



Heidrick & Struggles Latin America Leadership Survey 2011

Executive Summary-Life Sciences
Industry

November 2011

Executive Summary

We conducted a survey of key decision makers in Latin America

- The survey was targeted at 708 senior executives and senior HR practitioners of multi-national and local Life Sciences companies in LATAM.
 - 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
-

The results highlight some key leadership gaps in Latin America

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

Significant concern about the ability of Life Sciences leadership in Latin America to drive growth and transformation

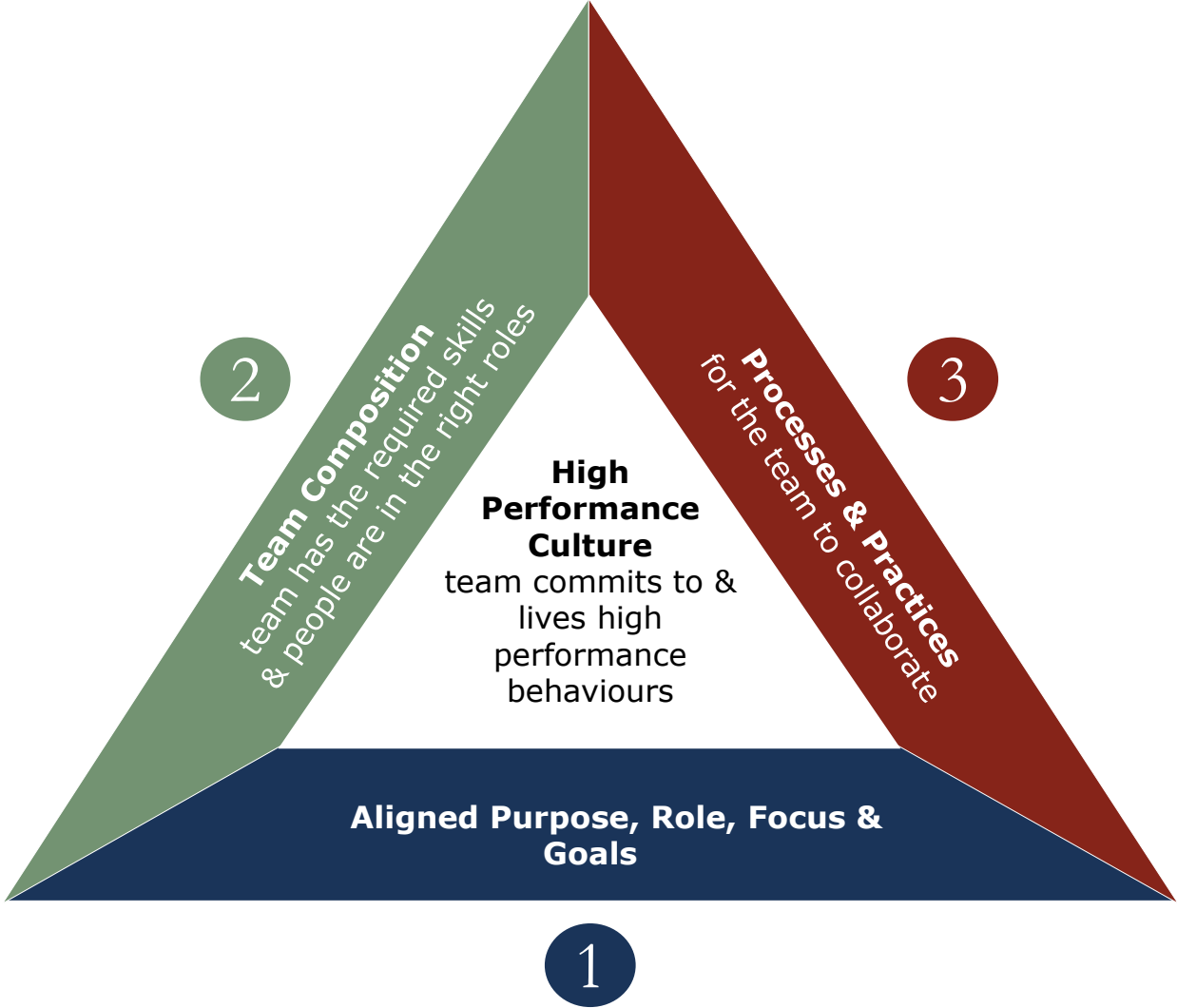
● > 50% assess this as a weakness ● > 20% assess this as an outstanding strength ● Moderate cause for concern

Leadership Capabilities to Drive Business Imperatives

- Change & Transformation
- Growth
- Lacking Innovation
- Operational Efficiency
- 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 varying 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 to leadership strategy [55%]

Compelling sense of purpose

Leadership issues feature informally and with delay

Board takes interest

Corporate values as practiced



Right people on the bus in the right seats?



