

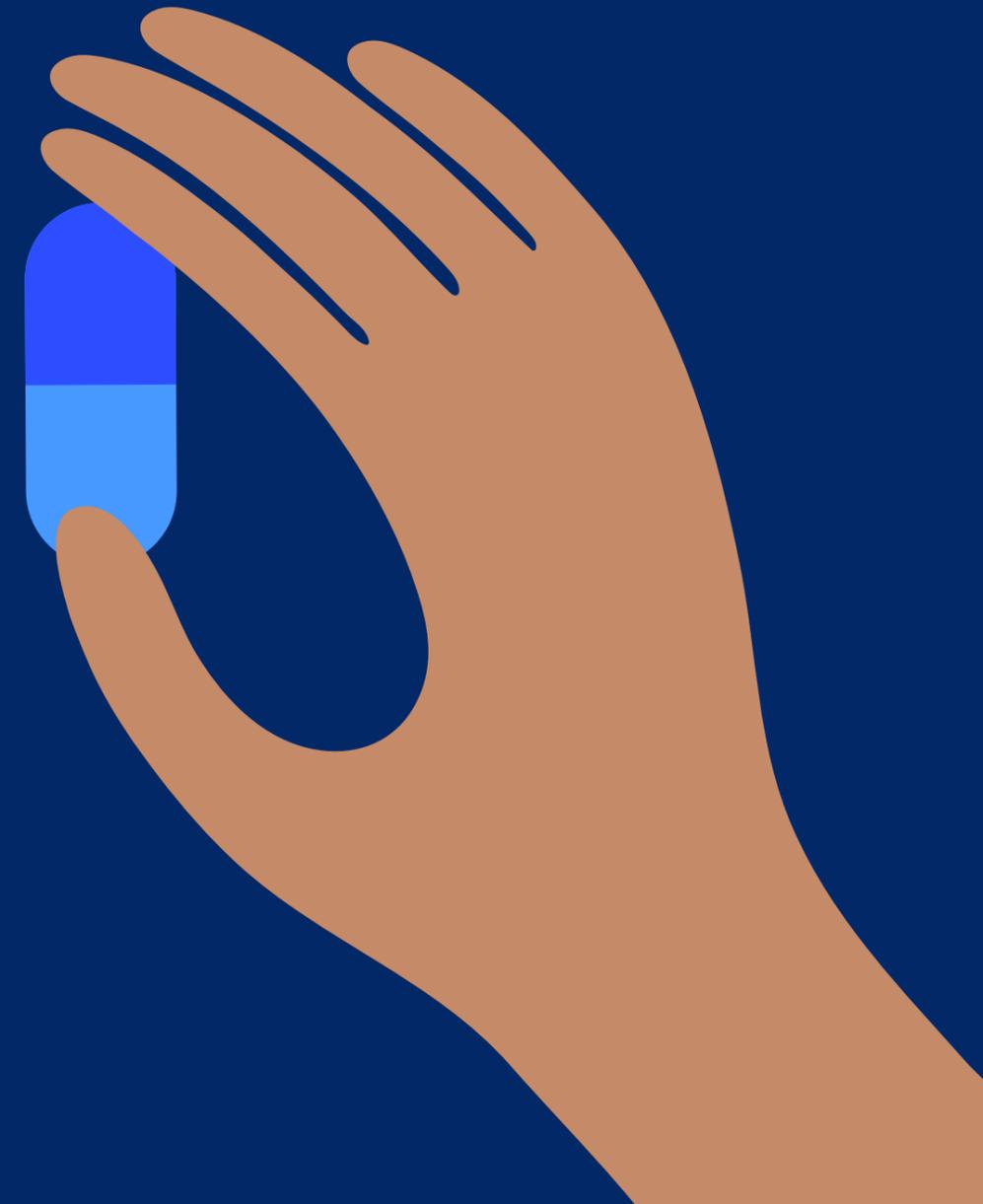
PROPHET

The Cultural Levers of Pharma's Transformation

Jeff Gourdj

Christine Arbesman

Hailey Armstrong



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Introduction

The pharmaceutical world was struggling to keep up with changing customer demands even before the pandemic began. Since then, the worldwide crisis has further upended expectations: Patients, providers and payers think pharma should respond faster, provide more value and offer digital engagements that are commonplace in other businesses.

None of this is news to pharma, and companies are aware that keeping up requires a cultural transformation. But top-to-bottom reinvention is daunting. Organizations are often unsure where to start. And if the change is already underway, it's sometimes unclear where to go next.

That level of change is difficult in any industry, but it has proven especially hard for pharma, where many leaders still see themselves as hobbled by regulation and legacy models. This year, Prophet completed its [Catalysts in Action: Applying the Cultural Levers of Transformation](#) research, outlining four pathways that lead companies through the transformation process. These findings are based on input from hundreds of leaders in many industries, including global pharmaceutical companies. This report outlines the findings of pharma executives and their approach to cultural transformation. And while the research began before COVID-19, Prophet analyzed the results against the new realities of the pandemic.



