

Executing & Sustaining R&D Strategy



Executive Summary

Life Sciences (LS) Research and Development (R&D) organizations are facing unprecedented challenges: falling productivity, rising costs, increases in regulatory scrutiny, and the demise of the blockbuster model. R&D organizations have responded to these challenges with new strategies, from improvements in R&D processes to transforming operating models. Although many of these strategies are sound, they often fail to deliver the anticipated benefits. In most cases, the problem lies not with the strategy but with its execution. Good strategies usually fail as a result of not having the right people driving implementation, of not ensuring the vision translates into appropriate action, or of having an organizational infrastructure that does not support the strategy. Given the length of the R&D process and other pressures on the industry, LS organizations cannot afford to have their R&D strategies delayed or partially implemented because of poor execution. By focusing on more effective execution from the outset, R&D organizations can increase the likelihood of achieving the expected benefits of their strategies.

- Does everyone in your organization understand your R&D strategy and its intended goals?
- Are you realizing the benefits of your R&D strategy? If not, do you know why?
- Is your operating model enabling or hindering the execution of your R&D strategy?
- Do you have the right people in the right roles with the appropriate competencies and attitudes to deliver on the R&D strategy?

This article will help you understand how better planning and management of implementation can lead to a sustainable and successful R&D strategy.

Poor Implementation Stands in the Way of Realizing the Benefits of R&D Strategy

Life Sciences R&D organizations have had mixed success in translating strategic vision into sustained operations. More often the strategy is stalled or incompletely delivered, and the organization achieves only partial benefits. Poor execution can derail otherwise sound strategies. In some cases, the organization explicitly rejects the vision. In other cases, the strategy is misunderstood and translated into inappropriate actions. Even strategies that are embraced and understood still can fail to deliver the expected benefits when the organization reverts back to old processes and behaviors.

The skills required for successful execution of a strategy are not always the skills that R&D organizations cultivate. Most R&D organizations do not focus on their ability to plan, manage or sustain change. Moreover, the long life cycle of the R&D process makes execution that much more challenging, as the impacts of a strategy usually cannot be immediately measured or quickly corrected, despite attempts to establish interim indicators of progress. Over the course of a long strategy implementation, the execution teams and the broader organization tend to lose interest and commitment. Finally, the existing R&D infrastructure and operating model often don't support the new R&D strategy yet the organization does not plan for, or invest in, transformation.

The organization does not understand or embrace the vision

Often, new strategies are introduced with much fanfare, but the underlying rationale and key changes are not understood by the individuals who are most affected. Failure to build support for the strategic vision at the outset can hinder mobilization and negatively impact the implementation. Many strategies are hampered by inadequate, unidirectional communication, waning leadership, and haphazard transitions.

Communication – Financial and other resources are often invested in external communications—marketing, public relations, investor relations—at the expense of internal employee communication. An IABC/Watson Wyatt study

found that just over half of high-performing companies had "well-defined communication strategies that allow employees to understand better their organization's business goals."¹ Additionally, since 2003, there has been a decline in the number of companies that take the time to explain the reasons behind major decisions and give employees the opportunity to provide input into decisions that affect them and into how the work gets done.² Poor or inadequate communication can lead to employee skepticism or outright resistance. Employees who do not understand or accept the strategy and the resulting benefits won't be prepared to support the necessary changes.

Leadership focus – R&D leaders often focus intensely on the creation of a strategy but fail to extend the same level of attention to implementation. A lack of sustained leadership can result in a loss of momentum, and implementation activities can progressively lose priority at all levels of the organization. The leadership's attention, or lack of, to the implementation is a signal to the rest of the organization.

Transitions and handoffs – In a complex and lengthy implementation, responsibilities are transferred to multiple individuals and groups within the R&D organization. When these transitions occur haphazardly, the original objectives are often lost and the strategic vision may not be translated into the appropriate activities. The next levels of the organization may be ill-equipped to carry out the strategy as a result of poor communication, lack of leadership and inadequate transitions.

Execution is inadequately planned and managed

Many factors contribute to sub-optimal execution, even when the strategic vision is clear. At the outset, R&D leadership may not share a common understanding of the scope of change required for the chosen strategy. Not understanding, and planning for, the scope of change can lead to roadblocks during implementation and, later, reversion to legacy processes and operations. Too often the execution leaders underestimate the impact on the

¹ Watson Wyatt. Communication Competence and Business Success A Comparative Review of Communication Programs, 2001.

² Watson Wyatt. 2007/2008 Communication ROI Study, 2008.

organization, people and processes. By the time resistance occurs, it is too late to develop effective mitigation strategies to help the organization navigate through the change. The poor understanding of scope and impact can inevitably lead to underestimating the time and effort required to implement a strategy. Execution teams often end up without enough resources or with the wrong skill sets and team members aren't prepared for the effort or time commitment. Teams struggle to deliver on the scope and manage the impacts within their parts of the organization. The execution teams often lack explicit or effective decision-making and resource authority and cannot resolve issues quickly. The result is usually an implementation that is delayed or stalled indefinitely.

