

I N S I D E T H E M I N D S

Strategies for Building an Agile Organization

*Leading CEOs on Establishing Collaboration,
Engaging Innovation, and Maximizing Value*



ASPATORE

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First Printing, 2010

10 9 8 7 6 5 4 3 2 1

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Approaching Agility through Simplification

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Defining an Agile Organization

Many articles have been written on the topic of an agile business model for agile organizations, resulting in a number of definitions. From my perspective, an agile organization actively monitors its environment and has a structure in place that allows it to respond effectively and efficiently to environmental changes. At the same time, companies must be able to maintain their focus on the health of their core business, its profitability, and new opportunities for growth. All three aspects are important to ensure continuous success.

Building an Agile Organization

When building an agile organization, the design phase is of utmost importance. As companies grow and businesses mature, many organizations recognize the need to gain or regain agility so they can effectively manage change. However, agility cannot be achieved through rash, piecemeal, tactical decisions. The result may be a smaller version of the old business or an attempt to become something it isn't.

NPS Pharmaceuticals became agile by design. In our experience, we took a blank sheet of paper, looked at the opportunities our assets could represent, and decided how we would grow our product in the most efficient and effective way to meet our customers' needs. Once the design was created internally, we consulted key experts to refine it. Then our board of directors approved the plan, which allowed us to move onto the next step—implementation.

Implementing the Agile Design

In the implementation phase, we focused on three components: people, processes, and technology. Downsizing often occurs during this kind of transformation. The goal is not blindly eliminating headcount or positions to meet a bottom-line objective, but ensuring that the optimal talent needed for the next phase is retained and nurtured, so critical employees can grow and contribute in an environment that matches their affinity and competency.

The profile of the key talent needed in an agile organization is vastly different from similar positions in traditional companies. These employees

must have not only solid experience, but also the willingness to be hands-on, accept personal accountability, and multitask.

Compliance is another challenging component of the successful implementation of your design. Biotechnology is a highly regulated industry; therefore, management has to ensure that everyone in the organization has a clear pathway to navigate from point A to point B, respecting the regulatory obligations pertaining to our business. While being in compliance is non-negotiable, it often places a significant burden on smaller organizations and requires companies to integrate expensive tools and comprehensive services.

Communicating the Design

During the implementation phase, it's imperative to clearly communicate the new design, and this requires strong, succinct messages that will reach parallel external and internal audiences.

Internal communication has its own challenges, as employees may not understand why responsibilities or roles are changing. They may not be inclined to do things differently and may not understand how they could do more with less. However, transparent communication will help the employee reach a “choice point”—that moment when they have enough information to make a knowledgeable decision about their role and future with the company, whether they feel they can adapt and fit into their new role and embrace change, or whether it is best for both parties to part ways.

External communication is also important. Moving toward an agile design can be misconstrued as decreasing effectiveness or quality, and an inadvertent backlash could occur. Companies need to communicate clearly that regardless of the change, the core business not only remains the same but will be strengthened.

Receiving Feedback

Consistently assessing the design is as important as implementing it. Therefore, it is necessary to create a timely and ongoing feedback mechanism. A year after we implemented our new organizational structure,

we realized that some areas needed modification to improve effectiveness and remove bottlenecks. While some of the assumptions evolved over time, it was important to allow for a reassessment of the needs to take precedence over the original blueprint. This led to changes in reporting relationships, an increase in headcount, and a realignment of the decision-making process. This was relatively easy to accomplish because the open communication and transparency of our internal environment had changed for the better.

Innovating Toward Success

Innovation can be killed quickly by pre-existing inadequate processes, incentives, and corporate culture. Many companies suffer from a culture that stifles innovation. A key goal of mine is to foster a culture of innovation, so that when a great idea emerges, the decision-maker has the authority and support to act quickly on it.

One counterintuitive tool to move such a culture forward is to create a mechanism to reward creativity, innovative thinking, and effort, regardless of the result. Success is rare. Ninety-eight ideas may generate only two successes; however, if you do not challenge the status quo and try to put ideas into action, success is unlikely. By rewarding innovative thinking, we are sending a clear message throughout the company that success is driven by new ideas, and one successful innovation is often preceded by many failures. Innovation does not just happen. Innovation is a diligent, systematic, and organized process. Most people do not wake up in the morning with the brilliant idea that is perfectly formed, functional, and ready to generate a billion-dollar product. Instead, multiple ideas are tested, scrutinized, and tried from various angles until one emerges and constitutes the core of a success story. As a result, the most important way to show people that we appreciate the courage it takes to bring new ideas forward is to incentivize them, win or lose.

