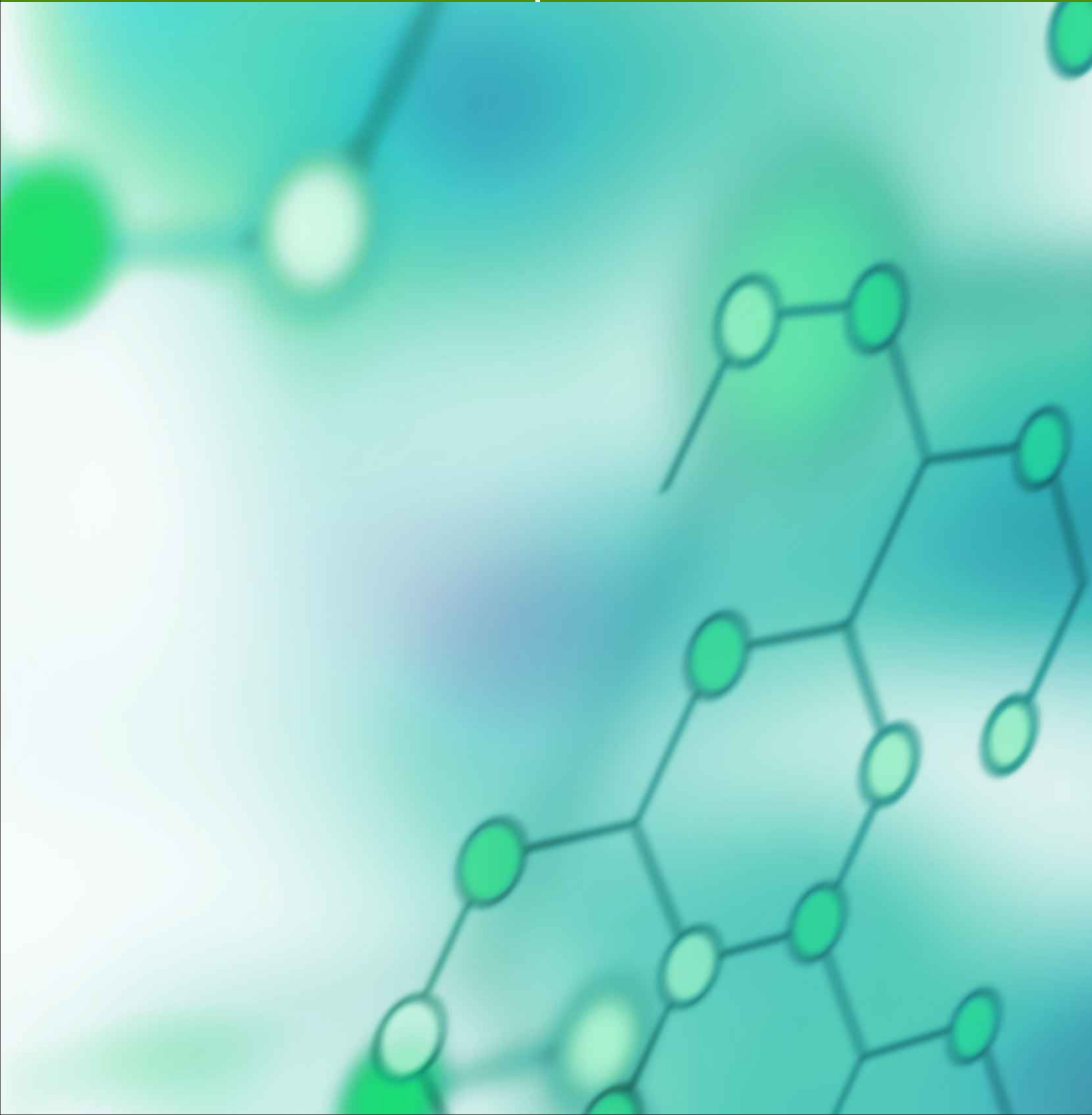


A series of market insights on LIFE SCIENCES issues which impact and drive the growth of client businesses.

LIFE SCIENCES

Insights



Contents

PAGE TWO

Introductory Message

PAGE THREE

Pharmaceuticals In Australia: Curing The Talent Drought

PAGE SIX

In Denial: Like It Or Not, Big Pharma Needs Big Change

PAGE EIGHT

In The Footsteps Of Sisyphus: Retaining Pharma Salespeople In China

PAGE ELEVEN

How To Deal With Prima Donnas

PAGE THIRTEEN

Navigators Wanted: The Dearth Of Regulatory Affairs People In Japan

PAGE FIFTEEN

Long-distance Relationships And How To Manage Them

PAGE EIGHTEEN

Indian Healthcare: The New Frontier

PAGE TWENTY

Building Asia's Supply Chain Leaders

PAGE TWENTY-TWO

Korean Generics: Beyond The Gloom

Introductory Message

The Heidrick & Struggles Life Sciences Practice keeps its mission very simple and very focused.

WE HELP CLIENTS BUILD WINNING LEADERSHIP TEAMS.

In Asia Pacific, we have built an international team of focused Life Sciences consultants who are considered to be the very best in the executive search and leadership consulting industry. The significant difference in partnering with us is that we work together as a team; we manage our business through our practice groups and not on an office by office basis.

Our consultants and associated staff provide critical strategic advice around leadership matters across the region. Not only in executive search but also in benchmarking, talent management, assessment, coaching and beyond. Our passion to be the best and to work with the best is central to our continued success.

By always employing a regional (and sometimes global) approach to our work we are able to ensure that we are able to provide our clients with specific counsel and solutions. Our consultants truly understand how to conduct business across the region and beyond. As such, we are recognized for our diversity, innovation and team strength in solving our clients' needs.

We work with Pharmaceutical, Medical Technology, Biotech and Healthcare Services clients and across every functional role (when we introduce our colleague's functional expertise).

Our teams are open and flexible in their approach to situations. No two assignments are the same and we tailor our solutions for each project in which we are involved.

To achieve our goals we look for the same personal values in our clients and candidates that we demand of ourselves; passion, teamwork and quality. We share a belief system and a code of ethics that demonstrates a high level of understanding between our teams and our clients before a brief is issued.

We proactively spot and follow talent across the region and beyond. This ongoing mapping of top tier talent in the Life Sciences sector across the region ensures that we know who's who, their career aspirations, ability, compensation levels and possible fit with our retained clients, before a mandate is even signed.

The following articles give you an overview of issues facing the Life Sciences industry across the region today. We hope to stimulate debate and thinking through these articles. Do correspond with our consultants directly to engage in feedback or further thoughts.

