

# GSK's new 'ethical' customer approach: Is it delivering?

A review, analysis and key lessons



# Contents

## This white paper will provide:

- Insights from GSK on how it fundamentally changed its relationship with stakeholders
- Expert analysis on the current and future performance of the new customer engagement model – from industry leaders and customers
- Guidance on what can be learnt from GSK's approach

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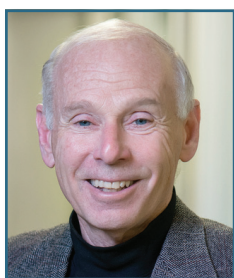
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*“Several lessons can be learnt from the GSK model, including the needs for a middle ground between results-oriented and customer-oriented performance metrics, using meaningful feedback to improve sales rep performance, and transforming selling into a ‘meaningful’ purpose.”*



George Katzourakis



John LaMattina

## Executive Summary

In a bid to overcome stubborn industry-wide challenges, improve external perceptions and build stronger relationships with customers, some companies are seeking radical changes to age-old, traditional processes.

One such company is GlaxoSmithKline, which began the introduction of a new, more ethical approach to its interactions with customers in 2013, then accelerated its efforts following the infamous Chinese bribery scandal in 2014. As part of its more 'ethical' approach, GSK decoupled sales force incentives from prescription volume, redefined its interactions with physicians (including stopping all payments for doctors to speak on behalf of the company) and made greater investments in its people and transparency measures.

The company encountered a number of initial hurdles. These were: company size, employee resistance and pushback from physicians. While positive benefits of the new model were slow in coming, for GSK executives, the experiment has, they believe, been a huge success. For example, in 2015, a survey of more than 3,500 HCPs in the United States saw GSK ranked the number one company in terms of trust and customer value.

"It was a big change and it has been a big, booming success," remarked George Katzourakis, Senior Vice President Europe, in our recent interview. "We are absolutely convinced that this is the way forward for the industry," says Denise Dewar, the company's Head of Multichannel Marketing Excellence for EU, Canada and EMA. Similar exclamations have been received from other senior staff.

While GSK's move to a new model has been well-received internally, many external commentators remain skeptical that this 'ethical' model – especially the decoupling of sales incentives from prescription volume – is robust enough to deliver results in the long-term.

This skepticism coalesces around four key questions: Why change the sales model entirely? Is GSK simply overcompensating for previous mistakes? What is the risk to R&D budgets? Can this model be sustained with the upcoming change in CEO?

Given this criticism, there has been much debate about whether the rest of the pharmaceutical industry will follow GSK's 'ethical' model. "If I were a CEO, I would keep an eye on it," says former President of R&D at Pfizer, John LaMattina, summing up the wait-and-see approach of most companies.

However, a building weight of research is suggesting that whether others imitate GSK's approach or not, traditional sales incentive models should be revised – driven by both ethical and pragmatic concerns.

Several lessons can be learnt from the GSK model, including the need for a middle ground between results-oriented and customer-oriented performance metrics, using feedback to improve sales rep performance, and transforming selling into a 'meaningful' purpose. Also, the GSK experience has taught us that embedding a new sales model takes time, needs a bold leader and will create, over time, a new breed of sales representative.

## But is pharma's commercial model broken?

Over the past decade, pharmaceutical companies have implemented a range of measures to boost their productivity and profitability, including intense merger and acquisition activity, stringent cost-containment, and organization-wide restructuring programs. Yet, stubborn problems persist – the escalating cost of clinical trials, flagging levels of engagement with customers, and increasing prices at a time when payers are demanding more value from their health budgets.

These problems – alongside the continuing technology revolution – have prompted a traditionally conservative industry to seek innovative, even radical solutions. Pharma is embracing and exploring *patient-centricity* in the hope to gain a better understanding of the needs of the end user of its medicines, and *customer experience* to better understand the needs of its direct customers.

However, some companies have asked more fundamental questions, such as what is pharma's brand? Why has its reputation been so poor when it delivers such astounding life-saving and life-enhancing medicines? With each scandal – whether price gouging, bribery or unethical sales practices – the 'Big Bad Pharma' image is reinforced in the minds of all – patients, customers and payers.

High levels of distrust make it incredibly challenging for pharma companies to communicate the good they contribute to society. What's more, efforts to become truly patient-centric and customer-focused companies will be hampered if patients and key stakeholders fail to trust them.

One area that is attracting ever more criticism is pharma's long-standing commercial model, particularly payments to healthcare professionals to participate in marketing activities and sales practices such as an incentive model that ties a sales representative's remuneration to the volume of prescriptions written.

"Doctors can be better doctors when they have a partnership with the pharmaceutical company," says Dr Martin Makary, Professor of Surgery at Johns Hopkins University and Professor of Health Policy and Management at the Johns Hopkins Bloomberg School of Public Health. "Pharmaceutical companies can benefit from a relationship with doctors so that they understand the concerns of patients that we see as a patient advocate."

However, the current situation is far from ideal. "The relationship between pharma and doctors is one that is polluted with conflicts of interest and it's not good for healthcare. It's bad for patients when sales reps from pharmaceutical companies are being paid based on the number of drugs that they sell. Sales targets on a monthly basis make sense in a retail store, they make sense at a car dealership, they don't make sense in hospitals. In fact, it's a dangerous trend. Patients need to be at the center of the healthcare system," says Makary.<sup>1</sup>

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*“This is a new environment where companies and doctors and nurses have to think about what will patients think about our relationship, what will they know about it and how’s it going to be reported.”*

Dr Virginia Acha

For Professor Sir Michael Rawlins, Chair of the UK Medicines and Healthcare Products Regulatory Agency and previously Chair of the UK National Institute for Health and Care Excellence (NICE), the problem of payments to doctors by pharmaceutical companies is a complex one.

“Doctors should not be part of the marketing arm of the pharmaceutical industry and they certainly shouldn’t be paid for doing marketing. However, it’s not black and white; for example, if I do a clinical trial on a product made by a pharmaceutical company, I’d want to present that at scientific meetings. Is that wrong, is that promotional? We need to tease out the levels of the problem and respond accordingly to ensure the broad trust of the professions and the public is maintained and sustained.”

There has been a general trend towards the disclosure of payments made to physicians, including the Sunshine Act in the US, which aims to make payments to prescribers and HCPs more transparent. A similar initiative is in place in other countries; for example, in the Netherlands, there is a national initiative among government, industry and medical associations to publish information about industry payments to physicians via a transparency register, while in Denmark, a government initiative was launched in 2014 to disclose payments that doctors received from pharma companies.

On sales incentives, he adds: “It is a perverse incentive to make sales targets coupled to remuneration; it is much wiser for the interaction between the representatives and HCPs to be based on factual information, honesty and open dialogue with the material publicly available,” says Rawlins.<sup>2</sup>

“We have a challenge in front of us to establish not only the transparency of how we’re interacting but why we’re interacting,” adds Dr Virginia Acha, who spent more than a decade in academia before becoming Executive Director, Research, Medical and Innovation Policy at the Association of the British Pharmaceutical Industry (ABPI).<sup>3</sup>

“This is a new environment where companies and doctors and nurses have to think about what will patients think about our relationship, what will they know about it and how’s it going to be reported?’ In these new worlds both of engaging with people via social media and being reported on through social media, do we need to think a little bit more deeply about whether ‘the codes we have in place are still the right ones or do we need to do something different?’” says Acha.

In 2013, GlaxoSmithKline (GSK) began the roll out of a bold initiative to dramatically reshape how it interacts with healthcare professionals (HCPs). “In all of our interactions with HCPs we aim to be transparent about our work, operate with integrity, and always put the interests of patients first,” says the company. “We’ve made these changes because we believe the established way of operating is outdated and doesn’t work effectively for patients, HCPs or the pharmaceutical industry.”

