma Consulting

<sup>1</sup> BD&L, regulatory, governmental affairs, legal, finance, HR, IT, etc. – <sup>2</sup> Key Execution Indicators and Key Performance Indicators

To ensure the designed corporate and/or business strategies deliver their expected outcomes, pharma companies should pay a special attention to the following six key success factors

### Key Takeaways

1. The corporate and/or business strategies should be shared and explained to all implementers

2. Capabilities and resources should focus on activities that are critical to meet the set strategic objective

3. Departments and project streams should prioritize the actions that will best contribute to achieve the overall strategic objective



4. All departments and project streams should cooperate and coordinate in an aligned and synergistic way for optimal outcomes

5. All involved implementers should be empowered and get engaged to give their best to achieve a strategic objective that makes sense to them

*“Focus on what is critical, and have the courage to stop non-effective and non-efficient actions”*

6. The implementation and impact of actions supporting the strategy should be carefully monitored to determine any required adjustments

Consulting firm dedicated to the pharmaceutical sector operating  
in the complementary domains of strategy, management and organization

### Best-in-class Series

- The Best-in-class Series provides:
  - Conventional concepts, methods and tools...
  - ... as well as innovative ones, specifically developed by Smart Pharma Consulting for pharma companies
  - Case studies and exercises based on Smart Pharma Consulting experience
- Each issue is designed to be read in 15 to 20 minutes and not to exceed 24 pages

### Pharma Operational Strategy

#### Survival Toolkit

- The purpose of this position paper is to share insights regarding operational strategy principles applied to pharma companies
- The following key issues are addressed:
  1. Relationship between corporate, business and operational strategy
  2. Operational strategy principles: How to execute strategy?
  3. How to on-board collaborators in strategy execution?
  4. How to adjust the organization for a proper execution?
  5. Strategy planning, execution and outcome monitoring

### Smart Pharma Consulting Editions



- Besides our consulting activities which take 85% of our time, we are strongly engaged in sharing our knowledge and thoughts through:
  - Our teaching activities in advanced masters (ESSEC B-school, Paris Faculty of Pharmacy)
  - Training activities for pharma executives
  - The publication of articles, booklets, books and expert reports
- Our publications can be downloaded from our [website](#):
  - 41 articles
  - 85 position papers covering the following topics:
    1. Market Insights
    2. Strategy
    3. Market Access
    4. Medical Affairs
    5. Marketing
    6. Sales Force Effectiveness
    7. Management & Trainings
- Our research activities in pharma business management and our consulting activities have shown to be highly synergistic
- We remain at your disposal to carry out consulting projects or training seminars to help you improve your operations

Best regards

Jean-Michel Peny