Yours sincerely,

Charles Moore

Regional Managing Partner
Life Sciences Practice, APAC

Pharmaceuticals In Australia: Curing The Talent Drought

The mature, tightly regulated Australian pharmaceutical market is challenging, but still vitally important. Complicating things is a serious talent shortage.

The Australian drugs market is one of the toughest in the Asia Pacific, but it remains pivotal in the regional operations of the world's leading pharmaceuticals firms. According to figures from trade body Medicines Australia, the industry represents 1% of the global pharmaceutical market, a big number given Australia's relatively small population. In business expenditure on Research and Development, the sector ranks second after transport equipment, and exports are growing strongly, up to A\$3.35 billion in 2005-2006, closing the gap with imports, which fell to A\$5.7 billion from over A\$7 billion a year earlier. What's more, Australian doctors are early adopters of new medicines, making Australia one of the world's most forward looking pharmaceutical markets.

Nonetheless there are challenges. The government's efforts to cut drug costs under the Pharmaceutical Benefits Scheme (PBS) and the growing acceptance of generics will continue to pressure patented drugs, and this in a market that already boasts some of the world's lowest drug prices. The sector's perennial struggle over reimbursement is not likely to disappear anytime soon, and this year the Australian Competition and Consumer Commission (ACCC) introduced tougher new rules that oblige pharmaceutical firms to declare all gifts to medical practitioners, who are themselves growing weary

of constant visits by sales representatives. And, finally, there is the issue of people.

Often, the world's pharmaceutical giants have used Australia as a training ground for executives destined for country management roles in bigger markets. While highly regulated and extremely sophisticated, the market is relatively small on the profit & loss sheet of global pharmaceutical companies. This creates a retention issue, because Australians passed over for the top job may well look elsewhere. And while major firms will offer posts overseas for young Australian executives, frequently Australians prefer to stay at home, particularly if they have a family to support.

To retain talent in such a market, pharmaceutical firms should consider creating more clearly defined career paths for their younger executives, paths that offer the option between exposure to overseas markets or a path within Australia itself. By retaining more people, they can help alleviate the pressure of the talent crunch facing the industry.

What's more, many regional headquarters have moved north to cities such as Singapore and Shanghai. This creates a major issue for senior people who are tied to Australia personally. Some are willing to move, but many prefer to stay, arguing that one does not need to be based in Asia to be effective regionally – Michael Elliott, the regional medical director for GlaxoSmithKline, for example, is based not in the firm's Singapore headquarters, but in Melbourne. Many companies prefer that key executives be in the same office but, given the talent shortage in Asia, firms need to be flexible and allow high-

ranking Australian executives in regional roles to work from their Australian home base.

“Even if I were in Asia I would mostly be on the phone or on email to the countries I manage,” Elliott says. “It would make no real difference to them. I will still make as many country visits which may take me a few extra hours of travel, but that’s okay. Overall, the company saves money as putting me in Singapore is probably more expensive.”

David Kwasha, MD Australia and APAC for biotechnology firm Acetlion, also manages his firm’s Asian operations from Sydney. He says the main role for an Australian regional manager, however, is not managing the Asian team, but leading it. The key is having people in Asian markets that have international exposure, but who also understand the local issues in Asia, which can vary significantly from country to country.

Pharmaceutical firms in need of experienced medical talent can play on the opportunity they offer to stay close to cutting edge science. They can also emphasize that a role in pharmaceuticals can influence the drugs that reach the public, helping real people in their day to day lives.

REGULATORY TANGLE

Perhaps the greatest HR problem firms face is a lack of regulatory affairs people. Prior to leaving the sector in 2005, George Petranus was Managing Director of Sanofi in Australia for ten years, and spent many years in pharmaceuticals prior to this. “In regulatory affairs you really need somebody who understands the science of pharmacology and physiology,” he says. “This may not be transferable from other highly regulated sectors, which are more to do with legal aspects of regulation, as compared with regulation based on safety and

efficacy, which is principally what regulatory affairs is about in pharma.”

He believes the right processes can train people from other sectors to deal with the regulatory issues, but the big challenge is bringing them up to speed on the technical, scientific aspects of the work. “Having a degree in pharmacology doesn’t make one a good regulatory affairs person, it just means you don’t need to learn the science, only the regulatory processes. A person from outside science must learn not only the processes but also the science. Medical and scientifically-trained people can quickly learn enough about the products to converse in them, which is key for talking to regulators, who often come from a scientific background.”

As medical practitioners progress through their careers at health providers, they often find they are taking on more of an administration role, which they may not always relish. Some individuals in medicine view pharmaceuticals as a place where they can have a broader impact on patients – this is something firms should actively promote to young medical graduates, who often prefer to join the field of medicine.

Pharmaceutical firms in need of experienced medical talent can play on the opportunity they offer to stay close to cutting edge science. They can also emphasize that a role in pharmaceuticals can influence the drugs that reach the public, helping real people in their day to day lives. That said, many medical practitioners lack the management skills required to operate in a corporate environment, and this will remain a key challenge for the sector, although careful mentoring programs can help in this area.

MARKETING: BUILDING NEW COMMUNICATIONS CHANNELS

One area where firms can, and should, look to outside talent is in the area of marketing. Traditionally, pharmaceutical firms have spent most

of their marketing budgets on well trained sales people who visit doctors on a one to one basis, building relationships and explaining drugs in depth. Unfortunately, doctors are inundated with requests for such visits, and may prefer a less time consuming way of receiving information.

The key for pharmaceutical firms is to create new communications channels with doctors and provide real service, as opposed to transactional relationships based on sales. Other sectors, such as financial services, have marketers whose focus is providing customers with the information and services they require. Such marketers, working with colleagues steeped in medicine, would be adept at analyzing a doctor's clientele, and then devising customized services based on the doctor's specific requirements. While more sophisticated marketing programs may never replace the hallowed role of the medical sales representative, they can significantly broaden the

relationship firms have with their key stakeholders.

The people issues facing pharmaceutical firms are manifold, but sound HR strategies with a focus on training and development, and a willingness to look outside the sector to fill functional roles will benefit the bottom line of pharmaceutical firms operating in Australia. However challenging Australia may be, it is still among the key markets in the region.

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In Denial: Like It Or Not, Big Pharma Needs Big Change

Big Pharma's troubles are only getting worse. The right talent is the only medicine that will fix things.

