

Building and sustaining benefits of Enterprise risk management through organisational and change management

Share a couple of case studies demonstrating our approach and benefits achieved

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Respiratory and Inflammation (R&I) ASTRAZENECA

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CONTENT

- **Introduction**

- **Astrazeneca background**
- **What is a benefit**
- **2 key processes**

- **Supply chain case study**

- **R & D case study: enterprise risk approach**

- **Q & A**

Astrazeneca global organisation



We employ over 62,000 people 47% in Europe, 31% in the Americas, 22% in Asia, Africa and Australasia



We invest over \$4 billion in R&D each year and have over 15,000 people in our R&D organisation



In 2009, our worldwide sales totalled \$32.8 billion (including 10 medicines with sales of over \$1 billion each).

6 Therapy areas:

- Cancer
- Cardiovascular diseases
- Gastrointestinal
- Infection
- Neurological disorders
- Respiratory and Inflammatory conditions



R&D operating model

Discovery and early development

Late-stage development

Internal and external opportunities

Innovative Medicines Units -
Biologics led

Example 2
R&D

PROJECT/
PORTFOLIO
BASED

Innovative Medicines Units -
Small molecules led

> Small molecules focused
> Aligned biologics and small molecules

Global medicines development

Market

R&D

15,700 people

14 principal centres in 8 countries, including Sweden, the US and the UK

Supply and Manufacturing

9,300 people

23 sites in 10 countries

Example 1
Supply Chain
Management

What is a Benefit?

MEASURABLE, RELEVANT OUTCOME FROM A CHANGE
SUSTAINABLE

ACTION AND OUTPUT

(operation – hip fitted)

Organisational change
to build in output



GAP/ Time
Physio, outpatient

OUTCOME

(walk/run – physical function scores)



GAP/ Time

BENEFIT:

Achieved life goal - climb Everest?