The fast-changing economic environment makes it clear that cultural transformation is more urgent than ever.

Some companies, including Boehringer Ingelheim, Novartis and Takeda Pharmaceuticals, are finding ways to spark the sustained changes required. But overall, pharma has been failing at this task in slow motion. Despite increased pressure to accelerate innovation, optimize production and distribution, personalize engagements and use data in more meaningful ways, many companies are mired in incremental changes.

Top-down change—particularly if speed is a factor—is one of pharma's biggest weaknesses. At best, organizations have dabbled in transformation, depending on the fashion of the moment, like apps or voice technology. But these are typically one-off experiments. And at worst, they ignore business innovations that aren't directly related to developing new drugs.

The pandemic has radically challenged that slowness. "If Dyson can switch to ventilator production in 10 days," one executive mused, "It's hard to explain why it still takes us two or three months days to approve an email."

Some pharma companies, of course, are moving at unprecedented speeds. Gilead quickly switched its focus to Remdesivir, an antiviral to treat COVID-19, even before the U.S. had declared the pandemic a national emergency. Eli Lilly & Company created antibody testing and started human testing in just three months. And dozens of companies, including Moderna, Inovio and Pfizer, are deep into vaccine development.

The pandemic has leaders questioning their responsiveness, wondering why pharma can't apply its drug-research speed to innovations that happen outside the lab. They are weighing the value placed on agility versus the institutional fear of making mistakes, often due to regulatory and legal concerns. But government regulation, global differences and legacy models can no longer be an excuse. Financial services, for instance, are also highly regulated. Through automated wealth managers and mobile pay, amongst many other innovations, the financial services sector is leading the way in transforming customer experiences and evolving the way companies do business.

The pandemic has leaders questioning their responsiveness, wondering why pharma can't apply its drug-research speed to innovations that happen outside the lab.



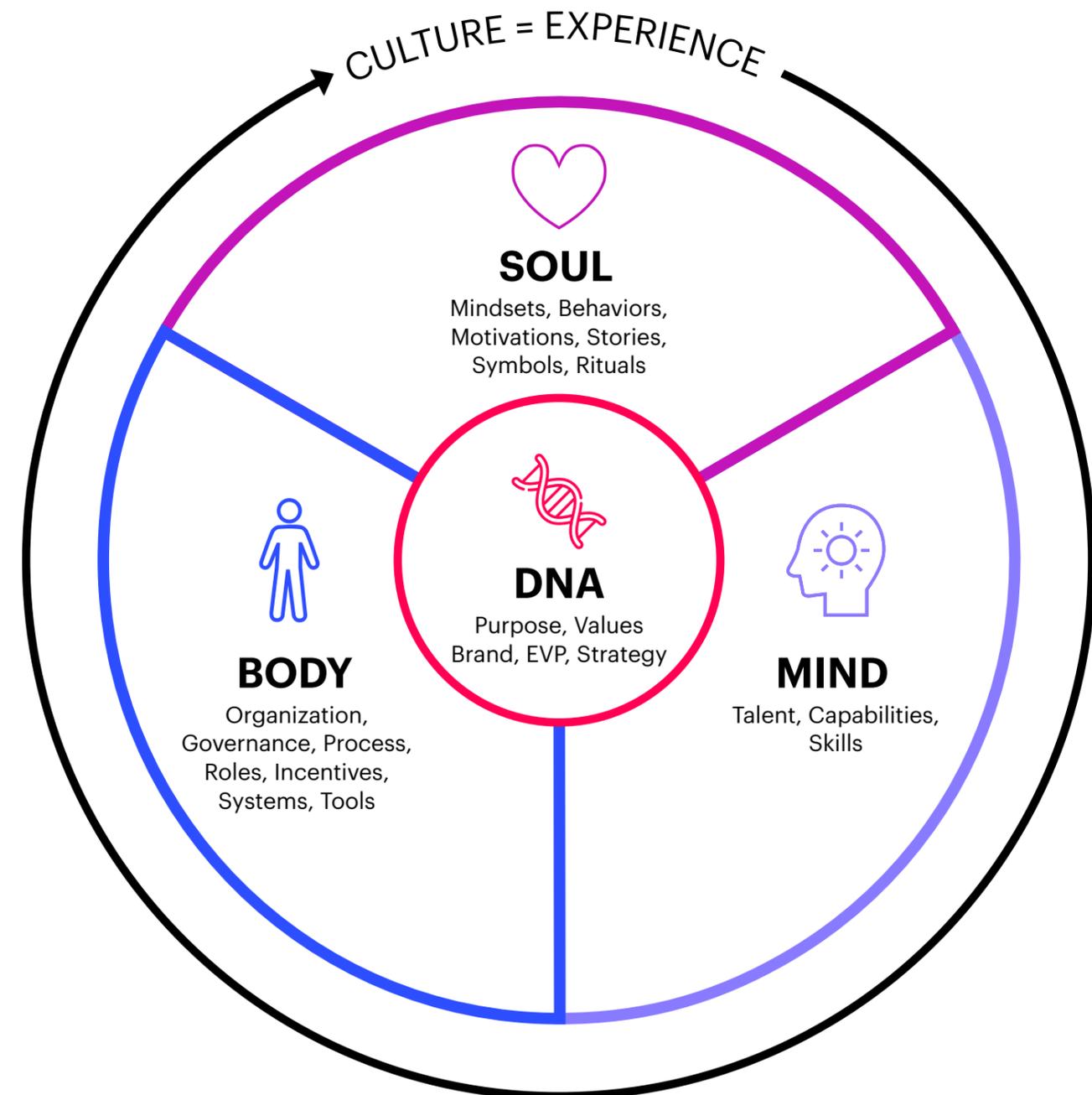
The current crisis has created the opportunity to change and adapt for the future. If sales representatives cannot see physicians due to social distancing, for instance, will pharma seize the moment to transform personal promotional activities? As digital health ramps up, will pharma use this opportunity to make those experiences more meaningful? If recruiting patients for clinical trials is restricted, how can pharma transform the process?