Lacking inter-personal skills [67%]

Stretched on capacity & resources [60%]

Clarity about roles [58%]

Need more stability & fresh blood

Diversity of perspectives



Team mechanisms in place & useful?



Metrics & measurement for teamwork missing [63%]

Rewards & punishments for teamwork ineffective [65%]

Strategy sets out areas for collaboration to some extent

Some mechanisms for collaboration

People are inherently collaborators



Business goals need linkage with leadership strategy to drive transformation for emerging business model



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> 20% assess this as an outstanding strength



Moderate cause for concern



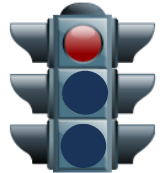
Business Strategy Largely Unlinked to Leadership Strategy

Life Sciences in Latin America need more 'goal-scorers'

53% respond that leadership issues figure in operating plans but with a lag. 22% say it does so in an informal and belated manner leading to diminished success while for 7% respondents it does not figure at all. So in all, 82% believe that integration between leadership and business strategies is the missing link.

Historically, Life Sciences companies considered Latin America merely as a commercial market and hence, eroded their entrepreneurial talent in sales & marketing roles. The gap became more pronounced as global downturn altered geographical priorities and placed new demands on emerging markets.

In the post-recession scenario, it is imperative for leaders to move beyond commercial perspectives and develop sustainable business models. Do Life Sciences companies in Latin America have the 'transformation agents' required to execute their strategies?



Compelling Sense of Purpose and Clarity of Objective

Companies are moving towards risk of misalignment & wasted efforts

38% do not feel a compelling sense of purpose while 48% say that not all top team members are bound by a higher purpose. Further, 52% are largely clear about own roles, but not overlapping territories.

As organizations place Latin America higher up in their value chains, it is important they prepare to address the specific leadership challenges with a long-term vision.

Opportunities involving subsidiary leaders to take part in headquarter discussions and sharing local best practice globally can be effective ways. Latin America needs leaders who can act local but think global.



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


44% said people-implications discussions are usually taken after business decisions while 25% 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.



Companies feeling the 'Leadership Stretch'...

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 > 20% assess this as an outstanding strength

 Moderate cause for concern

Stretched on Capacity & Resources

Struggle for more resources & leadership capacity. What is the key issue – 'How many' or 'What kind'?

As organizations restructure and reduce their human capital footprint in developed markets, emerging markets such as Latin America present a contrasting image. More than 55% of business and HR leaders who responded to the survey foresee a high-to-moderate need to increase team size and resources in top team and next level down to successfully execute objectives.

While hiring the right talent is an essential ingredient for a successful expansion, developing the capabilities of leaders through proper assessment, feedback and coaching can deliver more per mind.

Firms have to look at the 'Grey Community', where performance is not clearly visible as organizations do not necessarily have tools or performance management systems to properly assess and manage.

Like one CEO aptly comments- "Our challenge is to improve our ability to ruthlessly prioritize"



Diversity of Perspectives

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

37% respondents feel that their senior leadership generally has similar backgrounds and experience while 13% 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 40% leaders agreed that 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. Relative to other emerging markets of Asia and CEE, Latin America has a homogenous culture which makes diversity more discernible in the region.

The challenge for organizations in Latin America is dual - recruitment & development of local talent as well as attracting & retaining expat talent.

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.



**Right people
on the bus in
the right
seats?**

.. 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



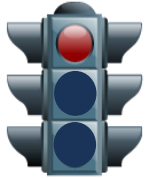
Lacking Inter-Personal and Task Based Skills

Organizational goals are set high. Are leaders prepared for transition or lack the required skill-set?

Only 30% respondents feel that there is slightly above average technical & task skills amongst most senior leaders.

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-age leaders need 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.



Right People on the bus in the right Seats?

2



Need More Fresh Blood

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

The key message from the group was that teams are generally stable but need more renewal, as 43% said they need 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.

The impending 'patent cliff', pipeline gap, higher R&D costs, pricing pressure and broken commercial models mean that old ways of doing business are replaced by new innovative solutions. Latin America itself is at a cross-road today with immense opportunities. To exploit it's potential, leaders need to learn from success stories in Asia and elsewhere and benchmark themselves with peers, globally.

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.



