

Redesigning Pharmaceutical Sales Forces: dealing with competing priorities and objectives and finding your preferred option amongst many.

A summary of the process used by The Chalfont Project

By Leandro Herrero

Redesigning pharmaceutical sales operations is probably one of the most strategically important things on the table of senior commercial executives in an operating company today. And this redesigning doesn't only involve the field forces, but also their connections with other HQ functions such as Marketing, Medical or Sales Force Effectiveness groups.

The reasons for this focus of interest are multiple. Here are a few:

- M&A activity forces the issue
- Introducing new brands: a sense that simple extrapolation from the current structure may no longer be appropriate
- Overall headcount reduction and need to rethink the way people and resources are allocated
- Desire to bring Sales and Marketing closer
- Need to concentrate resources and amalgamate sales structures that were previously independent (i.e. primary/secondary care; secondary care/decision makers-government agency)
- Rationalisation of territories following the suppression of one or two layers of management
- Overall rethinking of effectiveness in connection with cost/resources
- Restructuring on the back of a major IT initiative such as CRM

No matter what the starting point is, the question on the table can be summarised as follows: what's the best design/structure that allows us to be more efficient and/or effective within given resources and that will make the most of all our assets, both customer and non-customer facing (Reps, Managers, Marketing managers, Medical, Outcomes Research, Medical information, etc.)?

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If you gather a dozen executives around the table to answer this question, chances are you will get a dozen (or more) different answers. Some people prefer simple territory-based division of labour with everybody else servicing or supporting that structure. Other people will favour consolidated marketing and sales groups. Some would favour a total 'account management' structure. Each of them will have good reasons for their proposals. But how can you decide which is the best?

Some large companies have many options to choose from. Smaller sized companies may find themselves stuck with only few alternatives, but there is always more than one 'good' way to structure the field force. A small company selling two specialist brands may feel that they have very few choices, but even the consideration of outsourcing versus in-house is a choice with pros and cons.

How do people solve the problem?

There are many ways. One is the design on the back of an envelope, that is, intuitively 'deciding what's best', probably based upon a mixture of conscious or unconscious preferences, experience, fashion or (internal) politically correct trends. Another alternative is the design on the back of an expensive envelope. This is done by some 'strategy' or 'specialised' consultants who will have 'a good solution' based upon judgement made on brands, market sizes, etc. In my experience, some of those 'expensive design projects' use common sense that is then elevated to the category of external legitimisation via the claimed expertise of the consultants. There are other options such as following the ideas of the one who shouts loudest or has 'more authority', or reversing whatever is in place (centralise sales force if previously decentralised) or even to follow fashion or 'social proof' ('we must have an account management system! Everybody else has one!').

Surely, the real alternative must be a rational approach, weighing all pros and cons. The problem is that usually there are many competing options on the table and each of them sounds good for something and less good for other things. An option that, for example, decentralises decision making and de facto creates field-based mini-business units, even mini P&Ls, may be very attractive as an agile market-focused proposition, but may turn out prohibitive in terms of costs since resources in this option are inflexible and not very transferable.

As another example, a very flexible field force structure where reps may call upon customers with very different levels of expertise (hospital specialist, academic, GP), different practice size and presenting different brands, may be very attractive because of this flexibility, but result in a workforce with little specialisation which is eventually ineffective. The examples of trade-offs are

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multiple and the combination of pros and cons endless. Nothing is totally good or totally bad. The question is how to make rational choices.

How to test multiple options by multiple criteria

A situation like the ones described above, combining multiple options and multiple criteria to evaluate those options is, however, common practice in Decision Sciences. Multi-criteria Decision Analysis (MCDA) has been here for many years. It provides an excellent platform to evaluate all possible options for Sales Operations design or restructuring. It applies the mathematics of utility theory to what is a complex situation where both hard parameters (how much money can we make?) and soft parameters (will this be good to attract talent?) are not only involved, but competing for relevance and interest.