FOUR PATHS TO TRANSFORMATION

Prophet identified four pathways of cultural change that help organizations focus their efforts, powering transformation from the inside-out. These four avenues are rooted in Prophet's Human-Centered Transformation Model™. It recognizes that organizations, like the humans that comprise them, have DNA, a body, a mind and a soul. Successful transformation works through all four pathways, driving the sustained cultural change needed to align and motivate an organization.

Using that framework, this transformation methodology brings clarity, focus and field-tested experience so transformation can continue, in good times and in bad.

THE HUMAN-CENTERED TRANSFORMATION MODEL™



THE FOUR PATHWAYS OF CULTURAL CHANGE

DEFINE THE TRANSFORMATION

Cultural change starts with a powerful, actionable ambition, derived from the company's DNA. This is bigger than a simple purpose statement, encompassing enterprise-wide values, strategy and commitment to employees. Once defined, it provides a clear case for change, and clarifies decision-making in all parts of the company.

DIRECT THE TRANSFORMATION

This draws on the body of the company, the muscle and bones that power and guide change. It includes creating roadmaps, establishing key performance indicators, establishing transformation management offices and identifying leadership. And it creates clear links between the C-suite and middle managers.

ENABLE THE TRANSFORMATION

Finding the talent, capabilities and skills required to define and lead transformation efforts comes from the mind of the company. It calls for a systematic approach to training existing talent, as well as identifying the capabilities needed to move forward.

MOTIVATE THE TRANSFORMATION

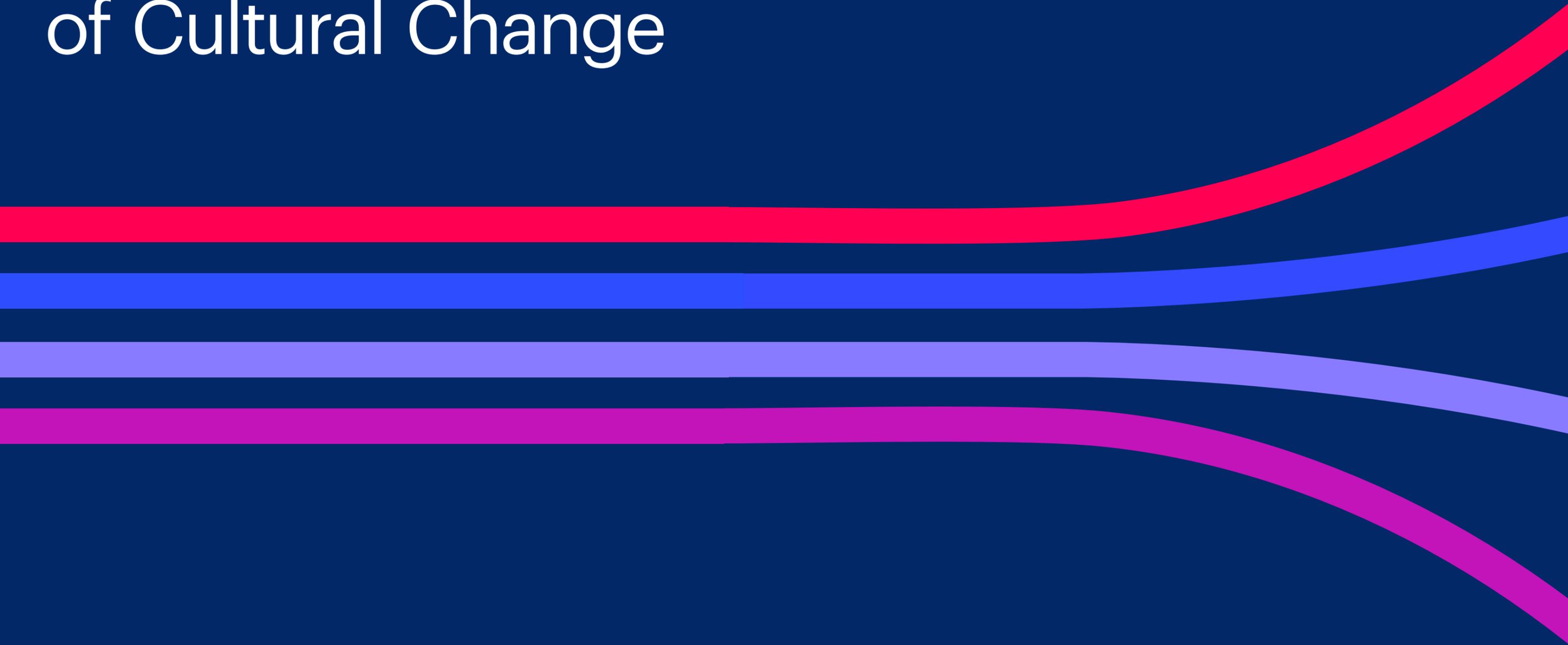
Once the change is underway, companies need to maintain motivation, finding inspiration in their soul through behaviors, stories, symbols and rituals. This is the energy that keeps efforts moving forward, even in the face of obstacles.

