

The brave new world of corporate marketing

As the pharmaceutical industry has had to become much more global in its outlook, so the role and scope of corporate marketing has had to be reassessed.

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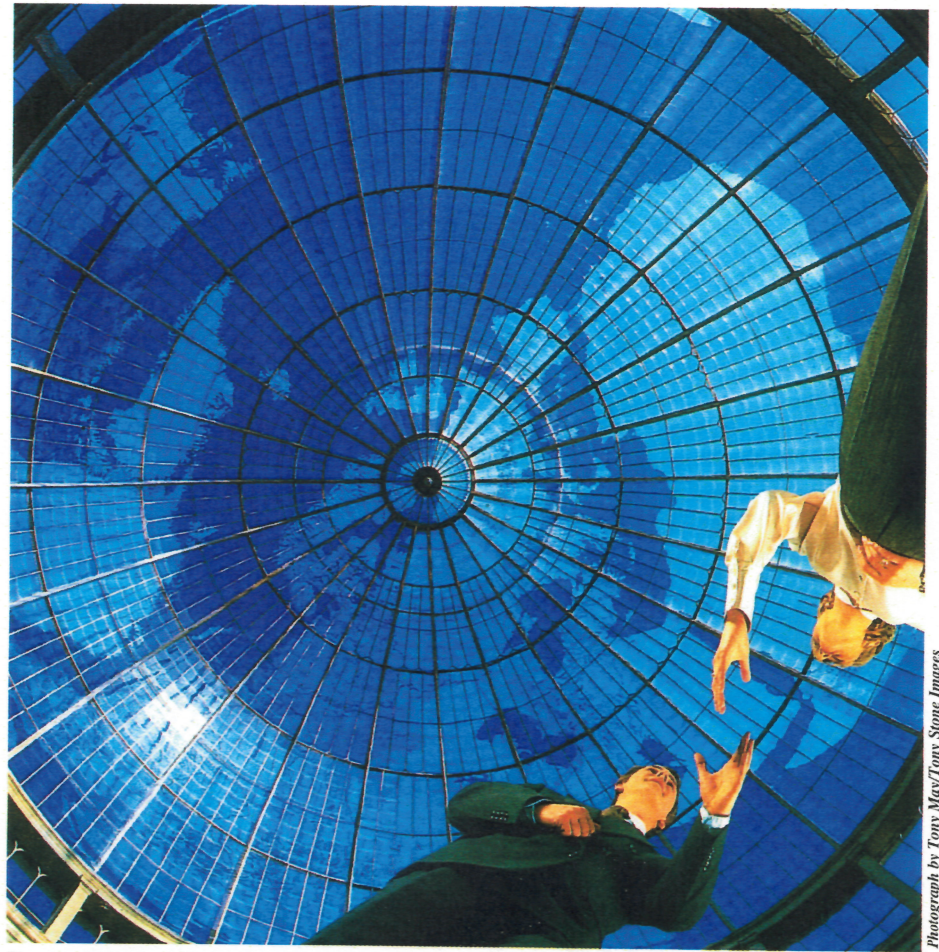
Over the past ten years the pharmaceutical industry has had to become much more global in its outlook and organisation. One of the more significant effects of these changes is that subsidiaries have tended to lose a lot of their autonomy, in areas such as manufacturing and marketing, to corporate control.

How companies have responded to this globalisation process has by no means been uniform, particularly where marketing is concerned. And, given that this function operates at the intersection of new product development and the preparation of subsidiaries for the successful launch and life-cycle management of drugs, the question of how best to manage corporate marketing is clearly important.

It is a question more and more pharmaceutical companies are now examining, having come to the decision to do so via very different routes.

In one leading company, for example, the head of corporate marketing had been highly successful in revitalising the department over the preceding two years. He had enhanced key competencies by recruiting three vice-presidents and four international marketing directors; created two new departments, one for new therapeutic areas and another for medical affairs; centralised marketing and competitive intelligence; and integrated the business development activities.