Big Pharma is sick. At the outset of 2008 it resembles a patient in denial, refusing to admit that major lifestyle changes are necessary. While aware of the host of problems that beset them, pharma firms tinker with their existing business models, but their efforts are comparable to a smoker cutting 2 cigarettes from his 20 cigarette a day habit, and hoping the problem is solved. In response to analysts' recent comments that his company was in 'big trouble,' a spokesman at a major pharmaceutical company had only this to say: "They are entitled to their opinion and we will have to wait and see."

Wait and see? Wait and see what? This is no time for paralysis, and maintaining the status quo will only make things worse. And although Big Pharma's products are unique, the prevailing rules of global business are not. In today's climate, "wait and see" is the death knell of commercial success. As evidence, look to the past.

In the late seventies the US car industry continued to produce gas guzzlers, confident Americans would never buy cheaper Japanese vehicles. Overnight American cars began to go out of fashion, leading to plant closings and profit declines. More recently, the recording industry's failure to adjust to consumers' demand for online music purchasing created an unprecedented surge in content pirating, eroding sector revenues and leaving industry leaders flat-footed and out of touch with their customer base.

'We're different,' claim pharmaceutical industry leaders. "Developing, branding and protecting prescription drugs is not the same as cars or music.' Consumers think otherwise. In the US, a decision to allow pharmaceuticals to market their products "direct-to-consumer" created a new dynamic in the demand and sale of prescription drugs. With the exception of a few specific blockbuster drugs, consumers have choices and they are increasingly choosing the lower-cost alternative.

THE OFF-PATENT BLUES

For Big Pharma, the message is clear: slash operating costs, and quick, if only to preserve margins and hold marketshare. The days of reaping gains on the back of long-term patent-protection are over. Branded and generic alternatives are entering the market faster and more often than ever before. Once a product does come off patent, the results can be devastating. Consider Eli Lilly's Prozac. Sales plummeted 80% the first year its patent expired. According to market intelligence firm, IMS, as many as a dozen of today's leading drugs will lose patent protection by 2009.

The protection of intellectual property has never been a bigger issue, but how can intellectual property be effectively protected as the developing world's masses demand affordable medications? And how can pharmaceutical companies see off the threat posed by generic firms, who relentlessly search for ways to obviate a drug's patent protection? These are just some of the questions that pharmaceutical companies grapple with today.

Failing to decisively address these issues will result in an inevitable erosion of margin, triggering lower

dividends and collapsing share prices. For Big Pharma to remain viable, it has no choice but to touch the third rail and set in motion the wheels of change. It must update business models for a new era and kick old habits, not least of which is its traditional reliance on blockbuster revenues.

Whether due to intransigence, a false sense of exclusivity, or just poor market timing, Big Pharma is poorly equipped for change. It begs the question: Do the right leaders with the right level of courage, will and imagination exist in the marketplace to bring this change about? For better or worse, those who enter the pharmaceutical sector at an entry-level, tend to stick around for the duration of their careers. Many come to the sector with strong scientific backgrounds. Consequently, many of the sector's leaders take an empirical, methodical approach to the marketplace, preferring to re-work tried and true business formulas, as opposed to exploring new and slightly more risky approaches.

“Staying the course” is worn like a badge of honor among the pharma sector elite. Building a strong pharma company – so the mantra goes – requires patience, diligence and the ability to out-last regulators and the minions charged with working the drug approval process. There is a brotherhood of sorts that prevails within the sector. Finding a “trusted” mid-level manager and grooming him for future leadership positions is the norm. Fresh blood, one might say, is rare in leadership roles.

AN INCESTUOUS INDUSTRY

One high-ranking pharmaceutical executive interviewed for this series had this to say: “This is an incestuous industry, where people have traditionally come up through the ranks. This doesn't work: while we end up with people who are operationally very savvy, they don't have strategic capabilities. In a changing environment you need people who can think strategically, and who can draw up a road map as the changes begin to take hold. This is really the key challenge facing our sector.”

The point is, while pharmaceutical industry leaders like to think of themselves as unique, the commercial circumstances they face today are no different than those that have beleaguered the automobile, media, high-tech, and consumer durables sectors. All have faced their share of disruptions. Now it's Big Pharma's turn. Low margin businesses such as semiconductors and electronics live and die by controlling costs. Executives in these sectors are familiar with the latest techniques in manufacturing and supply chain management, key elements in controlling costs, and areas where Big Pharma can – and must – improve.

Consumer goods firms such as Diageo, Proctor & Gamble, and others invest heavily in protecting their brands, both to safeguard their intellectual property and to keep their brand positioning high in the eyes of consumers. Unlike marketing executives at pharmaceutical firms, which have long operated in a sheltered environment, marketing executives at consumer goods firms have cut their teeth in commoditized markets where brand, and brand alone, can sway the consumer – and command a premium price.

Other industries have also produced strong leaders in key functional areas such as Human Resources, Treasury, and information technology. The oil & gas sector, for instance, has developed a strong record of keeping turnover low. Finance and treasury executives from low margin businesses are experts at reducing costs and maximizing profitability. Isn't it time for Big Pharma to think along the same lines?

The first pharmaceutical firms who realize that talent does in fact reside beyond the barriers of their own insular business will be the first to discover true marketplace potential. Change is a rude and painful prospect. But without it, this sector – among others – will not reap the rewards that stem from growing market shares, profits, and share prices. What would the world be without the life-saving drugs of an R&D-gearred pharmaceutical sector? Consumers expect a lot of the sector and pharmaceutical leaders should expect far more from the people they hire.

In The Footsteps Of Sisyphus: Retaining Pharma Salespeople In China

Fast market growth and high turnover among pharmaceutical salespeople mean HR leaders are mired in an endless struggle to hire and retain good people.

In Greek mythology Sisyphus was cursed to eternally roll a great boulder up a hill. Every time he neared the summit the boulder would inevitably slip, rolling to the bottom, and he would start again. Human resources leaders at pharmaceutical firms in China can empathize with Sisyphus as

Generally, firms prefer a mix of experienced salespeople and new hires, often straight from university. They like to mix experience and inexperience in sales teams, so that newcomers to the industry can learn from older colleagues.

they struggle to hire and retain salespeople. Despite world class HR programs and endless rounds of hiring, turnover among front line sales people remains stubbornly above 20% – in 2005, one firm actually experienced 38% turnover among salespeople. In personal interviews with Heidrick & Struggles, HR leaders from four top pharmaceutical firms discuss what they are doing to win in this Sisyphean struggle.

Over the last three years the four firms have added a rough average of 400 salespeople per year, filling both new positions and ones that have been vacated. At all four the typical tenure a salesperson stayed was 2 to 3 years, with one company eking out only 1 to 2 years, but another four.

