

Life sciences

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How life sciences executives can rewire strategic planning and execution to thrive amid uncertainty

Life sciences industry CEOs and other senior executives may need to address a few critical areas as they develop strategy for the post-pandemic era: building resiliency into their supply chain, addressing fast-evolving customer needs, supporting effective innovation to develop new treatments and staving off threats from unexpected competitors.

Some of these were already priorities before the pandemic, as was the need to increase digitization in patient interactions, data sharing and clinical trials.

Still, the pandemic has provided the impetus for life sciences C-suite executives to need to adjust strategy more quickly.

The new [EY Parthenon "Realizing Strategy" report](#) based on a survey conducted by the Economist Intelligence Unit in June 2020 of CEOs, CFOs and other C-suite executives on the future of strategy formulation shows how these changes are likely to affect life sciences organizations.

Four key findings from life sciences executives:



76% say that COVID-19 will impact, or even cause them to pivot, their organizations' medium- to long-term strategy.



84% say that customers are as important as, or more important than, shareholders when formulating strategy, and 75% say the same of suppliers.



62% believe the biggest competitive threat in the next three years will come from outside their industry.



86% of companies that said they added the roles of chief transformation officer, chief innovation officer and chief growth officer over the past five years said those roles have had a major or moderate impact.

Going forward, life sciences executives may need understand the needs of a wider range of stakeholders that have an impact on both demand for their products and the ability to supply those treatments when cross-border trade of APIs is affected, deepen their product development pipeline and look to partnerships, even with competitors or competition, to fill in market and capability gaps.



01 Embracing the needs of more stakeholders

It is important to focus beyond shareholders and formulate strategy based on the needs of a wide variety of stakeholders. These stakeholders include patients, payers, suppliers, employees and regulators. Life sciences executives, like those in most industries, already say the customer, or patient, is as or more important than shareholders when formulating strategy, though they are less likely (65% of life sciences respondents vs 69% of all sector respondents) to say the same of employees.

Suppliers, meanwhile, are stakeholders that life sciences companies are significantly more likely (75% vs 54%) to say are as or more important than shareholders,

especially given the potential of reversing the globalization of supply chains to secure local supplies of key medicinal product devices and medical suppliers. The importance of suppliers can be seen at one global pharma company, which EY is helping to onboard 50 contract manufacturers and direct suppliers in the US and Europe in order to improve the flexibility of the supply chain. Somewhat surprisingly for a heavily regulated industry, life sciences executives were less likely than other respondents to say that government and regulatory requirements were as or more important than shareholders (63% vs 65% all sector respondents).

What life sciences executives may need to do: the focus on all stakeholders needs to deepen—suppliers, in particular, as long-term supply chain security concerns have become an essential priority.



02 Embrace the changing dynamics of the life sciences ecosystem

Working with partners maybe key to becoming a driver in the life sciences ecosystem. Partnerships are essential, either for larger companies to fill the new product pipeline or for startups to monetize and commercialize innovative treatments. Life sciences companies are more likely than other respondents to use joint ventures (48% vs. 43%).

As the ecosystem evolves, a spirit of “co-opetition” may be embedded in strategy formulation. While companies may compete in one area, there are opportunities for these competitors to become partners elsewhere. The pandemic specifically brought about an environment that emphasized getting a therapeutic or vaccine to

patients ahead of commercial concerns. This can become a model in the future for bringing other innovations to market in a way that benefits all stakeholders.

To be sure, there are already examples of this happening in the sector. For example, EY has supported a global pharmaceutical company that entered a co-development agreement with a biotech firm to develop and commercialize a next-gen, personalized cancer therapy, helping to develop an operating model to support the worldwide delivery and management of this product.

What life science executives may need to do: life sciences executives may need to understand their company’s core capabilities, determine where they need help and be willing to embrace “co-opetition” that can lift the entire industry with them in the leadership position.