This marketing executive had also implemented a global resource allocation project that clarified priorities for therapeutic areas and products, as well as initiated



Photograph by Tony May/Tony Stone Images

Pharma marketing executives need to have a much more global perspective.

several new standards and processes and introduced critical input in the decision-making process to license key products and enter into global partnership agreements.

However, despite all this apparent success, he felt the time had come to take stock of what had been achieved. Staff levels had grown from 100 to 150 and activities multiplied to the point where it was time to question which were the most important for continued success.

In a second case, the CEO had been hearing from his R&D and country managers that corporate marketing was neither sufficiently connected to their needs nor delivering high value. A major review was also decided on.

In both cases, the objectives were to:

- Determine the reciprocal expectations of corporate marketing and internal stakeholders.
- Define the mission and scope of corporate marketing that best fulfils the needs of both internal and external stakeholders.
- Identify those activities and processes that need to be maintained, reinforced or abandoned, focusing on the contribution they make to subsidiaries' performance, to interactions with R&D and to enhancing business development effectiveness.
- Determine the right size, competency requirements and organisation structure to fulfil its mandate.
- Develop a plan of action that ensures staff buy-in and adhere to all recommendations.

The success of such a rethink process

rests with the objectivity of the data collected, the quality of the analyses performed, and whether there is a clear buy-in of recommendations at all company levels. Another element of this 'health-check' is the agreement by corporate marketing to balance its own self-assessment with the views of subsidiaries and central functions such as regulatory affairs, R&D, finance, and manufacturing, as well as competitive benchmarking.

In both companies, the views from all these departments were solicited by a survey where approximately 40 one-to-one interviews were carried out with senior managers from corporate marketing, research, development, finance, subsidiaries and regions. These interviews were complemented by a survey of 150-200 mid-level managers from large and small subsidiaries as well as central functions. Finally, a benchmarking exercise covered the best practices and lessons from six to eight pharmaceutical companies who agreed to be interviewed.

It is important that the CEO and head of corporate marketing are seen to support this rethink process in terms of reinforcing the positive aspects of the function rather than as a cost-cutting exercise.

When consulting teams are associated with this approach, they should not only provide a pragmatic analytical framework, they should also be able to guarantee confidentiality of the data collected, its subsequent objective synthesis, as well as facilitate sensitive working sessions with the strategic marketing project team, where the diagnosis and key recommendations will be developed. It is also fundamental that the corporate marketing managers are part of the project team to capitalise on their knowledge of the company and obtain their buy-in of decisions made and therefore their commitment to implement them.

Mission and scope

The mission and scope of the corporate management function are the most important aspects to define. In this respect, it is interesting to note that an analysis of such defining statements from ten leading pharmaceutical companies shows strong similarities, which include:

- Identify, prepare and position new products for commercial success by championing the

interface with R&D, subsidiaries, the regulatory department, and so on.

- Provide strong business input to all central functions (finance, R&D, regulatory, business development).

- Provide subsidiaries with medical, promotional and communication supports.

However, important differences exist with regard to portfolio strategy and life-cycle management. Should the mission of corporate marketing include just the maximising of individual brand assets or should it also include making recommendations on overall portfolio strategy and providing guidelines to subsidiaries on resource allocation priorities? In one of the case studies, portfolio strategy was placed within the corporate marketing scope while in the other, it was not. As a result of the rethink process it was adopted by both.

As the main driver for getting research, development and subsidiaries behind common strategic priorities, corporate marketing must take the lead for developing global strategies for global products.

However, it is not so clear whether the responsibility for product lifecycle management should include post-launch activities or whether that should be left to the regional/area structure. The benchmarking process showed that both options are pursued successfully by different companies.

Similarly, should corporate marketing

Should strategic marketing focus only on key countries (say the top ten) while the regional structure deals with the smaller ones?

focus only on global products? Again, different companies have different answers, but in our two case studies, only products that contribute significantly to corporate results were included in the scope – not products launched in only a few markets.