Systems and processes to encourage collaboration among leaders at both global and regional level need significant improvement



> 50% assess this as a weakness



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Moderate cause for concern



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

'Seasoning' with Collaboration - missing ingredient create major road blocks for growth and expansion in the region

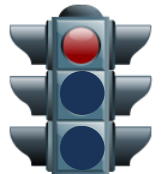
Collaboration is a bit like 'salt', an under appreciated ingredient of organizational productivity that is not clearly visible but has the potential to spoil the best of growth recipes.

Relationships between marketing & medical, and R&D & manufacturing, for instance, are critical to success in Life Science companies. 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.

In the Latin American scenario, internal complexity in collaboration is more pronounced due to parent-subsidary relations, matrix organizations and the expat-local dynamics.

With this view, organizations should evolve efficient and effective mechanisms for alliance between headquarters and subsidiaries. Matrix realignment and/or clubbing high-potential regions like Asia, Central East Europe (CEE), Africa, and Latin America under one umbrella to transport best practices and better implementation of strategies.

To have collaboration be a way of life in your organization, the strategy needs to outline where alliance 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.



Team mechanisms in place & useful?



Due to this, there is weak confidence in leadership capabilities to take business goals forward...



> 50% assess this as a weakness








> 20% assess this as an outstanding strength



Moderate cause for concern

Leadership Capabilities to Drive Business Imperatives

-  Change & Transformation
-  Lacking Innovation
-  Operational Efficiency
-  Growth
-  Customer Focus

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

Less than 50% of respondents say that leadership capabilities for innovation, change and transformation are solid 'today' but there is concern for the 'future'.

This view is somewhat different from what we heard in our Asia-Pacific and Central European surveys where more than 50% of respondents reported that they are either "currently struggling" or "just managing today" with regard to leadership capability for innovation, change and transformation.

Some may say this is due to lack of global perspective and awareness of challenges faced by Life Sciences companies globally. Another reason for this variance is that organizations still consider Latin America as primarily a 'commercial' market and traditionally did not invest in developing a more holistic business model in the region. Leaders look at innovation as intrinsically linked to local commercial gains leading to a myopic vision when it comes to appreciating and implementing global strategies.

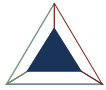
However, companies and their leaders understand that opportunistic outsourcing without a commitment to develop local capabilities and strengthen innovation is unlikely to be highly sustainable.

Latin America is ready for its transformation today, like Asia was 3-5 years ago. The recent global financial crisis has shown that it's 'butterfly effect' does not spare even the most secure of markets, and companies that can drive innovation and transformation in local markets 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 right leadership for the future is low



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Moderate cause for concern

Top 2 Pressing Leadership Issues as per survey responses

1 Not a Strong Pipeline of Leaders

"Lack of successors for key positions and to support organizational growth in short term"

-Head of HR and Communications, Life Sciences Service Provider

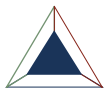
Leadership Bench-strength: The Bench is Half Empty

The dearth of role opportunities during the Global Financial Crisis resulted in leaders across all industries remaining in roles longer than they wished to.


- In the post-crisis landscape and with more players looking at the Latin American market to off-set losses in developed markets, companies can no longer rely on this retention as top talent is being sought out by competitors.
- Internationalization of jobs and functions has led to a global marketplace for talent and cultural integration but language barriers remain a challenge for cross-border talent in Latin American 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.
- On the other hand, it also presents regional leaders with opportunities to successfully take up and execute bigger and evolving roles expected of them.


In this scenario, some might argue that...


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



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

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Top 2 Pressing Leadership Issues as per survey responses

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

"We have good administrators for technical challenges but not much leaders. As a result management is not really able to distinguish and develop real leaders"

-Biotech Business Leader

Up-skilling of Current Senior Leadership Requires Critical Focus

With the shift in the global economy and company strategies in the past two years, the talent needs are changing, too.

- This situation is turning more aggressive in Latin America with organizations trying to establish a long-term presence in the market while new players continue to enter. While talent scarcity is a major issue in the market, its development is a bigger challenge.
- Lack of depth in 'core' management ranks leads to requirement for 'expatriate' or 'local plus' (foreign nationals- local payroll) employees and leaders are often poached or considered for roles that they are not capable of performing.
- Planning for future is fundamental for organizations to transcend. To extract the full potential of the region and match up to newly developed aspirations, a well outlined company strategy that aligns business goals with leadership pipelining activities is important. For e.g. executives with successful track-record in other emerging markets can be great assets for coaching talent in Latin America.
- In dynamic and competitive markets, companies can no longer afford to manage their people based on a mature market model.

Defining future leadership skills, identifying talent gaps and up-skilling leaders is more critical than ever.

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