MEASURABLE IMPACT ON BUSINESS PERFORMANCE + SUSTAINED

AstraZeneca 

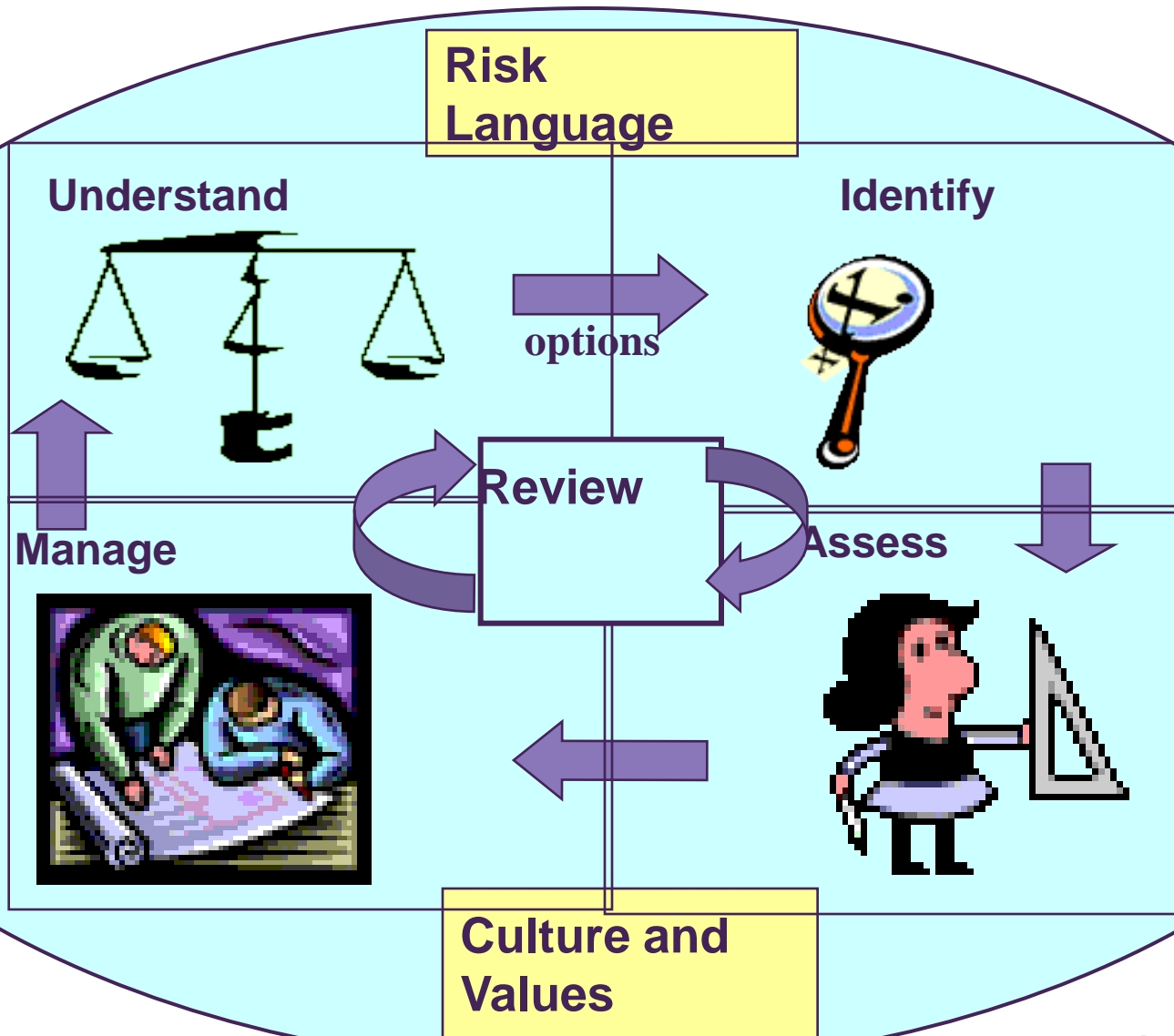
SCOPE OF BENEFITS