“Salespeople don’t leave for career opportunities,

but perceived opportunities,” says one HR director. “Yes, we are expanding, but so is everyone else. You can walk out our door and into somebody else’s tomorrow – it’s that easy.”

To counter this companies have pulled out all the stops in their recruiting efforts. Generally, firms prefer a mix of experienced salespeople and new hires, often straight from university. They like to mix experience and inexperience in sales teams, so that newcomers to the industry can learn from older colleagues. Aside from university and on-line recruiting, which are popular and effective, firms are also enjoying success with referral programs, in which salespeople are rewarded for bringing in former colleagues or even competitors they encounter in the market – and, no doubt, creating HR headaches at the firm from which the new hire came.

“Our hiring process combines both conventional and unconventional means,” says one HR director. “Conventional interviews are important, as are competency based behavioral targeted interviews, which use an external agency to assess a person’s past experience and performance. We also use role playing to test presentation skills and written tasks – this helps us control the quality.”

ARE YOU EXPERIENCED?

One HR Director warns, however, that experience is not everything: “Since the market is moving so fast and things are constantly changing, we find it difficult to define experience. Also, when you get an experienced person you have to find a way to internalize this experience for your company.”

To cope with all this hiring (both of salespeople and other functions) HR departments have grown rapidly.

Of the companies interviewed, HR teams have typically doubled or even tripled, with most HR teams staffed with 30 or more people. Only one company has bucked this trend and actually reduced HR numbers. “Three years ago we had twenty HR people in China, but we’ve actually shrunk this a bit,” says the firm’s HR director. “HR shouldn’t do all the work. If the right processes and systems are in place, line managers can pick up more responsibility for hiring and developing people.”

External parties are also employed to find talent, particularly small local firms that specialize in identifying and recruiting salespeople. “Our experience with such agencies is that you have to be very clear in your objectives,” says one director. “Not only do they get involved in the searching, but also in talent mapping, which is part of our strategic staffing program. Talent mapping shows us who is available for certain roles within our company or within the industry.”

Onboarding is a strong focus. One company offers an induction program of 6 months, during which new salespeople must produce results. The first 6 weeks comprise training, and the remaining 4 months are in the field, where the newcomer receives on-the-job coaching, while also receiving classroom training in the office.

One firm has set up its own university in Shanghai. Here, new salespeople spend their first 14 days, learning product skills, policies, and procedures, before being broken into groups focused on specific product training. Only after training are they allowed to visit customers and promote products. “We are very stringent about this,” says the firm’s HR director.

RETENTION: “WE’VE TRIED ALMOST EVERYTHING.”

Of course, aside from hiring and onboarding, the key issue is retention, and this is where everyone

struggles. “Retention is tough we haven’t got the formula yet,” says one director. “We’ve tried almost everything. A lot of it has to do with external factors. Opportunities are always apparent elsewhere and it is easy for people to jump ship. Most of them tell us they are leaving to advance their career.”

Given that career advancement is the reason most people leave, all the firms Heidrick spoke to take pains to show a clear career path within the organization, either within the sales force or in

Given that career advancement is the reason most people leave, all the firms Heidrick spoke to take pains to show a clear career path within the organization, either within the sales force or in another discipline, provided the individual has the right attitude and skills.

another discipline, provided the individual has the right attitude and skills.

One company makes much of its HR staff being trained as career counselors. At any time, salespeople can approach anyone on the HR team to discuss what they want to do with their careers. “These are young people,” says one director. “They have ambitions and ideas. Sometimes people enter sales and discover it is not what they want. Rather than losing them to the market, why not move into the area they want if there is an opportunity?”

The same firm is also focusing on what it calls “total rewards,” as compensation is not enough. As society progresses and becomes more affluent, it feels it is important to educate people about such things as the company’s investment in benefits such as insurance and training. “How many employees know how much you are spending on life insurance?” asks the director. “We want to communicate a total rewards statement, not just what people see in their pay slip.”

Sisyphus is regarded as a symbol of futility, but

There is no perfect answer to the recruiting and retention conundrum. That said, companies can minimize the effects of a difficult market by continuously fine tuning HR programs that work, namely boosting retention by showing the strong career prospects they can offer.

despite high turnover pharmaceutical firms in China still have much to gain from hiring and

retaining the best people. There is no perfect answer to the recruiting and retention conundrum. That said, companies can minimize the effects of a difficult market by continuously fine tuning HR programs that work, namely boosting retention by showing the strong career prospects they can offer. They should also be flexible in their approach to an ever evolving talent market. By doing so they can ensure their success in what is destined to be the largest pharmaceutical market in the world.

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How To Deal With Prima Donnas

Top performing prima donnas have been the bane of many a leader; a deft touch is essential to handling them well and keeping the team happy.

All experienced leaders have been vexed by these people before: difficult, challenging employees who also happen to be brilliant at their jobs, and who are well aware of their value. In other words, prima donnas. Their work is flawless, perhaps inspired, and they carry a disproportionate amount of the team's load. The vast majority of leaders bend over backwards to appease such people, but others on the team could well detect double standards, causing a serious morale issue. What's more, promoting a prima donna to a leadership position could only create more problems.

“Top grading is absolutely important, but keep in mind that there are lots of people in the top 20 percent who should never be put in a leadership position,” says Frederick W. Smith, Founder, Chairman, and Chief Executive Officer of FedEx Corporation. “The key is for the organization and the individual both to understand and be satisfied with that position... many organizations get in trouble in this regard, because the only avenue they have for financially rewarding top performers is to move them into management positions.”

Often, prima donnas' aggressive behavior helps feed the high self esteem that gives them the confidence to outperform and punch above their weight, but other team members can see their behavior as arrogant. An objective of leaders should therefore be to change this behavior and then wean prima donnas off this source of self esteem, whether

through direct praise, recognition or by satisfying other needs. A careful approach is essential, in order to keep both the morale of the prima donna and the team intact.

Focusing on how change can help the individual's career development is also useful, as people want to know what their payoff will be for changed behavior.

However attractive procrastination may be, it is essential for leaders to address prima donna behavior as soon as it raises its head. The sooner a leader acts, the better the chances of success. When confronting prima donnas, describe the behavior that needs to change. Be specific, and have concrete examples ready: the individual must see that the feedback has its basis in fact.

Having laid out the problem as candidly as possible, explain why the issue is of concern, taking care to focus on specific behaviors, not the prima donna's personality in general. Having done so, try to find out the underlying reasons for the individual's behavior. Is it an issue of personality? Are their problems outside the office? In these discussions it may be a good idea to include a third party, preferably somebody the prima donna trusts and respects.