For those not too close to decision sciences, utility theory could be explained in a rather simplistic way as a means to compare pairs of cost-benefit between parameters. For example, the cost-benefit ratio of a P&L structure versus productivity, versus flexibility and versus attracting people. Then, the cost-benefit ratio of an account management structure, again versus productivity, versus flexibility and versus attracting people, and so on, repeated for each of the options.

The human brain would have a bit of trouble putting all these ratios together, but a computer programme will have no problems with this. When everything is put together, one can map all the options versus all the criteria available for evaluation and make an informed decision. The programme won't make the decision, management will. But the decision analysis method will provide all the ingredients for an informed decision on the preferred option.

'Preferred' is a word not used here by accident since the language of this methodology does not contain the words 'best' or 'worst'. Nothing is really best because all the options are alternatives with pros and cons and therefore with trade-offs. Choice is on the table, but now it is informed, based on the collective assessment of players, not the intuitive or back-of-an-envelope process.

At The Chalfont Project we have been using MCDA for many years and for many topics. The way we conduct and facilitate this important strategic decision is to first generate all possible options and all possible criteria for evaluation. The following is a list of real life examples of **options** from our client work, some of them referred to above.

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1. Marketing structure mirroring sales
2. P&Ls or quasi P&L with dedicate resources
3. Classical geographical territories with allocated resources. Other functions support
4. Amalgamate sales force A and sales force B and divide the market
5. Total account management
6. Regionalise
7. De-regionalise, national sales force
8. Same headcount, bigger territories
9. M&A, cut 25% of combined sales force, divide the market, structure by account management
10. Introduce two new brands, expand number of people, same structure
11. Add second sales force, in house
12. Add second sales force, outsourced
13. Account management in specialist sales force, classical geographical territorial in GPs
14. Do not change, absorb growth

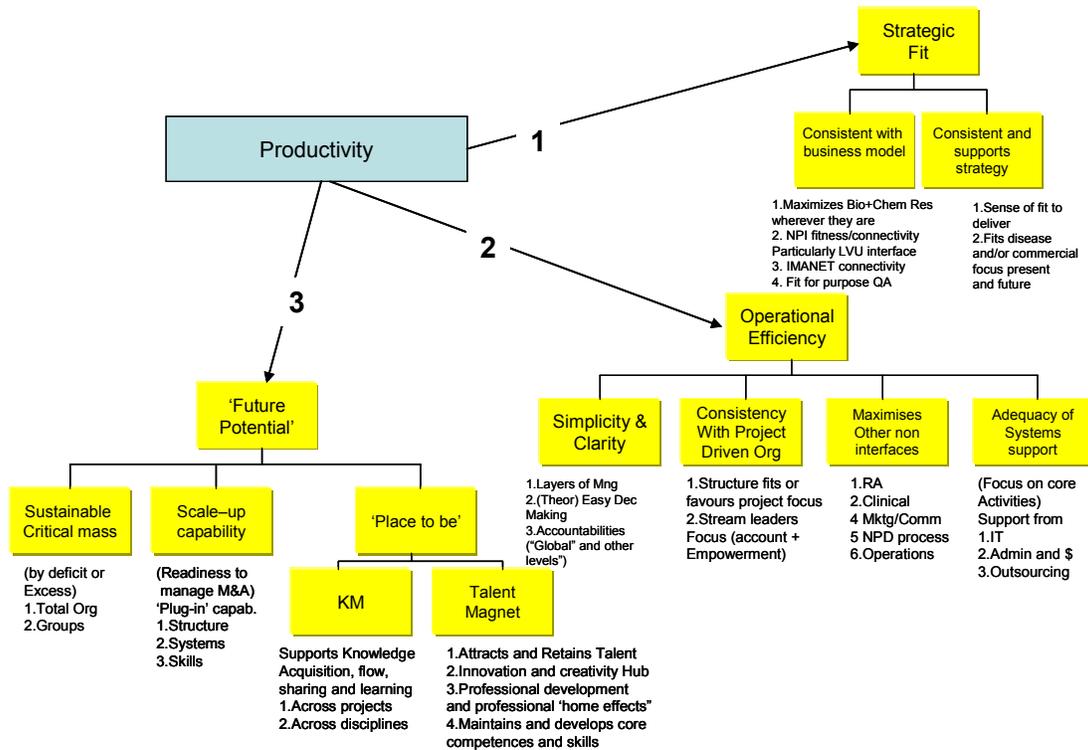
You will have noticed how diverse these options are. Some of them are relatively clear-cut options such as 'Amalgamate sales force A and sales force B and divide the market', whilst other options are more complex and in reality include several options in one.

