



Heidrick & Struggles European Leadership Survey 2011

Executive Summary-Life Sciences
Industry

September 2011



Executive Summary

We conducted a survey of key decision makers in Europe

- The survey was targeted at >1200 senior executives and senior HR practitioners of local and multi-national Life Sciences companies in EMEA.
 - The aim is to understand the mission-critical leadership issues being faced in the industry today.
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In particular, we asked questions on...

- Leadership issues
 - Leadership strategy
 - Current leadership capability
 - Top team effectiveness
 - Teamwork and collaboration
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The results highlight some key leadership gaps

- Companies have leaders but not a strong senior-talent pipeline
- Senior talent good for today but not prepared for the future
- Senior talent not driving the change/transformation needed

Significant concern about the ability of Life Sciences leadership in Europe to drive innovation and transformation

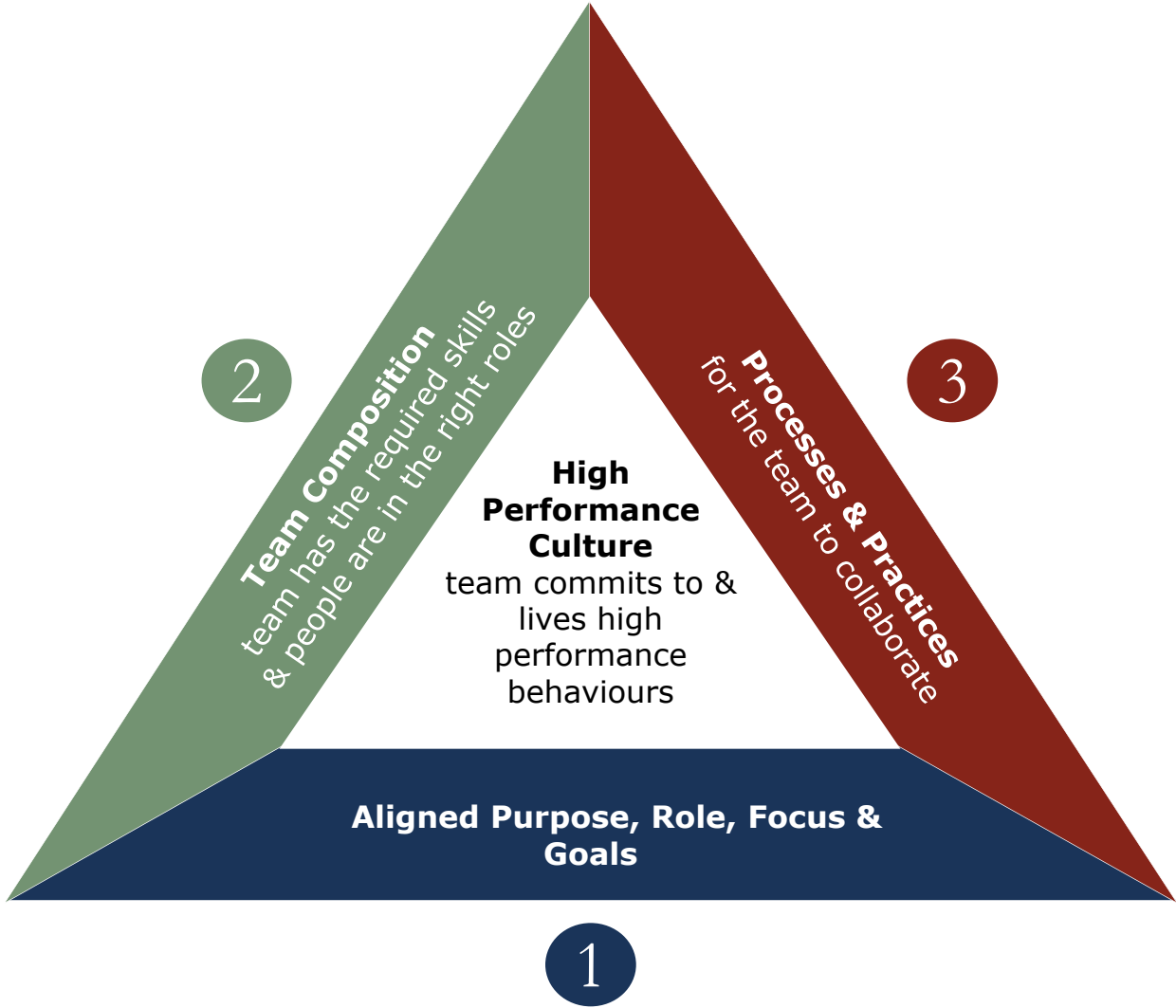
 > 50% assess this as a weakness  > 20% assess this as an outstanding strength  Moderate cause for concern