Our research has identified four pathways of cultural change

These pathways are most effective based on the primary cultural roadblock a company is facing in its transformation

Pathway	Focus of Change	Primary Roadblock	Cultural Signals
Defining the Transformation	Establishing the destination and leadership for the transformation	Lack of clarity	"We have a new strategy, but it's not clear what we need to do differently to get there." "Our leaders are not aligned." "Our people aren't clear on where we're heading." "We have so much 'strategic stuff' that our employees are confused."
Directing the Transformation	Building an operating model that makes the transformation real	Legacy operating model	"Our processes and systems are outdated." "It's not clear who owns what." "Decision making takes forever." "We think we just have to communicate, and change will happen."
Enabling the Transformation	Identifying, sourcing and developing required capabilities for transformation	Legacy talent model	"It's hard to attract good people; they don't seem to want to work here." "We don't know what new skills we need." "We say that we're agile but do we really know what that means?"
Motivating the Transformation	Igniting belief among leaders and employees in the transformation needed	Lack of alignment	"Old habits die hard." "It's not okay to fail." "Leaders are saying one thing and doing another."

The Four Pathways of Cultural Change



01.

Defining The Transformation

All transformations rely on ambition—a compelling, actionable purpose drawn from its DNA. Many strands are already in place, from corporate values to strategy to commitment to employees. Some companies know they exist to conquer cancer; others are devoted to treating orphan diseases.

But this pathway can also be problematic, in that many companies believe they have already established a purpose. What they don't recognize is that often, that purpose is too small to power a transformation. They need to set new ambitions to find goals and aspirations to lead it into the future. Since this purpose is to be a beacon for transformation, it needs to apply to the entire company. That can be challenging for pharma, often organized as a complex array of business units, brands and operating models, sometimes treating many disease states. It is essential for leaders to champion the change and unite the business across pharma's commonly decentralized operating model.

Amongst those surveyed in pharma, 93 percent said they aligned and engaged top leaders to actively and visibly role model the change — compared to the 85 percent in the total sample.

It is important to clarify which leaders are heading the charge and make plans for senior leaders to serve as executive sponsors. While the initiative begins in the C-suite, this is where the understanding builds that it is a genuinely corporate purpose, and must be clearly communicated to middle managers in every division.

WHAT GETS IN PHARMA'S WAY

Lack of clarity, leading to comments like “We have so much ‘strategic stuff’ that our employees are confused” or “Our people aren't clear on where we're heading.”

