



# ***HEADS FOR SUCCESS TAILS FOR FAILURE?***

*Winning The Organizational Design Coin Flip In Pharma*



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# What do we mean by **Organizational Design?**

When we talk about Org Design, it's important to appreciate that we are referring to a combination of aspects that all sit under that umbrella term:

- 01 The strategy behind the design,
- 02 The new organizational roles, structures, processes and capabilities and,
- 03 The implementation, including managing the change.

Org Design is more than just lines, boxes, and names. At least, that is how we see it—and how you should too. It's all about sequencing.

This white paper outlines the four key success factors we identified and the positive and negative drivers that shaped them.

Based on our studies, this is how we approach Org Design with our clients, and we would love to help you too.



# In Pharma, Successful Org Design Is Scarce.

We know that senior leaders like you understand what drives success in great Org Design—and you know what should be done. Yet, in practice, it's often a struggle.

A McKinsey study<sup>1</sup> found that while 8 out of 10 companies are undergoing or have recently completed an organizational redesign, only a quarter were considered successful. Nearly half lost momentum after kick-off, and a third ultimately failed to meet their objectives.

Our recent findings echo these results. For something that impacts every part of your organization and is critical to long-term success, this level of failure is simply unacceptable.

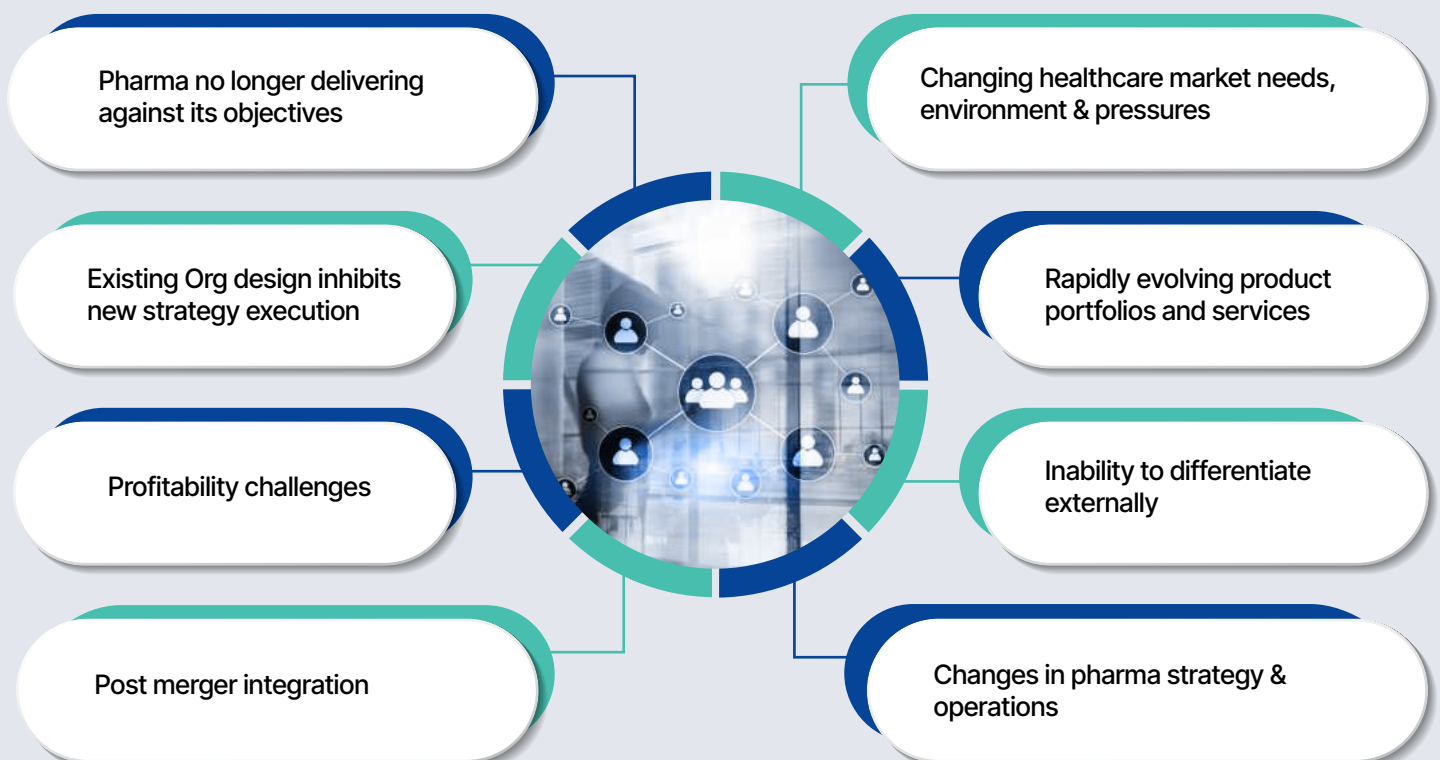
We investigated the factors that impacted our recent Org Design work, and we interviewed more than 25 senior leaders in pharma that kindly gave their time and talked passionately about this subject. For both stories of success and failure, there were findings that you might call 'expected' (those things that you would be familiar with, and that any textbook would highlight). But then there were examples and experiences that were 'exceptional' or unexpected. When we looked more deeply, these findings were not only consistent across our interviewees, but also at the core of success of the org design initiative and thus of company success.