Operations and infrastructure don't support the new strategy

Many R&D organizations attempt to implement new strategies within the existing operating model. They either do not recognize the need to realign operations or they run out of resources and organizational will as the lengthy implementation progresses. A new strategy often requires different capabilities and different organizational, operational, and infrastructural constructs to support and sustain it. The greater the misalignment between the operating model and the strategy, the greater the likelihood that the organization will default to legacy processes and operations and struggle to benefit from the new strategy. Failing to invest in the infrastructure and capability development to align the operating model with the strategy very often means that the strategy will not have the expected result.



Successful Execution Requires Preparing the Organization to Implement and Sustain Change

In today's environment, LS organizations cannot afford to have delayed or incomplete R&D strategies. R&D organizations must focus on developing the capabilities for more effective execution from the outset.

Build support for the strategy at all levels of the organization

A successful implementation begins with articulating the vision for the new strategy. The entire R&D organization, from the VP of Development to the clinical trial teams, will be affected and will need to accept the vision in order to support the strategy. Mobilizing the R&D organization for a lengthy implementation requires clear and compelling communications, sustained leadership, and broader participation throughout the strategy's development and implementation.

Articulate the strategy – Building organizational support for a new strategy begins with internal communications that articulate a clear vision and rationale for the strategy. Individuals who accept the vision and understand the expected changes and benefits will be better able to support the implementation and sustain the strategy in the future. To reach this level of buy-in, each level of the organization needs targeted communications and channels for open dialogue. Additional communications and engagement should be directed to adjacent organizations, such as sales and marketing, manufacturing, and support functions, that may be impacted by the strategy.

Maintain leadership engagement – Leaders signal the importance of the strategy and the implementation activities through their level of engagement. Leadership attention can help reinforce the vision and maintain visibility and awareness of the strategy within the organization over the course of a lengthy implementation. The leadership can support execution in several ways: 1) ongoing dialogue to reinforce a consistent vision; 2) remaining involved in planning and providing the resources required for execution; 3) paving the way for changes and mitigating impacts; and 4) taking an active role in realigning or transforming the operations to support the strategy. Leadership's engagement, and their actions and behaviors, can bolster support from employees, a key factor in the success of a strategy.

Broaden participation – Involving more levels of the organization in the various phases of strategy execution (e.g., having key mid-level managers participate in strategy development) can lead to smoother transitions and prevent the misinterpretation of strategic initiatives. Overlapping involvement can help to ensure that each level of the organization has the skills and resources required to carry out the strategy and understand how their efforts support it.

Comprehensive planning and active change management to align stakeholders and address impacts

The leadership must share an understanding of the scope of change implied by a new strategy and remain actively involved in planning and managing those changes. A clear definition of what is in scope and, just as important, what is out of scope, provides a solid foundation for the successful planning and management of a strategy execution. Scope informs the planning process, selection of delivery team members, and the approach to managing change.

Robust Planning – The length of the R&D lifecycle makes planning a strategy implementation that much more important. A comprehensive planning process allows the leadership and execution teams to define the specific activities, timing, and resources necessary for implementing and sustaining the discrete components of an R&D strategy. Accurate estimation of the activities helps to ensure that teams have adequate resources, time and skills to deliver the strategy. Identifying quick wins is another important part of the planning process and allows for demonstration of interim success.

Assembling the Right Team – Implementation teams should represent a cross-section of the impacted functions. Teams that understand the impact on the organization's people and processes are better able to develop mitigation strategies to help the organization navigate the change. Team members should have the appropriate skills and have the majority of their time dedicated to implementation efforts. Team leaders should have influence and credibility (especially important among scientists). The execution teams' decision-making process and resource authority

should be clearly defined and conferred so that they can quickly resolve issues in the implementation. Given the potentially far-reaching impact of an R&D strategy, it is also important to have representation from adjacent organizations (e.g., commercial, medical affairs) to support implementation and change management activities.

Active Change Management – Given the competing priorities and complex matrix/silo structure of most R&D organizations, the leadership plays an important role in aligning the stakeholders and managing the impact of change. As elements of the strategy are implemented, the leadership's engagement can help prevent the organization from reverting to legacy processes and operations. Making the progress and the positive impact visible to all levels of the organization can help to maintain positive momentum during implementation. The people involved also need periodic incentives to sustain their engagement and reward their contributions over the duration.

Quick Win initiatives are the more easily implemented portions of the strategy. Quick Wins can:

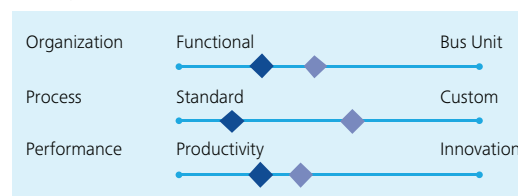
- Provide early tangible results in a long implementation
- Demonstrate progress toward strategic goals
- Generate buy-in from the organization.

