It's all in the execution

The hardest part of effecting meaningful change is not in the strategy, but in the execution. Tony Swift examines critical success factors in change management and how they can drive performance in pharma's transformation towards a Key Account Management structure.

Last month's article, 'Making it all work', explored how pharmaceutical companies are managing the transformation to Key Account Management structures. Rather than a comprehensive review of all factors involved, the article primarily focused on the role of organisational structure and the deployment of appropriate personnel when going through the change process.

Since it was published, I have received some valuable and insightful feedback from readers about their own experiences and why, in their view, the transformation process has not worked, or has taken longer than anticipated. As a consequence, this month, I examine in greater detail other key factors in the change process.

The feedback I received made it clear that failures in implementation had little to do with strategy or with a lack of understanding of the marketplace. This is not surprising – pharmaceutical executives usually understand their market extremely well and, in the majority of cases, are able to produce robust strategic plans that address the challenges facing their companies. The problems readers encountered in their organisations were often executional in nature, and involved difficulties of driving through change. Again, this is not entirely surprising as change management is very tough, and is problematic for executives in all industry sectors. However, these difficulties are often grossly underestimated when embarking on major change.

This article explores three key areas that can help ensure the transformation process works. These are:

- The role of power in any organisation or team to drive through change
- How to affect the change in culture required to adapt to the new world of working
- Ensuring there are appropriate short-term objectives, incentives and controls to drive change through.

Power

Primarily, the KAM transformation process needs the support of the people in power in order for it to be successful. This may appear somewhat obvious, but, it is often the absence of such support that is quoted as a major reason for failure. Those in power must be convinced that the transformation to a KAM structure is a fundamental foundation stone in achieving the company's strategic goals.

Yet, even defining where the power resides can be complex. For example, a leader of a KAM team may define power as existing in the following areas:

- The heads of sales and marketing in the organisation
- The CEO of the UK company – and other board members
- Abroad – if the organisation is multinational
- Aligned departments or units if they exert influence on one or more of the above.

It is often relatively easy to assess whether the appropriate power is in place or not. Organisations where it is in place are rarely blown off course by short-term hiccups – and they are acknowledged as just that. Where it does not exist, the conversations start relatively early about the need to change course or go back to the old ways of working.

Of course to ensure continuing support, it is important that the change to a KAM structure produces clear, measurable and positive value-added results. If these results cannot be seen, the support for the change will start to disappear. This is often the crux of the problem with KAM teams – processes for appropriate measurement and communication are often absent. This then leads for calls to revert back to type and use measures such as those based on share of voice.

A KAM team leader cannot always influence where power lies in the organisation, but the leader can heavily influence how the team is measured, works towards meeting objectives, and how the measurement of the team's success is communicated to other parts of the organisation.

CULTURE

Last month I referred to the fundamental changes involved in becoming a KAM based business:

"…many sales functions in pharmaceutical companies have historically been based on a traditional command and control structure. Here, the sales management instructed sales representatives on which HCPs to target, how many times they should be called on and exactly what to say during any meeting with them.

Within the new model however, many of these individuals are now faced with adapting to a new environment where decentralisation, decision making, autonomy, P&L accountability are now among the order of the day."

Some of these changes can only be driven by changing the culture, beliefs and behaviours of individuals within the business. For me, one of the most interesting studies in culture change can be found in Lou Gerstner's book, 'Who Says Elephants Can't Dance – Inside IBM's Historic Turnaround'. In the book, Gerstner explains that he came to believe that an organisation is nothing more than the collective ability of its people to create value. However, to change the attitude and behaviour of many people is "very, very hard to accomplish. Business schools don't tell you how to do it….you can't simply give a couple of speeches or write a new credo for the company and declare a new culture has taken hold".

For Gerstner, the key to changing culture is that a leader should create the conditions for transformation. Creating the conditions involves a focus on changing behaviours which can then lead to culture change. He went to great lengths to explain the behaviour changes required in the company at all levels. Some examples of these bear resemblance to the changes required when moving to a KAM-based business.

Required behavioural change

From	To
Product out – I tell you	Customer in – in the shoes of the customer
Do it my way	Do it the customers' way – provide real service
Relationship driven	Performance driven and measured
Not invented here	Learning organisation

Defining the behavioural changes required during a transformation process and a plan for driving behavioural change is a valuable tool in a change process and one not often seen in the commercial world. A successful implementation of a KAM-based business can only occur when behavioural change occurs, and this can be encouraged by:

- Bringing new people into the organisation
- Changing organisational structure
- Short-term objectives, incentives and controls

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Short term goals

'Making it all work' examined the first two points above in some detail. Here, we look at how a successful strategy can be executed by translating it into short-term, measurable operational objectives. A recent and comprehensive report into Key Account Management practices in the UK indicated that:

- Pharma has still not implemented metrics that accurately track the outcomes of KAM programmes
- There is general consensus on what to measure – account plan development, quality of engagement with customer, sales progress, tactics that work etc – but attitude (culture/behaviour) dictates whether measurement is effective
- Over 70% of companies still measure on-call rates.

Given the findings of this report and the importance of short-term, measurable objectives, it is little wonder that pharma is struggling with KAM implementation. Furthermore, it is possible in these situations that incentives and controls established to support the execution process are ineffective and possibly damaging.

Good incentives have to be tied to the right short-term objectives and must reward the right thing. Similarly effective controls provide feedback on performance, reinforce execution, and provide a corrective mechanism if things go wrong. If the company has inappropriate short-term objectives and/or they cannot be measured, it cannot have effective control mechanisms.

Implications for managers

Whilst management faces many challenges during the change process, what about Key Account Managers on the front-line? In recent years, many sales representatives have faced – and indeed some are still facing – the prospect of their jobs becoming redundant and having to apply for the new role of Key Account Manager. For many this is an exciting new opportunity. For others it may represent simply the opportunity to stay in employment.

To transition successfully to the new role, individuals need to understand:

- A KAM role requires changes in behaviour from the past
- KAMs need to fully understand what success looks like and how it is measured. In practice, management is often slow to clarify objectives and metrics and in such cases KAMs must push hard for clarification.

Conclusion

The move towards a Key Account Management structure demands that management teams concentrate on the execution process required to drive change. Yet pharma is not unique when striving for change in an organisation, as these challenges are also being faced in other sectors.

The hardest part of any change process is not strategic, but executional. I believe that if companies systematically address the following areas, then the chances of success will rise exponentially:

- What is the appropriate organisational structure to drive through the change?
- How does this change the roles and responsibilities within the organisation?
- What types of people are required in those roles and responsibilities?
- What cultural and behavioural changes are needed in the organisation?
- What short-term objectives, incentives and controls should be established to drive the changes required?
- How is the organisation going to measure success and how is that success going to be clearly communicated around the organisation?
- Where does the power in the organisation lie and is it fully supportive of the strategic objectives of the change process?

Pharma companies will succeed in transforming to a KAM model – there is simply too much at stake and too much expertise in the sector for it not to happen. It really is about how painful the transformation process is, and it is how the execution/change process is addressed that will dictate that.

Quick Read

- The failure to successfully implement Key Account Management approach is currently down to poor execution and difficulties in implementing change – despite talented and knowledgeable executives.
- For successful implementation, those in senior roles must be convinced the switch to KAM will be worthwhile and help achieve company goals
- A change in culture is also important. Leaders can do this by creating conditions needed to focus on change
- Successful transitions can be completed by creating short-term, measurable operational objectives – yet phama has not implemented measureable metrics yet
- Pharma will eventually succeed in transforming to KAM – how painful the switch will depend on a smooth execution of change.

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