Breathing new agility into the pharmaceutical industry

Three steps to create an agile operating model in the new digital, outcome-based healthcare environment

Pharmaceutical, medical device and health services companies are experiencing upheaval, disruption and incredible opportunity. Due to seismic shifts in the fundamental forces driving the industry from a product focus to an outcomes focus, pharmaceutical companies must use this profound shift as an opportunity to drive greater agility, profitable growth and competitiveness. While new performance and value-focused business and operating models are emerging and digital and technological advances are converging, industry executives need greater alignment—and perhaps courage—to effectively navigate the operational changes that will be essential to success in a new healthcare environment.

Accenture surveyed 49 pharmaceutical executives across functions, from around the globe to analyze the challenges and opportunities associated with creating cost-competitive operating models and reinvesting in growth.
Fueling Growth

Our research unveiled three key areas of opportunity for pharmaceutical companies to increase competitiveness and fuel profitable growth in a new healthcare ecosystem.

Pharmaceutical companies acknowledge the benefits of reducing costs, focusing on value and reinvesting cost savings into growth. But less than one-quarter report being positioned to fully optimize and deliver those outcomes.

Pharma companies are also lower than the cross-industry average on several notable operational capabilities. The need to drive new efficiencies is especially crucial as the cost to bring new innovation to market is spiraling for many companies.

Operating Models

Essential to future growth but executives lack confidence in current models’ agility

Pharmaceutical executives recognize that their operating models can enable growth, but few have strong confidence that their current models can support the change needed to respond to the new healthcare environment at the enterprise level, i.e., moving beyond a traditional product focus. As the marketplace continues to shift to an outcomes focus, new business models, operating model efficiency and agility will likely be even more critical.

80% of pharma respondents “somewhat” or “strongly” agree that advanced operating models are an enabler of strategic growth (similar to all industries).

Less than 1/4 strongly believe or have the highest confidence that their company’s operating model is aligned to fuel strategic growth initiatives and can support these activities across the enterprise (compared to 22% in all industries).

Only 10% have complete confidence that their operating model is able to rapidly respond to changing market conditions (compared to 19% in all industries).
Leadership

Misalignment could put agile operating models at risk

More so than other industries, leadership misalignment on priorities and people-related challenges are the strongest barriers to advancing the company’s operating model.

Top barriers to advancing the operating model include:

- **49%**
  Leadership alignment
  (vs. 34% cross industry)

- **43%**
  Lack of right talent
  (vs. 34% cross industry)

- **39%**
  Change management
  (versus 37% cross industry)

Only 8% of pharma execs strongly believe that leadership has the right investments and growth initiatives in progress to achieve the business goals.
Digital

Digital is critical to advancing operating models but highly underutilized

Many pharmaceutical companies are more apt to incorporate digital in the front office, e.g., in commercializing therapies and exploring wearable devices. However, most companies are slow to take full advantage of digital to increase flexibility and reduce operating costs, despite acknowledging its critical role in doing so. From our experience, this holds particularly true in the middle and back- offices.

90% say digital strategies (e.g., insights-based, real-time, customized, scalable) are an enabler of advanced operating models (vs. 83% cross industry).

90% say digital business is an enabler of strategic growth (vs. 84% cross industry).

46% cite the challenge of adding digital capabilities to operations as one of the top #1, 2 or 3 responses regarding barriers to implementing and sustaining cost management efforts.

Pharma respondents prioritize reinvestment in digital lower than other industries, despite ranking it as a top area to reinvest cost savings and making the operating model more cost-competitive and efficient.

45% list digital as a priority area for reinvesting cost savings (compared to 53% in all industries).

Digitizing operations/services was the most frequently selected (at 44%) top #1, 2 or 3 response to increase operating efficiency in the next year.

Expanding into new product/service lines or customer segments (50%) is the most common area for reinvesting cost savings, followed by expanding into new geographies or into new sales channels (48% each).
Three Steps to Drive Growth

Pharmaceutical companies can take three steps to help increase competitiveness and drive profitable growth in a new healthcare ecosystem.

1. Create advanced, flexible operating models

Many life sciences companies are still challenged with being agile and responsive. Pursuing integrated operating models can help fuel growth and provide the flexibility needed to respond to fluctuating market conditions. Externally, look to partners who can provide non-core capabilities and a broader ecosystem to help efficiently and effectively deliver patient outcomes. Internally, seek leaders experienced in data transparency, analytics and insight-generation to facilitate decision-making and decision quality.

2. Align leadership

Misalignment among leaders negatively impacts the organization’s ability to be agile and responsive. Consider journey management efforts to help executives collaborate toward in-common priorities. Relook at the talent required to operate in the future, and ensure you have the right skills, engagement and incentives to delivery on the agility requirements.

3. Fully embrace digital

Digital is the game changer in the move to outcomes based operating and business models. It is simply not possible to move to these new models without fully embracing digital as a strategy to drive both revenue and cost efficiencies. Bolting on digital capabilities is insufficient. Digital should be infused in your entire business strategy to help reduce operating costs and increase agility.

C-suite executives and analysts in 9 geographies and 13 industries surveyed

Accenture conducted quantitative and qualitative research across 13 industries and 9 geographies to analyze the challenges and opportunities associated with creating cost-competitive operating models and reinvesting in growth. Fifty-four percent of respondents were C-suite executives or CEOs of business units. In parallel, Accenture interviewed 65 industry analysts across these industries to understand what external stakeholders measure, value and expect from the companies they cover.


Watch the cross-industry video

To learn more, download the cross-industry research report
Notes

1 Healthcare Disrupted - Next Generation Business Models and Strategies, O’Riordan, Anne and Elton, Jeff; Wiley, 2016.

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