- STRATEGY
- PORTFOLIO
- PROGRAMME
- PROJECT/FUNCTION

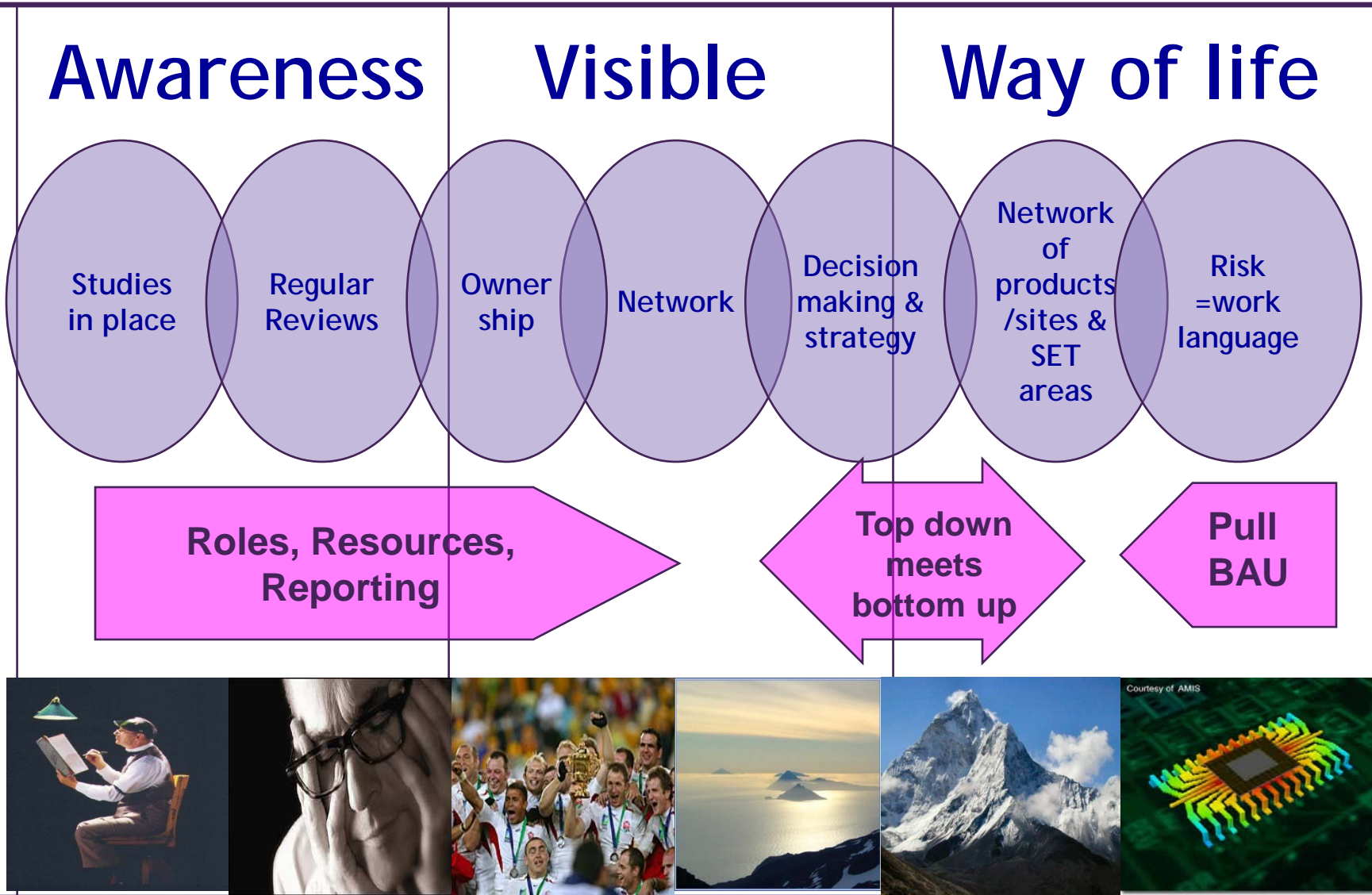
KEY PROCESSES USED:

1. Integrated risk management process
2. Embedding process

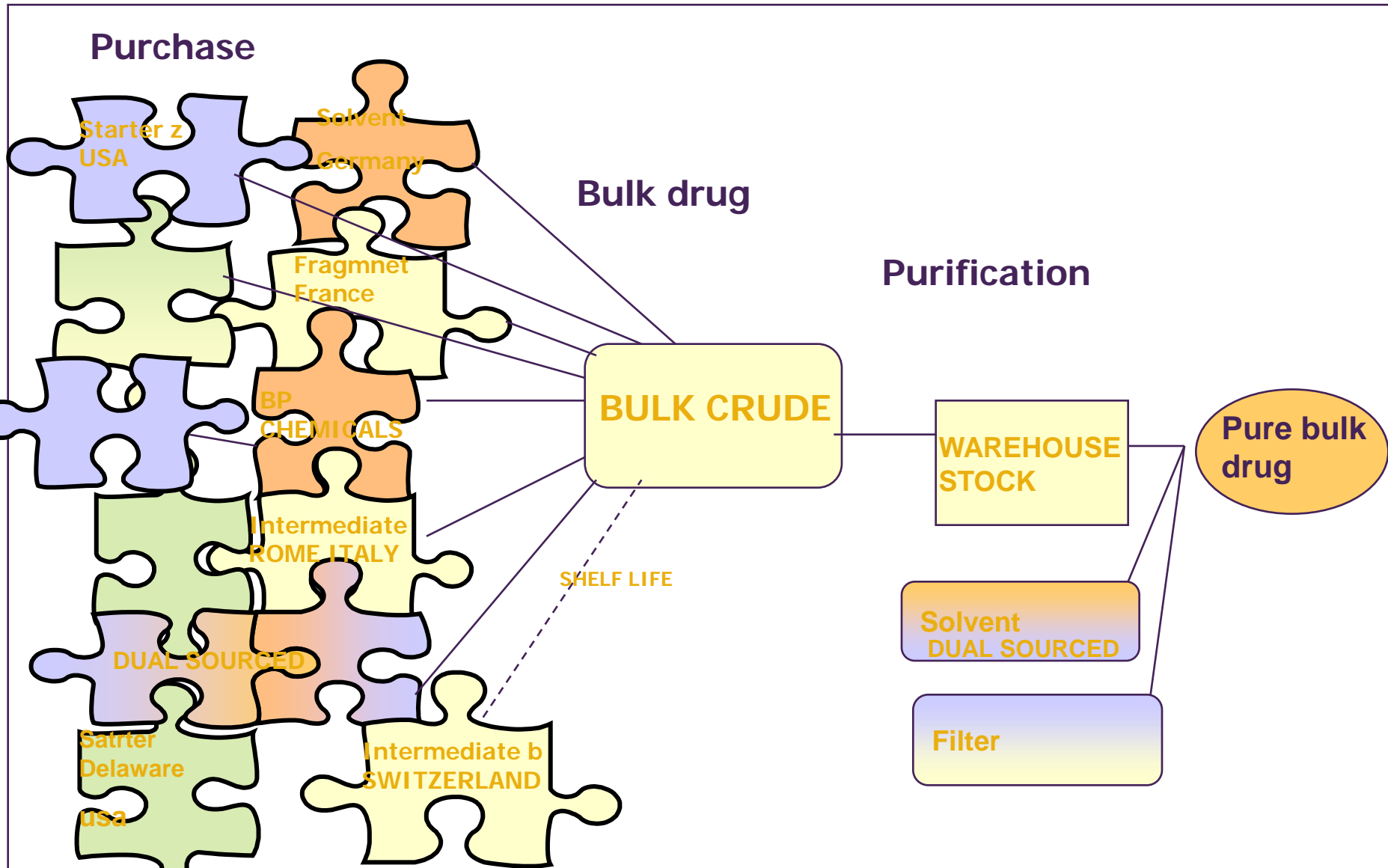
1. Integrated risk management process



2. Embedding process

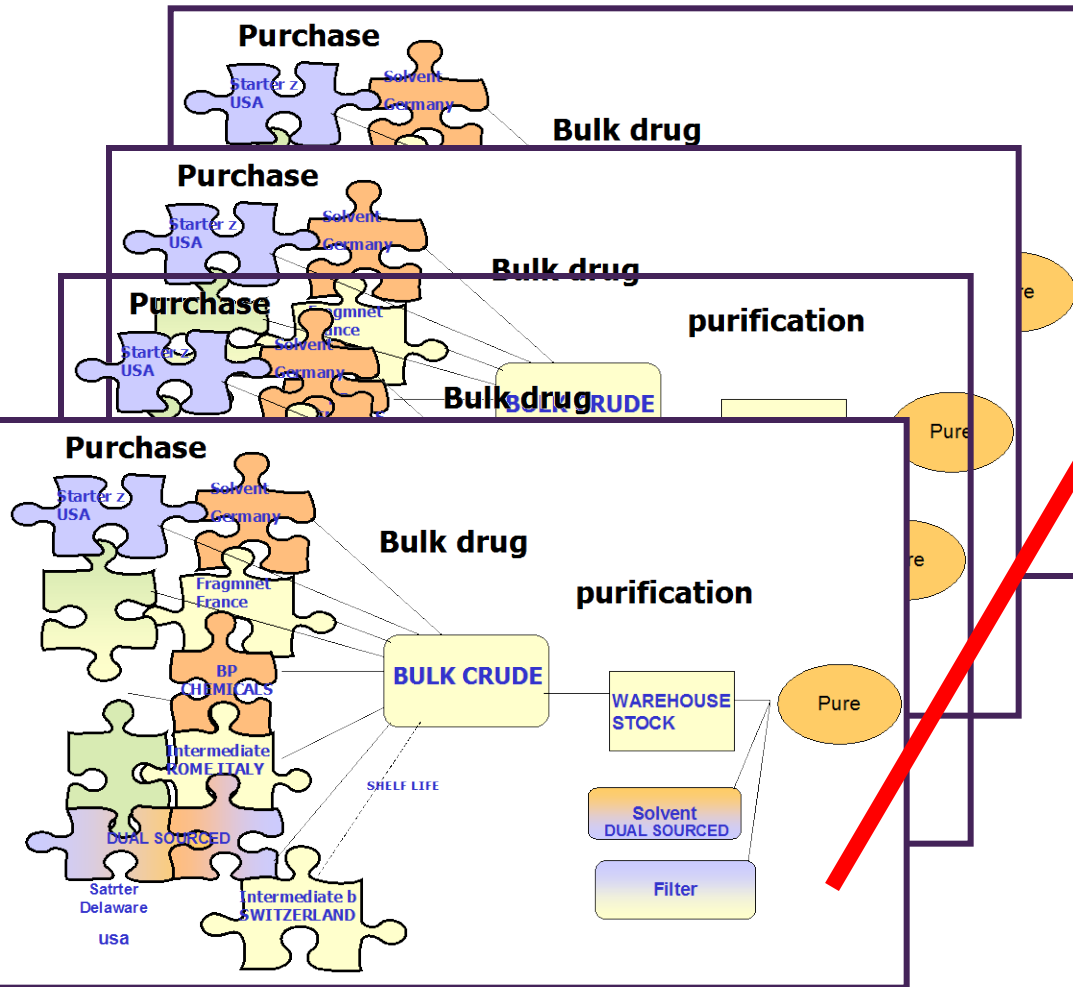


Supply Chain management example



Aggregated Supplier Risk Management?

1. Robust supply chain: Business Continuity – satisfied customers
2. Excellent insurance cover – best in Pharma sector



How sustained and embedded?

Who was getting the gain?
Who was getting the pain?