The next step of the process will be one of cleaning up the number of options following what is called 'preferred independence'. That is, each option must be self-contained and potentially implementable after the decision. In other words, you can't have number 10 as the most preferred, but once it is declared as such you want to have number 10 with that bit of number 11 that you liked as well. If that was a potential consideration in the first place, I would have told you during the cleanup process that you should consider another option (15?) which is 10 and 11 combined.

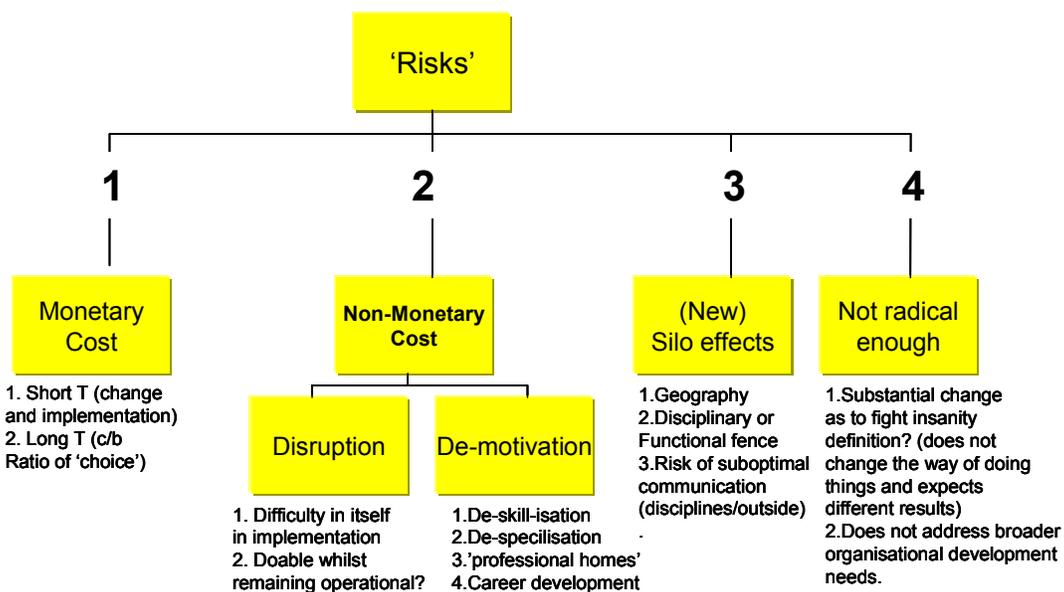
In parallel, we will need to consider all possible criteria that we could use to evaluate each option. A simple way to describe criteria is 'something you care about'. That will surely include 'hard' things such as revenue or market share, but it is also likely to include other things you care about such as flexibility of resources or good communication between people. The criteria are yours alone. It is only through this methodology that you will be able to consider hard and soft parameters at the same time. Life would be easier if there were one simple criterion: make money. Even financial hardliners agree that to achieve that one has to consider many other parameters, some of them in the organisational or 'people side'.

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For many years, we have researched the type of criteria people want to use and then repeat through our work with clients. Each case is different, but for illustration purposes this is an example of classification of criteria:



Risks



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Some of these things will immediately resonate with you, whilst others may not touch you as much. That is the beauty of this methodology: you will be able to put some numbers (preferences) to as many of these as you want.

