HSE Graduate School of Business

HR management
Strategic Management

0035-2-1

Natalia V. Volkova, Maria S. Plakhotnik

OVERCOMING BARRIERS TO IMPLEMENTATION OF AGILE MANAGEMENT AT A LEADING RUSSIAN PHARMACEUTICAL COMPANY, BIOCAD

This case was written by Natalia V. Volkova (Associate Professor, Department of Management, Graduate School of Business of Higher School of Economics) and MariaS. Plakhotnik (Associate Professor, Department of Management, Graduate School of Business of Higher School of Economics).

Mila the HR Director of a leading Russian pharmaceutical company BioCad, emerged from the weekly meeting with top management with a frown on her face. The company's Early Development department had been the first to transition to agile management six months ago and the initial outcomes were the focus of the meeting. While the transition had followed the plan and the intermediate results had been achieved, several employees of the department had voiced concerns about implementation of this new approach. The company top management charged Mila with developing a plan to address these concerns. Mila was given one week to complete this task.

COMPANY BACKGROUND

BioCad is one of the biggest Russian innovative biotechnological companies, with annual turnover in 2020 of 10%. The company was established in 2001. It has two branches located in Moscow and St. Petersburg. The company has 9 manufacturing facilities equipped with production technologies suitable for a wide range of therapeutic substances and their forms. The organization currently employs about 2,500 people, almost a third of whom work in the research and development (R&D) unit.

The company portfolio includes more than 60 products, of which approximately one-third are biological. The medications the company manufactures can be used to help in a variety of conditions, including rare genetic anomalies. In late 2020, BioCad became one of four Russian companies to mass-produce COIVD-19 vaccine Sputnik-V. The company's mission is to help people live longer and healthier by delivering effective, safe, and affordable comprehensive solutions.

THE NEED FOR CHANGE

Mr. Maxim Ivanov, the Vice-President of R&D, joined the company two years ago, with a primary goal to speed up product development. While the company became a leader in the pharmaceutical sector in Russia, Maxim realized a major organizational change would be required to enable the company to fulfil its growth potential. The organizational structure of the company and its approach to management followed traditional lines and styles adopted by many Russian companies. The structure in the R&D and many other departments were product-driven and its operations were centrally planned. Each operational unit was responsible for a set of tasks or elements in the product development chain and had little interaction or collaboration with other units (Figure 1).

The Head of each unit had a fixed set of responsibilities that typically included control over the unit's operations and reporting of its results. A typical job description of a laboratory head was the following:

1) Organize and control research included in the laboratory plans and identify possible directions for future development.

2) Manage challenging issues connected to the laboratory plans and its responsibilities.

3) Create tentative annual and quartile plans for the laboratory.

4) Identify laboratory needs in terms of equipment, materials, and other resources and

ensure their availability for subordinates.

5) Participate in preparing the documents for financial support and research tenders.
6) Monitor on-the-job safety.

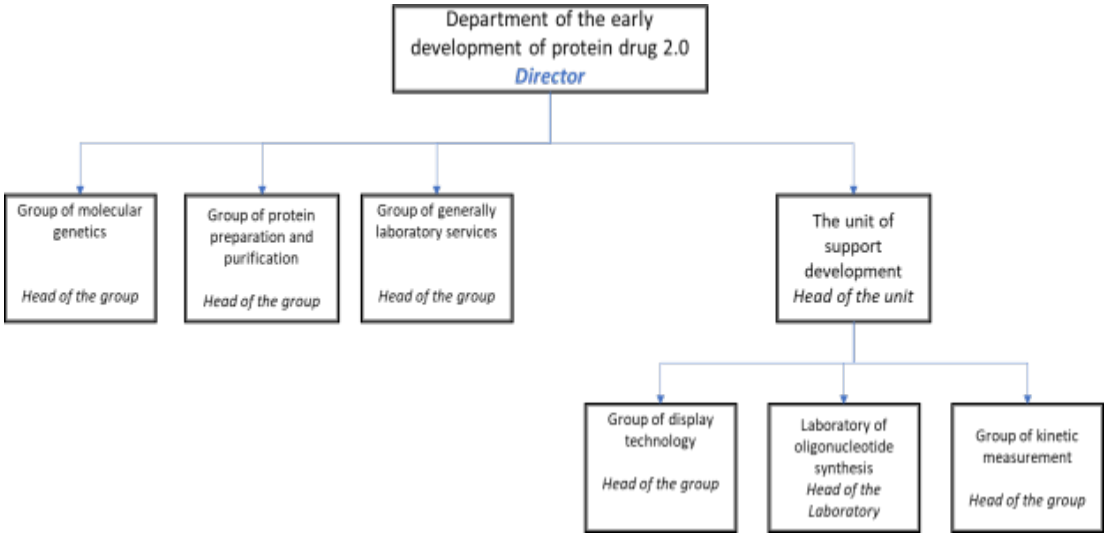

Figure 1. Organizational structure in the Early Development Department before implementing the agile approach.

