

Confronting change fatigue in the pharmaceutical industry

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A decade of restructuring and transformation efforts has taken a toll on organizational health.

What are the organizational implications of a rapidly changing external environment? For clues, consider the pharmaceutical industry, which has been under stress for several years. Increased governmental pricing scrutiny has been one source; another has been the expiration of lucrative product patents. At the same time, digital and mobile technologies have altered relationships with physicians and patients, and the need to tap into new markets has increased organizational complexity.

The industry has responded with restructuring, acquisitions to fill product pipelines, and cost-containment efforts. But our research suggests that change fatigue has set in. We surveyed nearly 20,000 pharmaceutical employees at 22 companies between 2006 and 2013 and compared their responses with those of nonpharmaceutical workers on the dimensions measured by McKinsey's Organizational Health Index (OHI). According to this analysis, the health of pharmaceutical companies deteriorated after 2011, and by 2013 the industry ranked below the average of other global ones on most dimensions (exhibit).¹

Our data suggest that many pharmaceutical workers crave clearer direction as they try to cope with rapid change. Another finding is that executives may be overemphasizing near-term goals through leadership styles that are increasingly authoritative and less consultative. The distraction of restructuring also seems to be hurting the ability of pharmaceutical companies to absorb new external ideas, as well as their relationships with key stakeholders, such as governments, patients, and physicians. If the pharmaceutical sector is a canary in the coal mine, many industries may need an organizational reset during the years ahead. ○

¹ The Organizational Health Index database used in our analysis comprises 22 industries and measures 37 management practices that contribute to nine organizational outcomes. No pharma company (when scores were averaged) was in the top quartile and, significantly, industry health diminished across six of the nine measures.

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Measures of organizational health in the pharmaceutical industry have worsened since 2011 – and pharma ranks below the average of other global industries on most dimensions.

Difference in score between pharma sample and global average



Source: McKinsey's Organizational Health Index database comprising 22 industries, 700 organizations, and 1.5 million data points; 2006-13 survey of ~20,000 pharmaceutical employees



For the complete findings, see "A health check for Pharma: Overcoming change fatigue in the pharmaceutical industry," on mckinsey.com.

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