Leadership Capabilities to Drive Business Imperatives

-  Poor Change & Transformation [56%]
-  Lacking Innovation [52%]
-  Operational Efficiency
-  Growth
-  Customer Focus



In our experience, great senior leadership teams have 3 key elements



We grouped your survey responses as per the above framework

Survey results highlight key gaps along each dimension that are consistent with other regions but have higher degree of concern



> 50% assess this as a weakness



> 20% assess this as an outstanding strength



Moderate cause for concern



Alignment and linkage of leadership strategy

- Business strategy largely unlinked [50%]
- Leadership issues feature informally and with delay [50%]
- Compelling sense of purpose
- Board takes interest
- Corporate values as practiced



Right people on the bus in the right seats?

- Lacking inter-personal Skills [63%]
- Stretched on capacity & resources [56%]
- Need more stability & fresh blood [54%]
- Clarity about roles
- Diversity of perspectives
- Leaders not collaborative



Team mechanisms in place & useful?

- Metrics & measurement for teamwork missing [62%]
- Rewards & punishments for teamwork ineffective [59%]
- Strategy sets out areas for collaboration to some extent
- Some mechanisms for collaboration



Business goals need linkage with leadership strategy to drive transformation for a changing business model and uncertain economic outlook



> 50% assess this as a weakness



> 20% assess this as an outstanding strength



Moderate cause for concern



Business Strategy Largely Unlinked to Leadership Strategy

Life Sciences need transformation agents

47% respond that leadership issues figure in their operating plan but with a lag, while 35% say that it does so in an informal and belated manner leading to diminished success. So in all, 82% do not believe that there is integration between leadership and business strategies.

As organizations rush to adapt to changing business models in Life Sciences and focus on buzz words like 'shareholder value', 'return on R&D' and 'bottom line', they often overlook the people who are responsible for bringing in these changes - the proverbial 'White Knights' riding them into battle.



Compelling Sense of Purpose and Clarity of Objective

Majority of organizations are at risk of misalignment & wasted efforts

38% say that they do not feel a compelling sense of purpose in everyday work while 51% responded that not all top team members are bound by a higher purpose. Further, more than 60% are largely clear about their own roles, but not about overlapping and ambiguous territories.

While innovation still remains a foundational requirement for the future, so does a coherent plan on how best to lead the business and people towards a common objective. An unduly centralized or inappropriately decentralized model of leadership disconnected from the realities of the market place is no longer valid.



Boards Discuss People Implications as an Afterthought to Business Decisions

People & talent now feature in the board agenda...however an all pervasive cultural change is still work-in-progress

38% said people-implications discussion are usually taken after business decisions while only 29% say that people and talent is a top 3 issue for their board.

The board takes interest in talent issues especially when there is a dedicated leadership business meeting. Sometimes however it falls through the cracks because of other burning 'business' issues on the agenda. So while people development issues are higher priorities now, the cultural change is still in progress and until completed, boards need to continue to proactively address people & talent.





Alignment and linkage of leadership strategy




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Companies feeling the 'Leadership Stretch'...

 > 50% assess this as a weakness

 > 20% assess this as an outstanding strength

 Moderate cause for concern

Stretched on Capacity & Resources

A cry for more resources & leadership capacity. Is it about 'How Many' or 'What Kind'?