Building and embedding benefit

Awareness

Studies
in place

Regular
Reviews

Visible

Owner
ship

Network

Way of life

Decision
making &
strategy

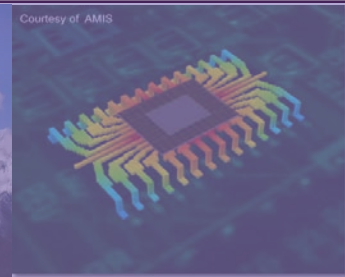
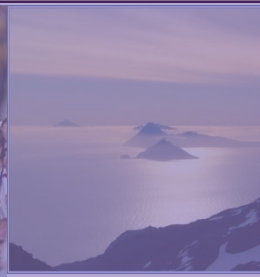
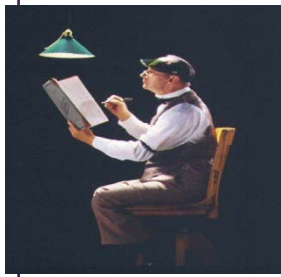
Network
of
products
/sites &
SET
areas

Risk
=work
language

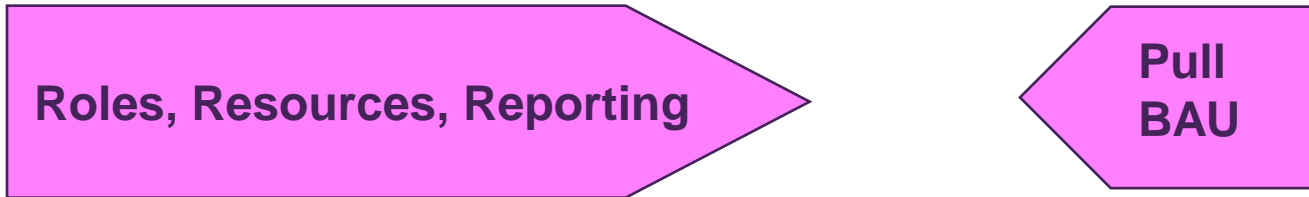
Roles, Resources,
Reporting