Maxim was convinced that such functional separation of units led to a culture of little mutual involvement and care, which created a barrier to teamwork, collaboration, learning, and innovation. Unit Heads were good administrators but did not use their leadership potential to take their teams and the company to the next level.

The weekly meetings with company top managers reflected the dysfunction. Each meeting provoked hot debate about some problem that had recently been identified, but nobody was ready to admit their part in the problem and nobody wanted to become responsible for the solution. It became increasingly clear that unit Heads did not speak to each other during the week. Although copious amounts of emails had been circulated and reports prepared, senior management awareness of potentially serious problems surfaced only at the weekly meeting. As a result, this gathering of top managers was invariably stressful and unproductive. The overall process of product development was unnecessarily hectic and inefficient.

Two weeks earlier, Maxim asked for updates on the development of a new medication `B', which was highly anticipated in the market. Mr. Nicolaev, the Head of the Support Development unit, replied:

"Well, last week we had some unexpected, challenging issues with our equipment. I prepared a request for the Head of the General Laboratory Service, but I have not heard back from them. With this said, I do not quite understand why we are talking about medication `B' today because this product was not included in my group's monthly plan."

The Head of the General Laboratory Service replied:

"Yes, I received your request, but I am waiting for financial details from the Accounting Department. I can't do anything until they say I have the money to replace your equipment."

The Chief Accountant nervously commented that her department had a lot of other urgent tasks to handle during the week and the urgency of a response to that particular request had not been made clear to her.

IMPLEMENTING AGILE MANAGEMENT AT BIOCAD

To develop new medications more effectively and efficiently, Maxim initiated implementation of an agile approach to management in the R&D departments. The fundamental idea of this approach is that instead of working separately, an agile team delivers work in small but customer-oriented increments. An agile development methodology, labelled SCRUM, reflects the goal of satisfying customer needs through a continuing discussion and evaluation of requirements, plans, and results, so teams can respond to changes quickly.

A team of five people were responsible for the development, implementation, and evaluation of this organizational change. First, two employees from the Organization Development department outlined the overall goals, stages, and processes to introduce agile management in the R&D units. Two representatives from the HR department and one assistant joined the team to develop and implement the change. As a result, a new organizational structure emerged (see Figure 2).

In this structure, a new type of manager was introduced – a product owner, who assembles employees from different units into a team to develop a new product. During such product development, these employees do not have any connections with their original workplace, and they become a member of an agile team. Each product owner has responsibility for the success or failure of one product. Their key responsibilities include:

1) Manage a strategic direction for product development, such as selecting a product, recruiting team members, building the team, developing and implementing a strategic plan, overseeing risk management, providing team support, and making other decisions related to the product.

2) Communicate with various stakeholders (for instance, product committee, representatives of different functions or units, HR, VP for R&D) during all stages of product development.

3) Create business metrics for the new product.

4) Collect and analyze data to advance the product development.

5) Manage funds for this product development.

6) Follow SCRUM methodology.

7) Communicate with the team about details of the product, technical constraints, key competitive advantages, scope of application (nosology, patenting potential technologies).

8) Evaluate prospective competencies for launching a project and team creation.

9) Create and analyze both annual and quartile plans for product development.

