There are signs that some companies are responding strategically to a period of economic upheaval in life sciences by appointing executives specifically for talents they bring from outside the sector.

The industry faces a perfect storm of challenges. As generations of pharmaceuticals patents expire and fall off the patent cliff, they take with them comfortable profit streams, and competition from generic medicines is aggressive.

State regulatory pressures on the drug industry are complicating already complex pricing and reimbursement systems. Corporate governance and compliance are more demanding than ever.

And, where the payer is the state, non-clinical decision-makers, whose concern is as much for costs as effectiveness, also emerge as forces in the procurement process. When increased public healthcare expectations and demand are coupled with state economic cutbacks, the life sciences sector becomes vulnerable to price swings.
Leadership in life sciences: casting a wider net

Fresh eyes, fresh insights

In the Central and Eastern Europe market, growth will depend on boards' and general managers' collective ability to put aside entrenched senior hiring practices that consider only “pure” life science candidates — a mindset in which rafts of present and future leaders with skill and imagination are ignored.

However, the sector’s regulatory structures can be so challenging in this region that it can be difficult to persuade businesses that there is merit in considering an executive who has not matured inside the industry. Further, strong internal cultural practices can be self-perpetuating, with cut-and-paste solutions serving to bring in people with skill-sets identical to those already present in the company.

There is encouraging evidence from the CEE region though that some pharmaceutical and medical technology businesses, notably in Poland, Turkey and Russia, are becoming more open to bringing in talented leaders from outside their own sector.

In return, these companies will benefit from fresh leadership insights, critical thinking, innovative practices and, crucially, heightened commercial acumen.

It follows that because the sector in the CEE territories is in the main so intensely regulated, and because it is changing so dramatically, capitalizing long-term on the sensible strategy of introducing fresh leadership potential depends on the development of well-managed talent.

Start below CEO level

Key to this is more imaginative succession planning: bringing in people one or two levels below the CEO to allow them to accelerate their internal knowledge of the business and the very specific relationship networks attached to them.

Their onboarding experience will be critical: a company should be prepared to devote six to 10 months to the process, rather than the more usual matter of weeks.

In return, these executives will bring different professional experiences that help them to identify strategies that are not part of the old familiar routine — refreshing the gene pool, in a sense.

Networks matter

Such entrants must not only be mentally agile and commercially numerate, they must have finely honed soft skills, and the ability to influence and build networks in both company and industry. If they cannot gain acceptance in the community, they will fail.

Ali Toker is the general manager of Turkish generic drug manufacturer Actavis Ilaclari A.S. but his first job in pharma was at Novartis. “I came into an old, well-knit network of 500 people,” he recalls. Toker joined the sector in 2004 from cosmetics company L’Oréal, and remembers that “If I

Nowadays good results are achieved through good people management skills and not chemical knowledge.
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Yet the fast-moving consumer goods industry has been fertile ground for life sciences, for it shares some similarities in focusing on customer relationships and marketing. Furthermore, some parts of FMCG — and indeed the OTC sector — have some of the same constraints as the highly regulated life sciences business. And, because the FMCG sector is so competitive, its leaders have to be commercially literate.

Pharma’s game change

“There was a game change in the pharma industry,” explains Toker. “The relationship-based way of doing business was shifting towards a calculations-based way of doing business, and FMCG was the right place to find a healthy combination of relationship management and financial acumen.” The ability of people from FMCG to read and manage P&L is a huge asset, he stresses.

Soft skills count

Bayer has a policy of talent management from within, but Maria Wyzga, Bayer Sp’s CEE head of HR, is also unequivocal on the value of soft skills in the industry.

“Nowadays good results are achieved through good people management skills and not chemical knowledge... Usually, 75 per cent of what is expected of potential candidates refers to their specialist knowledge and 25 per cent to their social skills. This pattern should be reversed, since nowadays leaders face more and more challenges related not to knowledge itself but rather social competence.”

Fertile ground outside life sciences

There are commonalities emerging about which sectors are throwing up good fits with pharma and med tech, and which skills pharma and med tech are seeking. Toker says he “took the risk of his life by shifting to the pharma industry and leaving behind a prosperous FMCG career”.

Market nuances

However, each territory is very nuanced, demanding on-the-ground understanding of how each geography has its own cultural terrain [see box]. In Poland, for example, HR is mainly driving awareness that broader sets of competences are urgently needed, yet their counterparts in Turkey are more conservative — here, it is the general managers who are more relaxed about outside hires. In Russia, human resources directors tend to be open to appointing from other sectors, especially because many of them have consumer backgrounds themselves.
A sense of mission

Finally, the presence of a strong sense of social purpose within the pharma industry can never be ignored. Olivier Bosc, a previous CFO at GE Healthcare, is now GE’s president and CEO in Russia and the CIS. He came to GE from Deloitte, another US company. But what struck him forcefully about this new sector and new employer was “extraordinary employee engagement around serving hospital professionals, providing clinical outcomes to better treat patients.”

As Takeda’s Potapov says, it was not his own exceptional financial background that eased his transition into pharma but “love and respect for people. This business is not about money in the first place, but about mission.”

Life sciences: Three countries, three landscapes

Poland

The highly regulated Polish life sciences sector, particularly pharmaceuticals, remains fairly resistant to bringing in people who do not have a pharma background.

Many companies fear exposing themselves to a new hire failing to acquire the depth of knowledge required to respond to the sector’s stringent regulatory demands, or to adapt to a perceived culture shift.

Where “outside” appointments have been made, they have tended to come from a consulting background, but one that combines prior exposure to life sciences. They are also expected to deliver a specific expertise, such as knowledge of the state healthcare system.

Polish companies are also relatively receptive to candidates with backgrounds in the OTC drugs industry, another intensely regulated area.

Swifter acceptance of change may come via the industry’s HR professionals, especially those responsible for regions, who are increasingly aware that fast-changing business imperatives demand a broader set of competences.
Russia

Unlike other healthcare markets in Europe, the overwhelming majority of medical reps in Russia are qualified doctors — happy to move to this better-paid work in the 1990s and early 2000s. This industry trend has established a market paradigm where those coming into leadership positions are expected to have medical backgrounds.

Most general managers in Russian life sciences companies are still medically trained. The exceptions tend to have come into the industry via back office functions — finance, especially. In the 1990s in particular, some were able to join the sector because they brought with them sought-after language skills.

There is now an observable trend in life sciences of hiring Russian nationals at general manager level, after a decade in which such posts were held overwhelmingly by foreigners.

The pool of “GM-ready” life science candidates who are Russian nationals remains small, but increasing promotion of Russians from the executive level will boost confidence in such appointments. Some appointments may come from outside life sciences, in particular from FMCG companies whose executives bring a strong consumer orientation.

Turkey

General managers are open to bringing in people from other industries, without medical training, especially if they themselves have come from outside. And many of them recognize that they need to seed a generation of more financially literate future GMs.

But set against this is evidence that some HRs are much more conservative. They reason that since, in the Turkish business model, there is only one customer — the government — all decisions are mediated through doctors. Thus, they consider that medical training is essential to building relationships with this type of customer and to training their teams to do the same.

Overall, the most successful people in pharma are now coming through FMCG, a fellow regulated arena. Those with consultancy backgrounds have sometimes struggled to adjust to a perceived lack of strategic or visionary thinking: too often decisions are governed by internal maneuvering and tactical moves, rather than by an overarching strategic plan.

The business environment in Turkey is more entrepreneurial and somewhat less regulated than the Middle East in general, and again this serves FMCG people well.
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