At this point of confluence, options are literally tested against the criteria. By now, we will have settled for a few options, perhaps four to six, and a few criteria, perhaps ten or so. There is no magic about these numbers. The entire process described so far takes place over a few days or weeks, depending on the client's timetable. We prefer to create a temporary team with people who are empowered to make a decision (whether it will have to be sanctioned by top leadership or not) and split it into two sub-teams that, in their own time, explore all the options (team A) and all possible criteria for evaluation (Team B).

Decision time

After this homework is done with some assistance from us, a final decision conference takes place, usually over two days. At this conference, all the data is exposed first. Then, in a group session, people are asked to weight each of the pairs benefit/cost (cost is not just money but hassle, pain, difficulty, etc.) and the data is fed into the computer programme. This is sometimes a further enlightening process where people express different, sometimes polarised views, and which needs facilitation.

A consensus is sought for each of the evaluations. Is there a risk of groupthink or the louder voice wins? Not really, because unlike the unassisted process, the computer programme can do sensitivity analysis on the spot. Let's say that my evaluation of the probability of having high revenues with option X is very high (90 in a scale of 0 to 100), but yours is really low (say, 20). First of all, we have a big problem in the way we see the potential and we must explore why (that's why this can't be done in one afternoon over coffee...). Let's say that most of the people agree with me and you are in isolation. That doesn't make you wrong, just a minority.

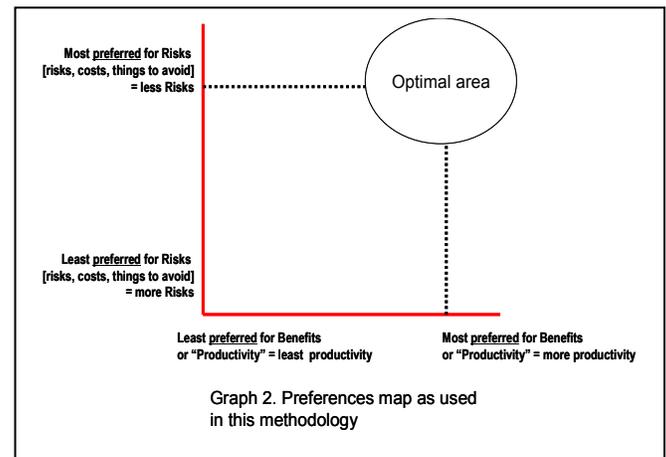
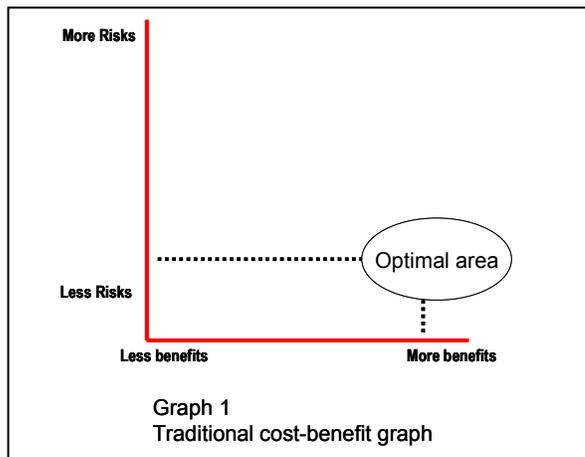
The computer programme likes us both, you and me, and is able to run all the calculations with my preference and then with yours with a delay of one second. If the representation of all the options in the final map of preferences looks very different with your evaluation versus mine, then we have established that this particular criteria is really discriminatory and worth another discussion.

We are stuck for a good reason. But very often, a few disagreements in evaluation of options vs. criteria in the context of many options and many criteria won't make a difference to the outcome. That is, showing the overall preferred option. If this is the case – and only the computer programme can save us – we might as well stop worrying about that difference and move on.

