

inbox

Have your say.
Email claire@pharmatimes.com

Is business complexity killing pharma profits?

From Professor Simon Collinson, professor of international business and innovation at Warwick Business School and research director at management consultants Simplicity



Dear Editor,

In your April issue you carried the story that Novartis plans to substantially reduce its drug development and manufacturing operations in the UK – part of moves to seek large productivity gains by cutting spare capacity and redirecting capital within the group.

As Novartis hit the headlines, Warwick Business School and the Simplicity Partnership had just published *The Global Simplicity Index*, a study of the 200 largest companies in the world. The study found that, on average, these companies waste 10.2% of their annual profits (\$1.2 billion) each year through 'bad complexity'; in Novartis' case driven by acquisitions, high R&D intensity, over-engineering of processes and its wide portfolio of operations across a large number of therapeutic areas.

Our study found that companies that spread themselves too thin across businesses, geographic regions and/or markets, risk creating unnecessary complexity and alienating both customers and employees. Likewise, strategic moves such as Novartis' string of acquisitions may initially appear to add value, but often result in increased complexity, strategic misalignment and poor organisational coordination between sub-divisions.

Novartis, Pfizer, Roche and Johnson & Johnson are all identified as companies that have reacted to external complexity less effectively than their competitors, such as GSK. In order to improve profits, complexity reduction needs to take centre stage within the pharmaceutical industry and companies like Novartis need to learn from their competitors.

Waking up to manufacturing issues

From Hedley Rees, managing director, Biotech PharmaFlow

Dear Editor,

Manufacturing and supply in this industry has never been in such turmoil and under such attack by regulators globally. When will the chief executive officers and executive teams in pharma realise the world has changed?

Recently, Teva's CEO had a conference call with analysts where he tried (with difficulty) to explain a \$70 million hole in the finances because of manufacturing issues. Bill Weldon, CEO of J&J, is plagued by manufacturing problems knocking chunks out of the company's credibility and customer trust. This is in the wake of a court Consent Decree being raised against J&J and intense scrutiny from a high profile US Congressional Committee.

Who would argue that those companies operate in ways that are materially different from the rest of the industry? The writing is on the wall for those with their heads in the sand – and it is not just the regulators driving change. Geoff Frew's comment in the May issue of *PharmaTimes* Magazine tells of how Eric Low, at Myeloma UK, is single handedly more than halving drug development timelines compared with the industry norm – patient power is rising apace.

It is difficult to see how pharma can recover from the manufacturing malaise that now pervades the industry, given the extent to which control has been outsourced to third parties. Let us hope that others take a lead from Eric and start making the products themselves!



60 seconds with...

Georg Toufar,
Director of European
Marketing & Sales,
Mundipharma
International Limited



What does value in healthcare mean to you?

The pharmaceutical industry's value equation looks differently today

than it did ten years ago when we were at the tail end of an era of blockbusters. Today we are expected to do more with less and at Mundipharma our value proposition is focused on delivering innovations that don't just win plaudits but which make a tangible difference to the lives of patients in a cost-effective way.

How would you define success?

The success of a product is ultimately reliant on its attractiveness to the consumer, and stakeholders measure that based on a value scale that reflects both cost-efficacy and innovation. Importantly, innovation is no longer a tick-box exercise but part of a process that recognises unmet needs and addresses them in a way that is attractive to patients, physicians and payers.

Can the industry deliver value and success at the same time?

Value and success go hand in hand but they do require a company to be listening to what is going on around them. For too long our collective drive towards success has been focused on inside-out innovation. At Mundipharma we challenge ourselves to listen carefully to patients, doctors and policy makers – stakeholders that ultimately govern the success of all our innovations.

www.mundipharma.co.uk