In a classic case of misaligned objectives, more than 50% of business leaders responded that they foresee a moderate need to increase team size and resources in top team and next level down to successfully execute objectives. In contrast, majority of HR respondents said that in their opinion there is in fact a need to decrease/ rationalize team size and resources.

Proper and complete assessment of the talent pool is vital for identifying leadership needs. Firms have to look at the 'Grey Community', where performance is not clearly visible especially as organizations do not necessarily have tools or performance management systems to properly assess and manage.

Like one CEO aptly comments "*There is no need to increase or decrease team size - the issue is more on the leadership capacity size, i.e. we need better quality of resources. Period.*"



Right people on the bus in the right seats?

Diversity of Perspectives

Diversity can bring varied perspectives; but does it guarantee performance as a team?

51% of HR leaders said that their senior leadership team generally has similar backgrounds and experience. 18% responded that there are too many "Yes Men" in their organizations and there is a burning need to encourage healthy dissent, multiple perspectives & diversity.

However, more than 50% business leaders agreed that while diversity in the team keeps new ideas flowing, Life Sciences organizations need greater cohesion to implement strategy as a team.

Management needs to define diversity in their organizations and create and provide equal opportunities to individuals who think and work differently.

How can you have your stars work together as a team? Companies have to develop a culture where diverse perspectives converge seamlessly into efficient operating plans.



.. and facing critical shortage of collaborative leaders with great task and relationship skills



> 50% assess this as a weakness



> 20% assess this as an outstanding strength



Moderate cause for concern



Lacking Inter-Personal and Task Based Skills

You have re-organized. But can your leaders navigate the matrix, or are they lost in the maze?

Many firms in Life Sciences are moving to regional and/or global organization structures. There is natural tension between local market requirements and the regional/global needs of BU's and functions.

It results in great people being put in roles for which they have narrow terms or reference. Also sometimes local operations fail to capture and appreciate global strategies.

New leaders need to have strong relationship skills to align and integrate competing interests of complex stakeholder groups. With pressure for growth, leaders with the ability to inspire, engage and drive high performance from their teams are currently in short supply.



Need More Fresh Blood

Strong appetite for renewal at the top team. Can stability be an impediment to change?

The impending 'patent cliff', pipeline gap, higher R&D costs, pricing pressure and broken commercial models mean that old ways of doing business need to be replaced by new innovative solutions.


The key message from the group was that teams are generally stable but need more renewal – i.e. fresh blood and therefore fresh perspectives. A significant number of respondents commented that it's been stable to the point of complacency & stagnation of ideas.


Renewal can take several forms - younger talent in top teams; virtual structures that seek & incorporate voices of promising talent on important business decisions; and aggressive senior rotations with wider diversity of backgrounds.





Right People on the bus in the right Seats?

Processes, structures and mechanisms to promote collaboration in top teams need significant improvement

 > 50% assess this as a weakness

 > 20% assess this as an outstanding strength

 Moderate cause for concern

-  Metrics & Measurements and Rewards & Punishments for Teamwork are Missing Despite Clear Areas for Collaboration Set in the Business Strategy

Are the lack of critical ingredients for collaboration creating individual empires?



Collaboration is central to the strategy of profitable growth of most Life Sciences organizations. Relationships between marketing & medical, and R&D & manufacturing, for instance, are critical to success.

To take an example, there is often disparity between seasoned marketers –put in leadership positions when a launch is taking place – and HQ individuals who may have been brought in either from business schools or consultancies.

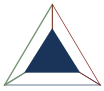
M&A and in-licensing are creating new talent development models as partners demand and receive larger, often overlapping responsibilities in collaborations (e.g. co-promotion) and broader roles in decision making (e.g. co-development). Larger firms are paying more in non-cash costs and risking more frequent failures.

To have collaboration be a way of life in your organization, the strategy needs to outline where collaboration is needed. Leaders need to create the right forums/processes for it, and define metrics & indicators to measure progress and appropriate consequences for non-collaboration should be communicated.

