

The background of the cover features a close-up photograph of various pills and capsules in shades of white, orange, and red. The image is overlaid with large, semi-transparent geometric shapes in blue and red, creating a modern, abstract design.

MCE Interviews

Success Factors for Pharma 4.0

**Adopting New Business Models and
Learning Agility**

**An interview with:
François Meurgey**

Success Factors for Pharma 4.0:

Adopting New Business Models and Learning Agility

François Meurgey, a senior associate at Management Centre Europe (MCE) discusses the skills and behaviours required to transform increasing obsolete business models, make a reality of pharma 4.0, and be ready for profound disruptive events

Success Factors for Pharma 4.0

Adopting New Business Models and Learning Agility

The classic organizational structure on which pharma has relied is being transformed. The industry can no longer innovate in the heroic way it once did.

It is having to learn to operate in niches and become closer to users. It is finding itself under pressure to price more transparently. More disruption is likely to follow once Amazon moves into its supply chains.

Agility of response to these challenges will determine who can reinvent themselves as digitally transformed Pharma 4.0 competitors, says François Meurgey, who has strategically launched or marketed four blockbusters, including Prozac, at various stages of their lifecycles, and who now takes a lead at MCE on high-level programmes to improve pharma performance.

Most executives in pharma accept models in the industry are shifting, he says. Even so, they can find it hard to make the break from an historical model that might seem opaque and 'top down' to digital disruptors, but that has proved itself extraordinarily durable and profitable.

So, within pharma, no one is punished for sticking to the conventional script, he argues. Instead, it is those who experiment organizationally who may feel that they are making themselves vulnerable if they make any mistakes, in an industry that is still very suspicious of change.

The end of scale

A combination of genetics, quantum computing and artificial intelligence is changing how drugs are discovered and developed. Research teams spending billions in pursuit of blockbusters are giving way to very focused applications from biotech start-ups. Many of these breakthrough therapies are for rare diseases or increasingly smaller cancer subtypes. Over the last few years, biotechs have consistently outperformed traditional pharma in numbers of NDA and BLA approvals. Big Pharma still takes a lead in the downstream commercialization through mergers & acquisitions. As a strategy, it still involves high levels of risk. One US pharma giant has spent about \$350bn (in constant dollars) between 2000 and 2020 on acquisitions, and distributed another \$100bn in dividends... without having any discernible impact on its market cap since 2000!

User models

Digital is inspiring a switch towards closer involvement with more tightly defined patient groups, and generating data leading the way to more personalized treatments and therapeutic approaches. In response, pharma is organizing itself in smaller, more specialist, cross-functional teams with a greater focus on users. This will require new skills for many long-serving pharma personnel: scientists, for example, may find it uncomfortable to find themselves expected to interact with patients face-to-face, and deal with complex issues like data privacy.



"These days we pay our CEOs to successfully integrate disruption into a business and leverage it."

continued

The patient's pathway

The ethos in pharma might once have been to 'throw' breakthroughs at physicians and leave them to deal with patient care on their own. The pharma industry did not take a genuine interest in patients completing their courses of treatment, so much so that, in most chronic diseases, only half of them ever did.

The 'internet of things' is turning that culture upside down. It is creating a whole series of applications to monitor patients and prompt them to actively manage their health.

So healthcare is now shifting from intervening at critical moments, such as heart attacks, towards preventing them happening in the first place. For pharma, it has radical implications for the types of products – and suites of complete therapeutic 'solutions' - that they may develop in future. Amazon's purchase of PillPack in 2018 was seen as a forerunner of future closer integration between prescribing, dispensing and compliance monitoring, including behavioural modification.

Transparent pricing

Pricing, particularly in the US, the world's most profitable pharma market, is under intense scrutiny from the authorities. Tolerance is running low for an inward-looking, opaque model that sets prices as high as the market can bear. The pharma industry is waiting with bated breath for the results of the 2020 Presidential Elections in the US, which could have devastating impact on their top line and bottom line in the world's largest and most profitable market.

Several countries, including Britain and Germany, are already moving toward a value-based system predicated on prospective measurement of patient outcomes in real clinical practice. The rule in most European markets is becoming a form of Coverage with Evidence Development.

Traditional pricing and reimbursement models are also being upset by the advent of genuinely curative therapies (in HCV, in oncology with CAR-T cell genome editing, and in rare diseases with CRISPR-Cas 9 gene editing) and this is pushing some stakeholders to discuss radically different payment schemes, such as a multi-year subscription (or "Netflix") model based on long-term outcomes.

Ultimately, a model that depends on billions being invested in a drug with no guarantee of adoption cannot be sustainable. It would be unthinkable for an energy company to build a nuclear power plant (which has timelines and costs similar to a major biopharma innovation) without gaining a commitment from a utility to buy its electricity.

Indeed, future leaders of the pharma industry will start putting more emphasis on discussing their value proposition and clinical plans with key regulatory and market access players well ahead of late stage development, in order to gain some assurance of a minimal rate of return.



"The 'internet of things' is turning that culture upside down. It is creating a whole series of applications to monitor patients and prompt them to actively manage their health."

Pharma leaders

As pharma adopts a more open, collaborative culture, the main challenge for its leaders, says Meurgey, will be to develop the ability to speak across all functions and see challenges from different perspectives. 'They can talk to marketing in terms of value and sales. They can talk to regulatory in terms of data and approvability. They can talk to clinicians in terms of patients and feasibility.'

Working teams will be increasingly cross-functional and flexible, focusing on high-priority, high-return projects, with rewards and decision-making processes focused on desired outcomes rather than traditional functional reporting lines. One challenge with this "agile" team structure is to maintain best-in-class functional expertise as well as handle less glamorous - but no less critical - operational pressures while delivering on strategic projects.

Digital pay-off

'The pharma companies who make it to the forefront in adopting digital tools, involving payers and patients closely in their development and launch plans, will be rewarded with faster approvals and better prices,' says Meurgey, who is currently a consultant with several major pharma companies and board member of several Belgian biotechs.

'They will also improve their image when recruiting talent. Millennials expect to work for companies with a meaningful vision and mission, who are sensitive to public health priorities, sustainable business models, and patient needs. 'And, who knows, pharma might even be ready when Amazon gets serious about distributing medicinal products, which will profoundly shake up the industry's value chain.'



MCE Interview with François Meurgey

François Meurgey is a senior associate at Management Centre Europe (MCE) and is a French-born pharma professional who has spent half his career in the US and half in Europe. In the US, he strategically marketed and launched new products for Eli Lilly and Pharmacia. In Europe, he held a series of senior marketing roles in midsize pharma, such as UCB, and several biotech companies. He now consults and trains extensively in biopharma issues. He has co-authored six peer-reviewed journal articles and two book chapters, on the 'Commercialization of Regenerative Medicine in Europe', and 'Social Media Strategies in Healthcare'.

Management Centre Europe (MCE) has developed specific programmes for the Pharmaceutical and Biotech Industries including the top seller "5-Day Mini MBA for the Pharma and Biotech Industry" and will be soon launching programmes for Sales Managers, Brand Managers, OTC and more.



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