GSK Chief Medical Officer, Murray Stewart adds: “These changes are significant but we are committed to transforming our business model so that patients are at the heart of every decision we take.”<sup>4</sup>



Murray Stewart

The move by GSK has attracted a great deal of debate – receiving praise from some quarters, including healthcare professionals, and skepticism from others, including many within the industry. In part one of this paper, we detail GSK’s new model through interviews with key executives and ask important questions around whether the model is achieving its objectives. In part two, we seek expert opinion about the new model and ask whether it represents the future template for how the entire industry will interact with customers in the future.

In part three, we offer some important lessons other companies can learn from the GSK experience.

## Part One

### The foundations of GlaxoSmithKline's 'ethical' model

The changes made to the way GSK interacts with HCPs include how it incentivizes its sales representatives and how it supports medical education, as well as a stop to payments made to external HCPs for speaking on behalf of the company about its prescription medicines.<sup>5</sup>

GSK says: When someone visits a healthcare professional, they expect the advice and treatment recommendations they receive to be based on their medical needs and their HCP's understanding of their condition and the treatment options available. Any question of conflict of interest between a doctor and the companies that develop treatments could undermine the trust patients have in those treatment decisions.<sup>6</sup>

If the information pharma companies provide to physicians is perceived as conflicted, this negative perception distracts from the core message and value proposition of the treatment and creates an unnecessary barrier to patient access. By removing the opportunity for a conflict of interest, industry can ensure that prescribers have access to adequate, objective and current information that they can use to select the right treatments for their patients.<sup>7</sup>

For George Katzourakis, SVP Europe at GSK, the company's new approach is a major shift but the objective remains the same. "Our commercial goal hasn't changed; it is simply a different way of going about it," he says. "The success of any pharma company depends on maximizing the number of patients that would benefit from our medicines. What is changing is the way we communicate and engage with physicians, how we address their questions and concerns, and how we help identify the patients that can use our medicines. At the same time, it addresses some of the reputational aspects and removes some conflicts of interest."

Under GSK's 'Patients First' initiative, executives made the following changes:

#### 1. Decoupling sales force incentives from prescriptions

In representing the company, salespeople build and manage relationships with customers, however, they also face many ethical dilemmas. To reduce such dilemmas and to deepen the relationships between representatives and customers, GSK sales reps and managers are no longer rewarded based on how well they meet individual sales targets; this effectively removes 'number of prescriptions issued' as the key motivator for performance.

Rather than the number of prescriptions issued, under the new GSK approach sales reps are evaluated and rewarded primarily based on three factors: selling competency; customer evaluations; and the overall operating profit of the pharmaceuticals business.<sup>8</sup>

Customer evaluations are done through satisfaction scores; the company collects feedback from customers randomly to assess each sales rep's performance, capability to communicate the benefits of its products, and the quality of the dialogue he or she maintains with the physician. This shift gives sales reps the opportunity to focus on delivering real value to their customers, fundamentally changing the attitude and approach to selling right across the sales force.<sup>9</sup>

Reps are also observed and rated on the quality of their communications with customers, says Victoria Williams, Vice President and Sales Director for GSK France, adding that reps are trained to be transparent and patient-centered to improve the quality and value of interactions with customers. "This type of approach drives a different behavior with physicians," she says. "Selling isn't a bad word if it's done right."<sup>10</sup>



*“It has become impossible to make payments to prescribers without it being perceived as linked to prescriptions.”*

**Murray Stewart, Chief Medical Officer, GSK**

Reps are also evaluated on scientific knowledge, proficiency and understanding of the drug, technical skills, quality of service delivered to physicians, and business planning skills and execution. By placing education as a key part of the incentive scheme, reps' confidence level and sense of authority when communicating technical and medical information to customers increases tremendously.<sup>11</sup>

CMO Murray Stewart explains: “A typical rep might say, ‘A certain drug lowers glucose,’ but a better one will say, ‘It lowers glucose by this amount,’ and a really good one will say, ‘It lowers glucose by this amount and lowers the risk for the following complications.’”

Williams poses several questions to emphasize how GSK assesses its sales reps and sales managers:<sup>12</sup>

- Do reps have enough knowledge to represent our medicines and vaccines in front of our customers?
- Are they capable of delivering sales calls that bring real value?
- Are they able to differentiate their activities to go to customers where we can make the most difference?
- Is the scientific knowledge of managers enough to support their teams?
- Are they able to coach their sales team to deliver sales calls of real value?
- Can they make the choices in their activity and resourcing to ensure that we see the customers where we can make a real difference?

Inspired by the sales compensation model adopted in the United States as part of its ‘Patients First’ program in 2011, GSK announced plans to change its sales incentive scheme globally in 2013.<sup>13</sup> Implementation of the new incentive scheme in select countries started in 2014 and by 2015 it was the GSK standard across the globe.<sup>14</sup>

## 2. Redefining interactions with physicians

It is becoming impossible to make payments to prescribers without it being perceived as linked to prescriptions, says Stewart, which is why, in 2016, the company started to stop payments to physicians for speaking about GSK medicines and vaccines to other prescribers at medical conferences.<sup>15</sup>

Along with other companies, in June 2016, GSK disclosed ‘transfers of value’ to HCPs across Europe in line with EFPIA requirements. The company disclosed “in the true spirit of transparency, with consistent high rates of named disclosure and following ‘no consent, no contract’ approach,” says a spokesperson.

GSK has continued to pay physicians and HCPs for expert services and participate in clinical research endeavors. Such payments are based on fair market rates and are subject to rigorous control and transparency measures.<sup>16</sup>

Says Stewart: “Say you pay for a doctor to go to a medical conference in Las Vegas. Someone is going to say: ‘Oh and he also just happens to be one of your top prescribers.’ It sounds terrible.”

Now, GSK strives to sponsor conferences or talks that are held in more realistic locations with reasonable accommodation and hotel transfer services.

The way the company supports medical education has also changed. While GSK still provides opportunities for medical education, they have taken themselves out of the program by no longer playing a role in selecting the prescribers who attend the conferences or talks they fund.

*“We wanted to make sure that we took the prescriber out of the equation... It's a GSK employee giving talks now, whose incentive isn't to prescribe.”*

**Murray Stewart, Chief Medical Officer, GSK**

An independent professional body organizes the educational programs without influence or participation from GSK, while the company continues to provide grant funding to reputable education providers.<sup>17</sup> Stewart sums it up simply: “If we pay, we don't play - we don't influence content or attendance.”

Instead of paying external physicians to speak on GSK's behalf or directly control medical education programs, the company has increased the number and expanded the role of its own internal medical professionals. GSK doctors/medics provide educational support to external prescribers and speak about products and diseases on GSK's behalf – as employees of the company.

“We wanted to make sure that we took the prescriber out of the equation,” explains Stewart. “It's a GSK employee giving talks now, whose incentive isn't to prescribe.” This increases the level of peer-to-peer discussion between the medical community and in-house physicians.<sup>18</sup>

### 3. Greater investment in people and transparency measures

GSK has invested heavily in up-skilling its medical, sales and marketing teams, as well as bringing in new talent that understands the new direction of the organization, says Denise Dewar, Head of Multichannel Marketing Excellence, EU, Canada and EMA.<sup>19</sup>

To help strengthen its engagement capabilities with doctors, GSK has invested in improved multichannel capabilities, specifically digital.<sup>20</sup> Some new channels have already been rolled out in Europe, US, Japan and other parts of Asia, allowing customers to share information to generate insights into what customers need, she says.<sup>21</sup>

Not only have its digital capabilities allowed GSK to know what physicians want – drug profiles, safety and efficacy parameters, and the significance of new treatments for patients – the in-house medical team is using webinars, peer-to-peer discussions, and social media platforms to speak to a large external network of physicians.<sup>22</sup> GSK has also recently launched ‘Click to Chat’ in some markets, permitting customers to get in touch with a GSK doctor instantly in order to ask a scientific query about a product or disease.<sup>23</sup>

GSK is also taking steps to make its data more open so that others can see its progress with medicines and vaccines. In 2013, the company rolled out a secure online portal, [ClinicalStudyDataRequest.com](http://ClinicalStudyDataRequest.com), that allows researchers to request access to anonymized patient-level clinical trial data to help further scientific enquiry. The portal lists over 1,700 of GSK's clinical trials as well as a number of clinical studies carried out by other pharma companies. In 2015, the biomedical research charity, the Wellcome Trust, took over the management of the portal.<sup>24</sup>

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*“If you really want to put the patient at the heart of everything you do, be brave. Don't take steps incrementally, but talk about what would change the game for the patient and for your organization in a way that you and all of those across your company really, truly feel excited about, and which really links in with the values of your organisation.”*

**Deborah Waterhouse, SVP and Business Unit Head, US Primary Care at GSK**

## Overcoming initial hurdles

Katzourakis explains: "Internally, it was a big change. It took a lot of leadership and communication, with leaders playing a visible part in the change. We cut bridges to the past to get people moving on the journey. Building internal belief and confidence was a big challenge; one of the ways of addressing it was to share some early wins, to share things that were working to get people motivated and engaged with the new model."

