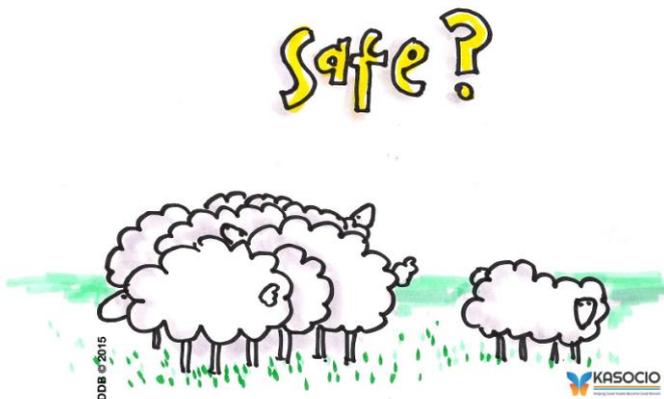


Kasocio Thinking

'Risky' is the New 'Safe'

Have you ever walked into a field of sheep and noticed their behaviour.



As they become aware of you, a wave of 'attention' goes through the flock... 'level 1 alert'. As you approach slowly, the nearest sheep move a little ... 'level 2'. As you move even closer, one sheep will start moving away with haste, triggering a chain reaction through the flock... it is at this stage 'level 3 - panic' - that we see animal behaviour that leads to 'survival'. It goes a bit like this: "if they are all going that way, they must know more than me and therefore I should follow them or lose out". If a predator were present, it would be looking closely to see which sheep becomes 'isolated'.

This is a 'winning' strategy in nature that has evolved over many millions of years resulting in 'survival' and maybe the 'selfish gene' which creates behaviour that prioritises the survival of the individual over that of the herd?

Humans have this rudimentary urge and it is a good job we do, when out in the wilds... but is it a good strategy to use in today's business environment?

Take share (stock) trading... as the shares start being traded, one key trader makes a move that alerts others (whether or not this buy/sell is the result of information is seldom ever known). A few traders follow, causing others to do the same until a 'tipping point' is reached 'level 3 panic' where behaviour is not based on anything but 'following the crowd'. With the inevitable runs and crashes observed. Fashion is another example of this amongst us humans. This principle can be seen in all walks of life and seems to be part of being alive. It appears to be a genetically evolved instinct to improve survival.



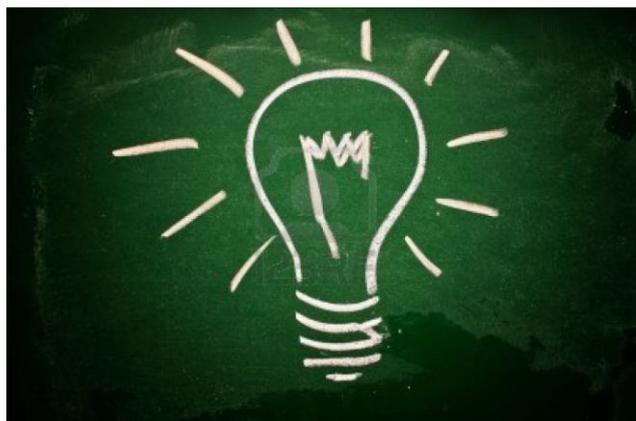
The truth is, that the seemingly 'safe' strategy of 'going with the herd' is now being realised as a high-risk strategy for the business of Pharmaceuticals. Well, that's what we read from interviews from top Pharma staff... but we also hear from CEOs that they are 'perplexed' at why the workforce is stymied in coming up with new and creative solutions for molecule identification and development. Fifteen years of throwing unprecedented amounts of money at the problem has come up with dreadful returns. So where is the problem? From the individuals point of view the 'safe ground' (middle of the flock) is 'going with the flow'. To go against the flow is to 'stand out' and that is seen by most as 'risky'. Interestingly, talking to the highly intelligent Pharma workforce it seems they are just as perplexed at why the senior managers are seen to be asking for 'newness' and 'innovation', as when ideas are tentatively proposed, they are often killed somewhere higher up the management ladder.

Is it that the CEOs are all looking at each other thinking 'well, they're not taking action, so why should I?' as the big Pharma model speeds towards the edge of the abyss? Are they scared to be the first one to call for a fundamental change in the way Pharma business is done? Here's what I think part of the problem is... 'Inside out thinking'. Let me explain. I know several senior employees at Marks and Spencer (the UK food and clothing retailers) and it is interesting that they were well aware of the abyss they were headed for years before the "M&S in Administration" headline made the front pages of UK newspapers a few years ago. **Yet no one person had the status, ability or wherewithal to make any significant changes to the business model UNTIL the newspapers spelled out what the employees knew all along: "M&S Going Bust"**. It is as if being on the inside of the business makes any actions like the proverbial 'lifting oneself up by ones bootstraps'. The Pharma CEOs and their Board all know it is an unsustainable business model, even with the sporadic 'early retirement' offers and mini-initiatives that come and go out of fashion monthly, but they seem helpless like M&S was, to actually do anything about it apart from merge.

The biggest risk, as M&S knew and experienced, is doing nothing. Once the press printed the "End of M&S" on the front page, it is interesting that the Board was then 'given permission' to go ahead on the initiatives and restructuring that they knew needed to be done anyway. Ironically, it was the initiatives that were seen as 'too risky' that saved the company. It is as if the company has to be actually falling into the abyss before any corrective action is 'allowed' to be taken. Is this what will happen in Pharma? Does it have to be the '12th hour' save? Does the guillotine need to be on its way down before the head is withdrawn from the block?

Luckily, there are some people in Pharma that are transforming the way business is done, project by project, with word of mouth success sweeping through and between the project teams.

It starts with a simple question: "what could this molecule become?" Sounds simple enough, but the actions and behaviours that result from really wanting to know the answer are making profound differences to the way these molecules are being developed.



As we all know, productive innovation is often generated from creative ideas and the latter (by definition) is a numbers game, with many creative ideas being unusable or inappropriate for the business in question. Creating options to decide on, pressure test and improve upon is what sets aside innovative companies from the herd. Much of the risk is actually removed by continued 'prototyping' of 'better' options.

Taking the perceived traditional 'safe' path has led to moving the risk onto the next phase of development and eventually all the risk accrues in front of the payer as he tries to justify the price of the medication.

Ironically not taking risks is by far the most risky option.

It takes a bold group to resist this temptation to move with the masses, but we're seeing more and more of this innovative thinking popping up across big, medium and smaller biotech Pharma.

To mix metaphors, only a dead fish goes with the flow!

If your project could do with some innovative, refreshing and highly constructive alternative options, please drop us a line so we can arrange a convenient time for a chat.

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