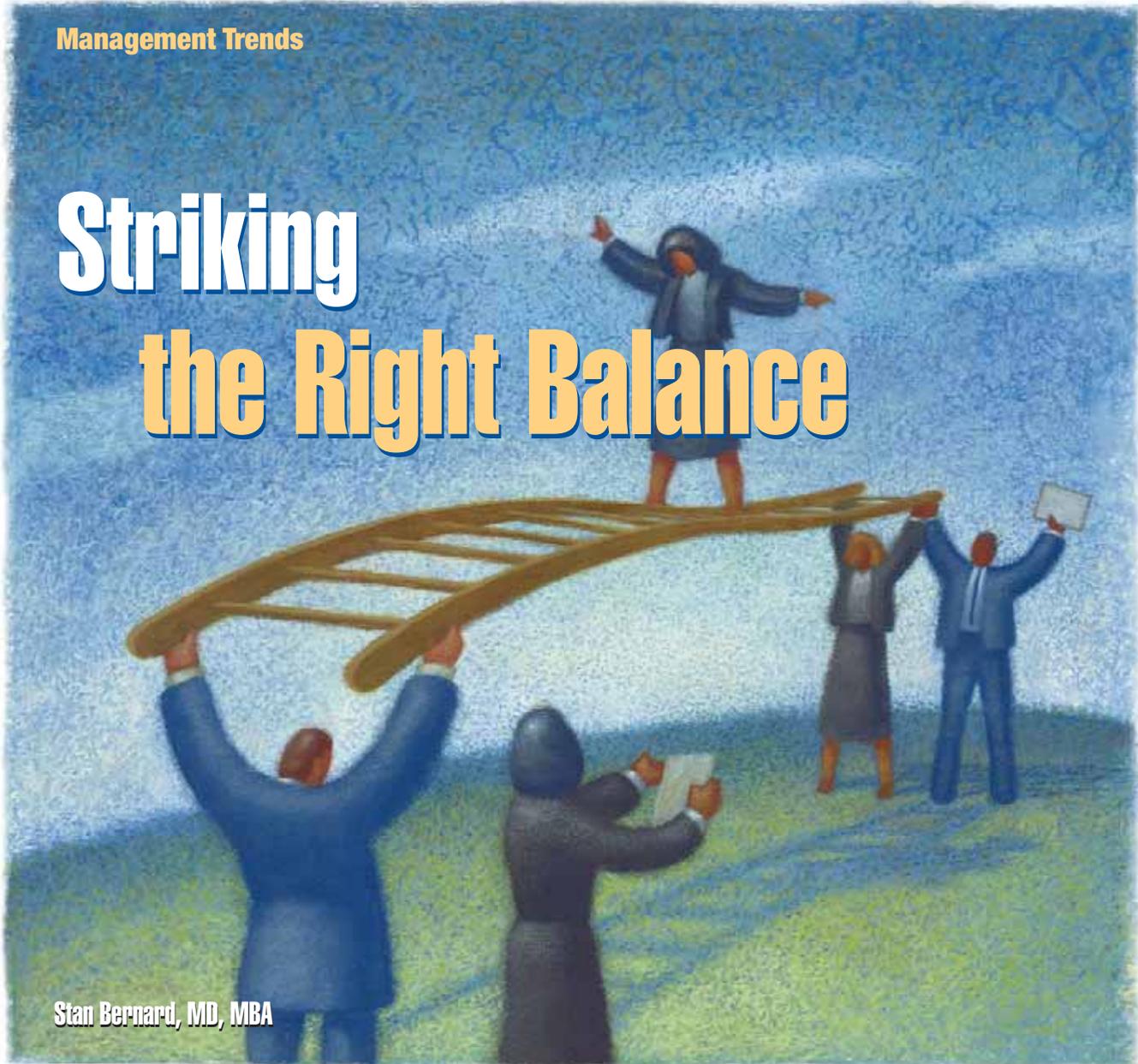


# Striking the Right Balance



Stan Bernard, MD, MBA

MASTER SERIES

## THERE'S A NEW WAY TO REDUCE CONSULTING COSTS—AND DEVELOP IN-HOUSE INTELLECTUAL CAPITAL AT THE SAME TIME.

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It's time for the big project. Top management in a leading pharma company wants executive A, a rising star in the marketing department, to evaluate a new technology's impact on the industry—and on his company. The technology has the potential to dramatically affect not only pharmaceutical discovery and development but also marketing and sales. But there are many factors to analyze, and no one in his company has the expertise to do it.