At OXYGY we don't believe that Org Design starts and finishes with putting names in boxes and joining up reporting lines, as exactly this will fail.

We also found that whilst there are numerous drivers of organizational redesign, that shape the context for change, they do not have an impact on the core principles that will ultimately drive success.

1. McKinsey Quarterly. Getting organizational redesign right. June 2015

## External and internal pressures in pharma drive change.

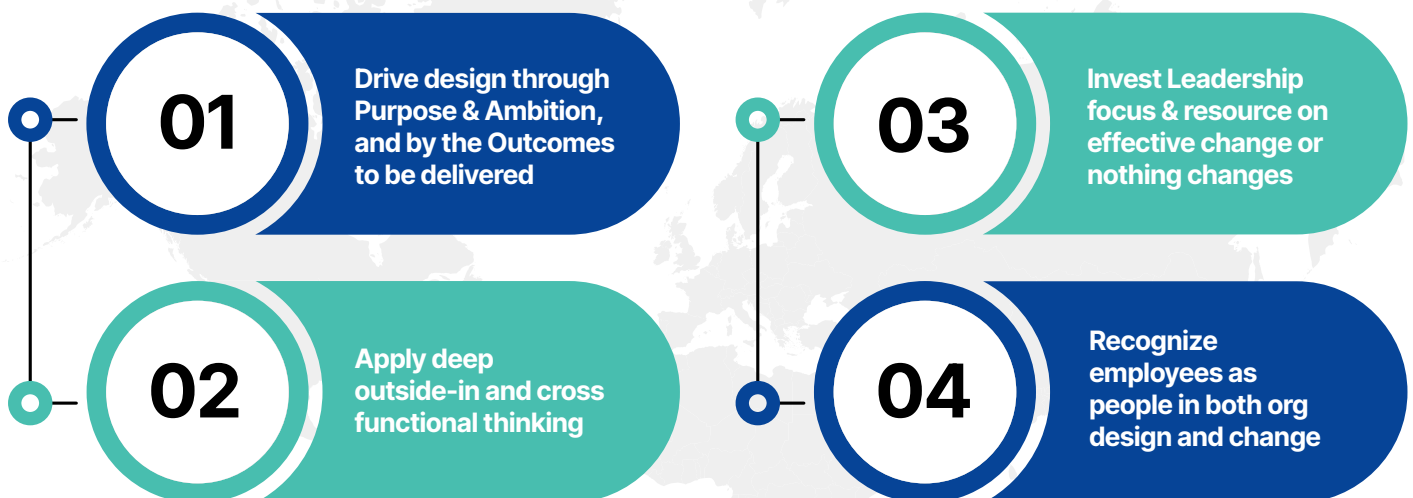






# The Big Four Critical Success Factors

To cut to the chase, through all our research and experiences, it was abundantly clear that four big themes drove successful Org Design (remember, we don't just mean lines, boxes, names... etc). We are going to take each one of those four, and help you understand the drivers behind each.