Be sure to convey that you are not merely forcing the individual to heed your will, but rather trying to improve the overall performance and morale of the team. Focusing on how change can help the

While the temptation to indulge in favoritism is one to which many managers succumb, ultimately such a course is short sighted and detrimental to long term goals, particularly given the ever increasing emphasis on teamwork in today's world.

individual's career development is also useful, as people want to know what their payoff will be for changed behavior. If an individual, for instance, consistently rubs key people the wrong way, point out that alienating such people could hurt the individual's success in the future.

“Leadership communication, to actually move people to act, must be both authentic and frequent,” says David S. Pottruck, former President & Co-Chief Executive Officer of The Charles Schwab Corporation. “It is a rare combination of listening and speaking that lets others know you care, and inspires them with possibilities that they may not, without you, be able to see.”

Finally, get the individual's ideas for solving the problem, and his commitment to doing so. Be sure to offer your support, and make available the resources that may be needed to effect change, such as external professional help or communications skills training. Finally, leaders need to work with the prima donna to develop an action plan, setting a specific date for follow up.

The final (and arguably the most important) element in dealing with prima donnas is the issue of special treatment. Consider this: in many corporations, who is likely to receive a harsher performance review, the team player who is a mediocre performer, or the prima donna who is a star performer? While the temptation to indulge in favoritism is one to which many managers succumb, ultimately such a course is short sighted and detrimental to long term goals, particularly given the ever increasing emphasis on teamwork in today's world. In such an environment, there will inevitably come a point when favoritism toward a prima donna is simply not worth it.

DEALING WITH PRIMA DONNAS

- Aggressive behavior can be a source of self esteem for prima donnas; leaders need to find other ways to fuel this self esteem.
- Act as soon as prima donna behavior becomes apparent – avoid procrastination.
- When speaking with a prima donna, offer specific examples of the behavior that needs to change – avoid making it an issue about the person's general personality.
- Stress how a change in behavior will help benefit the individual over the long run.
- Avoid favoritism: in today's team centric world, favoritism can be dangerous for morale.

Navigators Wanted: The Dearth Of Regulatory Affairs People In Japan

The shortage of good regulatory affairs people in Japan is a major headache for pharmaceuticals and medical devices firms.

Good regulatory affairs staff are essential for life sciences companies who hope to navigate Japan's labyrinthine approval processes for new drugs and medical devices. The best CEO, the cleverest marketing department, and an experienced sales team count for nothing if there is no approved product to sell. Virtually every pharmaceutical and medical device CEO Heidrick & Struggles speaks to cites Japan's dearth of regulatory affairs executives as their biggest talent challenge.

"In the past five years regulations have become more and more complex, and the ministry has become much more picky about the accuracy of the data we submit," says the Japanese regulatory affairs director at one company. "They have also become more in line with the US Food and Drug Administration, requesting the same amount of information as the FDA. Owing to this increased work load, the number of regulatory affairs people needed has grown."

Typically, a career in regulatory affairs begins with an MD or masters degree. While most people with such degrees enter the field of medicine, there is always a small percentage who opt for a corporate role, but the early years in regulatory affairs are not easy. There is endless detailed paperwork to take care of, and the Ministry of Health, Labour and Welfare (MHLW) can be a challenging agency to work with on an ongoing basis.

The shortage of good regulatory affairs people in Japan is a major headache for pharmaceuticals and medical devices firms.

IT'S ABOUT MORE THAN PUSHING PAPER

A senior regulatory affairs role, however, is about far more than pushing paper. As their career advances many tend to focus on specific niches, such as cardiovascular devices or certain types of drugs in a specific therapeutic area. The work involves a blend of medical expertise and an intimate understanding of Japanese regulation and the vast bureaucracy of the MHLW. A good regulatory affairs executive knows where to take risks, as well as where the regulator will give ground – and where it will not.

"It's important that they know the regulations, but more important is that they can interpret them," says one regulatory affairs director. "In Japan, a lot of the regulatory affairs people tend to see the regulations literally, and challenge everything that others in their company are planning. In truth, they can only add value if they can interpret the regulations properly."

For international firms a further essential element in a regulatory affairs executive is somebody who can communicate clearly with the head office, and whom head office will not second guess; being second guessed by headquarters can cause a loss of

credibility with the MHLW. Unfortunately, many good regulatory affairs executives in Japan are familiar with this situation, but they cannot communicate this clearly back to the head office.

“It’s extremely difficult to find qualified regulatory affairs people,” says the Japan president of a major western medical devices firm. “Foreigners often go after somebody who speaks great English, but this doesn’t mean they have the right qualifications. What’s more, a regulatory affairs person could be technically good, but they don’t have the ability to manage a team. I’ve come across people who are technically very smart, but who can’t manage.”

One Japanese regulatory affairs director also acknowledges the challenge of language among RA professionals. “The language problem is a real one. People in their twenties or thirties who come from a technical background may have trouble developing new language skills. People with strong language capabilities tend to work in different areas.” Lately, the crunch to have more people in regulatory affairs roles has resulted in some organizations moving people who speak English from another area into these roles just to fill the gaps.

A good policy is to send a new regulatory affairs person overseas to headquarters for 6 months to a year. This gives them a chance to build relationships with US counterparts, so when they return to Japan they will have no reservations in communicating their challenges and issues back to headquarters.

HOW GOOD IS YOUR PIPELINE?

Compensation alone is not the solution to attracting regulatory affairs executives, although desperate companies are often willing to substantially increase pay to bring the right person aboard. Perhaps the biggest draw for a regulatory affairs specialist is a strong product pipeline. Companies need the ability to show they don’t just have one or two projects in the pipeline, but a long-term plan for the Japanese market. Regulatory affairs professionals tend to enjoy technical challenges, and their job only remains interesting if they are constantly challenged with new products. What’s more, many look for a clear career path, leading perhaps to new technical challenges or project management.

As for managing and retaining regulatory affairs staff, companies need to give them the leeway to build credibility with the ministry, but also be sure they focus on the interests of the company. A good policy is to send a new regulatory affairs person overseas to headquarters for 6 months to a year. This gives them a chance to build relationships with US counterparts, so when they return to Japan they will have no reservations in communicating their challenges and issues back to headquarters. Relationships are of critical importance in Japanese culture; if a regulatory affairs executive lacks relationships at headquarters, it may be difficult for them to speak up or they may start to look outside. The shortage of regulatory affairs people in Japan looks likely to continue. Companies, however, will be better able to retain them if they can offer a challenging pipeline of new products and a good career path.

