


**Pharmaceutical Sales Force Transformation:***Meeting The Human Capital Challenge*A close-up photograph of a person's hand holding a clear plastic pill bottle with a white cap. The bottle contains several yellow, diamond-shaped pills. The person is wearing a dark suit jacket, a white shirt, and a dark tie with a small pattern. The background is a solid yellow color.

In April 2009, a Federal court upheld a Vermont law that allows physicians to opt out of having their prescribing data sold to health information firms and drug makers. Since 2006, 22,000 physicians had signed up for the AMA's Physician Data Restriction program, opting to keep their prescription information private.<sup>1</sup> Pharmaceutical companies have historically used this data to tailor their discussions with physicians. In addition, doctors do not have the time to entertain visits from sales representatives during their office hours. Furthermore, the government and the general public have soured on the manner in which life sciences companies have traditionally marketed their products, targeting physicians using newly minted marketing graduates and hard selling tactics.

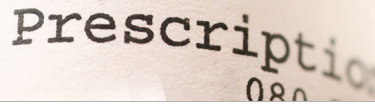
In response to these market shifts, most life sciences organizations are undergoing some form of transformation of their sales force. This involves redefining the sales strategy to better align with what physicians, payers, and patients need and changing the way the sales force targets each group to ensure maximum profitability for their organization and value for their customers.

As pharmaceutical sales organizations continue to refine and adjust their approach, they need to consider these questions to maximize the effectiveness of the new strategy:

- How do I adapt our organization to the new realities faced by my sales force?
- How do I master the human capital—or people—element of sales force reorganization?
- What are the risks if I ignore the impact of this critical element to transformation?

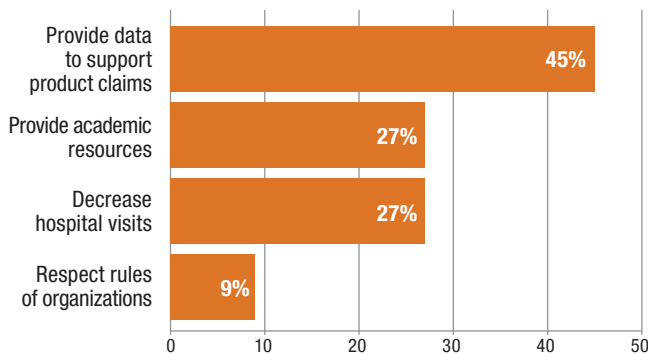
**The doctor's perspective**

Life sciences companies have several different customers: patients who need their product, doctors who prescribe their product, and payer organizations who cover the cost of their product. A major call for change comes from one of these customers in particular: the doctors. To better understand their perspective, we went directly to the source and talked with doctors in varying specialties. It was evident that doctors are taking notice of the new sales environment. From consolidation and layoffs of reps to the increase in regulations, physicians are well aware that times are changing. Interestingly, half of respondents said the changes had no impact on their ability to stay informed of current products, and 20% feel these changes (less rep contact) have actually improved their ability to stay informed.



This should be an indication to sales organizations that what they are doing currently is not meeting doctors' needs. Consider key elements gathered from the survey:

- 45% of doctors said they expect sales reps to provide unbiased information on the benefits of their product. In addition, physicians would like reps to provide educational resources, decrease hospital visits, and respect the rules of the doctor's organization.
- Collaboration between pharmaceutical companies, doctors, and professional societies are on the rise, and almost 60% of the respondents viewed this as a positive way to learn about new products, network, and share information.
- Doctors view sales reps as biased, pushy, and even aggressive and feel they are intrusive when visiting the doctor's office, taking up time that should be spent treating patients.



**What do you expect from sales reps to better serve you in the future?**

It was also clear from our respondents that although doctors find their current relationships with sales reps to be uncomfortable, they still want reps to be involved in the product education process, just in a different setting:

“... we want instructional dinners and events away from patients. Less frequency, but more specialized, less marketing but more access to information.”

Doctors do not want the reps to disappear; they just want reps to listen to their needs. Marketing materials are not what allow physician to feel confident in prescribing a new drug product. They require hard facts that can be referenced when making treatment decisions.