03 Augment the diverse capabilities of the C-suite to flawlessly develop and execute strategy

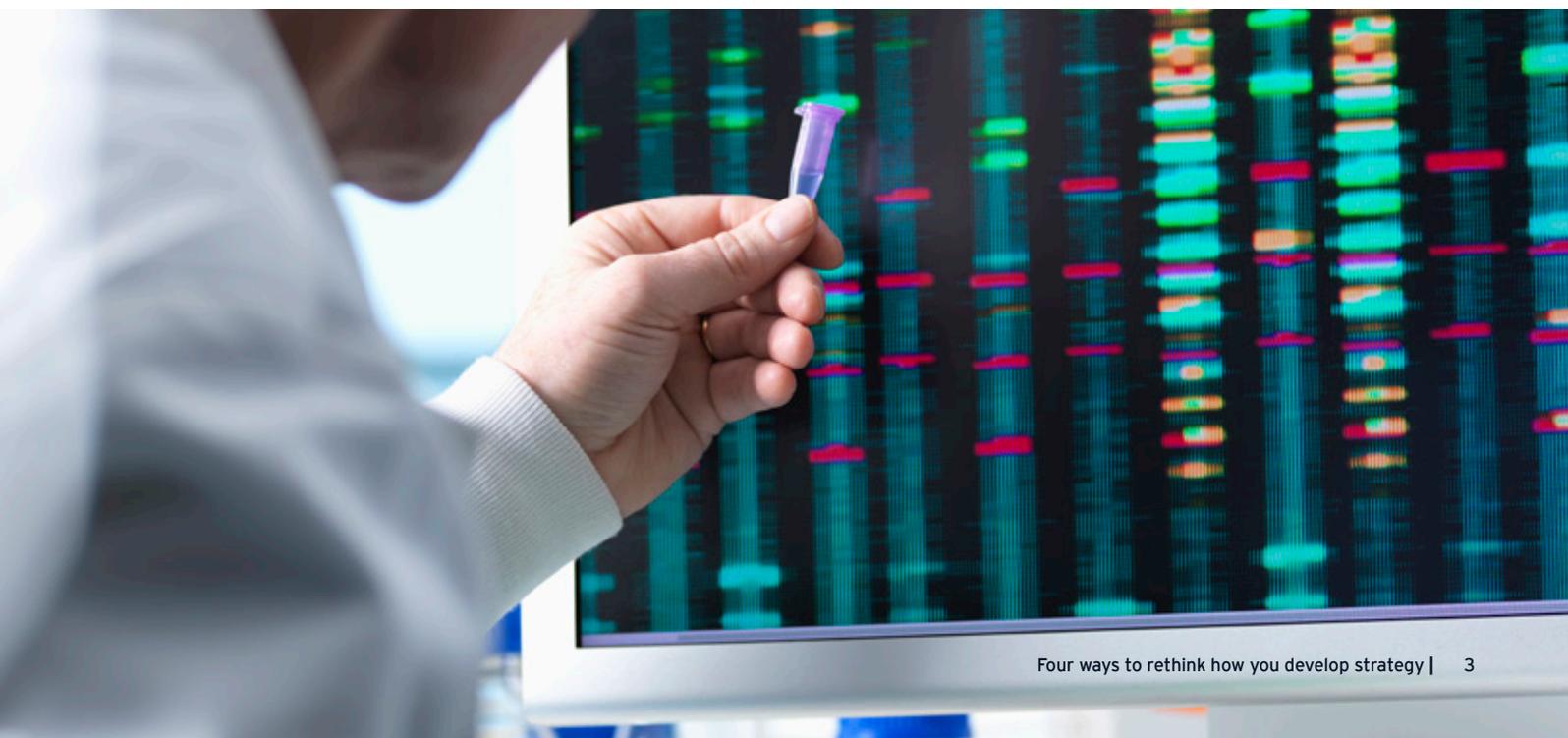
Life sciences companies were far more likely (28% vs. 18%) to have created the role of chief innovation officer than all sector respondents, not surprising given the industry is spending 17% of its revenues on R&D to develop a successful product pipeline. The role is also delivering: 90% of those that have added such a role say it has delivered a major or moderate impact.

At the same time, life sciences companies lag compared to global respondents in adding the role of chief digital officer (11% vs 20%), which can leave them at a disadvantage. Digitization has been an area of focus in the life sciences industry over the last decade, but the pandemic has underscored the importance of a digital business model, digital clinical trials, digital supply chain

and has accelerated the utilization of digital processes in biopharma. This trend is expected to continue and ultimately the industry will catch up to others.

Among the life sciences companies that consider themselves high-performers, half say they plan to digitize operations in the short-term, despite the disruption caused by the pandemic. This commitment can enhance operational efficiencies and reduce cost across the pharmaceutical value chain, from automating supply chain operations; using the Internet of Things (IoT), machine learning, analytics and intelligent automation tools; and leveraging technology for research and development, commercialization, regulatory compliance and support functions.

What life science executives may need to do: while steps have been made to bring new roles into the C-suite to develop and implement strategy, there is still much work to do. Adding roles like chief digital officer and chief innovation officer can help bring necessary viewpoints to the table in order to develop a sustainable long-term strategy.



04 Rewire the organization to move at the speed of thought

The pandemic has underscored the need to move faster when it comes to developing and adapting strategy. Supply chains need to be more secure and product development needs to be able to pivot to address areas of immediate need.

There has been some progress: 41% are implementing agile processes into the organization. At the same time, 47% indicate they will increase the speed of capital reallocation. But more need to adopt these practices.

Eight key actions for reimagining and realizing your long-term strategy

- 1 Understand the totality of your ecosystem to effectively compete and innovate
- 2 Focus on total stakeholder return to enhance enterprise value
- 3 Build real-time, dynamic analytics for strategic planning that better preempts disruption
- 4 Inject agility in your organization's DNA to increase adaptability
- 5 Create a repertoire of playbooks to boost ROI from all types of partnerships and transactions
- 6 Rework key processes, such as risk management, internal controls, legal and compliance, to enhance the value from your ecosystem
- 7 Align the digital strategy with the enterprise strategy to unlock the full potential
- 8 Redesign the capital allocation process to augment swifter capital redeployment



What life science executives may need to do: enhance the portfolio to fill in capability gaps, consider whether and how to repatriate the supply chain, enhance digital capabilities through partnerships or acquisitions, and make sure internal processes are streamlined to allow for a more nimble response to shocks and opportunities.



Conclusion

In order to thrive in the post-pandemic future, life sciences companies may need to become closer to all stakeholders, including suppliers; make sure executives with the necessary skills, such as digitization and innovation, have a seat at the strategy table; and change any internal processes that hinder an agile strategy.

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