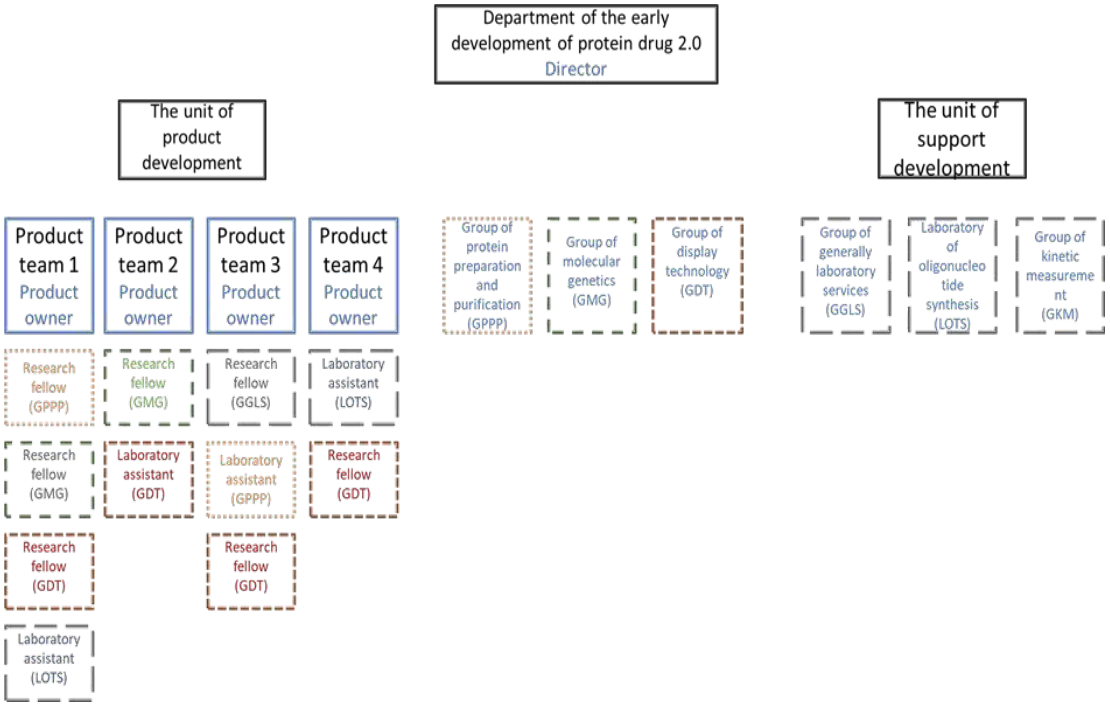

Figure 2. Organizational structure in the Early Development Department after implementing the agile approach.

THE EARLY DEVELOPMENT

Implementation of agile management in the Early Development Department took six months. Each R&D unit was responsible for one stage of new medication development prior to launching in the market, and the Early Development Department was responsible for the first stage.

The department employs 320 people with an average organizational tenure of three years. Department members are mostly under 35, with an average age of 31. However, almost 15% of the department belong to generation X or Baby Boomers, with an average age of 40 year old.

EMPLOYEE CONCERNS OF THE EARLY DEVELOPMENT DEPARTMENT

Prior to today's weekly meeting with top management, Mila collected some data about implementation of agile management in the Early Development Department. Over the past six months, she and her associates often visited the department, had coffee and lunch with its employees, and regularly exchanged reflections on the agile approach via corporate email and electronic news board to keep each other in the loop.

In addition to informal discussions, Mila arranged two formal focus group interviews with employees and Product Owners. While analyzing results of these discusions, Mila identified three main obstacles that could impede the transition to agile management in the Early Development Department and possibly throughout the organization.

The following comments illustrated these main obstacles:

1) “I do not see anything wrong with the existing system. Why do we need to change the system?!” (Research fellow from group of kinetic measurement, 30 years old).

2) “In the old system, I was a head of the laboratory - a job title and functions that I understood. So did my colleagues in the wider R&D and scientific community. Now I am…Product owner.” (The former head of the laboratory, 48 years old).

3) “Now, I do not understand my managerial responsibilities at all, and, moreover, I cannot comprehend who is responsible for cross-function.” (The head of the group of display technology, 43 years old).

Being concerned about these complaints, Mila wanted to make sure that all employees within the department were clear and excited about the new approach to management and committed to its success.

MILA’S THOUGHTS AND CONCERNS

Mila felt under pressure to develop a plan to address employee concerns. It seemed there was a lack of understanding of the nature and benefits of the change in management style. She had a feeling that no matter how well these changes were communicated, some employees in the department would resist them. Overcoming these barriers to implementation were going to be her and the company’s main challenge.

The frown on Mila’s face was short-lived. She needed to get back to work and prepare an action plan to present at next week’s top management meeting.

Some top-quality solutions were required. Mila smiled as she took on this challenge.