



Making it work



The switch to Key Account Management is one more companies are introducing to tackle current challenges. Apodi's Tony Swift highlights the principles of effective execution and making a strategy work for a smooth transition.

More and more companies are now addressing the changing healthcare market by transitioning the sales process from one which primarily involves representatives engaging with healthcare practitioners on a 'one-to-one' basis, to the establishment of Key Account Management (KAM) teams. The rationale for this change is irrefutable. Access to GPs is increasingly difficult and the 'customer' now represents a series of more complex accounts with numerous stakeholders and influencers. Furthermore, decision making is both at a national and regional level and there is now a greater need than ever to focus on local healthcare economy needs and requirements.

As a result, pharmaceutical companies have established, or are in the process of doing so, KAM teams in which individuals have increasing responsibility and autonomy in addressing the needs of their customers at a local level. Some pharmaceutical

companies have even taken the model further and given team members, or a small collection of them in a specific locality, P&L responsibility – essentially establishing micro business units within the team itself.

A different approach

Some years ago it could have been argued that any company transitioning to the KAM model was differentiating itself from the competition. This argument is much more difficult today because most pharmaceutical companies have moved, or are moving this way – in short, almost everybody's doing it.

However, there is still a key source of competitive advantage in this environment – and that is to actually make the new model succeed. Our research, and the feedback we have received from companies trying to adopt the new model, is that the execution process is much more difficult than originally anticipated. The type of feedback we receive often

includes the following observations:

- Account managers do not appear to be acting in any materially different way than the sales representatives of the past
- They are adopting the new model at vastly different rates with a small number leading the way and the rest struggling to come to terms with the new strategy
- The move to more local autonomy is creating confusion about the role of the centre and its interaction with the decentralised function.

Difficulty of execution

So why is it that so many companies are finding the execution process more difficult than anticipated? The primary reason is that there is often an underestimation of the scale of the organisational change required.

For instance, 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 and P&L accountability are now among the order of the day. Given the above, managements' task of transitioning the organisation from the old to the new model requires considerable skill, focus and expertise.

A decentralised approach

Many management commentators argue that decentralisation is a panacea for all ills. If executed effectively, in an appropriate environment, this structure can deliver enormous benefits to an organisation. However, the move towards decentralisation

often creates a number of serious problems which, if not addressed directly and quickly, will significantly impact on performance.

These problems are as follows:

A lack of expertise: a decentralised structure almost always requires an increase in expertise in the key roles within the structure. For example, increased knowledge will be required by employees **AND** management to solve problems, address more complex customers and, in effect, run businesses – particularly if P&L account responsibility is part of the role.

Inertia: many employees enjoy going to work in an environment where they understand exactly what the day will bring; the common challenges they always face and, in exceptional circumstances, being able to refer any unusual problems to their line manager. In a new environment where their decision making authority is increased, many employees will be reluctant to do things differently and may continue behaving much as before.

Lack of responsibility: the new environment is a scary prospect for some people. The last thing they want is more responsibility and a fear of failure and an inability to work in the new way paralyses them – again leading to ineffective execution.

At Apodi we have looked at specific pharmaceutical companies that are struggling with the implementation of KAM teams and researched the reasons for their difficulties. In every single example, one or more of the problems outlined above was prevalent – and in most cases all three problems coexisted together. In fact, some of our own executives have reported their own first-hand experiences of working with companies in which the almost evangelical zeal and enthusiasm of top management continued unabated whilst chaos reigned and they failed to achieve an effective transition.

The way forward

As we have seen, the execution process can be difficult. And because of this, it is critical that a clear procedure for managing an effective transition is implemented. This process needs to address the following:

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1. Identify clearly the strategic intent of the company, including the projected benefits of changing the model and how these are to be measured
2. Given the strategy noted above, clearly identify the role of the centre and the role of the decentralised units and how these might evolve over time. In our view, companies are often too ambitious in managing the transfer of responsibilities from the centre to the divisions or KAMs. Clear standard operating procedures need to be driven from the centre in the early stages and KAMs need to understand the rules that they are expected to work to. Think carefully about giving newly formed KAM teams P&L account responsibility. It may be better to transition to this over time, and in some cases, not even to go this far
3. Identify very clearly the roles and responsibilities of management and KAMs at all stages in the change process
4. Given the roles identified in the new structure, carefully recruit the appropriate personnel. Implement a training and development programme focussed on areas such as the role of Key Account Management, the implementation of a complex sale, general business disciplines and other skills
5. Management need to quickly identify any KAM team member who cannot make the leap to the new world of working and deal with this appropriately
6. Instil best practices across the whole KAM team by establishing effective coordination and information sharing processes
7. Establish effective incentives to drive the performance required
8. Put in place appropriate controls, feedback, learning and corrective action processes to improve performance. Key to this is the management team that drives KAM performance. This team needs to be highly experienced and knowledgeable about the requirements of KAM teams and how to manage a change process.

Leading the way

As ever, the role of the leader is absolutely critical in driving through the changes to address the needs of the new healthcare economy. Whilst the development of a sound strategy is critical, it is also the relatively easy part of the process. In every pharma magazine, nearly all consultants and most competitors will support the notion of moving towards a KAM driven business.

However, it is the effective execution of this transition that the leader should focus on. They will also invariably experience many of the challenges that are common to such change programmes, such as internal politics, resistance to the new way of operating, lack of appropriate skills within the team

Quick Read

- Pharma is turning away from a traditional sales model to a Key Account Management (KAM) approach
- Despite the widespread switch, pharma companies can gain competitive advantage by succeeding where others have failed, or are failing
- A decentralised approach can offer enormous benefits – if implemented appropriately
- A clear plan for managing an effective transition to KAM should address factors such as, identifying the strategic intent of the company, setting clear roles and responsibilities of management, and effective incentives to drive performance
- Strong leadership is crucial during the transition towards a KAM driven business.
- Companies that have the management capabilities to execute change most effectively will gain a competitive advantage over its competitors.

and so forth. It is because of this that a leader needs to draw on commonsense business disciplines to be successful. It is also crucial that the immediate management team are able to do the same. Therefore, before embarking on the process, it is important to make sure that the management team is capable and ready to execute change.

As I noted at the beginning of this article, many companies are implementing similar strategies. It is therefore logical to assume that, everything else being equal, it is the company that has the management capabilities to execute these changes most effectively that will gain a competitive advantage over its competitors.

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