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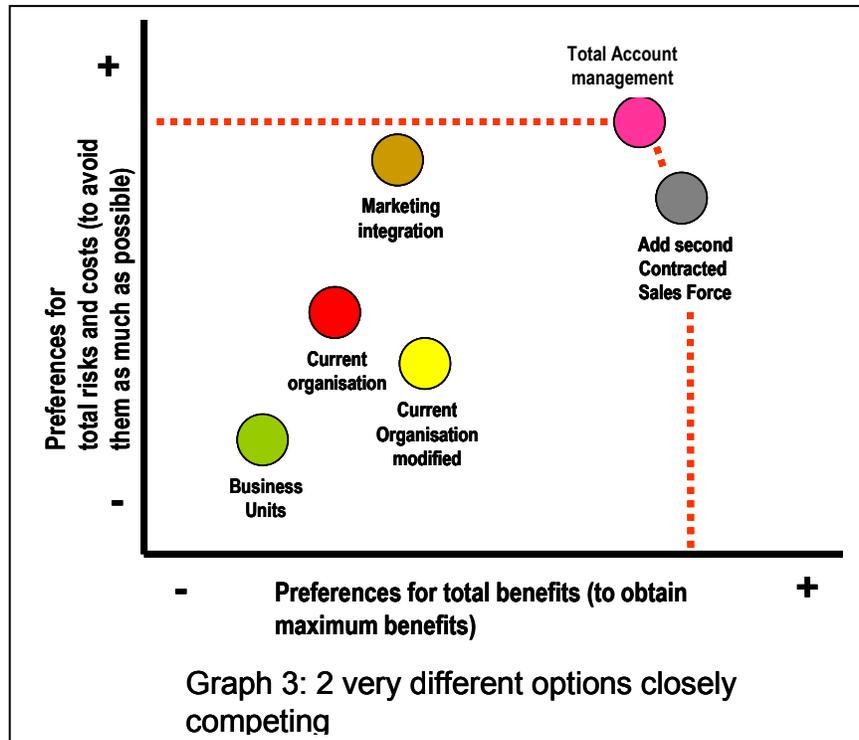
The following are some examples of real life outcomes following this process. Before we interpret some graphs, I need to warn you about the counterintuitive way of reading them since we are not plotting absolute values but preferences.

Graph 1 is a traditional cost-benefit representation where maximum benefit with minimum cost is the most desirable outcome. Graph 2 is the one plotting preferences. Here, most preferred for benefits is obviously more benefits, and least preferred less. However, most preferred for costs is less cost and least preferred more cost. Take a minute to absorb the difference in their representation.