Top down
meets
bottom up

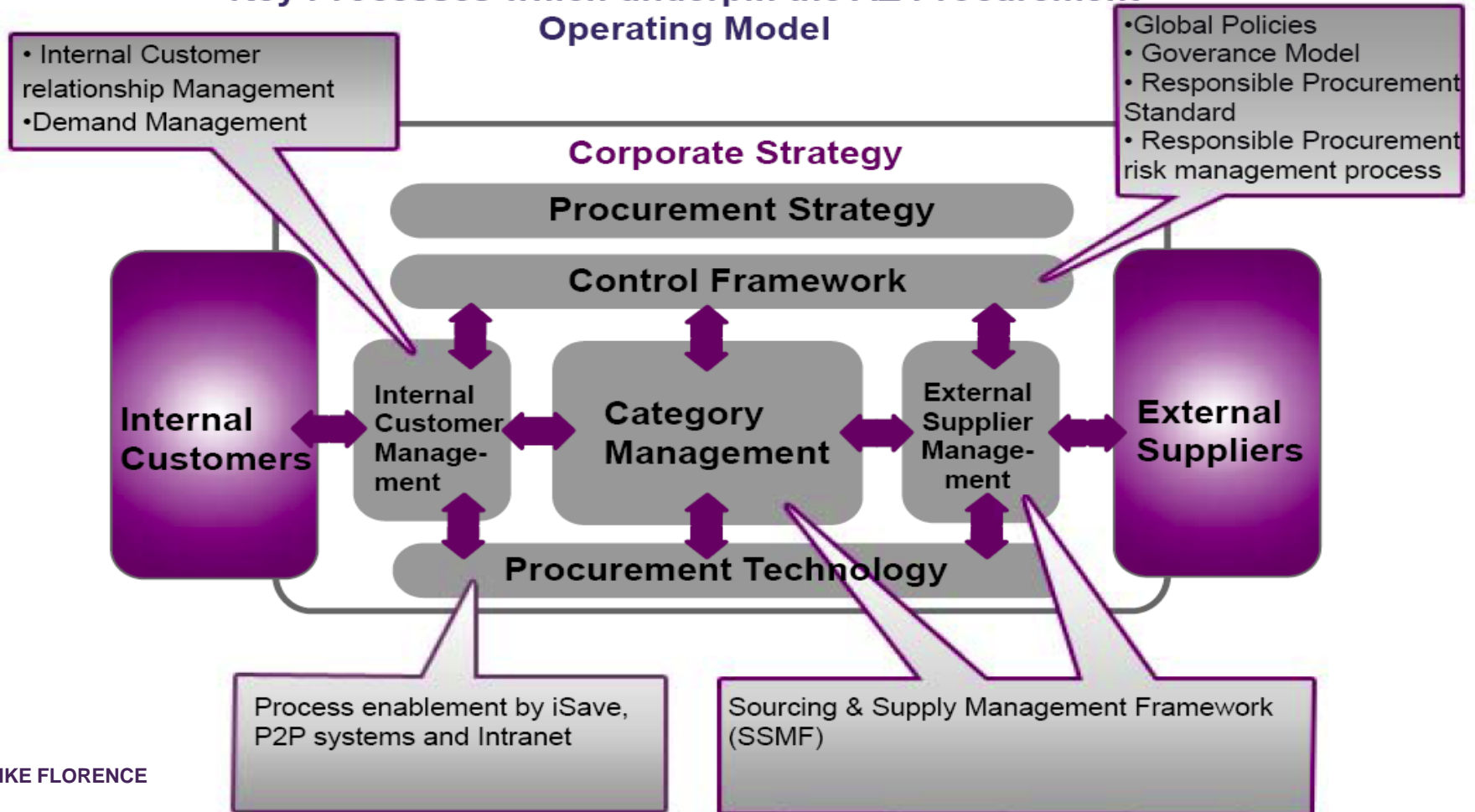
Pull
T&I



Organisational change to sustain benefit



Key Processes which underpin the AZ Procurement Operating Model

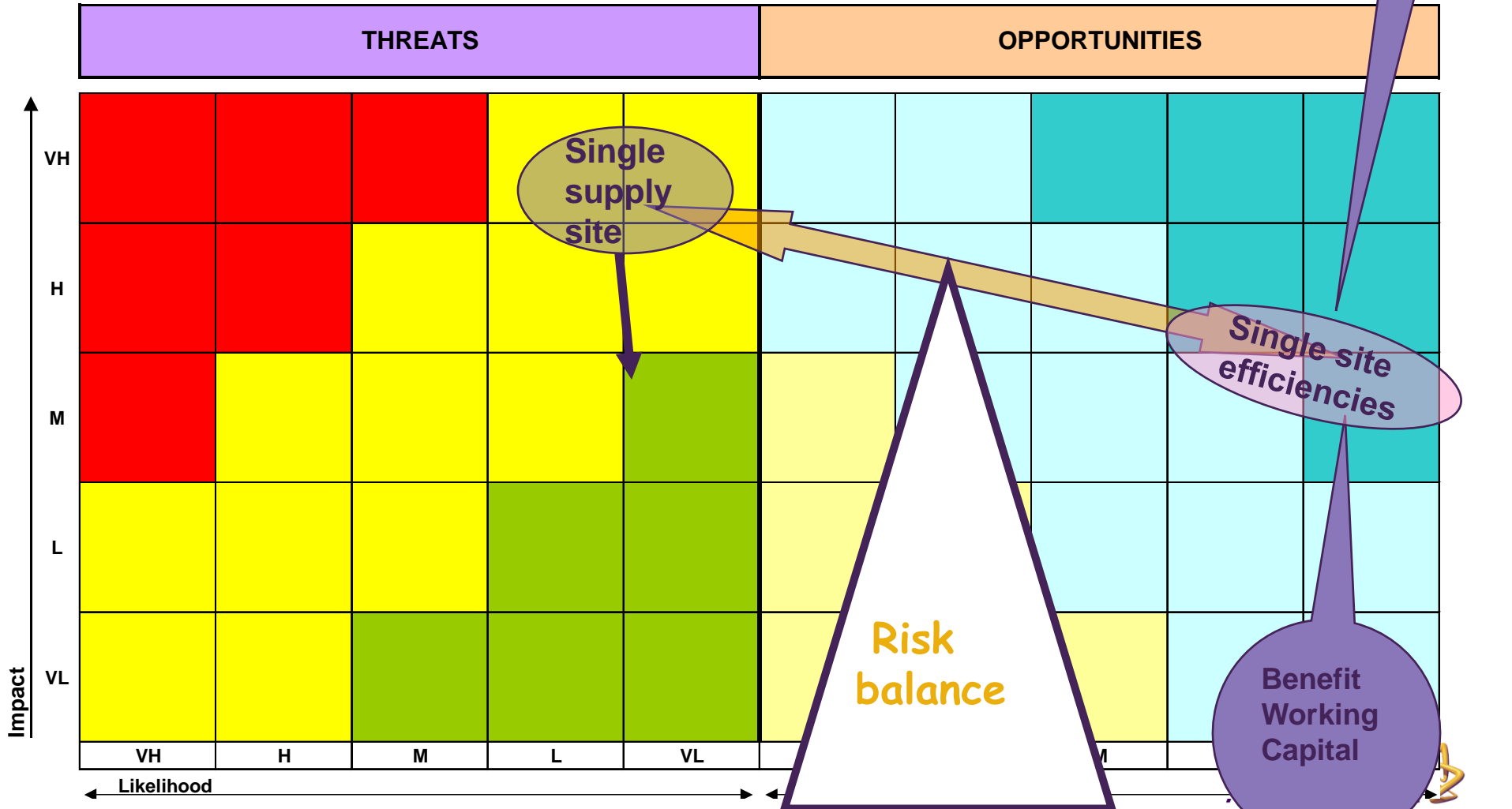


Achieving our objectives

THREATS TO OBJECTIVES

OPPORTUNITY FOR OBJECTIVES

Benefit
COSTS



BENEFITS

1. **Robust supply chain: Business Continuity – satisfied customers**