Changing the culture was not the only challenge, he says. "The old infrastructure was not supporting the new model, so we had to build a lot of capabilities, skills and competencies - medical, digital and marketing - so we could integrate together. We had to increase capacity of our Medical organization and we had to make some big investments in digital. We had to let people go into an experimental zone; I allowed a short time where people could experiment then very quickly picked activities that could work and scaled them up."

Aside from internal hurdles, GSK also had to deal with the reactions of those outside the company, says Katzourakis. "We saw reactions from the people we were engaging with; while a number of external experts were excited about the change, we had to do a lot of explanation around how it was going to work. There was only a small proportion of HCPs that didn't see anything wrong with the way we were working in the past."

Below are three of the key hurdles GSK faced during the roll-out of the new engagement model. They were:

### 1. Company size – How large companies need to be brave

The size of the company was a considerable obstruction to such a huge organizational change, with understandable resistance to a move away from established, long-standing business practices.

For GSK, the challenge was particularly difficult during the initial Patients First rollout. Significant effort was needed from management to drive the message internally and change the culture of organization. Moving forwards, the company made the decision to implement the change one country at a time, ensuring the changes were aligned with local strengths and weaknesses.<sup>25</sup>

There were unique challenges in each territory. In France, where the average age of medical representatives was 50 years and the average tenure 20 years, driving the change in the incentive scheme was a challenge, says Williams. "As a management team, we had to bring back every opportunity to say why we are doing this – that we are trying to bring greater value to our customers and their patients, and that we're trying to have conversations that are more transparent and build an agenda of trust. But, it takes time and we need to keep coming back to why we are trying to change," she says.<sup>26</sup>

Such large-scale changes are not for the faint of heart, says Deborah Waterhouse, SVP and Business Unit Head, US Primary Care at GSK. "If you really want to put the patient at the heart of everything you do, be brave. Don't take steps incrementally, but talk about what would change the game for the patient and for your organization in a way that you and all of those across your company really, truly feel excited about, and which really links in with the values of your organization. Be brave, that would be my advice."<sup>27</sup>

### 2. Employee resistance – Letting staff go and embracing new talent

After any major organizational change, people will leave the company and some GSK sales reps felt the changes were not for them. However, the numbers were small – less than 5% of the sales force chose to leave.



*“We take great lengths to explain to them that it's not about their stand, but about the perception.”*

**Murray Stewart, Chief Medical Officer, GSK**

To facilitate this, GSK had to really engage its sales managers, communicating that it was okay to let go of those who wanted to leave. “It's better for people to make a choice to leave rather than try to fit them into something that is never going to be for them. We need to reassure our managers around that aspect,” explains Williams.<sup>28</sup>

With new methods to evaluate sales rep performance and engage with the external medical community, internal medical and commercial teams have been given the opportunity to demonstrate their skills and knowledge in new ways.<sup>29</sup> By breaking down the fixation on prescription targets, sales reps have become more intrinsically motivated to increase their customer understanding, their ability to ask the questions that really help identify the needs of the customer, and become a leading and valued information resource for physicians.<sup>30</sup>

### 3. Pushback from customers – Building trust

At the start, GSK received some pushback from a few doctors about the stop to payments for speaking engagements, a situation Stewart feels was understandable. He says the change in the relationship between healthcare professionals and GSK raised four key questions among customers:

#### *Are you saying we are not ethical?*

Some doctors were affronted because they felt they were being challenged on their ethics. ‘We go to great lengths to make clear that we recognize doctors make good decisions in the interests of their patients. We just want everyone to recognize that, most importantly, the patients themselves.’

#### *Am I not senior or experienced enough?*

Within some medical communities – where there is the perception that a professor is more senior than an disease area expert, who is in turn more senior than a general practitioner – GSK's use of internal GSK doctors as speakers questioned the entire medical profession hierarchy. This problem of perceived seniority was particularly common in Asian medical communities and to a small degree in the US medical community. In response, GSK understood that both its sales reps and doctors needed to be up-skilled to ensure they were genuine experts in both products and disease areas.

#### *Is the quality of the medical information high enough?*

Connected to concerns around the ‘seniority’ of the GSK doctors, some physicians questioned their quality as speakers. “Quite a few doctors felt, ‘I'm not going to the meeting because I don't think the speaker is high enough quality,’” says Stewart.

However, over time and with word-of-mouth – and as GSK doctors and experts deliver more and more talks revolving around scientific data – customers are increasingly realizing that GSK speakers are highly credible not just about its products but the general disease area.

For example, at the end of each webinar, GSK asks participants whether it was worth their while and whether they would attend again. “Although they are soft questions, they do show a shift,” says Stewart, with an increasing number of physicians responding that the data quality is good, that they got the information they needed, and that they would attend again.

#### *Is this a cost-cutting exercise?*

Many doctors thought that by GSK stopping payments to external HCP speakers it was trying to cut ties with doctors and reduce expenses. Stewart says they had to explain that while the company had stopped direct payments to doctors for speaking engagements, it had increased investment in medical education and grant funding.

## Does GSK's new approach work?

Positive results from the new approach were slow in coming, says CMO Murray Stewart, however, there is qualitative evidence of improved relations with prescribers.<sup>31</sup> In a 2014 customer satisfaction survey of HCPs in the US, GSK was ranked the number one pharmaceutical companies for the value it delivered.<sup>32</sup> The following year, the same customer survey of more than 3,500 HCPs in the US, ranked GSK as number one for physician trust and for customer value.<sup>33</sup>

GSK reports that the new model has altered the company's relationship with doctors, although there were some teething problems, says Stewart, when "a few doctors initially thought that GSK no longer wanted to speak with them. We said we still want to engage with you but on the science."

According to GSK, doctors became more open to seeing GSK reps and more willing to discuss and provide feedback on its medicines and vaccines and the diseases they treat. With the company listening to the needs of customers and only acting when they have the solution to meet those needs, doctors feel that they are being heard and understood rather than being "talked to."<sup>34</sup>

Doctors, in general, like the change in dialogue where there is no longer an aggressive push for them to prescribe, says Stewart. "A good dialogue revolves around data. The medical community are impressed with the knowledge of our sales force and the high standards and quality of the dialogue."

In markets where GSK experts are speaking, HCPs have found them to be highly effective and informative. In Canada, where we stopped payments to HCPs in early 2015, GSK expert speakers had delivered the same number of medical product information sessions by June as external HCPs had during all of 2014. Attendees commented on the strong scientific knowledge and communication skills of GSK speakers."<sup>35</sup>

In GSK Netherlands, increased transparency has increased collaboration between industry and physicians/HCPs, while, in Norway, it has boosted communication between GSK and HCPs, demonstrating that stopping payments was not about avoiding doctors but rather about building trust and having science-led conversations. In Denmark, the change in policy has provided the opportunity to develop more innovative engagements with physicians (such as a debate facilitated by an ethics professor).<sup>36</sup>

*"In France, we are starting to get recognition outside of GSK. The French government and the pharmaceutical authorities are recognizing that we are doing something different."*

**Victoria Williams, VP, Sales Director, GSK**

"In France, we are starting to get recognition outside of GSK," says Williams. "The French government and the pharmaceutical authorities are recognizing that we are doing something different."<sup>37</sup>

Dewar has also had positive anecdotal feedback from physicians across the globe; a female pediatrician in Vietnam thanked Dewar for GSK's weekend webinars, which made a big difference to a busy working mother, while a webinar across 10 cities in India about data for the vaccines business (although not about launching a new vaccine) had "phenomenal" uptake.<sup>38</sup>

Stewart mentions some confusion about whether GSK had stopped proactively selling. Selling does not stop, he says. "What has stopped is over-zealous selling. It's appropriate for the sales force to still be able to sell," he says. "Some of them have needed the push, telling them that it's okay to sell. All that's happening is we are not judging you on the number of prescriptions, and that doesn't mean you are not allowed to sell. The sales force still sells, but it's how they sell and what is the driving force behind their selling that has changed."