In order to remain competitive, life sciences companies need to take a close look at their sales organizations and ensure the groups are organized, trained, and equipped to meet the needs of the doctors.

**Yes, it is transformational change...**

Companies such as Solvay Pharmaceuticals, AstraZeneca, Shire Pharmaceuticals, Ortho-McNeil Neurologics, and Merck have considerably transformed their sales strategies in order to meet present day challenges by adopting new approaches.<sup>2</sup> Examples include customer-centric organization structures, use of highly skilled reps and medical science liaisons, peer-to-peer influence tactics, outsourcing of the sales function, and increased use of technology and alternative sales channels.

Take a few minutes to assess your organization's transformational maturity by answering the questions below:

In the past 18 months...	If Yes, then...
Have you reduced your sales force by more than 10%?	Did you utilize any talent management strategies in deciding whom to keep and whom to let go?
Have you outsourced some or all of your sales functions? Have you changed the responsibilities of your staff significantly?	Have you changed the sales force job descriptions, competencies, and/or performance measurement to reflect the changes you made?
Has your sales staff moved from general sales pitches to more specialized and targeted conversations with physicians?	Have you implemented a training plan to equip your staff with the new skill requirements?

Figure 1: **Has your sales force undergone transformational change?**

**...And it's about people!**

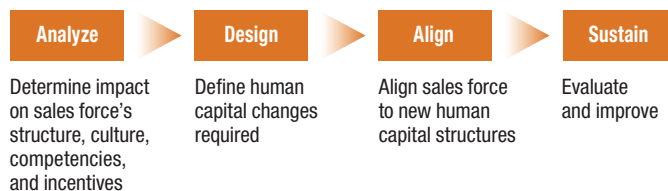
The pharmaceutical sales force of the future will be dramatically smaller, more agile, and require new skills, including an education in science or health, greater understanding of specific complex diseases, and the ability to negotiate with powerful payers and medical specialists. Its focus will no longer be just selling products, but also better managing health outcomes through a full complement of health management services, including health screenings, compliance programs, and nutritional advice. Many pharmaceutical companies may find themselves lacking reps with the adaptability and skills to deliver results once their new strategy is in place.

At the heart of every sales force optimization project is really a human capital transformation. The goal of realigning the sales force is to change how the reps interact with physicians, pharmacists, payers, patients, and other reps in order to maximize profitability. Unfortunately, merely implementing new technology or processes is not enough to change behavior. You need alignment of key structural components with your strategy, alignment of:

- The culture of the organization, which determines sales reps' perceptions and behaviors
- The organizational structure, which determines reporting relationships and accountability for decision making
- Competencies, which determine the ability of reps to perform their jobs effectively, and
- Incentives, which motivate reps to follow established processes.

### Implementing a winning human capital sales force strategy

Successful organization change has four key stages: analyze, design, align and sustain. Most companies are successful with the first two phases but struggle when working to align their people and sustain the changes made. Below is an exploration of these phases.



#### Step 1: Analyze

The development of a coherent sales strategy should be coupled with a human capital strategy to support its reorganization. Determine how the sales force will change in response to the new strategy and the implications of those changes for the organization's structure and its workforce as a whole.

A significant shift will require an overhaul of the sales organization's structure. The degree of change required and the organization's culture will serve as key inputs in determining the new structure.

This then has implications for the company's hiring criteria, as well as the performance measures that the organization

uses to appraise its sales employees. Changing the hiring criteria will ensure that the organization is hiring reps that can successfully execute against the new strategy, while changing the performance measures will ensure that the organization is accurately tracking the performance of its employees.

Identify all the human capital elements that need to change to ensure the organization is not blindsided by unanticipated human capital impacts. Our survey of physicians revealed a number of potential changes to the life sciences sales force; below you can see the connection between the suggestion and the resulting human capital impact.