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Long-distance Relationships And How To Manage Them

Multinational companies often struggle to manage their Asian leadership teams, but a more proactive approach by both sides can prevent unnecessary leadership turnover.

When the Korean War broke out in June 1950, General Douglas MacArthur was an American icon. His performance in the Pacific during World War II and subsequent work to reconstruct Japan was a source of immense personal prestige. In Korea, his brilliant amphibious landing at Incheon all but completely destroyed the North Korean army, and inflated MacArthur's already vast ego. Impatient with American President Harry Truman's reticence about widening the war to reverse the Communist Revolution in China, MacArthur undertook operations beyond those authorized, made pronouncements to foreign leaders that undermined American foreign policy, and openly sided with Truman's domestic critics. Finally, in April 1951, Truman summoned the political will to end a fractious, difficult relationship, and dismissed MacArthur in what is probably history's most spectacular firing.

Asia today bears little resemblance to the Asia of the 1950s, but many corporate leaders in the West and regional managers in Asia can relate to the troubled longdistance relationship of Truman and MacArthur. A few years ago, one major U.S. corporation sent an executive with no experience in Asia to be the president of its Asia Pacific operations: He spent a year getting used to his new environment, 18 months changing things for the corporate head quarters, and then returned to the United States. The company hired a new president

from the region, but he lasted only two years: He lacked the trust and confidence of the head office, which balked at the changes he proposed. He was subsequently replaced with another executive from corporate; in five years the company had three different presidents for the region.

This kind of leadership turnover is bad for staff morale and detrimental for relationships with joint venture partners and distributors. What's more, it makes stakeholders question a company's commitment to Asia, and ultimately hurts profits. The foreign companies most successful in Asia

Leaders sent to Asia from the corporate head quarters have a strong degree of connectivity with their colleagues at home, who know them and trust their judgment. However, they lack regional knowledge.

are those which have had stable leadership teams throughout the years and strong succession planning programs for the region. Another characteristic of such organisations is a thorough understanding of Asia's unique challenges and issues back at the head office, along with many top managers boasting work experience in Asia.

Leaders sent to Asia from the corporate head quarters have a strong degree of connectivity with their colleagues at home, who know them and trust their judgment. However, they lack regional knowledge. Instead, they probably have a network of friends and allies in the company, which helps

For companies hiring a leader in Asia, it is important to have a comprehensive on-boarding strategy in place, which should involve the new executive from Asia spending time in the head office, familiarizing themselves with the company and forming relationships with new colleagues.

them to gauge the political winds back home and subtle changes in company strategy and direction. A leader hired in the region has no such connectivity, although their market knowledge and cultural awareness will be greatly superior, and they won't need to go through the trauma of moving. Unfortunately, however, the lack of connectivity with the head office puts such executives at a great disadvantage and often results in their failure.

“GONE NATIVE”

Leaders who come out from the corporate head quarters can also suffer from this connectivity gap. As executives settle into their regional role, the head office may start seeming very far away. The requests for information and updates can become an irritant for a regional manager, particularly if they feel that the requests are adding no value to the day-to-day business. When this happens, regional managers are prone to falling out of touch with the political landscape at the head office and may fail to read the signs about what the corporate head quarters is thinking. To return to the MacArthur analogy, in the early fifties the general had not set foot on American soil since 1937; his only meeting with Truman during the Korean conflict was a one-day discussion on a remote island in the Pacific.

It is therefore crucial that senior managers sitting in the U.S. and/or Europe establish a clear communications strategy with their leaders in Asia. Conference calls should be scheduled as a regular, ongoing occurrence at times mutually convenient

to both parties. For companies hiring a leader in Asia, it is important to have a comprehensive on-boarding strategy in place, which should involve the new executive from Asia spending time in the head office, familiarizing themselves with the company and forming relationships with new colleagues.

If possible, the new executive's first assignments should include some project work at the head office: this will give him a chance to meet people, prove himself, and become better acquainted with how the company is run. Once new executives return to Asia, corporate executives should find reasons for them to return every four to six weeks, if possible, for such events as planning sessions, the Annual General Meeting. Training programs and budget meetings for instance.

For their part, executives in Asia need to be proactive about keeping in touch with corporate and work hard to manage expectations. One regional CEO of a software company recently learned this lesson the hard way: After having a good relationship with executives in the corporate head quarters for several years, his level of communication with them began to decline. Then, after missing just two quarters, the head office let him go, citing his failure to communicate as a major issue.

IN THE TRENCHES

For their part, leaders from Europe and the U.S. could do a better job of familiarizing themselves with Asia. Although the region only constitutes a small portion of sales for most Multi National Companies, their future growth lies in the vast, growing middle classes of China and India. Big markets such as Indonesia, Vietnam, Thailand, Korea, and even the Philippines also offer substantial growth and opportunity.

The only way to really understand Asia and its bewildering array of cultures and economies is to visit in person. Trips to Asia should not consist merely of visits to air-conditioned boardrooms in

comfortable, westernized cities such as Singapore and Hong Kong. They should include visits to the frontier regions, as it were, where most companies' future growth resides. Such visits will give executives insight into the opportunities and challenges in Asia, and provide a superb opportunity to connect the region's second and third tiers of leadership.

As Asia develops it will become an increasingly competitive region in which to succeed. To enjoy this success, the right regional leadership is crucial, but both corporate and regional leaders must remain constantly aware of the dangers inherent in a long-distance relationship. Both parties must strive to

keep the lines of communication open. Regional leaders should be forthcoming about their business and strive to understand the head office's viewpoint, while those in the head office should make a real effort to better understand the dynamism and diversity of Asia. By doing so, they could well ensure that the historical lesson of Truman and MacArthur is not repeated.

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Indian Healthcare: The New Frontier

India's healthcare sector goes from strength to strength, but is growing faster than its talent pool.

The last decade has seen astonishing changes in India's life sciences sector. The opening of the insurance market to the private sector has seen millions of newly affluent Indians gain access to better healthcare. Organized healthcare has also grown, with the Apollo Group, Ranbaxy, Max India, and Wockhardt all entering the healthcare services market. On the pharmaceuticals side, the improved patent protections afforded international drug majors in 2005 have bolstered their resurgence in a country that one industry pundit says was formerly a "dirty word" overseas.

Simply building more hospitals is not the answer: according to the World Health Organization, India has 0.6 doctors and 0.8 nurses per 1,000 people, far below the world average of 1.2 doctors and 2.6 nurses per 1,000.