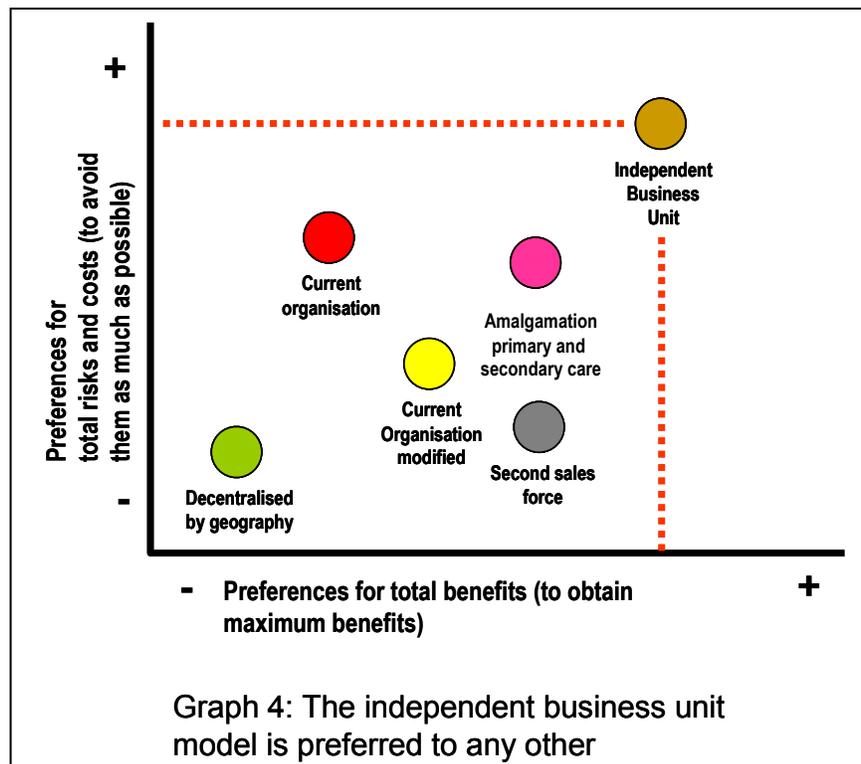


Graph 3 is an example where 'Option - total account management' and 'Option - add an outsourced sales force, otherwise don't change anything' are surprisingly very close in terms of their preferences. That is shocking if one realises how different the options are in terms of strategy. Suddenly, going for total account management doesn't look like the breakthrough thinking that came up at the beginning of the process. People must surely ponder if it is worth going that way versus adding more universal resources. This kind of surprise is not unusual.

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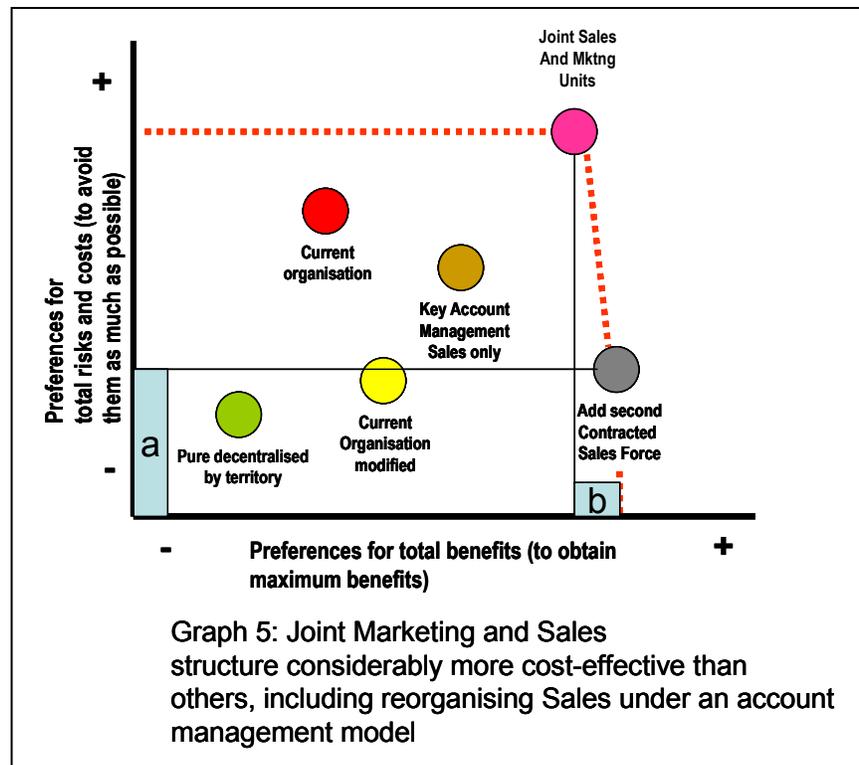


Graph 4 represents a straight-forward ranking of preferred options where 'Option - Independent Business Units' is clearly more preferred than anything else, followed by 'Option - amalgamation of Primary and Secondary care field forces'.



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Graph 5 shows another example where an option that creates joint Sales and Marketing units is clearly preferred to 'account management for sales only, Marketing not included'.

