



ELEVATE

Seeing the Big Picture: How Business Acumen Can Help Medical Affairs Deliver Value



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Medical Affairs leaders want to be more effective and valuable. They want to secure their seat at the table and influence decisions, impact company performance, and deliver better patient outcomes. To do this, they need to understand the “big picture” of the business and grasp how their decisions and actions contribute to long-term profitability and growth. Or in other words, MA leaders need strong business acumen.

Many MA leaders, though functionally brilliant, may not count business acumen as a core skill. But they are not alone. Harvard Business Review confirms that 95% of employees do not fully understand their company’s strategy. “This is not an indictment of Medical Affairs leaders, by the way,” says Ben Cook, President of Acumen Learning, a training organization that specializes



in business acumen training and counts 23 of the Fortune 50 among its client list. “Pretty much every function is represented in that data point. But the net effect across the board is the same. I like to compare it to a commercial I recently saw – there’s a guy in a suit diligently clearing and scraping snow from his car but then he discovers that it’s not actually his car. MA can likewise focus too much on their function and technical expertise, only to find themselves expending energy in ways that are not aligned with the company’s objectives.”

According to Cook, MA speaks the language of Medical Affairs fluently, but they lack the business acumen needed to speak the language of business. This inability to speak the same language as the C-suite is hampering MA’s influence. “If you are making a recommendation but you’re not speaking the language of the executive team, it’s not fitting with where they’re trying to go, so the ability to gain access to resources in order to fulfill that vision is certainly not going to be there in most cases. So, we have to align our priorities and focus on areas that the executive team, who sign off on these decisions, are most attentive to. Our credibility, our access to resources, and our ability to partner is best enabled when we understand where the company is going. We need to start asking, ‘Are we [scraping the right windows?](#)’”

Untapped value

Another driver for MA to build its business acumen muscle is the growing requirement for MA professionals to interact with C-suite executives from health systems and health plans as well as other decision-makers who are responsible for market access and formulary decisions. Effectively playing these roles will likely require different skills and competencies that have not traditionally been central to the MA function. “The circle of medicine development, licensing, reimbursement and commercialization requires the creation of value for all stakeholders and being focused on sustainable value generation is thus a must for Medical Affairs professionals who play a pivotal role in all aspects of this circle,” says Michael Zaiac, Head of Medical Affairs Oncology, Region Europe, Novartis.



Armed with business acumen, MA can operate a number of levers both internally and externally to drive value. “Internally, MA can deliver integrated insights efficiently and inform development programs accurately, allowing for optimized development plans yielding reimbursable medicines. People with business acumen are more aware of operational efficiencies, as they understand the way different contributions affect the different elements. Any imbalances here are inefficient. Externally, MA can support the development of novel business cases or beyond-the-pill services that greatly enhance the value of a medicine to all stakeholders, which often makes the difference to patients having or not having access to critical medicines. Business acumen is key to identifying the most sustainable and successful ways for value generation for patients through identifying the right stakeholders and addressing their needs,” says Zaiac.

For Cook, the time has come to re-examine the role and level of influence of Medical Affairs in a world focused on communicating the economic and health system value of a product, rather than “selling”. “Medical Affairs is often thought of as a cost center but there are a number of ways MA can really drive value. Communicating treatment value using scientific and medical information in a manner that supports the incentives and needs of the various stakeholder groups is one way, but it requires an appreciation of hospital and IDN (Integrated Delivery Network) incentives and the long-term strategic imperatives at play. The ability to link arm in arm to find mutual incentives that drive health outcomes can actually have a huge impact on a global basis.”

Option B: Streamlining costs

Operational efficiency isn't a sexy concept, but it is the key to fully maximizing profit and boosting the bottom line. Senior leaders can't afford to work in silos and behave as independent functional experts. In today's dynamic environment, both cross-disciplinary collaboration and deep functional expertise are required skills. Medical Affairs must look at how it can cultivate the ability to anticipate needs among a much broader range of stakeholders to deliver value for both patients and the healthcare ecosystem through the delivery of superior medical outcomes, while simultaneously reining in costs and reducing excessive spending.

“There's an old adage that says a dollar saved is a dollar earned, but that's not the complete story. Imagine you're able to save \$100 (Option B), that \$100 will drop straight to your bottom line less any additional expenses like taxes. If taxes are 20%, that would leave you with \$80 in additional profit. Now let's say that you're able to increase revenues by \$100 through selling additional products (Option A), a lot of that additional revenue will be eaten by the cost of creating and selling those products. If those costs are \$80, that would leave you with \$20 in additional profit. If you can be a little more attentive to Option B, you have four times the impact on the bottom line. This is a simple concept, but it's one that most people don't think about.”

For Cook, there's a real opportunity to build credibility and free up resources to spend in other areas. “If Medical Affairs can understand these levers and appreciate both sides, they're seeing the big picture. If you can develop your Option B mindset and use the language of Option B in your business cases, you'll start to elevate your credibility especially with those who already have this mindset, like finance. That's not to say that I'm favoring one lever over the other; we

all know that if you push too hard on driving efficiencies, you can hamper growth, or negatively impact people. You have to be considerate of the five drivers of business: cash, profit, assets, growth, and people. When you're able to balance these drivers, you're helping the business run better, which enables the company to create more lifesaving products.”