GSK sales reps are now expected to work by the notion that if they are okay with the way they work appearing in a newspaper, then they are doing the right thing. This notion seems to have been communicated very well across the organization. When the company ran an employee survey in 2015, they found that 81% said they were proud to work for GSK.<sup>39</sup>

With a new approach to selling, GSK is confident that customers will use their medicines and vaccines more frequently.<sup>40</sup> In the initial quarters of 2016, when there were no more payments for doctors as speakers and the ethical bonus scheme for sales reps had been rolled out, sales performance was reportedly better than expected.

In the first quarter of 2016, consumer profit margins increased from 12% to 17%, while in the second quarter revenue also grew by 4% and sales of new products exceeded \$1.5 billion for the first time.<sup>41 42</sup> In Q3, GSK reported that pharmaceutical sales grew 6% to £4.1 bn, with sales from new products showing an upward trajectory - Q1 £821m, Q2 £1.05bn; Q3 £1.21bn.<sup>43</sup>

"New products are selling very well," says Stewart. "We recently launched our respiratory portfolio in the US with Breo Ellipta and Anoro doing better than expected. Nucala (mepolizumab) was only being sold with the new model and uptake for severe asthma is doing very well."

For their mature products that are in decline or approaching patent termination, Williams says the strategy is to replace them and grow the business with new medicines and vaccines. "How do you grow new products? Through great sales calls. We are doing that. We're seeing great growth for our new products. So, I have seen no [negative] impact on performance with the change in our bonus scheme."<sup>44</sup>

The better-than-expected first-quarter results "convince us that the moves we've made are both good for our business and also good for improving the reputation of the industry," says CEO Andrew Witty.<sup>45</sup>

Essentially, GSK argues that the new model in no way reduces its ability to compete. It is quite possible to maintain sales performance under the new bonus scheme, says Williams, pointing to France, where the new model yielded a profitable year and saw GSK exceeding its plans. The same goes for the rest of Europe, she says.<sup>46</sup>

A European study of HCPs revealed that more than 90% found interactions with GSK medics were helping them make more informed decisions, and so benefitting patient care. In the survey, 85% of respondents rated meetings 4 out of 5.<sup>47</sup> Also in Europe, Katzourakis reveals that the number of HCPs attending face-to-face meetings with GSK medical speakers has increased this year from 4,000 to nearly 40,000.<sup>48</sup>

"What's more, the volume and quality of such meetings is equivalent when comparing 1st quarter 2015 to 1st quarter 2016," says GSK Senior Vice President, Primary Care, Deborah

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*“We are committed to this change because we want to be transparent and change the image of pharmaceutical companies, and so far, we have been successful.”*

**Murray Stewart, Chief Medical Officer, GSK**

Waterhouse. “For something that is so new and original, we are very pleased with the results. Customer feedback has been extremely positive,” she says.”<sup>49</sup>

Admittedly, GSK has been evaluating their performance solely under the new model, rather than any head-to-head comparison of performance between the old and new models. As Stewart explains, “We didn’t do a trial as in, ‘Is this model better than the other one?’ because we just moved from one to the other, but certainly, there is no feeling of, ‘Oh my goodness, we are not selling so we need to change it back.’ I would say there is confidence in our products and our model.”

Katzourakis entered into the new model with his eyes open. “It is a very risky move,” he says. “When we announced this at a time when we were launching so many new medicines, I was often asked ‘Are you crazy?’ However, we are making a lot of progress both in the medical organization and our sales forces, although we haven’t yet seen the benefits that our new digital strategy will bring.”

He adds: “We are still in the embryonic stages with this strategy; we have put in place foundations of systems, channels, content, but we are gaining speed. I am quite excited about how our competitiveness can improve.”

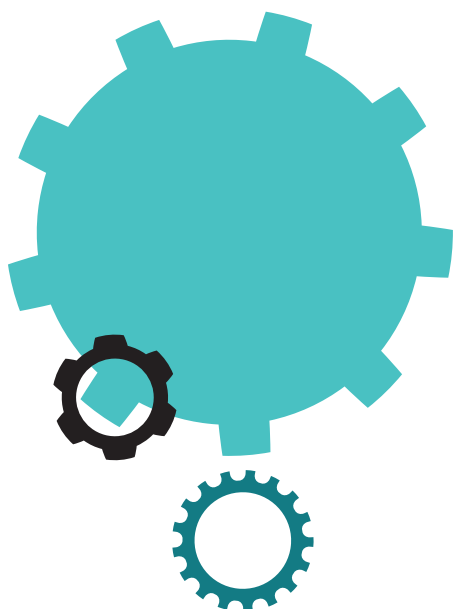
As a 300-year old company, GSK always thinks long term, with executives thinking of and implementing strategies that will make an impact as far as 40 years down the line. The new model is not negatively affecting GSK’s performance and is improving the uptake of new medicines. Plus, the new model is building goodwill and strengthening market access presence globally.<sup>50</sup>

“We are fortunate to have a visionary leader in Andrew Witty, who recognized that there was an issue and that we needed to do something about it,” says Katzourakis. “As with every change, you have to be bold; you have to acknowledge that there is something to be fixed and you have challenge yourself. You have to ask yourself a question: Is the way you do business currently the best way to drive success or is there something you could do differently that could be even better?”

“As an industry we are not very good at establishing this cause and effect relationship,” he adds. “The practices we have established in the past are, ‘This is the way we do business’ and we haven’t challenged ourselves to ask ‘Which of these are driving value?’. This happens in other industries, sectors that are much more competitive than pharma. The pharma industry has been quite complacent. My advice is: when you spot an issue, don’t be scared about addressing it. If we were to do this again, I would say to give us less time. We had two years to make this change and, at that time, I felt two years was too little. Now I feel the faster you get on with it, the better.”

Stewart says: “We are committed to this change because we want to be transparent and change the image of pharmaceutical companies, and so far, we have been successful.”

For Dewar: “We are absolutely convinced that this is the way forward for the industry.”<sup>51</sup>



## Part Two

### Skepticism around the new model

What do other pharma companies and key opinion leaders think about GSK's new model? As expected, the changes met with a great deal of both skepticism and encouragement, however, the concerns of industry insiders fell broadly into four areas. They were:

1. Why change the sales model entirely?
2. Is GSK simply overcompensating for previous mistakes?
3. What is the risk to R&D budgets?
4. Can this model be sustained with the upcoming change in CEO?

#### 1. Why change the sales model entirely?

John LaMattina, former President of R&D at Pfizer and now Senior Partner at PureTech Health, agrees that it is essential to make it clear that unethical payment practices (bribes and kickbacks) will no longer be tolerated. However, he believes the new model was not the right move for GSK. "Every company should be selling ethically, but it doesn't mean we need to change all sales and marketing practices," he says. "Companies continue to promote their drugs aggressively because they believe in them, otherwise they should not have gone to market."

The traditional sales model is preferred by many; it is the standard sales approach in most industries and it ties sales rep compensation to sales results as an easy way to measure short-term output. It is straightforward – either a sales rep meets the target for the month or quarter year, or not. As sales reps are in the field, they cannot be observed, monitored and supervised easily, so basing compensation on results assures the company that its sales reps are performing their duties.

