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Change lessons from pharma and med tech

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Industry leaders emphasize the importance of four management practices in a transformation.

Few industries are facing as much external change as pharmaceuticals and medical products, whether it be sustained global demand and the need for drugs and devices, accelerating cost pressures on health systems, growing complexity in emerging markets, or the disruptive effect of new technologies in therapy and care provision.

Pharma and medical-device companies need to respond, yet we know many companies struggle to pull off the sort of root-and-branch transformation that would enable them to thrive in this turbulent environment. In fact, our research has shown that only one in five healthcare transformations truly succeeds, an even more dismal outcome than the one in four across industries as a whole.¹

In recent interviews we conducted with four senior executives who have been through a transformation, all emphasized the significance of instilling purpose and meaning, as well as the crucial importance of communication. More specifically, their comments add weight to detailed findings from our research that four practices, when done well, materially increase the odds of transformation success: communicating openly, leading by example, engaging employees, and creating an environment of continuous improvement.

Communicating openly

When senior managers talk to employees regularly about how a transformation is going, the whole company is more likely to maintain a sense of direction—something that has declined dramatically in the healthcare industry over the past few years.² Companies that lack a clear sense of direction run the risk of change fatigue and may see their transformation burn out before it can take off.

“If you’re an employee, you may not know how your leaders feel, but when your chairman stands up in public to support your company’s direction, it’s very visible,” said Pascal Soriot, the executive director and chief executive officer of AstraZeneca, stressing the importance of open communication as the company evolved. “The whole leadership team communicated extensively inside the company, and a few went outside to communicate, too.”

¹ “How to beat the transformation odds,” April 2015, McKinsey.com. The sample included responses from 1,946 executives representing the full range of regions, industries, company sizes, functional specialties, and tenures. Among these respondents, 1,713 executives had been part of at least one transformation in the past five years at their current or a previous organization. The pharmaceutical and healthcare sample included 127 executives.

² See Gayane Gyurjyan, Ioana Parsons, and Shail Thaker, “Confronting change fatigue in the pharmaceutical industry,” *McKinsey Quarterly*, September 2014, McKinsey.com.

Leading by example

Even the best-designed transformation program is unlikely to rally the organization behind it unless leaders behave in a way they want others to emulate. And that doesn't apply to senior executives alone. Middle managers in commercial, research and development, operations, and other areas need to be equally visible as role models: a sales manager, a lab manager, or a plant supervisor can make all the difference. Indeed, one top 15 pharma company found its frontline transformation had no impact on customer experience until it took the time to prepare district managers—through the introduction of champion academies and other skill-building efforts—to lead by example.

Many CEOs understand intuitively the importance of role modeling. “You have to get out there and deliver your message in person. Some things can't be delegated,” said Vincent Forlenza of Becton Dickinson. “I put a lot of energy into onboarding new people and supporting them when they are trying to change a region, say, or rethink our innovation process.”

Engaging employees

Most leaders recognize that employee engagement is central to the success of a transformation—and to business performance in general. “To mobilize everybody, we had to work on involvement, engagement, and communication,” said Jane Griffiths, group chairman of Janssen in Europe, the Middle East, and Africa. “After five minutes, I would have thought, ‘Well, everybody must get this now, let's move on,’ but clearly that's not how it works. If anyone asked me for advice, I would say, ‘Don't overestimate how much people take on board. In fact, underestimate it so that you go over the top a bit more.’” Maintaining a constant stream of communication about a company's programs and vision is critical.

Fostering continuous improvement

A transformation is not an end in itself. To sustain the momentum of change, especially in today's volatile environment, companies need to plan for continuous improvement. In practical terms, that requires a culture of scrutinizing daily work and finding ways to do it better. Explaining what that means for his business, André Wyss, president of Novartis Business Services, said: “We continuously have to examine the technology, tools, and services we offer in order to find ways of making them even faster, more flexible, more consistent, and more cost efficient.”



Change fatigue has become a reality for many companies in the sector, with changes in the stakeholder landscape, pipeline renewal, a wave of mergers and acquisitions, and other restructuring efforts. But we believe further transformations are required, and companies must

learn to apply these four simple practices at scale. Our interviews provide inspiration and, more generally, suggest how other leaders can turn adversity to advantage and shape their organizations for an uncertain future. [□](#)

For more, request a copy of the full report on which this article is based, *Voices on transformation: How to sustain healthcare transformations*, on [McKinsey.com](#).

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