More right-hand turns

Today's industry also faces considerable headwinds. The outlook for pricing and volume expansion is becoming less attractive across all regions, given the sustained pressure on drug pricing in Europe, the growing size and bargaining power of payors in the United States, the looming biologics patent cliff, and the mounting competitive pressure in emerging markets. Meanwhile, advances in technology and analytics are opening up opportunities for powerful tech entrants to engage with patients and consumers in radically new ways, offering innovative healthcare solutions in conjunction with payors and providers. These entrants threaten to disintermediate pharma companies as the primary owners of patient data and take control of their value story. Should that happen, it would have drastic repercussions for pharma's R&D and commercial models.¹

Why UPS trucks (almost) never turn left

In a challenging business environment, operational efficiency and cost control become increasingly important. Cook illustrated this point with a story from UPS: “By keeping left-hand turns to a minimum, UPS saves millions of dollars in fuel and reduces CO2 emissions by more than 100,000 metric tonnes a year. This seemingly simple idea has a \$100 million impact to the bottom line each quarter. Now that’s impact! We need to start asking, ‘What right turns can we make in Medical Affairs to demonstrate our value?’”

Historically, companies have narrowly defined the role of Medical Affairs, but if you want to be more visible and valued, you need to demonstrate your business acumen and how MA fits into the big picture of the overall business. “As we think about growing our market share, we need also to think about the most efficient ways to get there and how to marshal the resources we already have to optimize our impact. Remember, you can be functionally brilliant, but unless you see that big picture and develop your business acumen, you’ll have very little influence with senior leader decision-makers. In other words, your ideas and proposals will have less of an impact.”

Sources:

1: Rethinking Pharma Productivity <https://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/rethinking-pharma-productivity>

Business Acumen Defined:

Business acumen is keen, fundamental, street-smart insight into how your business operates and how it makes money and sustains profitable growth, now and in the future. Understanding the “business of the business” is critical to know which opportunities to pursue and which to ignore.

Benefits for Medical Affairs:

Armed with business acumen, Medical Affairs leaders can influence top-line revenue and bottom-line profitability, and prioritize day-to-day actions in alignment with organizational strategy. The result? More resourcing, more credibility, better partnership.

Five Business Drivers:



Cash – Cash is the fuel that drives a business; it's more important than your mother as the founder of Seagate Technology once said. Without cash, a business can't pay its bills, can't pay its employees, can't buy the goods it needs to produce the products or services it sells. If you evaluate the three key components of cash – cash position, cash flow, and liquidity – you will have a better understanding of how you generate cash and how to use it wisely and spur growth. Pharmaceutical and Medical Device companies actually need significantly more cash than the average company due to the risk and time required for developing products, getting those products to market, making acquisitions/buying licenses/trademarks/patents, and supporting the development of future products.

Profit – Profit is simply the difference between how much you make by selling goods and services and how much it costs to produce and sell them. By looking at the differences between profit and cash flow, and explore the concept of profit margin, you can reveal how efficiently a company is turning revenue into profit. Pharmaceutical and medical device companies typically have higher profit margins than the average company to compensate for the higher risk in developing products that need to pass regulatory approvals and gain market access, and the extended time the companies spent on product development, the regulatory processes, the market-access process, and support in getting products to market.

Assets – Assets include everything a company uses to produce revenue, whether these are tangible, such as buildings and equipment, or intangible, such as patents. Balancing asset strength with asset utilization is a dilemma all businesses face; having more resources to buffer

the company from uncertainty is beneficial but making sure any asset the company has is most optimally deployed is also a vital priority for successful companies. Exploring how a company meets its obligations, takes advantage of opportunities and survives tough economic times – with asset utilization – is vital to produce revenue and sustainable growth. Many drug and medical companies could benefit from enhanced scrutiny on its processes and systems to ensure they are most efficient and are eliminating waste and non-value-added activities.

Growth – Constant change is a reality in today’s business environment, and growth is one of the few ways to handle it. Growth can be measured in terms of both revenue and profit.

Understanding how growth strategies impact business performance and the bottom line will provide a smoother roadmap to success. Making sure the company is able to grow its top-line faster than the market through innovation, differentiation, market development, and speed is vital. But companies also need to ensure their bottom line is also growing as they operate as efficiently as possible to ensure sales translate into profits.

People – People lie at the center of the five key drivers. Kevin Cope, founder of Acumen Learning says: “People make the decisions, supply the financial resources, buy the products, and provide the labor and services. They drive cash, profit, assets, and growth. Meeting, exceeding, and even anticipating the wants, needs, and expectations of your employees, customers, and other important stakeholders is essential to your financial success.” And with Medical Affairs sitting at the vital nexus of R&D, Commercial, and customers, it is extremely vital for MA to understand what each part needs and wants and how to best deliver those in the best way possible.

Source: Acumen Learning

Five ways MA can drive the cost-efficiency agenda

1. MSL deployment – marshal resources at the right time to optimize resources and minimize cost.
2. Digital transformation – streamline costbase to improve internal or external customer experience.
3. Process engineering – look at every process that is less efficient than it needs to be and drive improvements in those processes.
4. Tight collaboration – while working with the other functions, collaborate tightly to ensure limited duplication of activities, limit rework due to miscommunication, and find clear agreement early on to the goals/outcomes for initiatives to accomplish well-defined roadmaps.
5. Organizational knowledge transfer – not only collaboration across functions and geographies, but also capture and make accessible key learnings at all levels with initiatives to ensure mistakes don't proliferate and key learnings are institutionalized.

How do we best balance people and profits as we work?

- Be process efficient and system minded.
- Be attentive to budget.

- Align recommendations to organizational strategies.
- Optimize your Return on Time (ROA).
- Enhance capability for speed & agility.
- Be ahead of the market and customer trends.
- Expand your knowledge on company direction and financial language.