Furthermore, research has shown that the personality types that excel in sales, or are attracted to the field of sales, are those who have a relatively large appetite for risk – they like to win big. Consequently, to motivate people with this kind of personality, businesses need to incentivize them in a way that satisfies their risk appetite.<sup>52</sup>



Jack Whelan

As a cancer survivor who attributes his health to the pharmaceutical industry, Jack Whelan might be expected to support GSK's changes. "Reward for performance is in the sales professional's DNA," says Whelan, who has extensive personal experience of sales. "The most successful sales professionals overcome many obstacles for which most people are not prepared. They manage their own time, create their own motivation, decide what level of success and earnings they wish to achieve, determine with whom they wish to do business, maintain their independence, and keep management off their back by fulfilling the most important promise – to deliver the revenue goal assigned."

For this reason, Whelan does not think GSK's new incentive scheme will work. He has seen similar programs introduced before – and failing. "Sales professionals help sell value," he says. "Competitors that are compensated for sales productivity (revenue) will outsell the sales rep at GSK who is not motivated by compensation for performance."

Some may argue that abandoning the old model is both unnecessarily disruptive and potentially unrealistic. Changing organizational attitudes and behaviors is difficult and time-consuming, and most for-profit companies depend on the old model to secure their revenues. Making changes means effectively removing a core motivator that has worked among sales teams for years. Ultimately, such a radical change could get in the way of normal business operations. Adopting an unstable model could additionally be problematic when the company is looking



Stewart Adkins

to launch a new drug, which will require proactive selling techniques. Customer satisfaction may not be a strong enough approach to drive market access; since the drug is new, there is unlikely to be enough customer satisfaction to work with in the first place.<sup>53</sup>

Stewart Adkins, Director at Pharmaforensic Limited, used to be a sales rep. In the UK, he explains, sales reps are typically given a call rate of 4 to 5 GPs per day. Since reps are rewarded entirely or partly on the basis of meeting this call rate, they do what they can. "It led to all sorts of abuses. You get double-teaming, where reps go to see the same doctor simultaneously, people lying or faking what they've done for the day, or people claiming that just waving at the doctor through an open door was a call," he says. These call rates are inputted to the company's CRM system, and from there, managers interpret and decide on sales reps' bonuses. "However, the alternative of not doing any of that can't work either. You have to measure something," says Adkins.

Measuring performance concretely is necessary to directly compare performance between the new model and the old. John LaMattina suggests one way could be to measure how the GSK model is doing compared to how competitors conduct their sales practices, and refers to GSK's 2015 trade of its oncology portfolio for Novartis' vaccine portfolio, a decision probably driven by GSK's desire to move away from high-priced drugs and into broad population medicines and vaccines that can be sold at modest prices.

LaMattina says: "I know for a fact that at least one of the oncology drugs [Promacta, for thrombocytopenia] is doing way better [in terms of sales] with Novartis' sales force than it did at GSK. I wonder if this is true for all the oncology drugs that GSK gave up? I'm betting that most, if not all, are doing better under Novartis, and if I'm right, that speaks about how, if you reward people on sales, you will sell more."

Novartis' oncology expertise could be a factor, admits LaMattina, but adds: "I think it's due to a more aggressive sales force at Novartis – and I use 'aggressive' not in a bad way but a flattering way." High volume sales do not automatically indicate there is unethical selling taking place, he says. "You can be a sales rep and be ethical." However, for LaMattina, ultimately there is not enough evidence to say whether GSK's new model has worked.

## 2. Is GSK simply overcompensating for previous mistakes?

GSK has been accused of overcompensating for recent corporate scandals. In recent years, the company has been required to pay a \$3 billion settlement fee for federal charges for failing to report clinical data about their drug, Avandia, which caused undeclared side-effects.<sup>54</sup> As already mentioned, the company has also faced heavy penalties for a bribing scandal in China. Also, transparency and trust initiatives have now become widely adopted within the industry, such as the Open Payments Database that reports speaking payments made to prescribers.<sup>55</sup>

"As a result of those scandals, Andrew Witty tried to change the way drugs are being sold and to reward people not on the amount of increased prescriptions they generate, but rather on very soft measurements," says LaMattina.

The behavior and proficiency that GSK wants its sales reps to espouse should be expected of any sales rep regardless of their company, says LaMattina. When entering a doctor's clinic, sales reps must be knowledgeable enough to talk about their drugs in a way that allows a doctor to prescribe them. Reps are expected to know their field, their products and those of their competitors, and to closely work with the needs of physicians to get them to prescribe the drug being sold.

"That's the whole point of having a sales and marketing force," says LaMattina. "If you don't do that, you don't sell drugs – period – and the whole organization suffers. In trying to

*“That’s the whole point of having a sales and marketing force... If you don’t do that, you don’t sell drugs – period – and the whole organization suffers. In trying to overcompensate, GSK has changed their model to the detriment of the organization.”*

**John LaMattina, Senior Partner,  
PureTech Health**

overcompensate, GSK has changed their model to the detriment of the organization.”

Adkins points to GSK’s policy of making licenses available and lowering prices in developing markets to ensure access to its medicines and vaccines. He admires GSK for doing something different and leading by example, especially at a time when blatantly aggressive selling is generating such negative impressions from customers, patients and the general public. “Philosophically, it is good,” he says. “I’m just not sure if it’s the right thing to do. Is it working? I don’t know the answer to that. You would need to be an insider to know whether it has changed behavior and led to an improvement in sales output.”

However, Adkins is sure that GSK is in a commercial bind; based on his observations over its 10-year share price history, its sales have not been going up. They have experienced heavy losses due to the settlement of all Avandia-related federal charges and lawsuits, as well as China bribery scandal-related penalties. The company also struggled when the patent for its respiratory drug Advair expired, which Adkins says contributed £8 billion in revenues.

Sales are stagnating or decreasing in their respiratory franchise and in the overall US market, he says, and as a result, GSK has announced that it would be making annual deductions of \$1.6 billion in expenses until 2017.<sup>56</sup> All in all, for Adkins, this is a very unfavorable time to decouple compensation from sales targets.

A GSK spokesperson reacted by saying: “Our Q3 results show that new pharmaceutical product sales are contributing 17% of our total US Pharma sales, and 25% of global pharma sales, driven by respiratory (Relvar/Breo, Anoro, Incruse, Nucala), HIV, and meningitis vaccines. In the US, respiratory sales increased 14% in the quarter (15% volume growth and a 1% negative impact of price), while growth of new respiratory products in the quarter more than offset the 2% decline in Advair.”

### 3. What is the risk to R&D budgets?

GSK has pledged to no longer file drug patents in the lowest income-earning countries. One-fifth of its profits is also being reinvested in building medical infrastructure and providing training for health workers in developing nations.<sup>57</sup> In addition, with its acquisition of Novartis’ vaccine portfolio, GSK has committed itself to vaccine development, with a vaccine in the pipeline that could be the world’s first vaccine for malaria, a disease that kills over half a million people annually.<sup>58</sup>

“When you don’t drive the business as well as it can be driven, you don’t have enough money to do good things, like helping Third World nations and supporting R&D. I’m an R&D guy; if you don’t have sales, your R&D budgets are going to stagnate, if not shrink. Hot sales translate to more research”, says LaMattina. The rule of thumb is investing 15% of a company’s top line revenues to R&D activities, so when sales drop so too the budget for exploring and developing new compounds, he says.

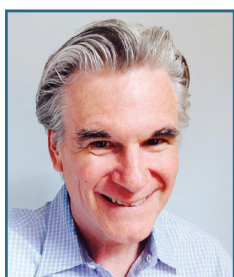
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Christopher Bowe

Given the long R&D timelines, GSK's decisions will be felt in 10 years' time. For LaMattina, there is nothing wrong with high prices as long the drug saves lives, addresses an unmet need, and provides value to the healthcare system. Consequently, abandoning the opportunity to develop high-priced drugs, such as orphan drugs, would be a mistake. For him, companies do not need to specialize in orphan drugs, but it would be ideal for them to include specialty therapies as a component of their portfolio.