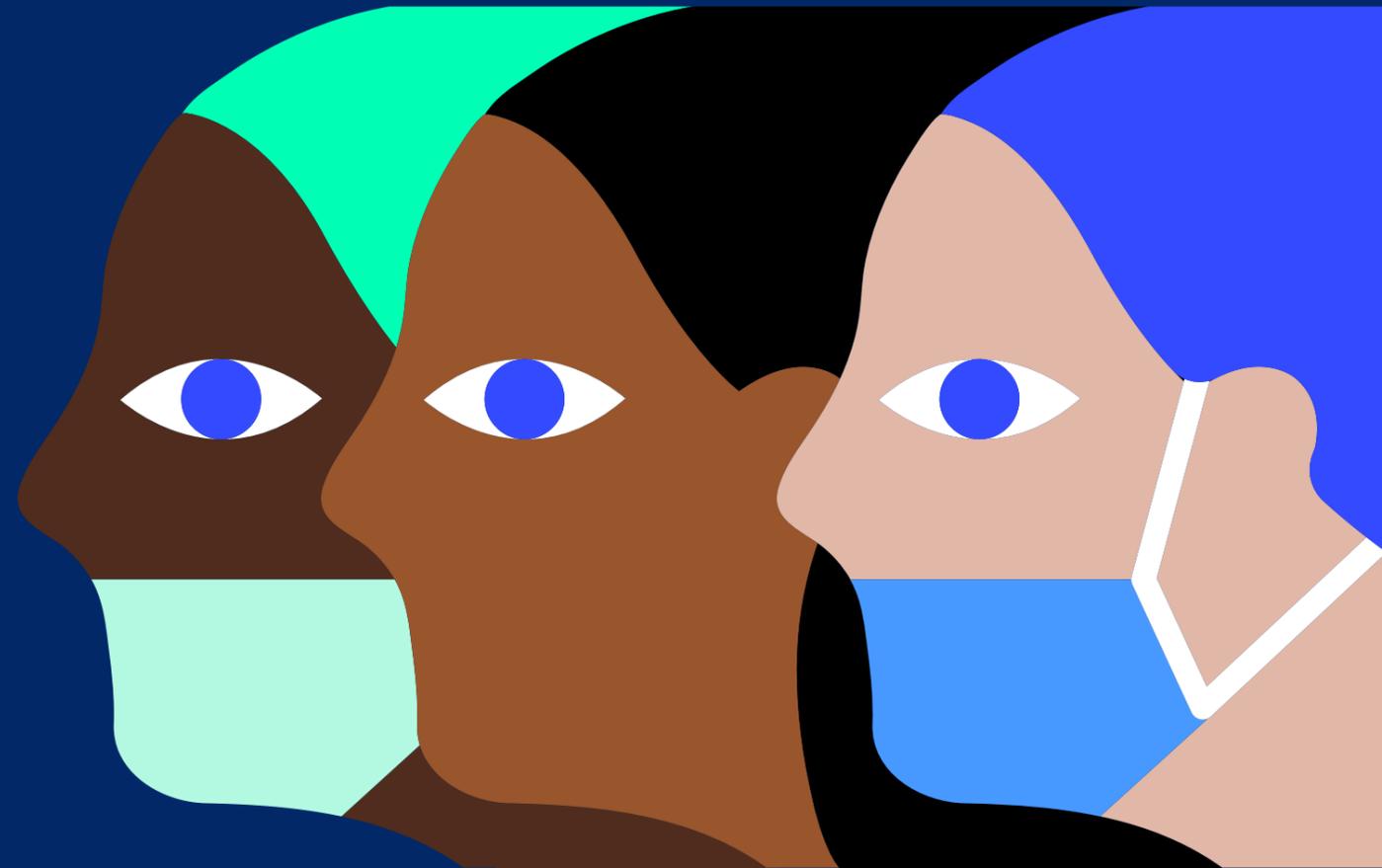
KEY CULTURAL LEVERS

- Clarify which leaders will lead the transformation
- Set a powerful, actionable ambition

■ Fundamental ● Accelerator

“If you do not engage middle management, if they are not your change agents, transformation won't happen.”

Jane Jin
Head of Global Internal Communications
Takeda Pharmaceuticals



02. Directing the Transformation

With purpose providing overarching guidance, leaders can develop a clear roadmap to direct the change. At this, pharma does well: Almost two-thirds (63%) of the pharmaceutical companies surveyed have transformation roadmaps linked to a DNA-derived purpose bold enough to power corporate reinvention.

Once these roadmaps have been shared and socialized throughout the company, the next step involves pushing decision rights down in the organization, which appears challenging for pharma. Employees can't play a role in transformation if they don't know the plan. While pharma leaders are more likely than those in other industries to say they understand the importance of pushing decision rights down to middle managers, only 13 percent make those roadmaps visible. In fact, 59 percent say they restrict knowledge about these plans to senior leadership.

Pharmaceutical executives are more likely to say all people managers are empowered to drive the transformation, at 65 percent, compared to the total sample, at 46 percent.

63%

of pharma companies surveyed have transformation roadmaps linked to a DNA-derived purpose

KEY CULTURAL LEVERS

- Develop a clear roadmap
- Develop KPIs
- Push decision rights downward
- Align incentives to drive cross-functional work
- Set up a transformation office that is empowered to lead

■ Fundamental ● Accelerator

Executives need to empower function leaders in all parts of the organization to drive transformation. And they need to show them how their division-specific priorities fit into the broader vision. This process also requires establishing the key performance indicators (KPIs) necessary to track progress and aligning incentives to drive cross-functional work.

One emerging trend with significant implications for pharma is the role of a transformation management office (TMO), charged with leading the change. Over half (56%) of pharma companies in the study report making progress in setting up an empowered TMO.

To be effective, TMOs can't just be glorified project management offices. Because transformation, by definition, is complicated, difficult and often painful, TMOs must actively manage change among stakeholders, who are often at different parts of the change curve at any given time. TMOs must be able to shepherd the strategy, oversee its execution and connect disparate parts of the organization.