2. **Excellent insurance cover – best in Pharma sector**
3. **Supply chain cost reduction of \$\$\$\$\$\$ - ownership with right group**

SUSTAINED AND EMBEDDED

Example 2: R&D Enterprise risk management

Scope

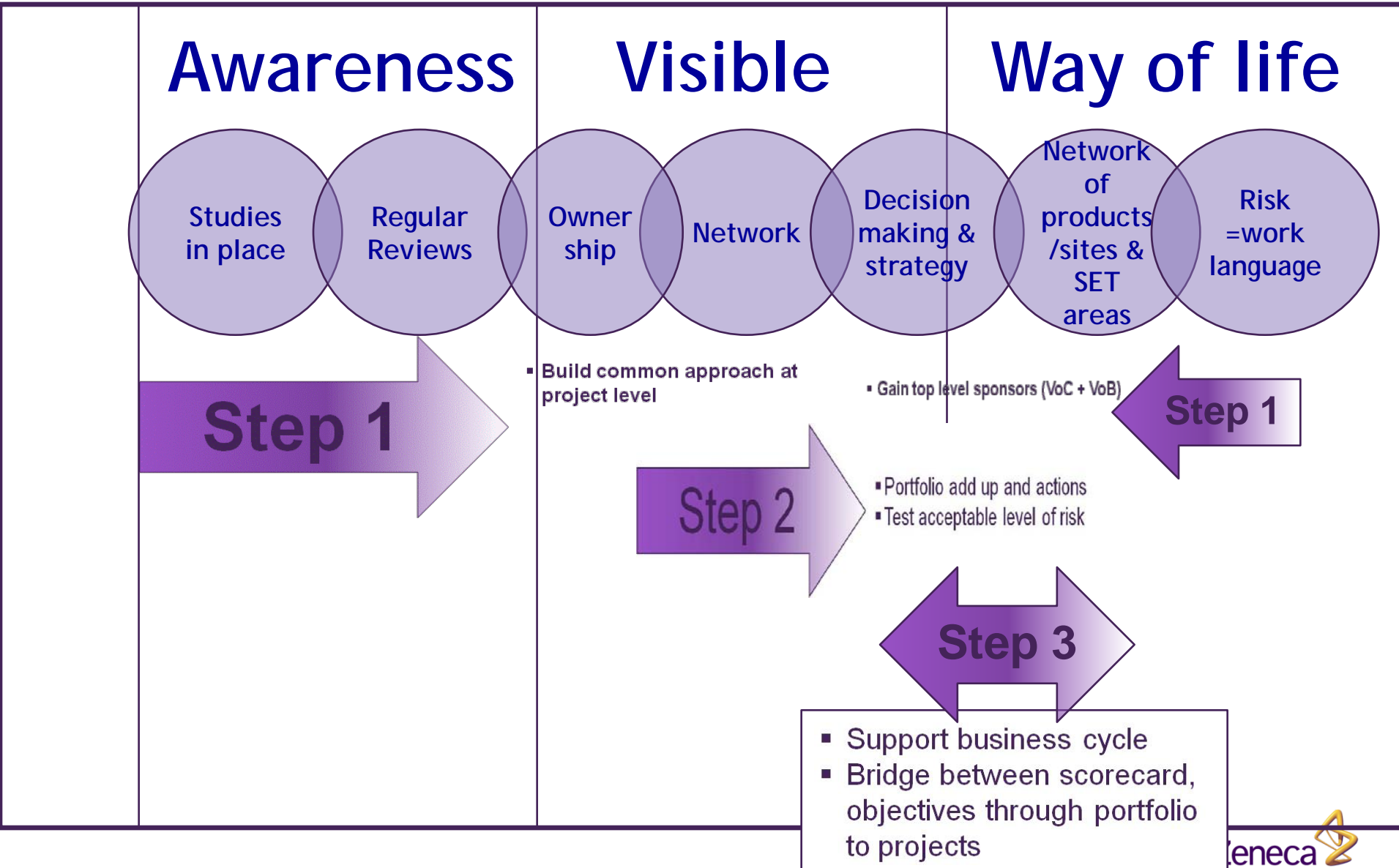
Project based groups in R&D small molecules and Biologics
Across UK, Sweden, USA
Delivering opportunities into AZ late stage Portfolio