The signs are everywhere. Medical Tourism is growing strongly: the Confederation of Indian Industry estimates that 150,000 patients came to India in 2003 – 2004. Global pharmaceutical firms are using the country as a base for shared services: aside from just human resources and finance, many major firms, comfortable with 2005's changes in intellectual property protection, are now using the country as a base for clinical research. Contract R&D is also on the rise: generic firms, long deemed

the nemesis of international pharmaceutical majors, are increasingly entering contract research & development agreements overseas.

The biggest changes, however, are in India's healthcare sector.

Previously, healthcare in India was largely government managed. Today, a whole range of private sector options have become available, often using the hub & spoke model for services, including primary healthcare centers, multi-specialty hospitals, and super specialty hospitals.

RICH WORLD DISEASES

The illnesses that India is dealing with are also changing, as a more prosperous population develops "rich world" diseases such as diabetes, cardiovascular diseases, and diseases that afflict the central nervous system. "There are around 700,000 new cases of cancer each year," writes Srimoti Mukherji of the US Commercial Service in a recent report. "It is estimated that there are around 40 million people in India with diabetes, 5.1 million HIV/AIDS patients, and 14 million tuberculosis cases."

Nonetheless, India still lacks the infrastructure to care for its vast population. According to a recent article in *The McKinsey Quarterly*, India has only 1.5 beds per 1,000 people, fewer than the average of 3 – 4 beds in other developing economies such as Brazil, China, South Africa, and Thailand, and far fewer than developed countries with 4-8 beds per 1,000 people. Simply building more hospitals is not the answer: according to the World Health

Organization, India has 0.6 doctors and 0.8 nurses per 1,000 people, far below the world average of 1.2 doctors and 2.6 nurses per 1,000.

Typically, talent in the healthcare services sector has come from medical and pharmaceutical backgrounds, but in the private sector one increasingly finds people with entrepreneurial backgrounds who are cognizant of the tremendous opportunities that will arise as Indians become more affluent. For medical roles a large talent pool is available for healthcare providers both overseas and in private practice, but compensation and benefits need to be upgraded to attract the best talent. What's more, support services can benefit from other sectors to fill roles in areas such as human resources and supply chain management.

In the next ten years, tertiary Care in India will be provided mainly by private healthcare and extensive public and private partnerships. Secondary care will be provided by private and public healthcare and selective public and private partnerships. Primary Care will remain predominantly public, especially in rural areas.

The government's role is set to diminish, but given corporate investments there will be high employment potential in healthcare. Growth opportunities include service providers such as hospitals, both secondary & tertiary. There is great scope for training of doctors, managers, nurses, and technicians. There will also be a need for talented people in other life sciences areas such as pharmaceuticals and medical devices. In all areas talent management will become important.

NRIS RETURNING HOME

Interestingly, India's growing stature on the global life sciences scene is attracting non-resident Indians to return home – providing another source of talented healthcare professionals. The cost arbitrage formula has changed, and compensation for high level executives in India has moved up significantly.

What's more, India's market is significant enough that people recognize it will be a good element on their resume. Expats also want to spend a few years in India in order to develop and understanding of a major emerging market.

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Enlightened leadership, strong government-private sector partnership and innovative talent building initiatives are key to building an effective healthcare delivery system in India that caters to all parts of society. "The system needs stewardship at all levels: strong policies and institutions that foster public-private partnerships, encourage the private sector to invest in rural areas, and strengthen the resource pool so that flagship programs (such as the National Rural Health Mission) can succeed," says the McKinsey report. "In particular, policy reforms that address talent shortages and the creation of institutional providers must at least meet the nation's basic infrastructure needs."

As India's healthcare sector continues to grow, acquiring the right talent and then managing it properly will become the difference between success and failure, for both India's government and private healthcare providers. The challenges are huge, but India can draw on the experiences learned in the healthcare journeys of countries in both the developed and developing world. The key to ensuring these lessons are understood correctly, and then applied to the Indian context, is strong leadership at key stakeholders (the government, healthcare providers, pharmaceutical firms); leadership with the courage to adopt new ways of doing things, ultimately providing the best possible healthcare for one of world's most promising countries.

Korean Generics: Beyond The Gloom

To grow and prosper, Korean generic drug firms need to focus on building high caliber teams.

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These are gloomy days for South Korea's generic drugs industry. Competition is ferocious and domestic drug prices are falling steadily, cutting into already-thin margins. Generic drug makers from India are making inroads, and the Korea-United States free trade agreement (FTA) looms on the horizon. "The FTA is a big blow and a big concern for our industry," said KT Moon, vice president of the Korean Pharmaceutical Manufacturers Association, in June. The FTA will force Korea to change patent, copyright and trade mark laws, giving greater protection to patent holders.

"The outlook for the domestic pharmaceutical market is bleak," says leading pharmaceutical analyst Sang-Youn Hwang of Mirae Asset Securities. "Drug prices are falling year by year, and will inevitably drop 3 to 4% next year following government guidance." Historically, Korean pharmaceutical firms have focused on producing generic drugs. In most developed markets, Hwang says, the market share of generics is between 25-30%, but in Korea this number is a staggering 70%, leaving very little room for domestic growth.

SLOW GROWTH AT HOME

Hwang's views are borne out by the numbers. In 2006, the top four pharmaceutical companies in Korea in terms of revenue were Korean. During

that year, the top 10 Korean pharmaceutical firms typically had revenue growth of about 6% in Korea, whereas their top ten international counterparts enjoyed revenue growth of 15%.

The sector is well aware of this and companies are focusing on ways to be more competitive at home, as well as increasing market share in new markets overseas. On the home front, generic firms are trying to become "super generic," bringing generic drugs to market just as a patent expires. As for overseas markets, the relatively low penetration of generics in the United States makes this an important growth market.

Both of these trends place tremendous demands on the human capital requirements in a tight talent market, but perhaps the last remaining way for Korea's pharmaceutical companies to stand out is the people they hire. In a market where everyone's strategy is similar, the firms with the best people will execute the business strategy more efficiently, and help develop more nuanced approaches to a commoditized market.

"The people we hire can make a big difference," says B.S. Moon, Senior Manager of CJ CheilJedang Corp. "The right people can lead changes, provide innovation and the latest industry know-how, improve processes, and broaden a firm's network. The pharmaceuticals industry is based on knowledge, regulation, and dealing with human life. Each step of the pharmaceutical value chain needs the best people possible."

Super generic firms require quality assurance professionals of the highest caliber to bring new products to market, but unfortunately such people already work for the international drug companies,

to match. Regulatory affairs people, in tight supply in every market, are also essential for the super generic model to work, as they can usher new products through the regulatory maze before going to market.