These leaders can empower middle management by creating the mechanisms to deliver on the ambition, including governance, processes, roles, systems and tools employees need to change. One large U.S.-based pharma company, for example, is so committed to this aspect of transformation that it hired trainers to first coach leaders in the best ways to involve middle managers, then followed up with individual managers as the transformation process continued.

Novartis, for example, has made strides to do this, creating an "Unbossed" culture to give people more autonomy to find solutions.

WHAT GETS IN PHARMA'S WAY

A legacy operating model, characterized by remarks like "Our processes and systems are outdated," "It's not clear who owns what" or "Decision making takes forever."

65%

of pharma leaders say that people managers are empowered to drive the transformation

56%

of pharma companies report making progress in setting up an empowered TMO.

03. Enabling the Transformation

This pathway entails finding the talent, capabilities and skills required to define and lead transformation efforts. It calls for a systematic approach to training existing talent, as well as identifying the capabilities and roles needed to move forward. This phase calls for an intense dive into digital efforts. In the past, deferred digital decisions may have shown up as small chinks in a company's armor. But now, they have exposed significant vulnerabilities in organizational culture, shattering deeply ingrained assumptions about historical behaviors, skillsets and operating models.

This element also includes the digitization of processes, such as an increase in predictive analytics. And it requires teaching new skills to current employees, as well as attracting talent with new capabilities. These abilities will help pharma companies thrive in new markets, build algorithms to deliver more relevant content to prescribers and create AI-enabled clinical trial recruitment. And they are critical to transforming into a future-ready organization.

Almost two-thirds of pharma companies surveyed report conducting an audit with business leaders on current skills gaps. Companies are prioritizing building capabilities through investments in learning and development, enhanced learning platforms, playbooks and toolkits and new training courses.

For example, Boehringer Ingelheim, a global pharmaceutical company based in Germany, makes learning and development a priority. It upskills employees, equipping them with new skills at the right time. It uses traditional approaches, such as sponsoring post-graduate studies, self-paced electronic training and classroom-based learning to more agile methods. And it deploys an innovative system of reverse mentoring, pairing senior executives with digital natives, sharing digital skills along with business knowledge. It also has an Executives-in-Residence program, placing senior leaders in intensive short-term assignments in Making More Health organizations, to foster innovation and inspire fresh thinking while furthering public health.

KEY CULTURAL LEVERS

- Identify the skills, capabilities and roles needed and/or develop training to re-skill existing talent
- Align talent systems in service of the transformation

■ Fundamental ● Accelerator

WHAT GETS IN PHARMA'S WAY

A legacy talent model, characterized by complaints like "Good people don't seem to want to work here" and "We don't know what new skills we need."

“Creating a culture change is on everybody,” the leader of a multinational pharmaceutical company tells Prophet. “But leaders need to be held accountable for creating the environment.”



04. Motivating the Transformation

Once the change is underway, companies need to maintain motivation, finding inspiration in its soul—the behaviors, stories, symbols and rituals that set it apart from its competitors. It recognizes and rewards progress, even in the face of obstacles.

This pathway also requires a stepped-up commitment to test-and-learn thinking. Pharma is inherently rooted in innovation—clinical trials often fail, and that's expected. Yet somewhat paradoxically, pharma has a reputation for playing it safe in terms of business practices, especially in the digital arena.

Pharma leaders are more likely to say that failure is acceptable in their organizations, at 55 percent, compared to just 40 percent of the total sample. Yet they are less likely to agree that the company they work for “acknowledges failure as a consequence of trying something new,” at 24

percent, compared to 30 percent overall. So, a critical step in the march toward change is giving employees a safe space to experiment, accept failure and learn quickly. And it's important that they share successes and lessons learned.

55%

of pharma leaders say that failure is acceptable at their organizations

76%

of pharma leaders believe that their organization does not acknowledge failure as a consequence of trying something new

KEY CULTURAL LEVERS

- Align top leaders to role model changes
- Develop meaningful mechanisms to enable employees to adapt to the change
- Rapidly share successes and lessons learned
- Recognize and reward progress, not just outcomes

■ Fundamental ● Accelerator

Accepting experimentation and failure throughout the organization needs to be a high priority. Exact Sciences, a molecular diagnostics company with a focus on cancer detection, treatment guidance and monitoring, can offer pharma some lessons. It encourages employees to lean into failure, making sure not to penalize them. Leaders empower teams to take ownership, not waiting for permission to try, fail, learn and adapt. By creating a culture that embraces failure, employees can shepherd innovation— not just for the next new product, but also for improvements in process, operations and approaches. As a result, it's grown from a small organization to a market value of \$13.5 billion.

"We wanted to build a company that we'd want to work at and where people want to come to work every day," says Kevin Conroy, its CEO. "That meant creating a place where people come to solve big problems that help a lot of people – and for us, that challenge was earlier cancer detection."