Adding Agility

We are at an important stage of growth for our company. We have completed the learning stage. We went through the stage of execution. In

the next year, we are moving into the phase of delivering outcomes as our two leading development candidates approach the finish line.

Moving these programs forward through the regulatory process and on toward potential commercialization means further evolution for the company because our focus will need to change. Our innovation and effectiveness will trigger a new phase of adaptation, building on the solid foundation we now have in place.

Creating an Agile Employee Base

Over the next twelve months, we will have to add necessary resources in specific areas. In planning for these additions, we highlighted the mission-critical importance of certain roles within our organization. It became urgent to ensure that if one of these key employees left the organization, we would still be able to proceed. Interestingly, in an outsourcing business model, given the small headcount, the employees who are critical are not necessarily at senior levels in the organization—they are those individuals who are singularly sourced to a critical function.

Identifying Opportunities

In our business model, we made a strategic decision not to have brick-and-mortar basic research capabilities within the company. This sets us apart from many in the biotech field, where research is often a core competency. We concluded that it was far better to create a model that allows us to in-license and outsource the new technologies needed to expand our business.

In short, we carefully and proactively monitor our environment. We know what additional products or technologies are necessary to our success, and we spend the necessary time and resources finding these opportunities. Once these opportunities are identified, we design the necessary development programs to bring these products to market and outsource the execution. This allows us to take advantage of opportunities without increasing our overhead or internal resources. We are quite frugal in our choices and manage our resources tightly while maximizing our probability of success.

Role of CEO

The role of the chief executive officer (CEO) is to develop the business strategy and ensure it is executed flawlessly throughout the organization. As a public company, we must also work closely with our board of directors, given their fiduciary role. The CEO is in a unique position to communicate with shareholders, regulators, stakeholders, and customers. My personal style is to lead by example. In an agile organization, everyone has to be hands-on, including the CEO. As a result, I have taken on accountabilities that are not traditionally part of the CEO's role, but since they fall within my areas of expertise, they are part of my contribution to the success of the business.

The Role of HR

We could not have changed our strategic direction without the human resources (HR) function. It has been mission-critical in both our transformative phase and our execution phase. HR is present at the executive level and kept informed of every business decision. This function was intimately involved in helping transform the company. During the restructuring phase, we had to downsize not only out of financial necessity, but also because of the new talent requirements of the company. In our new business model, we identified forty positions that were required to run our company at the optimal level.

In an unusual move, we made the decision to downsize to sixteen employees and subsequently hire twenty-four new employees, allowing us to hit the target headcount number while giving ourselves the opportunity to recruit for the perfect balance of cultural fit, technical expertise, and business needs. The role of HR was pivotal in creating a new environment.

Looking forward, we will need to continue to reward for performance and retain our top talent in a competitive environment. These two elements often go hand-in-hand. The biotech industry has a finite amount of talent with the specialized skill level necessary for success. As a result, competitors often court high performers. HR is instrumental in designing the appropriate compensation plans, as well as creating the positive

culture and working environment that are both so pivotal in any retention effort.

Role of IT

The role of information technology (IT) has changed dramatically as we downsized. The systems we had in place were designed for the needs of a much larger company. Therefore, the IT department had to play a dual role—simplifying the technology while adhering to complex regulations.

During the next phase of our corporate lifecycle, our IT systems, processes, and tools will have to adapt and grow to support the needs of a commercial organization. IT will have to understand the imperatives of the next business model and adapt its processes and technology to cost-effectively handle the company's emerging needs. While the number of employees in the company is small, IT must anticipate future growth, sizing its systems and services for a much wider circle that includes vendors, consultants, and contractors.

Role of Marketing

Marketing in an agile company is both an art and a science. Given the imperatives of our business model, marketing had to sift through traditional strategies to weed out elements either we cannot afford or that do not apply to us and focus instead on the small number of activities that will give us the highest return on our investment. Innovation will be key, as our marketing team has to juggle multiple priorities and remain focused on creating value through optimizing new ways to reach our particular target demographics.

Designing an agile organization does not just happen. It takes a solid commitment on behalf of management, a thorough and forward-thinking design phase, flawless execution, and the necessary ingredients to transform a culture. The challenges are preserving the corporate memory, ensuring ongoing compliance, and keeping the fingers on the organization's pulse to correct the course when need be. The outcome is a professionally and personally rewarding experience.

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Acknowledgment: *Susan Mesco and Hollister Hovey.*



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