Executive B is in charge of a global pharma company's planning and development. Her job is to identify and acquire innovative products, devices,

and technologies that will open new lines of business and drive sales growth. In the past, she has hired both large consulting firms and specialized, boutique consultants, but she doesn't like their systematic, time-consuming approach that lacks an insider's view of the marketplace. She wants practical answers, not perfect ones.

There is an alternative. It's called executive consulting, defined as the ongoing engagement of a single person with consulting, domain, and facilitation expertise to lead or advise a client on senior management level issues. With it, pharma companies get the equivalent of a partner with consult-

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ing, pharmaceutical, and facilitation experience to lead executives and in-house teams through the consulting process. Such an approach can substantially reduce consulting costs while developing and retaining intellectual capital in-house.

This article describes executive consulting's two main models and discusses their benefits and drawbacks compared with traditional consulting services.

#### Project-Based Consulting

In this model, described in the situation with executive A, the pharma client needs the equivalent of a consulting partner or vice-president without a junior team of consultants. An executive consultant typically assists a pharma project team in four ways:

**Plans the work.** The consultant helps establish the project's objectives and scope; works with the internal team to identify key issues; develops the project approach and methodologies; identifies the deliverables; and prepares the time lines and team responsibilities.

**Supervises the work.** The executive consultant usually works with a pharmaceutical executive or a team project manager to help direct and support the team's work. He or she will identify research resources, create interview guides, demonstrate interviews, develop analyses, draft a final deliverable template, and review a final document or presentation.

**Serves as a process consultant.** The contract consultant provides the overall framework and methodology and facilitates the process and team activities.

**Serves as a domain expert.** He or she also offers relevant industry and topic-specific perspectives, insights, and expertise.

With guidance from the executive consultant, the internal project team is primarily responsible for managing and completing the analyses and other project-related work.

#### Company-Based Consulting

In this model, a single executive with both consulting and domain expertise serves as a retained adviser to a pharma company. The executive consultant counsels the company on a range of market issues such as stakeholders, competitors, and technology; on corporate functions such as strategy, marketing, and business development; and on project phases, such as insight, planning, and implementation. In that role, the consultant also serves as an executive coach, providing feedback and recommendations on an ad hoc basis.

He or she also works alongside a company executive as an integral member of and participant on the management team. The consultant may advise the executive about strategy and tactics; identify and evaluate acquisitions, partners, and vendors;

review and revise corporate presentations and documents; participate at key internal and external meetings; interview potential employees; and suggest organizational changes.

#### Three Choices

How should pharma companies choose whether to conduct a project exclusively in-house, engage a traditional consulting firm, or engage an executive consultant? Executives should consider the objectives, audiences, key activities, and the project's desired outcomes, then decide whether the project should be done internally or externally. Common reasons for using an in-house team include the availability of internal expertise and resources; routine projects, such as market and sales planning; and the lack of a budget for outside resources.

Conversely, pharma companies should consider engaging external resources when they

- lack the internal resources or specialized expertise, particularly in new or complex areas
- need a third-party, objective perspective, such as for reorganizations or politically divisive issues
- need project management, consulting methodologies, or facilitation skills.

If the company needs external consulting services, how should it choose between a traditional consulting firm and an executive consultant? Each has advantages. If the project requires extensive external resources or very diverse skills and expertise, the pharma company should select a traditional consulting firm. Such organizations—particularly global ones—have many consultants with a variety of capabilities and experience. Large, highly analytical, and time-intensive projects usually require such extensive services. Process reengineering, supply chain management, and information technology projects typically fall into that category.

Unlike executive consultants, traditional firms can replace individuals if they do not fit the pharma company culture or project, if the project's needs change over time, or if the lead consultant is unable to continue.