As for new markets overseas, Korean firms are looking abroad for executives to represent them, particularly in the United States. Here their challenge is somewhat easier, for there is a relatively larger pharmaceutical talent pool in the United States. There are also a large number of retired pharmaceutical executives in their fifties and sixties who can be enticed to return to the workforce.

THE RIGHT PEOPLE FOR COMPETITIVE EDGE

Generic firms that fill these vital roles quickly can gain a competitive edge over both their domestic and foreign rivals. A key element to ensuring the right people are hired and that turnover is reduced is a forward looking human resources department. In general, Korean pharmaceutical firms need to be far more proactive in talent management, as opposed to merely taking all their direction from senior management.

Top HR people understand a company's business strategy and proactively put systems in place to ensure that their organization is, from a talent perspective, staffed to cope with Korea's fierce business environment. They concentrate on people, building bench strength, coaching, and ensuring people are successful. There is a significant difference in companies that have strong, strategic HR people and those that don't.

"HR systems and practices in some Korean pharmaceutical companies are quite old-fashioned, I think," says a head of HR at a leading Korean pharmaceutical firm. "There is much room for improvements and change... but in the culture of the Korean pharmaceutical industry it is hard for

a single manager to make a big difference. Corporate cultures are very conservative and strict. Though everyone knows the environment is changing rapidly, they hardly move. It's not easy for newcomers even to survive. If he survives and succeeds in opening the hearts of his colleagues, maybe then he will get the chance to make changes – but it will take quite a long time, I think."

As for attracting executives from multinationals who are conversant with international best practice, Korean firms can stress that a role with them will be a challenging one in a rapidly changing regulatory and competitive environment. In regard to compensation, Korean firms will need to invest if they are to bring aboard top talent with international experience: executives moving from a pharmaceutical major will see a role with a smaller company as a risk, and will want to be compensated accordingly.

"Leading domestic companies are spending their profits from generics and reinvesting them into super generics," says Moon. "But given intense competition, companies need very adaptable people if they are to prosper in such an environment. Good HR people are an important part of the solution."

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There is no easy solution for the challenges facing Korea's generic drug firms. That said, in a tight market it is the team with the best talent that stands to win – talent with international experience that can bring fresh ideas to an increasingly commoditized market. What's more, the drive for change must come from the top. Hiring the right HR manager is not enough: the CEO and board must commit the entire company to a new way of looking at the importance of people.

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Building Asia's Supply Chain Leaders

Talent development is essential if supply chain organizations are to cope with the immense changes sweeping Asia.

These are heady days for Asia's supply chain leaders. Once a mere source of low cost production, the countries of Asia are quickly evolving into major consumer markets in their own right. But this growth comes with its share of headaches: managing a supply chain in this diverse region is no longer about purchasing raw materials locally and shipping to markets overseas, but about supplying Asia's domestic markets, with all their different consumption patterns and income levels.

Companies need to first identify their talent gaps, and then seed the organization with experienced leaders in key areas, either functional or geographical.

Powerful global trends are also affecting the sector. Ever-intensifying competition has heightened customer expectations, and investors are pushing for improved financial performance, particularly improved cash flow. There are also the drives toward inventory optimization and improved forecasting. Strategic, coordinated sourcing (as opposed to procurement) is increasingly more critical, and major fast moving consumer goods (FMCG), pharmaceutical, and retail firms are transforming their global supply chains to become more customer focused. Both Asia's growing domestic economies and global supply chain trends have sparked intense demand for supply chain managers who can

optimize complex regional supply chains, while also understanding clearly how their role fits into their organization's global picture.

Traditionally Asia's supply chain managers have risen from the lower ranks, ultimately arriving at a position where they oversee a company's supply chain operations in their home country. Companies today, however, are coordinating all of their supply chains in the region's various countries, but a manager's experience in one country does not necessarily prepare him for the next promotion: the jump to a regional supply chain role, dealing with new countries and all the complexity this entails.

Another key talent issue is that many Asian graduates may not view a career in supply chain management as among their first choices. Careers in professions such as law, medicine, or banking attract the lion's share of graduates. As such, it is necessary for companies to focus inward on talent develop, carefully assessing the staff working throughout their supply chain operations, identifying those with leadership qualities. This done, they must lay out a clear career framework and provide programs to help these leaders grow. Classes, job rotations overseas, and formal mentoring programs should play a major role in their growth.

Developing a base of strong supply chain leaders internally, however, can take a considerable amount of time, possibly years. Companies can accelerate this process by looking externally for experienced leaders, ideally from industries and companies that represent best practice in supply chain management. Companies need to first identify their talent gaps,

and then seed the organization with experienced leaders in key areas, either functional or geographical. By taking on supply chain experts from those industries and companies at the cutting edge of supply chain management, companies in Asia can develop world-class supply-chain organizations that provide a strong competitive edge.

“Developing high potential talent for the future is the number one priority of any organization’s leadership team,” says Mark Benson, Vice President Regional Supply Chain Consumer Asia Pacific for Johnson & Johnson. “In today’s competitive environment, staff who can lead teams regionally, and globally, must have worked in and experienced many environments. Supply Chains will inevitably become more global to improve competitiveness by leveraging sourcing, processes, best practice and talent. Leadership that can seize new opportunities to drive improvements in supply chain capability is essential. The starting point is talent that understands the complexities, and challenges, of that global environment.”

Benson states that key to anyone’s development is experience. Regular moves to new positions after 2-3 years (both functionally and geographically) are important in the development strong leaders, supplemented by opportunities to lead multi-disciplinary teams. “This approach has been crucial in building a more ‘regional organization within

J&J’s Asia Pacific Consumer Supply Chain,” he says. Underlying Johnson & Johnson’s focus on leadership are several formal programs, namely a succession planning process based on balanced feedback about individuals obtained annually through 360-degree appraisals.

Only by identifying the right talent and developing it can Asia’s supply chain leaders stay a step ahead of the powerful trends that are transforming this critical function.

Modern supply chains are work force intensive, particularly at the entry level. This vast pool of people is the raw material from which companies can develop their supply chain leaders of tomorrow. Unfortunately, it is challenging for talents with experience in just one market to make the jump to regional leadership roles, but by providing the right talent development programs for high potentials – and senior leadership drawn from companies and industries at the forefront of supply chain management – organizations can help people make the jump from a local to regional roles. Only by identifying the right talent and developing it can Asia’s supply chain leaders stay a step ahead of the powerful trends that are transforming this critical function.

