



america: still priority one for australia's life sciences firms

By Ronald Graham

America is reeling from the worst economic crisis in decades, but it is still the single most important market for Australian life sciences firms. In 2007, Australian hearing-aid maker Cochlear earned 46% of its revenues in the Americas, 39% in Europe, and just 15% in the Asia Pacific. Another Australian medical devices firm, ResMed, is listed in both the United States and Australia, and operates in 68 countries. In 2006 Forbes recognized ResMed as one of the Best Small Companies in the U.S. for the 10th year in a row.

While such firms are a testament to Australian ingenuity and technology, their heavy focus on the American market underlines the tyranny of distance that Australia's smaller life sciences firms face. No Australian life sciences firm can afford to ignore this market. The challenge is finding people who understand the vagaries of the American market and issues such as FDA approvals, clinical trials, advertising regulations, and the like. Often, such executives must also be comfortable working in Australia to help secure vital venture capital funding, while also attracting American capital – no small challenge in today's difficult economic environment.

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“The Australian market is simply too small to support a growing Australian company to get to a reasonable size, as the U.S. life sciences market is nearly 30 times bigger,” says Mike Hirshorn, Director of venture capital firm Four Hats Capital, and a CEO of Cochlear in its early years. “What’s more, most of the large companies Australian firms want to do business with have head offices in the U.S., not Australia.”

Hirshorn notes that few Australian entrepreneurs have experience in foreign markets. Given this, American hires can offer a strong technical background. “Each large market has its own special characteristics, and Australians often don’t have experience in those markets. They have to learn from scratch.”

Short Timers

According to Paul Butler, CEO of USCOM, a small Australian medical devices firm, one of the initial problems is getting the attention of U.S. companies. “There is so much activity in North America that potential U.S. clients can subsist on homegrown ideas and biotechs. It’s hard to get a level of interest. Also, the people available for hire in the U.S. are often more short-term consultant types who don’t have much influence. Many Australian firms have been involved with consultant types and end up getting little value. Finding somebody who can provide value is a real challenge.”

Ironically, the very factors that make the U.S. a difficult market right now are the same ones that make it viable for small Australian firms to put together an effective and competent American team.

Anne Marie Leslie is the Senior Vice President of Human Resources at Cochlear and previously worked in talent acquisition for Bristol Myers Squibb. She has extensive experience recruiting leaders globally. Before even attempting to tap the U.S. market, she suggests Australian firms determine first whether they will be working through distributors and partners, or going direct.

“Few Australian firms realize the degree of segmentation within the U.S. market, and what would be a total business in Australia is just one segment in America,” says Leslie. “This is a fundamental difference between the two markets. What you do yourself and where you have strategic partnerships is extremely important.”

Ironically, the very factors that make the U.S. a difficult market right now are the same ones that make it viable for small Australian firms to put together an effective and competent American team. Facing a challenging job market at home, American life sciences executives today are far more willing to look abroad for work. While Australian life sciences firms have traditionally paid less than their U.S. counterparts, the strong Australian dollar of recent years has brought pay grades to near parity. Of course, the world economy and the fluctuations in currency values are making this

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more challenging at present – but Australian venture capital firms are increasingly willing to pay for the right people. What is more, Australian firms offer between 2 – 4% equity for senior executives, comparable with America.

The Question Of Prestige

Another challenge Leslie notes is American managers' concerns about their resume, in that they often see American companies as more prestigious than foreign ones. "The American market looks at the companies you've worked for and the credibility that gives your career," she says. "Cochlear has a strong track record of success, which has been extremely helpful in hiring. To hire the best people, you've got to show the success of the business, its future potential, and make it compelling for the individual."

Distance aside, Australia is in many ways the ideal overseas location for Americans, particularly those with families given modern communications distance is not as much of a burden as it was even five years ago. What is more, Australia's schools are first class, and the nation is comfortable and safe. "Overseas experience is becoming increasingly important for Americans, and Australia is a great place to get this experience," says Leslie. "I've done extensive shipping of talent from America and vice versa. I'd say in my experience Americans have always loved working in Australia."

Small Australian firms can win the war for talent in America's life sciences sector. The key to doing so is finding the right people and making a compelling case for an executive to work for a foreign firm. However challenging the search may be, it will be far outweighed by the fruits of success.

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