

Prescription for Success in Globalization

SIG SHIRODKAR, PRINCIPAL, AND MARK MOZESON, PRINCIPAL AND LIFE SCIENCES PRACTICE LEADER, BOTH OF ARCHSTONE CONSULTING, DISCUSS WHY DESIGNING A SET OF CORPORATE ATTRIBUTES AND STANDARDS OF BEHAVIOR IS THE KEY TO GLOBAL SUCCESS.

Mark Mozeson



Sig Shirodkar



As pharmaceutical organizations trend toward globalization, along with the rest of the life-sciences industry, **now is the time to ensure that employees are speaking a language that will create** a truly global corporate culture.

Pharmaceutical organizations, much like firms in other sectors, are launching substantial globalization efforts to capitalize on emerging market growth and gain synergies across their operations. While pharmaceutical companies want to implement strategies to create global organizations, unfortunately their success has been limited to date as they question whether they truly have the cadre of global leaders who understand how to achieve these goals.

Pharmaceutical company executives face a number of hurdles in attempting to change and globalize corporate cultures across international boundaries: inertia, uncertainty about the consequences of change, unclear explanations for the purpose of change, and perceived threats to power and influence under a new global system.

Moreover, managing change against the rigidities inherent in the pharmaceutical industry is difficult because — given the nature of the business model, subject as it is to local operating markets, regulations, brands, and pricing — companies must struggle to figure out how to develop globally without upsetting local country requirements.

Finally, firms face additional difficulties managing culture change in the absence of significant performance crises, as is generally the case in today's pharmaceutical sector.

Given these challenges, it is important that pharmaceutical company executives learn to manage not only the culture-change process but also the organizational comfort level around the notion of global culture.

"In our experience, we have seen the existence of common language serve as a key enabler for the successful institutionalization of global culture," says Mark Mozeson, principal and life sciences practice leader at Archstone Consulting.

COMMON LANGUAGE

Common language is defined and understood as a set of corporate attributes and standards of behavior for all organizational constituents, including executives, managers, and individual contributors.

"This common language reflects the values under which the corporation will be judged and will judge its employees," Mr. Mozeson says. "In our experience, once communicated consistently, this common language, as manifested in shared values or a common corporate standard, serves as the foundation for building a corporate culture with global reach and significance. Notice, this is not the same as a competency model. The reason competency models are not appropriate here is because, when implemented, they address a variety of technical and behavioral activities that are linked to individual performance and career progression rather than to the development of a consistent culture and targeted conduct that our notion of common language intends to convey."

Examples of good common language are

things like transparency, team play, coaching, and customer focus. These reflect organizational attributes that can be expressed in terms of a repeatable outcome, and they are focused on the behaviors needed to build a unified global culture and are not locally dependent for interpretation.

"This sort of global common language is particularly important at the macro organizational level where, in pharma, there are often diverse operating models in place," says Sig Shirodkar, principal of Archstone Consulting. "In the pharmaceutical industry, many units are locally focused for good business reasons. The country-focused P&L model exists for sales, marketing, and distribution. Manufacturing plants often are located in many places around the world. R&D is regionalized based on focus and access to talent. All these reasons are justified but, in terms of the business, there is always a need for each part to be considerate of the objectives of the whole."

According to Mr. Shirodkar, having a global common language at the company level helps diverse business units gravitate to a certain set of behavioral norms, including things such as what the company is, what it values, what it does, how it does it, and so on. All of these norms support interactions and initiatives on a global scale, allowing valuable synergies to be recognized without compromising the independence of business units.

Pharmaceutical company executives need to learn to manage not only the culture-change process but the organizational acceptance around the notion of supporting a global culture.

On a more micro level, common language ensures that the same core skills and behaviors are rewarded, encouraged, and discussed across different geographies. Moreover, having common language allows for easy comparisons, internal benchmarking, and straightforward evaluation of overall company, business unit, and individual functioning. Together these factors provide for more accessible talent sharing discussions and, ideally, produce improved skills within the organization's global talent pool. Finally, a mutual dialect of this sort also facilitates organizational agility by stimulating rich dialogues across geographies/functions for sharing best practices and learning from one another.

DESIGN CONSIDERATIONS

For common language to work effectively as a mechanism for building global culture, it should be accompanied by a streamlined and committed communications infrastructure.

The shared values need to be communicated and measured up and down the organization in a way that is credible, consistent, and salient. Without a solid foundation of common language, messages that senior management believes are clearly articulated may be neither understood nor embraced at the field level.

"We have identified two important principles we believe should be incorporated into the design of common language," Mr. Mozeson says. "The first involves taking a back-to-basics approach, making the values applicable to everyone, conveying them at all levels of the organization. The second involves leveraging and relating the shared values to every element of the organization's programs with a clear roadmap so all colleagues can see the larger vision with explicit and implicit linkages to action and follow through."

The common language of the global culture should be straightforward, focused, and always placed in the same context to create one

voice, one dialect, and one frame of mind. To gain a commitment to the global culture, management needs to design a reliable process to engage all colleagues in what the company is trying to achieve.

"There must be a steady message cascade, starting with the CEO, echoed by senior leadership, reinforced by every manager, and repeated throughout the organization down to those on the front line," Mr. Shirodkar says. "We have seen companies attempt to indoctrinate new cultures without understanding the importance of steadily cascading common language through the organization, and until they refocused their attention, their efforts stalled."