Finally, should strategic marketing focus only on key countries (say the top ten) while the regional structure deals with the smaller ones? Again, different answers emerged. In our two case studies, both companies have chosen to focus on key global markets, even though the global strategies would apply to all countries, allowing the regional structure to support smaller countries.

Critical activities

Corporate marketing should focus on activities that are most essential to its mission and business scope. Benchmarking studies have shown that the following activities are generally considered to be critical for corporate marketing:

- Management of the overall portfolio.
- Preparation of strategies and plans for global products.
- Coordination of Phase IIIb studies.

Activity	How critical is this activity?	How critical is it that corporate marketing does it?
Manage overall portfolio (inc. resource allocation)	●●●●●	●●●●●
Prepare strategies and plans for global products	●●●●●	●●●●●
Coordinate Phase IIIb studies	●●●●●	●●●●●
Disseminate best practices	●●●●●	●●●●●
Communicate needs and priorities to R&D	●●●●●	●●●●●
Define priority therapeutic areas and set strategies	●●●●●	●●
Identify new areas of commercial opportunity	●●●●●	●●
Prepare global forecasts	●●●	●●●●●
Set and control prices worldwide	●●●	●●●●
Develop regional product strategies	●●●	●●●
Provide strategic marketing input to the president	●●●	●●●
Manage international congresses	●●	●●●●●
From not critical or essential ● to very critical or very essential ●●●●●		

Figure 1: Benchmarking studies have shown which activities are most critical to successful corporate marketing. Source: ISO Health Care Group Benchmarking Study, 1999

- Dissemination of best practices around the company.
- Communication of needs and priorities to R&D departments (see Figure 1).

Yet, over time, corporate marketing departments have tended to add low-value activities that do not support their mission and scope but simply erode focus and effectiveness. In one case study, stakeholders identified only 10 out of 50 marketing activities as providing high value. As a result, it was recommended that activities such as training, Internet site development, printing material orders/supplies or setting regional product strategy be either stopped or outsourced.

It is also important to assess the level of satisfaction perceived by stakeholders. In one case study, those activities ranked as the most important obtained the least level of satisfaction. The 'preparation of strategies and plans for global products', for example, received a low level of satisfaction from affiliates, central functions and corporate marketing alike.

The activity that scored the second highest ranking, 'developing and managing lifecycle plans for global products', was also poorly rated by subsidiaries, central functions and corporate marketing executives. Interviewees blamed the lack of systematic lifecycle plans or their late development.

Processes

Analysis of the key processes in which corporate marketing is involved has shown two meta-processes. One is the product performance meta-process to ensure new products are adapted to market needs, fast product uptake and sales maximisation over time. This cluster of processes includes:

- New product planning.
- Clinical studies (Phase IIIb).
- Pre-launch.
- Registration.
- Pricing and reimbursement.
- Lifecycle and evergreening.

The second meta-process deals with strategic management processes leading to maximised long-term revenues and the best use of resources across countries and products, namely:

- Strategic planning.
- Business development.
- Resource optimisation.

In our studies, commonly identified pitfalls affecting the quality, consistency and effectiveness of corporate marketing processes include:

- Quality of leadership. The level of field

experience is often insufficient to gain credibility with subsidiaries, neither is scientific expertise sufficiently respected by R&D people.

- Delegates from subsidiaries to global product teams are generally neither senior nor empowered enough for clear decision-making and follow-up actions.

Headcount rethink is often necessary, not as a cost-cutting exercise but to ensure that resources are focused on activities that create the most value

- Global product team meeting outcomes are not systematically communicated back to subsidiaries and central functions.
- Organisation of meetings could be greatly improved by better definition of the objectives, preparation by team members, and attendance discipline.

People and organisation

To attract and keep high quality staff, the career path for corporate marketing executives must be made clearer. Ideally, successful country managers and top marketing people must see corporate marketing positions as a promotion or at least as an enriching step in their career development. The lack of recognition by subsidiaries and other central functions impacts motivation across corporate marketing. The credibility of corporate marketing senior executives, like therapeutic area heads, would be well served by previous successful operational experience. It would also help if leaders were passionate, assertive and experienced, and ideally recognised for previous successful initiatives.