Christopher Bowe, Strategic Advisor and Executive Consultant at C Bowe & Co, believes that cutting back on R&D expenses is not entirely disagreeable. "Powerful strategic imperatives for pharmaceutical companies to solve ahead are business model- and cost- based. So this notion that we've got to spend like we used to in R&D and keep the same commercial model is potentially outdated. The entire health system is asking pharma companies to be more efficient in their R&D spend," he says.

#### 4. Can this model be sustained with the upcoming change in CEO?

When Andrew Witty came on board as the GSK's chief executive officer in 2008, a large part of his objective was to rehabilitate the image of the company following the scandals and mishaps he inherited, as well as the decisions and practices of previous generations of leadership. A year later, the *Daily Telegraph* described him as "the friendly face of Big Pharma."<sup>59</sup>

Some of the major impacts of the changes Witty has led – Patients First and the new bonus scheme and engagement practices with physicians – might not become evident on the bottom line for some time. In the meantime, GSK is set to welcome a new CEO by 2017 – Emma Walmsley. The achievements or mistakes of the Witty leadership will manifest during Walmsley's term, thereby partially defining her success as a leader.

Unlike Witty, a drug expert, Walmsley is a consumer healthcare expert.<sup>60</sup> "When a new CEO comes in, changes happen – maybe good, maybe bad," says LaMattina. "Is the new CEO a believer in the new model? Does she believe in ethical or aggressive sales models?"

With the optimistic projected growth in revenues for the coming year, there is no doubt pressure from shareholders to ensure the new model is effective. Yet, if GSK fails to meet its projected growth under the new model, the incoming CEO will be placed under increased pressure to re-evaluate the sales model and make amendments.

Strong leadership plays a more significant role when organizations go through major change. Evidence suggests that resistance to change can be mediated by information, employee participation, and trust in management.<sup>61</sup> In transitioning to new leadership amidst the implementation of a new sales model, the outgoing and incoming leaders must execute the transition while also implementing the ongoing strategies in an orderly manner. This requires the two leaders to have a parallel perspective on the current situation of the company and to lay out an aligned vision for the future.<sup>62</sup> How they orchestrate this is yet to be seen.

*“So this notion that we've got to spend like we used to in R&D and keep the same commercial model is potentially outdated. The entire health system is asking pharma companies to be more efficient in their R&D spend.”*

**Christopher Bowe, Strategic Advisor and Executive Consultant at C Bowe & Co**



Debra Whitman

## Will the industry follow GSK's lead?

"[The] American Association of Retired Person (AARP) is hopeful that these and other similar business practices will become a standard across the industry," says Debra Whitman, its Chief Public Policy Officer.

However, while many share AARP's hopes, there is little sign that the industry will follow GSK's lead. "I don't think this is a trend," says John LaMattina. "If I were a CEO, I would keep an eye on it, especially if GSK sales go up, but if it does not work, I would be glad I did not follow."

"I certainly won't be rushing to do what GSK is doing until I've had a bit more information about whether it is working or not," says Stewart Adkins. "At a group level, I don't think that you can expect to see any change. You have to look at sales performance country by country or region by region to see if there was any response or a relationship between the change in how you do things and the sales output." A host of variables can impact on sales, he says, and it is possible that GSK sales would have been the same even without a change to its model.

"Whether it's the right approach is a difficult one to answer, as the devil is in the detail and as with any strategy much will come down to execution," says Matthew Smith, Customer Strategy Advisor at Ernst & Young LLP. He adds that he wouldn't use the word 'transparency' to describe GSK's sales model: "If anything, there's potential for more ambiguity and, therefore, lack of transparency."

Christopher Bowe says evaluation of GSK's sales model change and growing pains in the US could be more complex than simply blaming changes to sales incentives. The market landscape is also shifting. For instance, he would "love to see what really affected GSK sales in the aftermath of that model. Have you ever heard anyone break down whether, or how much, sales were affected by GSK's formulary positions on some of its biggest products? And how much could have been directly attributable to the model switch? I have a strong hunch that the model may have less to do with it than people think."

The measures for sales rep performance are too soft, says LaMattina. "How well they knew their areas, how well their clients thought of them, the quality of service provided, and their technical knowledge – all of that is great, and these should be part of how any sales rep is evaluated anyway, but at the end of the day, you need to generate sales."

Adkins adds: "People will need convincing that the GSK model is working before anybody takes it up. I don't know what the signals for that will be – maybe if GSK becomes a runaway success and has started to get brilliant ratings in the popularity contest, or if the retention of their sales reps became way better than others. Anyway, there must be other measures of success."

However, an anonymous Head of Commercial Excellence believes a shift to more ethical models will happen one way or another. "Moving towards the new model was definitely the right decision. Andrew Witty demonstrated leadership and courage in taking the unpopular decision that will ultimately see the industry win back a more favorable reputation within the wider community. I would predict the new model will become a trend – some willingly, others dragged along with the current."

GSK officials are clear that all they need is time. "It is going to be like smoking on airplanes. People will look back and say: Did we really used to do that?" says Neil Barnes, Medical Head Global Respiratory Franchise at GSK.<sup>63</sup>



Matthew Smith

*“People will need convincing that the GSK model is working before anybody takes it up. I don't know what the signals for that will be – maybe if GSK becomes a runaway success and has started to get brilliant ratings in the popularity contest, or if the retention of their sales reps became way better than others. Anyway, there must be other measures of success.”*

**Stewart Adkins, Director,  
PharmaForensic**

Murray Stewart believes that ultimately, other companies will follow suit but that the pace of adoption will depend on its customers. Physicians will soon have a choice between attending a 20-minute meeting at a 5-star hotel with posh amenities and entertainment, and participating in a scientific talk to be held at a small hotel with no food or entertainment. They will increasingly be revisiting their values and intentions for joining medical meetings and talks, he says, adding that doctors will go where they can acquire the information they need to better care for their patients. Over time, doctors will not want to participate in activities that have a negative perception or ethical discomfort.

A GSK spokesperson points to several ways in which the competitive landscape is evolving. While no company has yet taken steps as large as GSK, some have made selective changes to their commercial operating models. These include:

- In July 2016, Novartis announced that it will evolve its business practices, including reforms to sponsorship for congress attendance and limitations on HCP speaker payments.
- BMS in China has announced it will end speaker payments
- By January 2018, member companies of MedTech, an alliance between the European Diagnostics Manufacturers Association and the Board of the European Medical Technology Industry Association will have phased out "direct sponsorship" for HCPs to attend conferences.

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*“The conversations where sales reps implore physicians to write more prescriptions to help them achieve their sales bonus are real and still occurring today. It is hard to not see this as bordering on unethical when it comes to patient care and patient outcomes. These conversations and the self-focused intent that underlies them should stop and the easy solution is to stop incentivising reps on their direct sales.”*

**Anonymous,  
Head of Commercial Excellence**

## Ethics AND pragmatism – Why pharma should review its sales model

While GSK has made much of the ethical motivations for the changes to its approach to customers, others identify more pragmatic reasons why it might be time to change pharma's sales model.

“Many sales reps admit they are not that motivated by sales incentives,” says the anonymous Head of Commercial Excellence at a large pharmaceutical firm. Instead of being motivated by such extrinsic rewards, sales reps tend to be more creative, engaged and proactive at learning new strategies when they are intrinsically motivated, he says, where their work is inherently rewarding.

“When you assess Myers-Briggs Type Indicator (MBTI) team types, those teams that have more ‘Feeling’ than ‘Thinking’ preference are very seldom motivated by a sales incentive,” he adds. “The Feeling preference team types don't fit the expected sales archetype [yet] are often able to outperform the more traditional Thinking preference teams. A percentage of reps, of course, will be annoyed with the move from the direct link with sales results and incentives, but these reps may be more suited to other industries.”

He urges the complete decoupling of incentives from sales targets. “The conversations where sales reps implore physicians to write more prescriptions to help them achieve their sales bonus are real and still occurring today. It is hard to not see this as bordering on unethical when it comes to patient care and patient outcomes. These conversations and the self-focused intent that underlies them should stop and the easy solution is to stop incentivising reps on their direct sales,” he says.

