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# Change in the pharma industry is inevitable, but successful change isn't

**This book explores some of the changes and challenges facing the industry and outlines how to ensure that your next change initiative, merger or acquisition is the one in eight that succeeds.**

A high proportion (88%) of change initiatives fail. A similar proportion of business strategies, mergers and acquisitions suffer the same fate. This is not the best news for the pharmaceutical industry given the fact it will be facing more change than almost any other industry. The organisations and leaders who are able to cope with this change may survive. Those who are able to actively embrace the changes ahead will thrive.

The pharmaceutical industry is staring down the barrel of even more tumultuous change over the next few years. Its highly fragmented nature leaves it ripe for further M&A activity - led by emboldened and cash-rich US firms if President Trump, via a low 'repatriation tax', opens the door to the return of an estimated \$675bn currently lying dormant in overseas bank accounts. However, the bad news is that countless research has clearly demonstrated that only 10-30% of mergers or acquisitions succeed.

The industry's patent cliff is nothing new but the targeted, specialist nature of the latest generation of drugs is making it increasingly challenging to deliver a return on investment within the

10-year window that a patent is in force. Ironically, while medicine is becoming far more effective, the financials of the industry are becoming far more challenging.

**'Understand the implications of the change before they come to fruition and engage your people in this exercise'**

Greater understanding of diseases has enabled the design of new drugs targeted at specific strains of a particular disease, which in turn has resulted in smaller potential patient populations - but there is a limit to the price that can be charged for this new drug, however effective it may be (exacerbated by almost every government's disjointed approach to measuring the cost of healthcare and an industry that suffers a dazzling array of middlemen between the drug manufacturer and the end

consumer). When it becomes obvious that the numbers don't add up, major change is just around the corner.

And then there is the problem of public opinion. "We have a ridiculously low approval rating for an industry that saves so many lives," remarked the president of one of the world's pharma giants to me earlier this month. The public ranked the pharmaceutical industry second last in Gallup's 2016 US Business and Sector Ratings. With a net approval rating of minus 23, pharma sits only marginally above the Federal Government and well below lawyers, the oil industry and even the banks. And this survey was conducted before Mylan's scandalous EpiPen price-hike.

Change across the entire pharmaceutical industry is inevitable. Unfortunately, change is rarely successful.

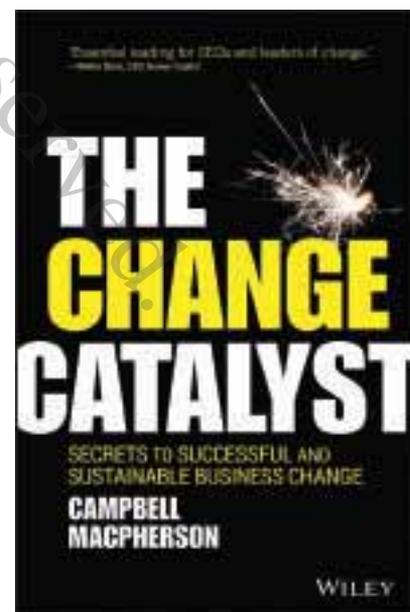
## How do I ensure my next change succeeds?

The ten ingredients to successful change that I outline in the book start with complete clarity about what you are trying to achieve - and more importantly, why. Your people are the only ones who can deliver your strategy, and to do this they will need crystal clarity regarding the outcomes they are being asked to deliver. Clarity of strategy is of utmost importance

in this age where every single component of a pharmaceutical company can be outsourced. You need to be clear about what is core to your company and what isn't.

Understand the implications of the change before they come to fruition - and engage your people in this exercise. Who in the industry realised that targeted drugs would produce a revenue model that no longer made sense - and what did they do about it?

Laser-like focus on the outcomes you require is vital - and to do that I recommend the appointment of a change catalyst - someone who is





neither a programme manager nor a part-time executive, but is a senior business person obsessed with delivering the business outcomes you require. A change process that includes a 'pause for reflection', clear governance and thorough planning is also important.

But, especially for the pharmaceutical industry, genuine communications and genuine stakeholder engagement are critical. Let me repeat the word 'genuine' for a third time. Employees, shareholders, customers, distributors, doctors and governments alike can tell when you are being disingenuous - and they don't respond well. For a great example of how not to communicate, simply observe the mess that 'big food' has got itself into. The way that it has responded to the fact that sugar makes people fat is a carbon copy of the way that the tobacco industry reacted to the fact that its product causes lung cancer - with a combination of denial and obfuscation. Ignoring the scientific evidence that sugar is addictive, accelerates the onset of diabetes and that our bodies

instantly turn half of it into fat is irresponsible and ultimately self-harming. Declaring that its sugar-filled products are 'good as part of a balanced diet' is an insidious diversionary tactic. The likes of Coca Cola, Pepsi, Nestle and Kelloggs look destined to join tobacco companies as society's pariahs - for pushing harmful sugar-laden drinks and foods on to children and profiting from the life-shortening addiction they have encouraged. Don't head down that route. Be honest. Be genuine.

Emotion trumps logic every time. Change fails when leaders fail to take their people with them on the journey. Most change leaders seem unaware that logic alone is completely inadequate - emotions are four times more powerful as a motivator than logic. If you want your change to be successful, you will have to help your people find their emotional triggers. They will need to be excited about the future and they will need to understand what is in it for them, personally. They will need to be engaged emotionally.

You will also need every member of your leadership team to be

strong, committed, aligned and unwavering in their determination to deliver the outcomes they are setting out to achieve. At the first sign that one of the leadership team may be wavering in his/her commitment, the odds of success will start to wane. Not everyone will be capable of making the change that is required. Sometimes, regrettably, it is true that 'if you can't change the people, you will have to change the people'. This goes double for the leadership team.

And finally, develop a change-ready culture. I discuss in detail in the book why people don't like change. We find it extraordinarily difficult - even when it is good change. If they are to embrace a new direction, your people will need help to overcome their fears and concerns. They will need an environment where questioning the status quo is encouraged; where they embrace new ideas to improve the way they work; where they are free to try to fail. Without such a change-ready culture, sustainable change is simply impossible.

Change is tough; hence its spectacular failure rate. And it

always comes at a cost - to the individuals involved and to the organisation as a whole. I advise my clients that you either pay now or pay later - and you always pay more if you chose the latter. So ... be bold, be clear, genuinely engage and be compassionate. Change is all about your people. You need them to fully embrace the new world if you wish to be successful; if you wish them to be successful. For your success can only be achieved through theirs. It seems that not many CEOs or leaders of change appreciate this simple fact. After all, 88% of them fail.



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