



Five Trends for Biopharma Leaders

Everyone's lives have been impacted deeply during the past year. In our shared and universal battle to fight COVID-19, healthcare has been and continues to be on the frontlines. Whilst vaccines will help us open society again, the virus will likely circulate in the human population for a long time. However, advances in gene therapy have accelerated vaccine development efforts and are critical to providing a rapid response to new variants. While the challenges for the industry are many, so too are the opportunities to reimagine processes, increase efficiency and effectiveness, and impact humanity in ways unparalleled in recent history.

Helping to enable these developments and navigate a continuously shifting landscape are the leaders of healthcare organizations. Agility has always been a marker of successful leaders and organizations. Yet, in the past year, the pandemic has ushered in rapid digital transformation, and now many business models are dependent on digital health solutions versus treating them as complements or value-add patient services. Agility has become table stakes for leaders in this environment, as change is constant and, in many cases, wildly unpredictable. This has meant that C-suite leaders — and, by extension, boards — are in the spotlight like never before as they play an even more crucial role in keeping teams energized, providing purpose and ensuring workers' continued health and safety.

The pandemic has increased the visibility of leadership performance. Outstanding leaders shine and their efforts are recognized. By comparison, poor performance and the inability to rise to the occasion have become more glaring. Relatedly, we are seeing more demand from organizations seeking support for board and C-suite succession planning, culture change initiatives and leadership development on pace with the increasing pressure on leaders to create and capture value.

This year, like many of you, we were unable to attend the J.P. Morgan Healthcare Conference in-person. We remain hopeful that a return to face-to-face meetings is on the horizon. In the meantime, we connected with many healthcare leaders virtually to understand trends and areas of hope that are top of mind as we look forward to a recovery. Following are key themes that emerged.

Board composition and social awareness

Boards' focus on who is in the boardroom has never been greater. The need for diverse perspectives and backgrounds is underscored by the increase in business complexity, disruption from the pandemic and pressure from shareholders, including activists. **Board are especially prioritizing recruitment of directors from underrepresented groups** and a broader set of business experiences. Boards continue to recognize the value of having members with relevant and current healthcare industry experience. At the same time, there has been a perceptible shift in value placed on expertise from a variety of functions to better advise management on key strategies, investments and operating decisions.

Certainly, business agendas are changing and so too are those of society. What's more, the rate of change is accelerating. Environmental, social and corporate governance (ESG) is an area of great significance for investors. How boards and company executives are addressing these issues is heavily weighted by many when assessing attractiveness of an organization as an investment. Whereas before, investors might use ESG as a tiebreaker in valuations, it is now much more likely to be a primary attribute for determining the potential of investing in a company. ESG can, in cases, be a differentiator in the eyes of investors.

Organizational resilience

We anticipate seeing a greater focus on clarity of message, organizational alignment, vitality and purpose communicated by CEOs and their executive teams.

Employee health and well-being is increasingly becoming a strategic priority. This is especially true for organizations with employees on the frontlines of the pandemic. Recognizing that the pandemic is having an uneven impact, leaders are finding ways to accommodate employees who may be disproportionately affected, for example, employees who are managing at-home childcare because of in-person school closures, the care of aging parents or ill relatives. Recognizing the divergent needs of employees, organizations are approaching benefit offerings differently and, in some cases, tailoring health and well-being programs to reflect different needs. This has created a need and opportunity for chief

human resources officers to play an even more crucial role not only in ensuring the overall health of the organization but also in representing the voice of employees as part of the top leadership team.

Manufacturing and supply chain resilience also were key themes in 2020. During the COVID-19 pandemic, pharma companies immediately prioritized building greater supply chain resilience and addressing potential supply shocks. Even still, there is an ongoing need to identify vulnerabilities in supply chain traceability, real-time supply chain monitoring, inventory audits, market demand planning, logistics and transportation capacity planning, and more. At the same time, organizations are keeping an eye toward ensuring minimal impact to efficiency and their own liquidity during times of supply chain stress. Perhaps the industry will experience greater diversification of API sourcing from markets beyond China and India, especially as the global demand for COVID-19 vaccines surges. We also expect to see increased demand for specialist cell and gene therapy contract development and manufacturing organizations (CDMOs), as these protocols become standardized.

Diversity, equity and inclusion (DE&I)

The importance of DE&I cannot be overstated. Healthcare organizations view diversity, equity and inclusion as a business imperative not only for better outcomes but also to reflect the makeup of patient populations and other stakeholders that they serve. Organizations that ignore DE&I do so at their own peril: much empirical research has found that diverse workforces are more likely to financially outperform their peers and excel in areas ranging from employee retention to innovation. Diversity and inclusion also has become a top priority for stakeholders, including investors. Patient populations expect organizations providing their care to reflect their backgrounds and beliefs. Investors are paying attention, and this issue — much like ESG — is firmly on many investors' agendas. Companies with homogenous leadership and staff likely will be less attractive to investors. It's no surprise that we anticipate this year will bring a heightened prioritization of racial and gender diversity and how to sustain progress in these areas for the future.

Focus on innovation

Whilst we have seen a focus on pure-play innovation versus diversification, we suspect the pendulum will swing again as companies explore new business models in 2021.

A proliferation of new modalities/technologies is driving demand for unique expertise (i.e., immunooncology, cell and gene therapies, rare diseases, RNAi and other platforms).

Many companies achieved three years of digital transformation and adoption within a six-month timeframe in response to COVID-19. Looking ahead, we expect the focus to remain on health systems to drive more standardization of data and system interoperability. This in turn will allow greater data transparency and value-based pricing. We expect to see continued investment in enterprise-wide digital transformation among biopharma and medtech companies.

Biotech IPOs

We have seen rapid growth in the number of Series A companies with ambitions to advance to an IPO this year or in 2022. This has led to steeply increasing demand for chief executive, chief medical, chief scientific and chief technical operations officer roles within boards. The push for IPOs also is driving up the price demanded by private biotechs to be acquired by large pharma companies. Similarly, there is a need for strategic CFOs who have led IPOs and have deep familiarity with capital markets, business development and corporate development alike. These kinds of executives are in short supply, but it pays to bring them aboard. In this environment, it is interesting to note the reliance of many pharma companies on biotech assets to bolster their pipelines and drive continued growth. The rise of special-purpose acquisition companies (SPAC) creates another avenue for a public listing, which is fueling more market volatility and driving up the price pharma companies have to pay for private biotechs. More than 370 U.S.-based blank-check companies with over \$118 billion in capital are actively seeking to make a match, according to data from SPAC Research. Of course, the danger is that many of these companies may not warrant being public. Another consequence of this market volatility is that large pharma is now even more wary of losing key talent to C-suite opportunities at smaller biotech companies.

These are key themes that emerged from our conversations with healthcare leaders. While not exhaustive of the many forces affecting the industry, we certainly are in a unique time in history amid the shared imperative to fight the pandemic and the growing calls for long-overdue social justice. Despite the challenges ahead, we remain excited by the opportunities ahead and energized by the industry's ability to pivot and deliver value to the world at a speed previously unimaginable.

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