Without sustained inspiration, transformation efforts can derail or stall when they hit the inevitable setbacks. Top leaders must serve as a source of motivation and model the change for employees. Takeda has seen success when leaders have communicated the importance of the change and how it will impact employees.

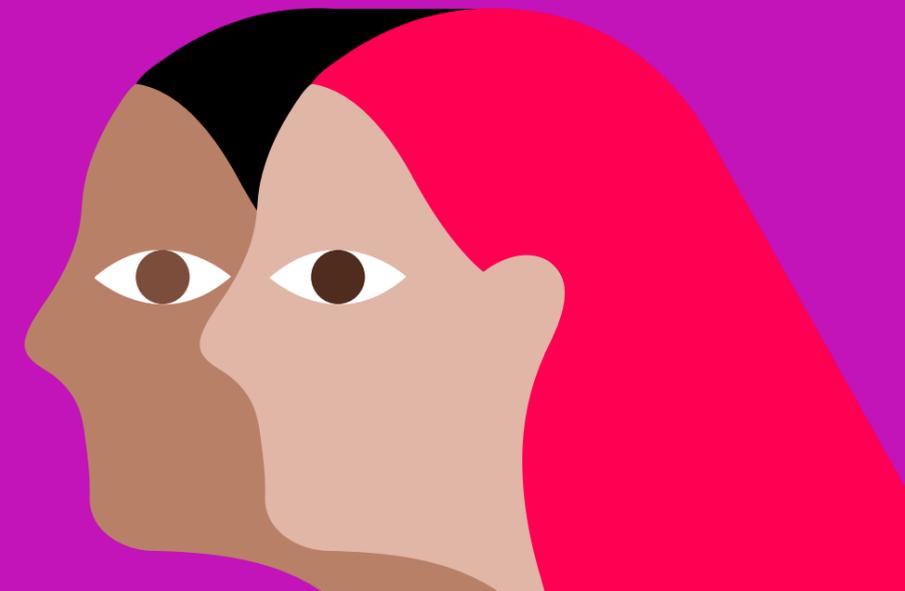
"If leaders can clearly articulate the change and be there for their people, it is more successful," says Jane Jin, global head of internal and external communications at Takeda. "We tell managers to explain the change and not only repeat it, but also break down what it means for their employees. There is a clear linkage between leaders communicating the rationale for change and how good people feel about the future success."

WHAT GETS IN PHARMA'S WAY

Lack of alignment, often characterized by comments like "Old habits die hard," "It's not okay to fail here" and "Our leaders are saying one thing and doing another."

When it's about achieving the objective and when the teams are empowered, management doesn't need to get in the way or overreact to failure.

Kevin Conroy
CEO
Exact Sciences



“If leaders can clearly articulate the change and be there for their people, it is more successful. We tell managers to explain the change and not only repeat it, but also break down what it means for their employees.