Furthermore, as mentioned earlier, in senior hiring and development, leaders need to be picked and developed for collaboration.



Team mechanisms in place & useful?



As a result, there is low confidence in leadership capabilities to drive key business imperatives...



> 50% assess this as a weakness



> 20% assess this as an outstanding strength



Moderate cause for concern

Leadership Capabilities to Drive Business Imperatives

- Lacking Innovation [56%]
- Poor Change & Transformation [52%]
- Operational Efficiency
- Growth
- Customer Focus

Leaders feel ill-equipped to create the future, and drive transformation & innovation

56% of respondents report they are either currently struggling or just "managing today" with regard to leadership capability for both innovation and change and transformation.

Europe is at a crossroads today –For many CEOs and business leaders, identifying the 'most pressing' issues that plague their organization is an exercise that often leads to upheaval and, at times, unexpected changes. Process, policies and people are moved around to address these issues and bring about a sense of short-term normality to the business.

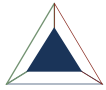
However, what happens when transformation itself becomes an area of concern? How can organizations transform if the 'drivers of change' are not prepared for change?

Companies that can drive innovation and transformation will prevail. Others will be marginalized.

- ▶ Where will your company stand?
- ▶ What role would you & your senior leaders have played in that?
- ▶ Does your senior team operate out of an aligned awareness of future challenges?

What is the 'value at risk'?

Is the 'burning platform' felt by your senior team?



... and confidence in having leadership for the future is low



> 50% assess this as a weakness



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Moderate cause for concern

Top 2 Pressing Leadership Issues as per survey responses

1 Not a Strong Pipeline of Leaders

"We are constantly - since 4 years - in phases of restructuring and reorganization, hence too many top leaders with new responsibilities with too little time to learn...pipeline of leadership needs further development"

-Regional MedTech CEO

2 Senior Talent Good for Today, Not for Driving the Future

"Our senior talent is good for today but they will have to adapt management and leadership to new organizational model and new business environment. How they face change and engage their teams will be the challenge for the coming future"

-Regional HR

Leadership Bench-strength: The Bench is Half Empty

The dearth of role opportunities during the Global Financial Crisis (GFC) resulted in leaders across all industries remaining in roles longer than they wished to. In the post-GFC landscape, companies can no longer rely on this retention as top talent is being sought out by competitors. Internationalization of jobs and functions leads to a global marketplace for talent and cultural integration but language barriers remain a challenge for cross-border talent in European Life Sciences companies.

Exacerbating this issue is the decreasing proclivity of Life Sciences to attract Gen-Y talent as an industry of choice and the low threshold of patience in Generation X & Y looking for quick promotion and growth

In this scenario, some might argue that...

Investment to Bolster Bench-strength is akin to investing in Drug Discovery

Up-skilling of Current Senior Leadership Requires Critical Focus

The Life Sciences industry faces a landscape with overwhelming complexity, ambiguity and shifts in regulation and stakeholders - all with game-changing leadership requirements.

Roles and strategies are being redefined as new career paths emerge and support functions turn to drivers of change. For example, due to erratic pipelines, patent expiries, and pricing pressures, CFOs shift from low value functions such as defensive monitoring and reporting to partnering and helping shape growth strategies that enhance business performance.

Defining future leadership skills, identifying gaps and up-skilling leaders accordingly is more critical than ever. The pressure to prove the value of innovation will only increase in the years ahead. Recruiting, developing and retaining the talent that is able to address this imperative is, and will remain, a significant issue.

For more details please contact:

Dr. Christine Stimpel
Regional Managing Partner, Life Sciences

Benrather Strasse 18-20
Dusseldorf, 40213
Germany

tel: +49 211 82 82 0
fax: +49 211 591627

cstimpel@heidrick.com

Dr. Christian Eberhardt
Principal, Leadership Consulting

Kohlmarkt 1
Vienna A-1010
Austria

tel: +43 1 533 100 70
mob: +43 664 4554 240

ceberhardt@heidrick.com

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