Operations and infrastructure must support the strategy

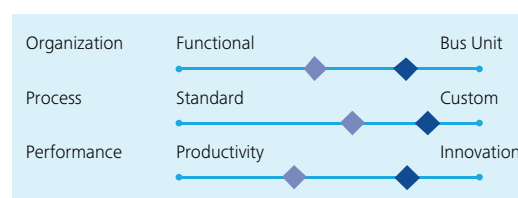
Whether an organization realizes the benefits from a strategy is very dependent on having its operations and infrastructure aligned with the strategy. The organizational structure, processes, and performance incentives that support the current strategy may be inappropriate or counterproductive to the new strategy. New skill sets and different performance and behaviors may need to be cultivated. The level of change required depends on both the current R&D organization and the chosen strategy (Figure 1).

Figure 1: Examples of Operational Alignment

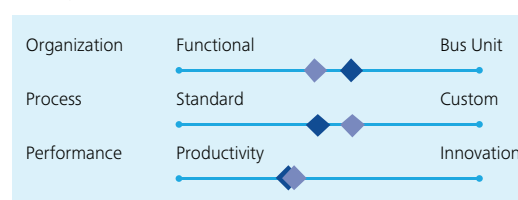
Strategy: Top Generics Portfolio



Strategy: First in Class Drug Portfolio



Strategy: Best in Class Drug Portfolio



◆ Current state of operating model

◆ Operating model required by strategy

ILLUSTRATIVE

For example, if the new R&D strategy is to be a fast follower and/or pursue best-in-class compounds, then investments should be made to build capabilities around lead optimization rather than target identification. Conversely, an organization that wants to develop first-in-class compounds must invest in the resources and capabilities required to better understand targets and pathways. The organization must also be prepared to take on additional risks related to pursuing as-yet-unproven mechanisms and create an incentive structure that rewards scientists for innovation and taking risks.

Changes may be required in multiple aspects of the operating model (Figure 2) to deliver and sustain the new strategy. Some critical areas to address are discussed below.

Figure 2: Components of the Operating Model



Governance and Organizational Structure

- Create a governance model that has clear oversight and decision-making rights. An effective governance structure reflects the priorities and goals of the new strategy and has both the authority and funding necessary to function as designed (e.g., who is responsible for developing and approving biomarker strategy and should they be included in the clinical plans).
- Establish an organizational and reporting structure that enables the business to function in alignment with strategic direction.

Capabilities & Processes

- Invest in the capabilities and scientific technologies required for the new strategy; rebalance resources based on the new capability requirements (e.g., synthetic chemists rather than molecular biologists).
- Define processes that enable and improve operational performance within the new model (e.g., management of clinical samples from patient consent to bio-storage).

People and Performance

- Refine talent management strategies to recruit, retain and develop staff for the skill sets required for the new strategy.
- Design reward programs that elicit the behaviors required to deliver the strategy, including phased incentives to reward employees through the long R&D life cycle.
- Develop robust metrics and performance management processes to monitor the strategy's execution from the organizational to the individual levels.

Technology

- Build the IT capabilities and data infrastructure needed to support and enable the strategy (e.g., search capabilities for patient-level clinical outcomes).

Case Study: GlaxoSmithKline

In 2002, GlaxoSmithKline (GSK) created the Centers for Excellence in Drug Discovery (CEDDs); each of these operating units focused on a specific therapeutic area. The strategy was developed to promote innovation, increase accountability, and make results more transparent with the ultimate goal of improving research productivity.

GSK changed its research operations to align with the new strategy. They assessed and invested in capabilities needed for this alignment, created a new governance structure, and established new incentive programs, extending the accountability of the CEDDs from discovery to Proof of Concept.

As a result of implementing the CEDD strategy, by 2007 GSK's pipeline had doubled, to an industry-leading 45 New Chemical Entities (NCEs) in Phase II and 11 NCEs in Phase III development.

Sources: In Vivo, Volume 25, No. 1, January 2007; Health Affairs, Volume 22, No. 4, July/August 2003

Better Execution, Better Results

R&D organizations are great at developing strategies, but the results are often less than expected. Most R&D organizations have not fostered the skills required to execute and sustain strategy. Implementing an R&D strategy affects all levels of the organization. Continuous communication and a robust plan for managing the activities and impacts can help to build and sustain the support required for a successful implementation. In most cases, a new strategy requires investments in capabilities, processes and technologies. Everything from the governance model to talent management to technology and processes should support and enable the new strategy.

The success of an R&D strategy is attributable to both its fundamental soundness as well as its execution. While the execution challenges are not new, the current pressures on the Life Sciences industry make it increasingly important for R&D organizations to improve the way they implement strategy. By getting the execution right, starting with articulating and building support for the strategic vision, to assembling the right teams to implement the strategy, and finally, investing in the necessary operational and infrastructural changes, R&D organizations should be much better positioned to be more successful at ultimately realizing the full benefits of their chosen strategies.

To learn more about executing and sustaining R&D strategy, please contact:

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