When pharma companies want to build and retain new intellectual capital and specialized expertise among their own employees, they should consider executive consulting. Such consultants train pharma managers in processes and methodologies that can be applied to both future corporate projects and career development.

For pharma companies under pressure to react quickly to threats and opportunities, outside consulting teams can be time-consuming and expensive. The speed of internet activities and recent pharma and biotech acquisitions highlights how quickly the world is moving. Consequently, pharma

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companies today do not always have the luxury of conducting extensive analyses before making decisions. Executive consulting utilizes the time of one senior-level expert and leverages the talents and skills of internal employees, at a fixed cost to the company.

Executive consulting is also appealing because of its flexibility in offering both project- and company-based services. For individual projects, executive consultants can provide the methodologies, facilitation capability, and domain expertise that many pharma companies lack. Similarly, with the company-based model, the executive consultant offers knowledgeable, objective, and experienced perspectives and insights when the pharma company most needs them.

Of course, companies can use both types of consulting services at the same time. They can retain an executive consultant to work on corporate issues and separately engage a full-service consulting firm to manage a specific project. In such cases, the executive consultant may interact and collaborate with the consulting firm on their project. Similarly, traditional firms often engage executive consultants with specialized domain expertise to lead part of a larger project that the consulting firm is conducting.

**The Right Partner**

Finding an executive consultant can be challenging because there are relatively few who possess the

right combination of skills, experience, and personality for the particular project and company. But the field is growing. The best way to find one is through referrals or word of mouth.

A successful partnership depends on selecting a consultant whose skills and personality match the needs and personalities of specific executives and their companies. Two key factors come into play: consulting skills and professional/personal skills. Executive consultants should have extensive experience in both, traditional and executive consulting. Before choosing one, ask them to describe several consulting projects and how they planned, managed, and completed them. Ask about both traditional and innovative approaches and the methodologies used to complete projects. Also check the projects and clients they engaged to determine their fit with your company and/or project.

Executive consultants should also have healthcare and/or pharma experience in the area to be evaluated, as well as professional training or experience as a facilitator, particularly for project-based work. For all consultants, professional and interpersonal, organizational, and communication skills, as well as a results-oriented approach, are important.

**On the Job**

Once a company has identified the right consultant, how should it formalize the relationship? First, it should discuss and agree on expectations, roles, working arrangements, deliverables, compensation, and other relevant issues. Compensation depends primarily on whether the person will do project- or company-based work. In the project-based model, consultants are usually paid a flat fee, divided into payments made during and after completion of the project. In company-based work, they are usually paid at a daily or monthly rate. A common practice is to set up a monthly retainer enabling the pharma company to access the consultant for a given number of days or hours per month. A signed letter of agreement between both parties will serve as a binding contract.

Executive consulting is an innovative alternative that can significantly reduce consulting costs while retaining intellectual capital in house. Pharma companies should consider it for new, complex, cross-functional, or executive agenda-level issues. It should not be used for projects that require large staffs or standardized, established approaches. However, given the expanding number of executive agenda issues and greater emphasis on managing costs, it is likely that pharma companies will increasingly use executive consulting to help their companies manage challenges, knowledge, time, and costs. ■

**A Trio of Options**

	<b>Pharmaceutical Teams</b>	<b>Traditional Consulting</b>	<b>Executive Consulting</b>
Project team organization	Company employees	External consultants	Executive consultant and company employees
Retention of intellectual capital	High	Low	Very High
Use of consulting processes/methodologies	Minimal	High	High
Trained facilitator	No	Variable	Yes
Specialized domain expertise	Variable	Variable	High/medium
Objective, third-party perspectives	No	Yes	Yes
External costs	None	High	Low
Likelihood of project implementation	Variable	Variable	High
Additional staffing resources	Variable	Yes	No
Financial arrangements	Paid employees	Project-based contracts	Project- or retainer-based contracts

**Executive consulting combines the attributes and capabilities of internal project teams with those of traditional consulting firms. The comparative attributes of each model are detailed above.**