# ***Drive design through Purpose & Ambition, and by the Outcomes to be delivered***

To illustrate each of the big four we will focus on two sides of the same coin. On one side, a lack of vision, focus only on target headcount and budget. On the other, an incredible desire to reset an organization for the future.

The theme of 'Outcomes' is powerful and important. Please note that we do not mean general outcomes or the results of change, but instead the clarity of what it is that the new organization should deliver – for each stage in the product lifecycle, both internally and externally.

### ***Tails:***

The leadership team faced the difficult recognition of significant profitability challenge driven by parallel imports in the mature portfolio, and limited national reimbursement of new specialty launches. The result – a recognition that over the next twelve months, to meet their profitability goals, significant downsizing would be required.

Fearing great disruption to morale and operations, the team decided the best approach would be a series of small, incremental changes throughout the year that would affect multiple functions. This was felt to have the effect of reaching target budget / headcount by year end but minimize disruption to operations as small changes could be covered and merged iteratively. Ultimately, around 15% of headcount would be eliminated.

The result was unforeseen, and highly disruptive. With focus primarily on the budget and target headcount there was no clear vision created, expressed or communicated, and the ongoing headcount reductions were not anticipated or understood by the employees.

The organization became progressively more demoralized and unproductive across all metrics (goals and targets, attendance rates etc.), due to constant uncertainty on what would happen next and no grounding on why the changes were happening. Worse, attrition rates increased amongst the highest performers, multiplying damage to the organization.

### ***Heads:***

To the new Head of Medical in a large critical affiliate, it became increasingly clear that a function that should have been one of the three pillars of success for a pharma company was operating as highly servile and 'support' in nature. This greatly reduced its ability to deliver real or perceived impact to the affiliate, global org, or patients. A 'head down, focus on our tasks' mentality and a resistance to change within the team resulted.

The evolution started with broad engagement of leaders across functions, at global and local levels, to shape very clearly the Purpose that this medical function should serve for the company internally, and externally.

Next: Ambition. Moving on from an ill-defined, highly transactional and internally focused set of goals, now it was essential to engage the team in Connecting the organization to the Ambition of what could be possible for an evolved function to achieve. A true aspiration that would guide the next steps.

Now, with clear direction established, the Outcomes were defined that this function **MUST** deliver across the product life cycle in order to realize the Purpose and Ambition. Not instantly focus on task, not jumping to process refinement... but taking the time to agree and align the results that an evolved team must meet. Having a clear Purpose and Ambition in place, along with clarity on the Outcomes that must be delivered, shone new light on the strategic importance, relevance and need for elevation of this medical functional, across the organization and throughout the vertical. This resulted in an increase of the headcount available for the new Org Design, and a clear path for change for processes, capabilities and structures needed.

# ***Apply deep outside-in and cross functional thinking***

This critical success factor highlights a restrictively internally focused redesign, that failed to fully understand the current internal picture, and also being constrained on outside perspectives impacting the function. On the other side, a glorious, brave, example of an unconstrained Organizational Redesign, that was a step change to set up for the future.

### ***Tails:***

A global function in mid-size Pharma and Med Device company required an increase in efficiency and effectiveness by breaking out consistent areas of common shared 'service' from Business Units and creating a central support function.

The company was experiencing strong growth, so there were expectations for this new function to perform, and quickly. Unfortunately, this was a top-down exercise with a primary focus on cost reduction that drove several decisions resulting in an ineffective organization requiring further redesign and 'rescue' over the following months.

Given time pressure on costs and 'getting it done', there was scant regard given to external insights on needs to better drive design. Benchmarking was conducted looking only at historical analogues within similar functions, mistakenly labelled 'outside-in' research.

The same 'get it done' mentality also constrained the core project team to be represented by those immediately in or affected by the function. This highly limited perspective created siloed structures and processes incapable of operating effectively within the surrounding org.

