

CHRIS GOWARD

Developing an innovation culture

The pharmaceutical sector is one of the few industries still operating on a business model that largely dates back more than 60 years, something which is becoming increasingly less viable as we settle into the rapid-paced digital era.

Many senior executives claim that given the sector they operate in and the unique complexities they face, changing to a different modus operandi is not a straightforward proposition. That may be so, but like many other industries – from automotive, telecommunications to IT - pharma is being forced to reinvent itself.

I'm reminded of Spencer Johnson's best-selling business book *Who Moved My Cheese?*

Dr Johnson writes an allegory about four characters: two mice, 'Sniff' and 'Scurry', and two miniature humans, 'Hem' and 'Haw'. While both pairs are happy in the knowledge that they have ample cheese to sustain them for an indefinite period, the two humans begin to establish routines around their daily intake of cheese, becoming complacent in the process.

'Executives must abandon outdated management practices, many of which run counter to encouraging innovation'

But as with any industry, life never remains constant and unchanged. As would be expected, the supply of cheese runs out. Johnson then describes how the mice and men handle this situation. At less than 100 pages, it makes for compelling reading.

Today, the pharma industry finds itself in a not dissimilar position. Patents on many key products have expired or are close to expiring, new products that are financially viable

are taking much longer to come to market, generic competition is increasing, and companies are facing greater regulatory challenges. Additionally, as with the lack of cheese in Johnson's story, developed markets such as Europe and the US are not providing the sales growth they once did.

So, like Sniff, Scurry, Hem and Haw, how are pharma executives tackling these new challenges? Certainly, many of them are not standing still.

External stakeholders want fundamental change.

Discussions on M&A and spin-off activities continue, licensing, contract manufacturing and partnership agreements are now a regular activity, and an increasing presence in developing nations (for some) has become a strategic imperative. Unfortunately, what these actions are not achieving is a radical change in the current business model.

Without doubt, any new business model will still have to take into account the burden of regulatory control and payment channels (particularly for prescription medicines) which, in themselves, are inherently unpredictable. Even though the industry has a number of unique complexities, there are ways forward for pharmaceutical companies but they will need to become significantly more innovative if they are to succeed. To progress, harsh lessons from the past must not be forgotten because they will provide the foundations on which future success is built.

Developing an innovative culture starts with a clear focus on mindsets coupled with a meaningful reduction in conventional management processes. If employees' mindsets are 'fixed' they tend not to extend themselves beyond what is required of them, believing that there is little they can change to (or reason to change from) their current level of intellect and talent. This is often the result of typical command-and-control and incremental management practices. On the other hand, employees with a 'growth' mindset see their qualities as something that can be developed through dedication, effort and a high level of support.



To achieve and maintain this desired growth mindset, executives must abandon outdated management practices, many of which run counter to encouraging innovation and creativity. Leaders will succeed once they have grasped not only what it takes to develop an intrapreneurial strategy but, more importantly, the implementation of that strategy once it has been devised. This will require the full support of everyone within the organisation.

Encouraging the leaders of tomorrow

Particularly with the Y and Millennial generations, the level of innovation a company displays impacts strongly on their decision of where, and with whom, they want to work. Given that the pharmaceutical industry is not widely perceived as being innovative, there is plenty of work to do for HR leaders and other senior executives.

In his research paper *New Generations at Work*, Mark McCrindle commented that in any 'How to Surf' book, there are numerous pages on how to pick a wave, how to catch a wave and how to turn on a wave. Yet you won't find one sentence on how to create or change a wave! McCrindle says that, quite

simply, we can't - God makes the waves and surfers catch them!

But what if pharma was able to change that situation by developing and nurturing an environment where the enthusiasts were encouraged to find ways to create or change a wave? By leveraging their resources to achieve seemingly unreachable goals, companies will not only increase their strengths, but they will also be able to develop ways to overcome perceived weaknesses and threats, taking advantage of opportunities presented.

There are good examples of companies that have begun to adopt a more entrepreneurial approach within their organisations. We see this particularly with the development of personalised medicine and the increasing use of digital technology to monitor and treat disease. For the industry as a whole, success will depend largely on the talent companies can attract, develop and retain, not just at management level but across the board in all divisions. Smart operators require staff who are both skilled and motivated.

Dr Chris Goward is an executive search consultant with Tyzack Partners