Common language will fail to stick unless it is consistently linked to performance management, which is the extent to which an employee demonstrates key organizational attributes when performing a job; consistently linked to global staffing practices, which are how well recruits identify with the organiza-

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tion's core values; and consistently linked to rewards and recognition, which are positive reinforcement or incentives for exhibiting culturally desirable behaviors.

An equally important element of the design is a roadmap for the change initiative, which focuses on the big picture, as well as on the detailed tactical steps required to develop the principles and processes of a global culture.

"Recognizing that there are distinct phases to the development of a global corporate culture can help the organization sustain momentum over the period of time required to ensure lasting change," Mr. Mozeson says. "This roadmap is particularly critical over the long haul as it generally takes at least 18 months for mechanical institutionalization and a good three to five years for true culture change to occur."

IMPLEMENTATION CONSIDERATIONS

Despite the best intentions, all too often there is a gap between the visionary leadership around globalizing corporate culture and the ability to implement it.

"To bridge this gap, we have identified some key mechanisms that help organizations succeed in delivering a global common language consistently and in a timely fashion," Mr. Shirodkar says.

First, it is difficult to implement a global culture change without a global organizational structure in place to support it. Culture change requires a holistic approach. Right from the start, the organization must be viewed as an entire management system. That means there needs to be a network of interconnecting and mutually reinforcing business and behavioral processes, with culture as the glue that connects them all together. Change the glue and the rest may need to be adjusted to stick anew. When implementing common language, pharmaceutical organizations also need to think about strategic and structural support, communication systems, and decision-making procedures in relation to the global culture shift.

Next, executive sponsorship is a critical medium for institutionalizing global culture. Senior managers must recognize their responsibility as champions of change and symbols of the global culture they are trying to create. At a tactical level, while executives often acknowledge the importance of global development, they don't incorporate it often enough into their companies' performance-evaluation criteria. For instance, in many pharmaceutical organizations, incentives for sales managers are strictly based on their abil-

KEY MECHANISMS TO BRIDGE THE GAP

- ▶ A Global Organizational Structure
- ▶ Strategic and Structural Support
- ▶ Communications Systems
- ▶ Decision-Making Procedures
- ▶ Executive Sponsorship
- ▶ Buy-In From the Business Line

THE NEED FOR GLOBAL LEADERS

In a recent Global Leadership Development Survey of **17** companies from across the consumer packaged-goods, life-sciences, and high-tech industries, Archstone Consulting found that while **100%** of participating firms anticipated expanding globally, only **14%** believed that their leaders were prepared to handle globalization.

ity to achieve target numbers, while rewards that would make them explicitly accountable for developing team members to become effective global leaders are often entirely lacking. At a more symbolic level, executive messages and actions enable powerful vehicles for linking global people programs to business goals. If, through a lack of visibility on the part of executives (not just in home country corporate headquarters, but also in local markets), particular regions fail to appreciate the value of a global-development initiative, it risks being perceived as a low organizational priority.

A related mechanism for implementing culture change globally is visible buy-in from the business line and recognition of the way the culture change yields positive results in the business.

"One best practice is CEO sponsorship of an annual meeting of a global-management team, with representation from all primary markets worldwide, to demonstrate unmistakable commitment to cultivating a global culture by providing strategic leaders a forum for networking, shared learning, and top talent showcasing," Mr. Shirodkar says. "A second best practice is structuring a portion of formal rewards for all managers, including the executive team, to be explicitly tied to how well they implement globalization programs, using metrics such as how many direct reports they encourage to take ex-pat positions or to rotate into new roles across functional/regional boundaries."

ENVIRONMENTAL CONSIDERATIONS

Closely tied to implementation concerns

are environmental considerations. It is important to acknowledge that the culture change approach and the global impact of that effort are contingent on the nature of an organization's circumstances.

Different levels of enthusiasm for common language may exist depending on whether an organization is in a turnaround mode, an integration mode, or a steady state. In a turnaround situation there is a great appetite for common language to support and achieve urgent business needs.

Likewise, in integration situations there is significant appetite for common language as it can serve as an important framework for guiding the organization's reaction to extraordinary events. In contrast, in a steady state, the appetite for common language may be more moderate; therefore, a more modest scope of cultural globalization may need to be implemented, leveraging incremental drivers on a region-by-region or program-by-program basis.

"In addition, the transition to a global culture can have a proactive or reactive impetus, each with different implications," Mr. Mozeson says. "A proactive change is meant to direct industry evolution and should signal sentiments of first-mover advantage, being ahead of the curve, positioning as an industry leader, visionary leadership, and competitive advantage. A reactive change should have a more urgent appeal conveying a call for immediate action with strong motivational pull for energizing a do-or-die mentality."

IMPLICATIONS FOR EXECUTIVES

Designing a set of corporate attributes and standards of behavior, communicating them with comprehensive reach and relevance, and consistently executing on them in all facets of business activity are the keys to global success.

Pharmaceutical company executives who can effectively deploy a common language and deliver the culture change mentality required to support it will accomplish much toward achieving global operational excellence and setting their organizations apart from the competition.

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