Lastly, the stringent top-down guidance resulted in limited innovative, creative thinking, and in some cases the project team reduced any potential upsides to ensure they could hit both timelines and target numbers.

### ***Heads:***

A European affiliate faced stagnating sales, new launch pressures, loss of exclusivity and challenges externally from increasingly centralized control within well defined, differentiated, and tightly managed healthcare regions. Further, a mature, conservative and settled workforce was struggling to adapt to the rapidly evolving market and internal portfolio.

This affected every part of the organization, and so a redesign was driven by a fully cross functional leadership team, with the mandate of creating a future unconstrained by 'Global' rules or guidance.

Building on strong insights of external stakeholder expectations and governance, structures were designed for integrated field teams based around the Health Care Regions. This allowed deep understanding and solutions focus, with roles based on customers NOT products.

The back-office teams had to match, so rather than marketing teams with traditional product or Therapeutic Area only focus, there were instead customer/account segment structured groups that could generate solutions to meet market need, as well as adjusting and flexing portfolio focus to better address true patient population and system potential.

A well planned and resourced engagement and capability building program across functions helped to drive adoption of the new way of working required by this new Org Design.

# ***Recognize Employees As People In Both Org Design And Change***

Employees are the chess pieces that are moved around, onto, or even off, the board during a significant redesign. Amid this are we remembering that ultimately they are the ones that must execute the strategy? These 2 stories highlight examples of when leaders lose sight of the human factor, and when they absolutely nail it.

### ***Tails:***

It was clear for an Asia Pacific leadership team that to manage the rapidly evolving and connected healthcare landscape, it needed to create a more interconnected and collaborative cluster wide medical function. This meant an organization that had new, cluster wide, roles with advanced capability requirements, and the in-country functions in scope also required new skills and behaviors to move beyond the old, traditional, way of working.

The issues became apparent once the new structures went live. The first challenge was the creation of new roles and structures, but there was a very limited budget for bringing in new talent. New structures/roles had to be filled by the same people.

Complicating this were new structures with unrealistic role requirements far in advance of the capabilities the organization had previously required, but with limited resources to build what was needed with existing people. Indeed, it was also challenging for leaders to role model, lead or recognize what was required, given their lack of exposure or experience.

The final component that made success difficult was leadership's inability to reinforce the new ways of working, and in particular with KPIs and metrics. There were new behaviors and outcomes planned and desired, yet KPIs, performance management, and incentives were not updated causing no measurement of progress and significant frustration.

### ***Heads:***

The new CEO of European Pharma-co was tasked with a turnaround performance. Stagnation in sales, yet with a strong portfolio and upcoming biosimilars launches demanded change. There were in essence 2 predominant drivers: one was the need to adapt to support growth, the other was that profitability needed to improve.

New organization structures were defined, but what made this example successful was the way that people were put at the center of change. There were 3 fundamental aspects to that:

Case for change was communicated well, clearly and early, with particular focus on connecting even the lowest role in the organization to the need for and importance of a profitable org. Yes, we have a powerful mission in Pharma. But rather than hiding the need for profitability and shareholder value, as perceived as somehow 'dirty', efforts were taken to be fully transparent and honest, and to connect very role to this goal.

Each revised role had clear infrastructure in place to ensure it succeeded. This included highly focused and clear role profiles, well defined KPIs and incentives, and support to evolve capabilities. Uniquely, new capabilities needed were identified very early in the process of redesign allowing targeted coaching/mentoring and re-training in advance of change.

Finally, the structure was a balance between the aspirational roles that were desired, and the reality of the talent available. The pragmatism of recognizing the abilities and potential of the existing organization is often key, as there is little point if you spend months trying to find the right people for new roles or cannot afford them when you do.



# ***Invest Leadership Focus & Resource On Effective Change Or Nothing Changes***

The final Critical Success Factor highlights that once great design is in place, the need to ensure right focus is placed on pulling change through. Highly insightful examples that have driven success and failure show the role of different levels of leadership in effective change, and that sufficient time and resources are put in place across the organization to ensure success.