Outcomes/outputs

Business driven
Common risk approach across UK,Sw,USA
Portfolio risks and actions
Integrated into business cycle

Work in progress

Building and embedding benefit



Step 1

Awareness/visible + BAU pull

- Top level sponsorship
- Common structured approach
- Roll out across R&I UK/US/Swe – by the line

How

- **Gain top level sponsorship:**
 1. BUSINESS driven + urgency + Lean
 2. OBJECTIVES-----Deliver our promises and then to 'wow' our customers
 3. VISION ---- Risk integrated into business cycle
- **Build common approach**
 1. NO NEW meetings
 2. Standardised approach across the business common firm process,
 3. Quick wins Pilot + education and awareness

Benefits

- **Effective, Efficient Project level**
 1. Virtuous circle – less fire-fighting
 2. Faster decisions on project investments at risk – managing uncertainty!
 3. More effective meetings -consistent language
- **ENGAGED Shared understanding**
 1. Risk facilitated collaboration, changed behaviour on collective working
 2. Strengthen Team working –context
 3. An engaged team to flush out real risks/issues

Step 2

Visible stages

- Portfolio add up and actions
- Test acceptable level of risk
- Deliver using Lean Sigma

How
<ol style="list-style-type: none"> 1. Agreed the key portfolio threats and opportunities 2. Recommended portfolio level activities 3. Track progress to deliver actions 4. VISION – keep selling and re-telling <ol style="list-style-type: none"> 1. Facilitated Project managers and SLT to identify, compare/contrast <ul style="list-style-type: none"> • Common denominator– taxonomy/PM • Big hitters • Fast movers

Benefits
<ul style="list-style-type: none"> ▪ Effective, Efficient Portfolio level <ol style="list-style-type: none"> 1. Faster decisions – lose the losers 2. PRO example (c.f hip example) <ul style="list-style-type: none"> ▪ \$\$\$ Value deliver -alignment of projects ▪ \$\$\$ opportunity FTE’s better deployed - <ul style="list-style-type: none"> ▪ ENGAGED Shared understanding <ol style="list-style-type: none"> 1. Focus on right things as <ul style="list-style-type: none"> ▪ Portfolio objectives and needs visible - ▪ Dialogue on the level of acceptable risk ▪ Calibration and benchmarking across projects 2. Espirit de corps

Step 3

- Use RISK to Bridge across Objectives, scorecard to portfolio and projects
- Refine and support the business cycle

Deliverables – Step 2 +

- Align with scorecard timeline
- Share and agree portfolio objectives
- Facilitated discussion on risks to delivery of objectives with SLT and with Project Directors and Managers
- Agree portfolio level activities to manage threats, exploit opportunities and input into the scorecard
- Track delivery of activities through owners and link to quarterly review of risk

Way of Life – building into the business cycle

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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Report on status

Portfolio review



R&D risk reporting



Portfolio review



Agree Objectives



Identify key actions and risks



Review progress vrs plan link to scorecard RAG



Business Benefits



- Strategy, scorecard
- Acceptable level of risk
- Portfolio investments
- Project priority (PoS)
- Consistency

- Common approach at project level
- Top level sponsors (VoC + VoB)

- Portfolio add up and actions
- Test acceptable level of risk
- Deliver using Lean Sigma

Benefits

'You really know you are on to something when, in hindsight, it looks obvious. We devised a very straight-forward approach and, when you play it back, this solution seems obvious. But it didn't seem so at the time. The result is a programme that is truly a "value-add" rather than an "add on", which can so often be the case with risk management. It has really brought our objectives to life.' – Rodger McMillan, Global Vice President, R&I, AstraZeneca (2010)



Secret Ingredients

- **Business ownership and alignment**
- **PEOPLE – sharing, learning, collaborating**
- **Trust and debate**
- **Vision and courage**
- **Judgement**



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AZ Risk Management Framework – 3 lines of defence