There are decades of research showing that human motivation is linked to affiliation, autonomy, mastery and purpose, he says. “Any model that connects these together is going to allow sales teams to bring their best self to the role. The move to become more patient-focused can only occur if the customer-facing teams are not incentivized on their sales. Sales incentives automatically force reps to be self-focused rather than patient or customer-focused.”

Mastery, purpose, affiliation and autonomy among representatives, as well as everyone else in the organization, should always be revisited and rekindled, which can be achieved by clearly defining engagement goals. To make this possible, sales managers must become knowledgeable and capable of holding their sales reps accountable for both their financial and engagement targets.

However, for those reluctant to completely decouple sales targets and incentives, a de-emphasis on sales targets is possible without necessarily removing the link with incentives, says Matthew Smith. “Other pharma companies should follow suit in terms of reviewing the traditional compensation and performance models, and figure out how to target new, qualitative measures over the near and longer term that drive customer satisfaction and engagement over immediate prescription growth.” He adds that making adjustments to the traditional compensation model may not translate exactly into what GSK has done, but it is nonetheless a step in the right direction.

“If the [sales] goal is too high you may be creating a situation where the only perceived way to hit that goal is to engage in a behavior that is not right for the customer or is inconsistent with the company's values and behaviors. The incentive compensation professional needs to step back and say, ‘There needs to be a better way of creating appropriate goals.’”

Also, variable incentive pay overall can potentially have a counterintuitive effect on how

people view their compensation and performance. Bonuses can be perceived as deserved compensation – already spent in the minds of reps. Christopher Bowe says some experts believe that not giving sales reps their full commissions or bonuses can be interpreted sometimes as equivalent to withholding salary. “The result is that the system is seen as punitive instead of incentivizing,” he says.



Marc Bacon

Incentive plans should be aligned with the brand strategy, says Marc Bacon, Director of Incentive Compensation at Sanofi US. “The most successful long-term incentive plans I’ve seen are those that are tied to the long-term approach of the brand,” he says. Sales reps can be stewards within the organization by driving long-term sales and results. “Primarily, you want to make sure that your plan is driving appropriate behaviors and those behaviors are aligned to the brand strategy and to the values and behaviors of the organization,” he explains. For example, if a company’s three-year brand strategy for a new product is to achieve volume growth in year 1, achieve customer retention in year 2, and achieve sales growth in year 3, then sales reps can be incentivized to focus on shaping the market for year 1, to achieve market share in year 2, and to dominate the market in year 3.

While many of our interviewees pointed out that the GSK model is perhaps an attempt to make the company stand out against its competitors, Christopher Bowe says there is much to learn from GSK’s experiment. “In my view, it is a step in the right direction in that it acknowledges that the status quo can not hold forever and something new is likely to be needed in the future. They took a bold step – it could be ahead of its time. And anything ahead of its time is probably going to have a lot of growing pains and skeptics,” he says.

### The academic review of sales force compensation

There is new wave of academic research creating evidence that some standard compensation practices hurt sales, says Doug J Chung, assistant professor of business administration at Harvard Business School. “For instance, the research suggests that caps on commissions, which most large companies use, decrease high-performing reps’ motivation and effort. Likewise, the practice of ‘ratcheting’ quotas (raising a salesperson’s annual quota if he or she exceeded it the previous year) may hurt long-term results. Research based on field experiments (as opposed to the lab experiments academics have been doing for many years) is also yielding new insight into how the timing and labeling of bonuses can affect salespeople’s motivation.”

Having a compensation scheme that incorporates multiple variables, rather than just sales targets, to create a balance between extrinsic and intrinsic motivation, is the ideal.

Professor Chung sums up recent research with some advice to companies. “Some of my advice would be straightforward: I would urge managers to remove the caps on commissions or, if they have to retain some ceiling for political reasons, to set it as high as possible. The research is clear on this point: Companies sell more when they eliminate thresholds at which salespeople’s marginal incentives are reduced. There might be problems if some reps’ earnings dramatically exceed their bosses’ or even rival a C-suite

executive’s compensation, but the evidence shows that firms benefit when these arbitrary caps are removed.

“I would tell sales managers to be extremely careful in setting and adjusting quotas. It’s tempting to look at a sales rep who blows through her yearly number and conclude that the quota must be too low—and quotas do need to be adjusted from time to time. But in general it’s important to prevent reps from feeling that unfairness or luck plays a part in compensation. On the basis of my own research, I would advocate for a pay system with multiple components—one that’s not overly complicated but has enough elements (such as quarterly performance bonuses and overachievement bonuses) to keep high performers, low performers, and average performers motivated and engaged throughout the year,” he says.

His final piece of advice is to experiment with the pay systems. “There are important lessons to be learned from doing controlled experiments on sales reps’ pay, because the behaviors encouraged by changes in incentives can exert a large influence on a firm’s revenue, and because sales force compensation is a large cost that should be managed as efficiently as possible. These studies also help the world at large, because research that improves how companies motivate salespeople will result in better and more-profitable businesses for employees and shareholders.”<sup>64</sup>

## Part Three

### Key lessons from the GSK experience

What lessons has GSK learned that could be helpful for any other organizations wishing to take a more ethical approach to selling? We have identified seven key lessons:

#### 1. Find the middle ground between results-oriented and customer-oriented performance metrics

There must be a healthy medium between achieving business outcomes and ensuring ethical selling, says Stewart Adkins, citing an example of a 'service representative' concept running alongside the existing sales force. Here, the service representative team would not be given prescription targets and are banned from conversing with HCPs in a promotional manner, he says. Instead, they conduct very brief and highly structured phone calls and meetings with doctors, only providing pertinent, non-promotional information and patient support details. They are also compensated based on customer satisfaction scores.

Service reps (as opposed to sales reps) focus entirely on providing value to patients and lending support to physicians and nurses during their interactions, says Adkins. During a launch of a new product, sales reps play an important role in ensuring volume growth while service reps complement these efforts by providing technical training for the administration and handling of the new drug, and assist with switching from an old drug to the new drug. Ashfield's teams, he says, have shown consistent and very high customer satisfaction rates.<sup>68</sup>

### What metrics can be used to measure a more ethical sales model?

#### Net Promoter Scores (NPS)

The NPS measures how much customers are willing to advocate for or recommend a particular company to other people. Essentially, customers can be segmented into promoters (loyal enthusiasts), passives (satisfied but unenthusiastic), and detractors (unsatisfied and unenthusiastic).

The NPS is computed by subtracting the percentage of detractors from the percentage of promoters. It can be used to score individual products, product groups, campaigns, an entire brand, or functional groups. An NPS questionnaire can also come with open-ended questions to explain the score given and can be administered from time to time, which can help determine if and how well HCPs are welcoming the change in the sales rep's approach.<sup>65</sup>

#### Customer Experience/Customer Feedback

Customer feedback can also be captured to create an overall picture of HCP satisfaction, sentiments, opinions and their customer experience. Gathering feedback from HCPs can provide information on how to improve customer retention. Feedback, however, is often qualitative.

To give companies an opportunity to benchmark their performance against competitors, pharma can adopt customer experience indexes that rank how well they deliver customer experience

among HCPs. Examples of such indexes include The Forrester Customer Experience Index (CxPi), a survey published annually that ranks large companies all over the world, and the IZO Best Customer Experience (BCX), which focuses on companies in Latin America. Essentially, customer experience indexes, or other metrics that are able to quantify customer feedback, are able to depict whether HCPs are loyal and willing to refer the brand to their colleagues, whether they believe the justification for any price premium, and whether they are willing to spend more time with sales reps.<sup>66</sup>

#### Key Performance Indicators (KPIs)

KPIs can also be used to establish a balance between financial-centric and patient-centric motives. These indicators can be used to measure outcomes that demonstrate how close the company is to achieving core business objectives. KPIs are often used as tools to align the performance of each organizational member with the direction that the company is aiming to move towards. They can create a holistic framework that considers internal factors (strategy, process, and capability) and external factors (outcomes, customer experience, and market access). Objectives at the individual and group levels are measurable, agreed-upon, and transparent. KPIs are often used to measure baselines and end lines to demonstrate improvement.<sup>67</sup>

## 2. Meaningful feedback can improve sales rep performance

The level of objectivity offered by the traditional compensation model cannot be exactly replicated once qualitative measures of selling behavior are added to the assessment mix, says GSK's Williams. "You cannot replace the objectivity of a sales ranking table. Our first markets that went live with this system really tried to replicate that level of objectivity and we saw complexity, over-testing of representatives, and very complex evaluation forms."<sup>69</sup>

However, sales force teams can supplement the black-and-white metric system of financial goals with a sales performance feedback system that is more immediate and meaningful to the day-to-day work of sales reps. Instead of attempting to replicate the old model's objectivity, companies can transform the role of sales managers, who can spend more of their time monitoring sales reps' performance and behavior in the field.