Jane Jin
Head of Internal and External Communications
Takeda Pharmaceuticals

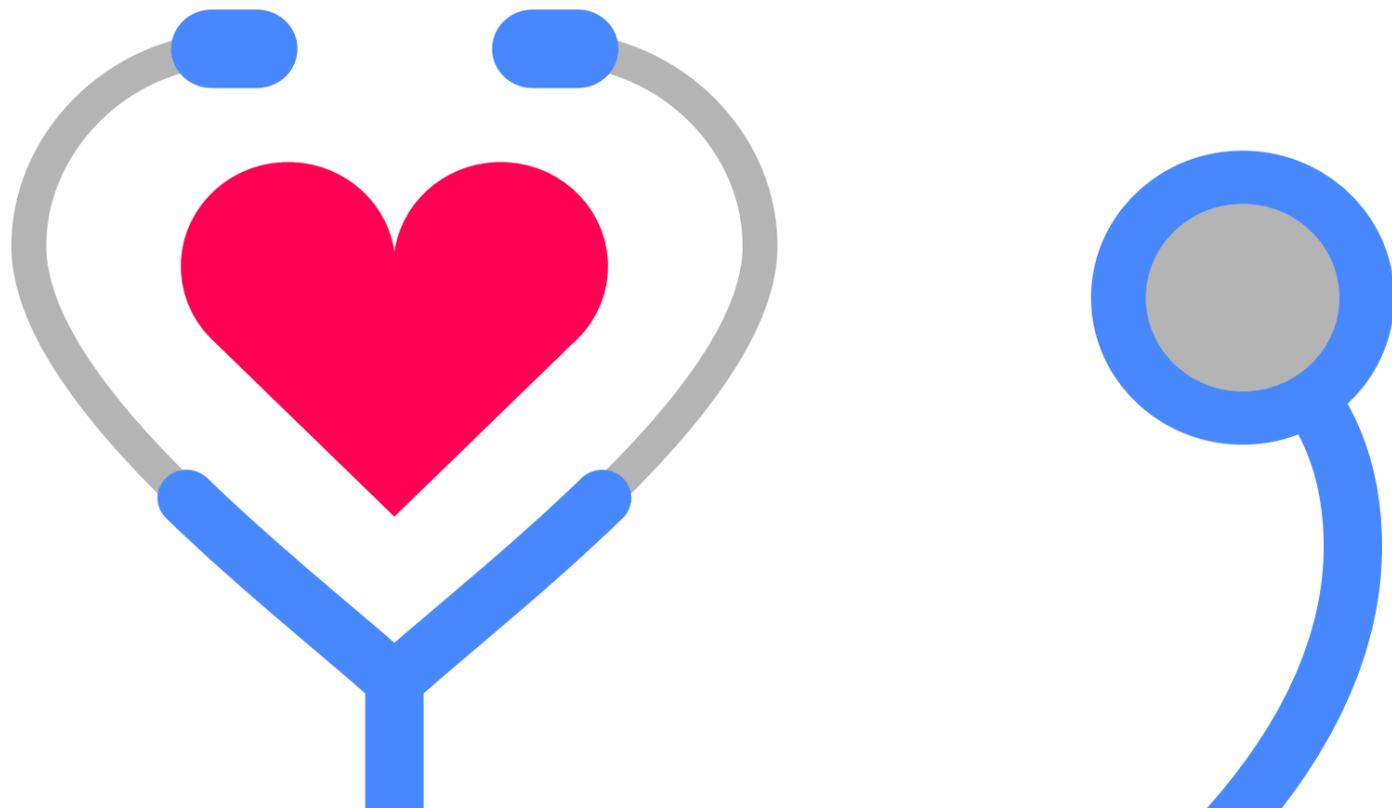


Become a Change Champion

In this new environment, with customers seeking more personalized experiences and pharma continually pressured to prove its value, companies that champion change will succeed. And in an era where inclusion and diversity matter more, it's worth noting that the only leadership characteristic mentioned among the most important in all of the geographies Prophet studied is "inviting of many different voices to contribute and be heard." Pharma companies that can welcome the broadest ideas about change will grow faster, innovate more and win over stakeholders. And the laggards will lose revenue, share and relevance.

With Prophet's Human-Centered Transformation Model™, there's a clear and holistic approach to drive—and sustain—this necessary change.

Done well, cultural transformation begins to pay off even before it is fully completed. The metamorphosis becomes more than words on a page. The new culture is evident in every aspect of experience—for patients, providers, payers and perhaps most importantly, for employees.



What Does This All Mean?

Putting this all together, an optimistic picture emerges of today's strongest leaders and their ability to navigate their companies through transformation. Importantly, these leaders also acknowledge the need to invite many different voices, bringing others into and along the journey. They are recognizing that transformation doesn't work without deep cross-functional engagement and collaboration.

This type of effort requires employees to have a profound level of connection and clarity into the transformation so that they take pride in their contributions and deeply feel a sense of shared purpose. Prophet's Human-Centered Transformation Model™ is built around this need — to take a holistic approach toward motivating, enabling and directing many different voices to come together in defining and achieving the organization's ambition.

If you're not clear where to start or how to focus these efforts, we're here to help you develop transformation strategies that will successfully drive uncommon growth in the Digital Age.

Ready to join us in navigating the future of your organization's transformation? If so, [contact us today](#):



Jeff Gourdji
Partner & Healthcare
Practice Lead



Christine Arbesman
Senior Engagement Manager



Hailey Armstrong
Senior Associate

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Quotes pulled from article: [Evolution of the Healthcare System: How Exact Science Thrives](#)

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prophet.com

Atlanta — USA

3475 Piedmont Road
Suite 1650
Atlanta, GA 30305
(404) 812 4130

Austin — USA

708 Colorado Street
Austin, TX 70871
(512) 391 0065

Berlin — Germany

Oranienburger
Straße 66 10117
Berlin-Mitte
+49 30 847 107 80

Chicago — USA

564 W Randolph St.
Suite 700
Chicago, IL 60661
(312) 879 1930

Hong Kong

13/F One Hysan Avenue
Causeway Bay
Hong Kong
+852 2528 0983

London — United Kingdom

10 Bedford Street
London
WC2E 9HE
+44 207 836 5885

New York — USA

160 Fifth Avenue
Fifth Floor
New York, NY 10010
(917) 645 0444

Richmond — USA

1801 East Cary Street
Suite 300
Richmond, VA 23223
(804) 644 2200

San Francisco — USA

One Bush Street
Seventh Floor
San Francisco, CA 94104
(415) 363 0004

Shanghai — PR China

696 Weihai Road,
Floor 2, Suite 413,
Jing'an District,
Shanghai 200041,
+86 21 6087 8697

Singapore

71 Robinson Rd
Level 14, Suite 143
Singapore 068895
+65 6721 3048

Zürich — Switzerland

Talstrasse 83
8001 Zürich,
+41 44 218 7810