The role and accountability of corporate marketing executives need to be clear. Headcount rethink is often necessary, not as a cost-cutting exercise but to ensure that resources are focused on activities that create the most value. We have often found that there are too many people in support functions compared with the number in key therapeutic area business units where they are struggling to perform core activities.

Benchmarking studies have shown that there is no ideal marketing organisation, that they vary with product portfolio and company culture.

There is no ideal model of corporate marketing organisation as virtually any structure can be made to work depending

on company ideology, history, culture, structure and product portfolio. This explains why few common trends have been observed in how pharmaceutical companies are organised and handle their corporate marketing.

Some, like Glaxo Wellcome, are known for granting autonomy to its country subsidiaries while others, like Merck & Co, centralise many key decisions, limiting the strategic and financial autonomy of their country managers. Overall portfolio strategy is sometimes managed at a higher level than corporate marketing, directly reporting to the CEO. Some companies, like SmithKline

Beecham or Merck & Co, are more focused on products/brands than therapeutic areas, unlike companies like Aventis. And while business development and pricing are usually placed within corporate marketing departments, some companies prefer to keep business development separate. The optimal organisational model must be customised to each company situation.

The review of the most successful corporate marketing department shows four cornerstones.

One is that the corporate marketing function remains focused on key countries, products and activities. For most global pharmaceutical companies, the US, Japan, Germany, France, Italy, Spain and the UK account for more than 80% of sales and profits. Taken together, the therapeutic areas and/or key products that are, or will be, the main levers for growth generally do not exceed ten. The activities should focus on strategic issues, guiding key development projects, optimising the commercialisation of global products and creating global business development opportunities. If some activities can be performed more efficiently elsewhere they should be transferred to other organisation units or outsourced. Activities that create little or no value should be abandoned.

The credibility and visibility of corporate marketing within the organisation should be high. This implies getting clear and strong support from the CEO who should ideally advocate that 'overall portfolio optimisation options and recommenda-

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tions' is at the heart of corporate marketing. This means that corporate marketing must be able to challenge the way things are done at subsidiary level, and ensure appropriate investments are made in line with strategic goals.

To do this corporate marketing professionals should be technically and commercially strong, commanding the respect of internal and external stakeholders. They

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have the responsibility to disseminate best practices and quality standards throughout the company. It will always be advantageous to have managers with a strong scientific background and/or a successful experience in countries within each team.

The level and quality of interactions with stakeholders is also important. Indeed, only regular exchanges with subsidiaries

provides a proper understanding of market needs. Thus, field input should be incorporated with best market/competitive data for fact-based decisions. Subsidiaries from key markets should be involved in key global processes, validate and buy-in to corporate plans. Proximity with R&D is necessary to provide strategic direction and guidelines for product development.

In a world where globalisation is a fact of life, where R&D costs are escalating and competition intensifying, a focused and determined corporate marketing organisation, aligned with product development department and subsidiaries, is one of the most important strategic weapons a global pharmaceutical company can have. Yet, like a tree allowed to grow naturally, even the best performing corporate marketing team would benefit, every few years, from a thorough review of its mission, scope, activities, processes, competencies and organisation. Key stakeholders must be involved or the exercise will be subjective and distorted. When done properly, such a process generates the following benefits:

- Mission and scope are clearly defined and shared and thus supported by all key stakeholders.

- Specific action plans are put in place to strengthen the highest value activities and outsource or abandon those with lower value
- Therapeutic area business units and pools of functional expertise are reinforced.

- Major resources are reallocated without headcount increase due to reduction or elimination of functions associated with low-value activities.

- Key process improvements are identified and new ones are aligned with the mission and the scope of the function.

A rethinking process helps corporate marketing functions to better fulfil their mission, that is to say, to better prepare products for markets and markets for products, thus significantly enhancing the value they deliver.

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