Sales managers can participate in management excellence programs and be trained in the ability to differentiate between sales reps based on scientific measures, customer feedback measures, or other 'softer' measures, rather than on purely financial metrics. Under the new GSK model, for instance, sales managers had to step up and play an increased role in scientific coaching for their sales reps. An estimated 60% of their time is spent on field visits, allowing them to provide frequent feedback to their sales force. To determine bonus pay, managers observe reps in the field, conduct summative assessments, and evaluate the individual rep's business plan.<sup>70</sup>

A time lag in feedback can impact on the performance of sales reps, warns Marc Bacon. "A month could go by where you may not have an accurate feel for where you are. For example, if it's early October, probably a lot of incentive programs in pharma are just processing the August and September data – there is a big lag. If you're taking actions today and you're not going to see the results for months, it's much less motivating than taking action today and seeing those results in a few weeks or even a few days."

He believes that by utilizing mobile technology sales operations managers can develop a system whereby sales reps can monitor the feedback on their performance in a remote and a much more real-time fashion.

## 3. Don't let 'selling' become a bad word – Transform it into a meaningful purpose

As GSK carefully repositioned 'selling', there were many questions internally around whether they would allow themselves to use or even talk about sales data, says Williams. "The danger is that selling becomes a dirty word."<sup>71</sup> In fact I am even more proud than I was three or four years ago because I know our sales visits are more transparent, more balanced and our sales representatives are measured on bringing value to our customers. Selling should not be made into a dirty word. Great selling in this model should absolutely be celebrated."

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*“Pharma is viewed as very effective at marketing campaigns, so they will have to deliver against this [ethical selling] promise and that will take years, not days or weeks to make a difference in reputation.”*

**Matthew Smith, Senior Manager,  
Ernst & Young**

In many ways, this complements another shift occurring within pharma – a greater focus on purpose and getting in touch with the values that motivated them to join the industry, such as the desire to make a difference to patients. Re-instilling the internal purpose of sales reps can help embed better attitudes and a more ethical culture towards selling.<sup>72</sup>

#### 4. Embedding a new sales model takes time

Changing the inner motivations of sales force members does not happen overnight. Equally, there is no easy or quick fix to rebuilding trust. As Matthew Smith says: “Pharma is viewed as very effective at marketing campaigns, so they will have to deliver against this [ethical selling] promise and that will take years, not days or weeks to make a difference in reputation.”

For Murray Stewart, regaining trust requires sustained effort and resilience.<sup>73</sup> Getting to a point where GSK's sales reps are able to maximize their performance under the new compensation scheme will take time.

“Many effective sale representatives actually enjoy their role and like to see the value they add to the doctor and patient,” says the anonymous Head of Commercial Excellence. This kind of sales reps will help speed up the pace of change.

GSK officials are also confident that they are doing the right thing and are convinced that eventually the benefits will become visible from the perspective of the rest of the industry. By that time, it will be much easier to get other members of pharma on board, and ultimately create a truly patient-focused industry.

#### 5. A bold model requires a bold leader

As with any major organizational and cultural shift, strong leadership is fundamental to success. GSK's new model involved every single person in the organization from the ground up, but it would not have become a corporate reality without the leadership of Andrew Witty, who is said to live and breathe for the delivery on the promise of patient-focus.<sup>74</sup>

#### 6. Rewards for sales will still boost morale

In shifting to a more ethical incentive plan, companies still provide bonuses, commissions, and rewards to sales reps – the only difference is that the basis for those incentives shifts from a strong emphasis on sales targets to a mixture of sales targets and behavioral outcomes. Incentive plans, therefore, must still be designed to optimize the performance of sales reps.

Creating incentive plans is a critical activity and the resulting plan must be able to answer some basic business questions, says Sanofi's Bacon. They are:

- Are you fulfilling the compliant requirement associated with your industry?
- Is the plan aligned with the brand strategy?
- Is it driving the right behaviors?
- At the end of the day, is it doing the right thing for our customers?

Financial compensation remains a basic component, says Bacon, while rewards such as tangible prizes like trophies and experiential items like free trips with the family should be given out so that sales reps are reminded of their success, further motivating them to perform at their best.

However, he points out that those who manage the incentive scheme and give out the bonuses need to be cautious of getting so caught up in the operational nature of incentive-giving that it becomes transactional. “If you want a program that is motivating and is engaging your sales force on a day-to-day basis, you need to have a comprehensive communication plan,” he

says. This means that the roll out of incentives and bonuses must always be announced and celebrated across teams.

He also places emphasis on the power of recognition from senior leadership on sales rep productivity and satisfaction. On a quarterly or semi-annual basis (or when it is deemed necessary), executives can acknowledge representatives who “have achieved some success in the market that is tied to the brand strategy but may not be directly represented in their current incentive plan.”

## 7. A new breed of sales reps is required

“The role of the future sales reps could be different,” says Christopher Bowe. “When you start to talk about incentivizing new skills in the work force, you might be talking about different kinds of people for jobs. Putting this in place suddenly means that there may be some people in your sales force who don’t have the skills to build the value that the new model is trying to build.”

“Staying still or the same was not an option,” says Matthew Smith. “The jury is still out [on GSK], but I would say that it is the right move. It’s a top-down change, which shows commitment. Even if it’s not an overnight success, they will likely attract talent and build trust that has a lasting impact down the road.”

GSK is looking at a long-term horizon, adds Bowe. By changing the skills and aligning a sales force with health goals instead of pill volume, “a company might create new, and sorely needed, value for their customers by having a public health army out there in the field who are helping to drive goals beneficial to society,” he says.

Expanding the focus beyond sales targets is a way to consider how different sales reps respond differently to both intrinsic and extrinsic motivation. Indeed, a sales force can be made up of high, average, and low performers who respond to incentives to different degrees.<sup>75</sup>



## Our Contributors

Our gratitude to the below contributors, who generously shared their expertise and opinions with eyeforpharma.

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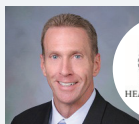
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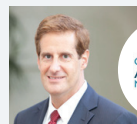
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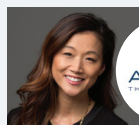
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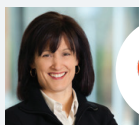
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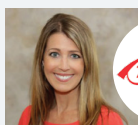
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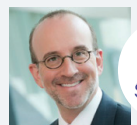
**Michelle Berg**  
VP Patient Advocacy  
**Abeona**



**Cheryl MacDiarmid**  
VP Sales, Primary Care  
**GSK**



**Heather Dean**  
National Head, Specialty Sales & Accounts  
**Takeda**



**Anthony Yanni**  
Global Head, Medical Intelligence and Patient Perspectives  
**Sanofi**



**Nicole Mowad-Nassar**  
VP External Collaborations  
**Takeda**

- ▶ **ALIGN AND COLLABORATE:**  
Forge the partnerships and embrace those which make co-creation a reality
- ▶ **PHARMA'S NEW VALUE PARADIGM:**  
patients will rule; your business model will be transformed

- ▶ **CUSTOMER AT THE CORE:**  
Make customer experience the goal of your marketing, sales and digital strategy
- ▶ **OUR TECHNOLOGY OPPORTUNITY:**  
Data is our lifeblood – see how technology will provide the opportunity for a new type of care

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