### ***Tails:***

Increased competition and a strong push for stronger global launch and mature product performance placed a spotlight on a Global Strategy & Commercialization organization in a large Global Pharma-co, impacting multiple functions. There needed to be significant streamlining and re-building of teams, people, capabilities and processes to accelerate time to market and improved deliverables to support country success.

Such a fundamental redesign was entered into with appropriate diligence and engagement throughout the affected and impacted functions, but three major factors significantly lengthened disruption and poor performance.

The first, and most glaring, factor was the seeming disappearance of senior leadership once the new organization structures went live. There was an absence of engagement or communications from a leadership team that seemed to have 'rubbed its hands' now that the new organization was in place, leaving lower levels to struggle through implementation seemingly on their own.

Unfortunately, another major issue was raised as a result. Those very leadership levels that were left to pick up the pieces were simply not experienced nor equipped to lead change. Through no fault of their own, it became clear that the majority had never been in a position to lead change initiatives, a fact the organization had failed to recognize or mitigate with appropriate resources, coaching and development to guide their new mandate.

Unrealistic expectations about adoption without effort, and very superficial implementation planning, resulted in a lack of overall time and resources available for the broader organization to allow building new capabilities and confidence in evolved roles, or the need to ground new teams in their purpose, ambition and effective operations.

### ***Heads:***

In another global Pharma co, a function that represented 1/3rd of the 'holy trinity' of commercialization needed a drastic refocus. The goal was to bring them closer to the reality of launch effectiveness and with the behaviors required to support success. A significant change in structures, processes and capabilities.

Almost a mirror image of the above, again three main factors ultimately drive speed and positive performance outcomes.

Here, Senior Leaders across functions were personally engaged in the success of implementation phase of the redesign. Their task was each to take sponsorship of one the change initiatives, allowing mentoring, coaching and executive support for the work at hand.

Secondly, the mid-level leaders, so badly ignored in the previous example, were deeply in focus. Starting before the redesign was implemented the mid and first level leadership group went through development centers focused on their capability to lead the new organization and to lead effective change. Putting the right leaders into the right roles was then possible, as was focusing opportunities to build underdeveloped skills needed.

What was also highly evident, was 2 interconnected factors – the integration into planning that there would be a performance hit, and that appropriate time was given to allow the rebuild of the new organization and the resulting rebound in performance, exceeding those.



## ***Is your new organization finally delivering the outcomes required?***

Org Design doesn't have to be a game of chance. While some companies find themselves flipping a coin—hoping for the best but too often landing on failure—success is not random.

Although there is a multitude of factors to be considered, the big four critical success factors were illustrated beautifully by the examples above. By focusing on those, you can take control of your organizational future.

We understand you know well the expected elements that drive great Org Design, yet you will also know that these are rarely adhered to. Further, the stories above have highlighted additional unexpected factors, all together providing helpful insights to what drives successful Org Design and that provide the power and detail underneath the 'Big 4'.

### **CSF #1**

- Use Purpose and Ambition
- Outcome-Driven Design

### **CSF #3**

- Recognize Employees as People.
- Balance Structure Around Roles and People.

### **CSF #2**

- Apply Outside-In Thinking
- Co-Design in a Cross Functional Effort

### **CSF #4**

- Invest Sufficient Time
- Resources Leadership Focus on Implementation

Of course, having target structure and operations in place as well as having financial savings targets achieved are helpful measures for Org Design effort, but the ultimate pressure test for successful Org Design is when the new organization is delivering those outcomes required to achieve purpose and ambition. Shouldn't that be what all changes should aspire to, and be measured against?



***Outcomes and results  
being delivered,  
achieving Purpose  
and Ambition***



***Financial  
targets & savings  
achieved***



***Target structure  
& operations  
in place***



*What is happening in your business now that demands a revised approach to Org Design?*

*How could we best bring our experiences to support you, and ensure the coin lands on 'heads'?*





## Helping Businesses Transform – With Clarity, Confidence and Results

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### About The Authors



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