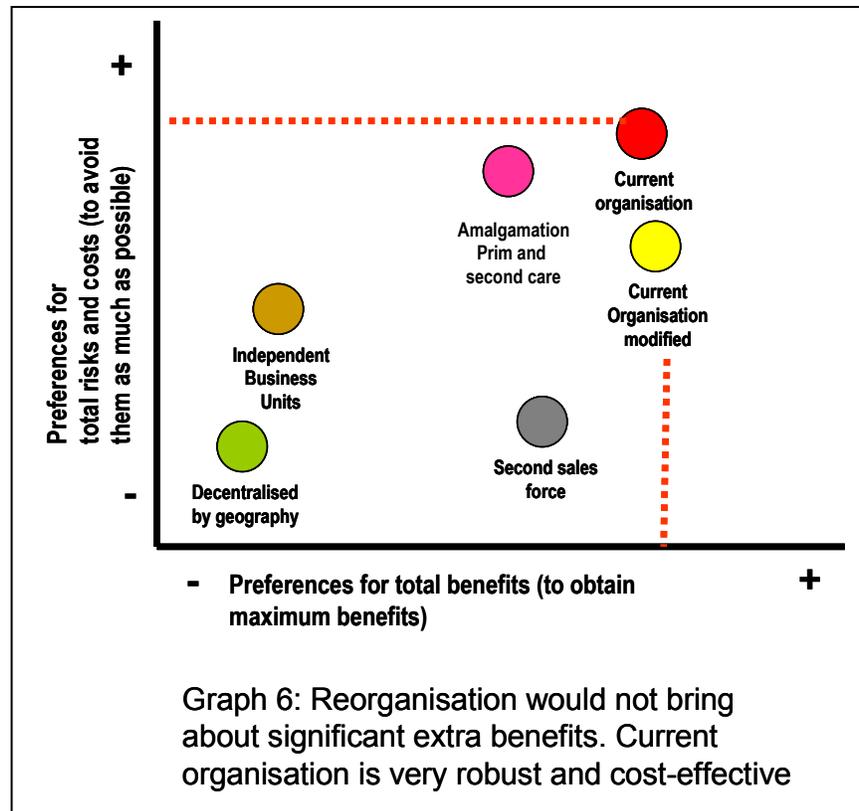


Note in this model that 'Add second contracted sales force' has in fact some extra benefits (**b**) above 'Joint Sales and Marketing Units' but at a cost!(**a**). Only the decision-makers around the table, not the computer or facilitators, can make a judgement about the trade-off between **a** and **b**.

Many people would not see the extra **b** with the extra cost as a reasonable trade-off, but if the group were determined to implement the option that brings more benefit (at this point benefit would be a consolidation of many other criteria such as productivity, potential to scale up, attractiveness for people, etc.) then the extra **b** may make the difference.

Finally, Graph 6 represents a case where the current status quo is almost as good as its next contended option. The collective evaluation (fed into the computer programme doing the utility calculation) is telling us that there is not much point in restructuring because we will not obtain high levels of benefit.

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Sensitivity analysis: is the preferred option a robust one?

Following the group assessment of the outcome – the preferred option – the final step is to do a sensitivity analysis, playing with alternative values and weights. The computer simulation can do this in seconds. This process is vital in ascertaining how robust a particular preferred option is. Indeed, if significant re-weighting doesn't make much difference in the position of the preferred option versus the rest, it can be safely deduced that this is a robust option that doesn't change easily, no matter what. Of course, there are always surprises, but these should be welcome because this is the only way to know what criteria, if any, would have the power to change the outcome significantly.

At the end of the process we will prepare a report with the main data. It is not uncommon to extend the period of sensitivity analysis for a few extra sessions just to make sure that all constituencies have had an opportunity to test their assumptions.

No other process generates a better sense of common purpose and collective responsibility. With the involvement of key stakeholders in the evaluating, the discovery of options, the mapping of the criteria and the

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weighting during the decision conference, plus the sensitivity analysis, there is almost no room for extra questioning! Those who have been strong advocates of a particular option, but have seen, for example, how that option does not resist the scrutiny of the multi-criteria evaluation are often the ones who become stronger supporters of the final decision. This process is also unique in bringing different informed possibilities of action to the attention of the top leadership of the organisation, perhaps for a final decision.

In summary, the reorganisation of pharmaceutical sales forces - whether in isolation or in conjunction with other functions such as Marketing and Medical - can be done by using a rational process that creates common understanding of issues, common language, common sense of purpose and commitment to action. The back-of-envelope decision, the intuitive copying of what somebody else in top pharma has done or the blind trust in an 'experienced consultant' analysis are no longer valid options.

If you would like to explore how The Chalfont Project can help your reorganisation, restructuring or redesign project, please call +44 (0)1494 730 999 or email felicity-hardie@thechalfontproject.com

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