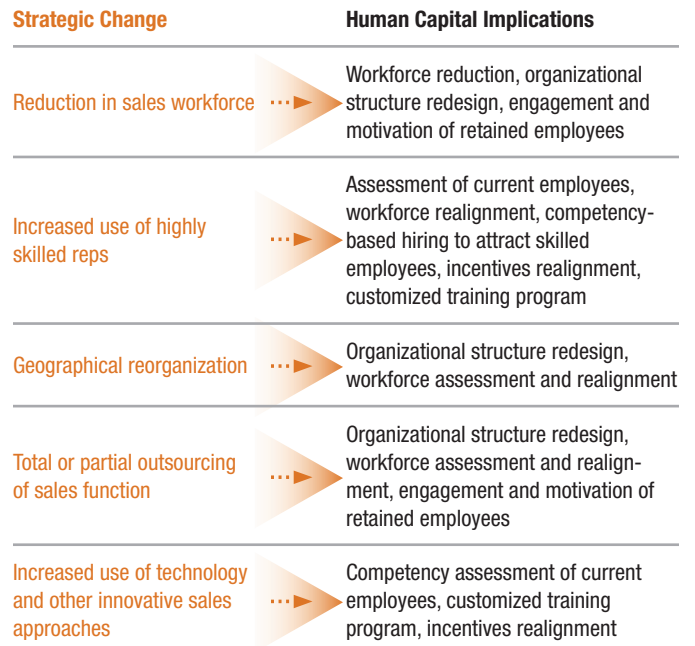



Figure 2: Examples of strategic changes and some of their human capital implications

#### Step 2: Design

The next step is to design the new organization structure, as well as any supporting human resource processes and tools to support the transformation. New competencies may need to be developed, job descriptions updated, new training curriculum created, and recruiting processes reviewed. Incentive structures and performance appraisal processes may also need to be reviewed. The design phase will identify and define deliverables and the end state.



### Step 3: Align

The next step in the process is to align existing employees to the new structure. This is done by first defining the competencies required to fill each new position in the organization and then assessing current employees against those competencies.

An organization with a comprehensive and objective performance appraisal process will find this step relatively easy to accomplish. Past performance appraisals will have identified employees' strengths, weaknesses, and career objectives. This information should be used to identify if employees have the knowledge, skills, and experience to succeed in the new role.

Engagement is a very important element of the assessment. Pharmaceutical companies need employees that are not only competent, but willing to make the changes being implemented. If employees are not engaged, they are more likely to return to the old way of doing things, thus sabotaging the change efforts. Clarkston recommends assessing employees based on both their competencies and their level of engagement.

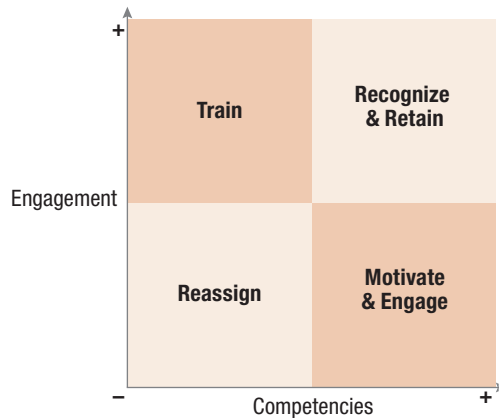


Figure 3: **Employee assessment model**

Engagement is essentially a battle for the employee's heart and can sometimes be more difficult to attain than simply training already engaged employees to be more effective at their jobs. Any organization using this model should look critically at employees that fall within the bottom right and top left quadrant in determining which employees to retain or reassign.

Change management is a critical element of the alignment phase. Change forces people to alter the way they work and renders them temporarily less competent until the new way is mastered. The initial reaction is often resistance.

The change becomes more personal when it impacts their fit within the organization and how they are rewarded. Change of this kind will meet a higher level of resistance making the change management effort all the more important.

### Step 4: Sustain

After the transformation of the sales force is complete, careful monitoring will ensure that the transformation continues to be successful in the future. Establishing a practice of continuously improving the organization's structure and HR practices is the best approach to ensure that it can evolve as quickly as the market does.

Clarkston strongly encourages life science companies making strategic shifts like these to recognize the importance of carefully implementing change management to ensure the success of their transformation efforts. We emphasize the importance of recognizing that strategic changes should be coupled with corresponding updates to the organization's human capital structures, in order to ensure the long term success. Clarkston can provide the needed guidance to lead your successful sales force transformation.

1 "Court upholds Vermont law on prescribing data privacy," *American Medical News*, May 11, 2009.

2 "The new sales force," *Pharmaceutical Executive*, May 1, 2009.

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