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Next-generation life sciences leadership in Scandinavia

The rising generation of life sciences executives in Denmark, Norway, and Sweden will take the helm at a time of great opportunity and even greater challenges for the industry. Will they be up to the job?

A changing of the guard is under way in Scandinavian life sciences companies during a time of unprecedented challenges in the industry. The next generation of executives moving into the C-suite faces a dramatically evolving environment of economic, demographic, social, technological, and digital disruption that will buffet their organizations and test their leadership ability. This report takes stock of those challenges, explores how these leaders see those challenges, and examines how well prepared they are to meet them.



The next generation of leaders will inherit a vibrant life sciences industry in Scandinavia, spanning both smaller start-ups and large companies such as Coloplast, Getinge, LEO Pharma, Lundbeck, Mölnlycke Health Care, and Novo Nordisk. In Medicon Valley, a network of some 440 companies, 10 universities, and more than 30 hospitals, as of 2016, has made the Øresund region a hotbed of pharmaceutical development and innovation.¹ From start-ups to multinationals, Scandinavia's biotech, medtech, and pharma companies are poised to make significant breakthroughs in multiple therapeutic areas, technologies, and treatments. But the industry and its leaders also face major challenges, including:

- A global trend toward increasingly patient-centric and cost-sensitive healthcare systems that emphasize outcomes
- A rapidly aging population putting a growing burden on the healthcare system
- The difficulty posed by chronic and intractable diseases that require ever more complex science, solutions, and technology
- Rapid digitization of life sciences and healthcare, opening the way for nontraditional entrants, e-health, and a big-data arms race
- Increasing cybersecurity concerns, including the potential theft of intellectual property and the compromising of patient privacy
- A looming talent shortage in areas from R&D, IT, and market access to senior leadership with a truly global mind-set
- The need to reduce execution risk to achieve higher enterprise value, particularly in biotech
- A decline in venture financing, particularly in Denmark, as a consequence of fewer local venture financing firms, the allocation of capital to other industries and geographies, and comparatively less-favorable tax and incentive systems
- Increasingly stringent regulation, particularly for the medical device and diagnostic and rehab sectors

¹ European Commission, "Life science LinkedIn group bridges Scandinavian talent gap," August 8, 2016, ec.europa.eu.

How well prepared is the new generation of leaders to convert these challenges into opportunities to reimagine leadership, talent management, and organizational practices? What new ideas and perspectives are they likely to bring to the companies? And what might they need to do to enhance their ability to lead alongside their more senior colleagues and eventually replace them?

To find out, we analyzed the demographic and career data of more than 100 senior life sciences executives between 35 and 45 years of age, drawn from all sectors and functions of the industry, who are excelling in their careers at a relatively young age. We then delved deeper, conducting in-depth interviews with 30 of these executives who serve in the C-suite or are on a clear path toward it. Together the interviewees represent companies that collectively account for about 90% of the total annual revenues for the region.

We asked these executives how they view their companies and the issues they face, how they manage and lead, and how they think about their lives and careers. Their perspectives on these and other critical issues are far from unanimous and indicate both acute insight and blind spots. On the positive side, many of these executives are inclined to take the long view, as opposed to "short-termism." They generally take a collegial approach to leadership, they want to move faster on digital transformation, and they embrace the kind of corporate social responsibility (CSR) that is essential to attracting top young talent. More worrisome are some strong tendencies to underestimate the magnitude of uncertainty and disruption they face, to see cybersecurity as an issue for the IT function only, and to fail to take full advantage of leadership and organizational development that could help them and their organizations better prepare for the future.

Who they are

Of the more than 100 life sciences executives whose demographic and career data we analyzed, roughly two-thirds were drawn from Denmark, one-quarter from Sweden, and the remainder from Norway. From this sample, we identified some 30 executives who are either already in the C-suite or on a clear path toward it—the executives likely to be leading the industry in the coming decade and beyond. Their demographic and career profiles look like this:



59% of rising life sciences executives in the region are between **41** and **45** years of age.



55% earned degrees in economics or business.



3 in **4** are men.

The largest group, **45%** of our sample, have been with their firms for six years or more.



The vast majority of the executives have single-mindedly pursued corporate careers, rarely contemplating alternative career paths.

More than **4** in **5** say they travel more than **25** days a year for work.



More than **2** in **3** say they work **51** to **60** hours a week or more.

Almost half have **5** years or more of international experience.



Slightly more than half have served either on the board of their own company or that of an external company.

How they see the issues their companies face

Many executives may be ignoring or underestimating the magnitude of disruptive forces on the horizon and the difficulty of managing through them.

The most important question on the minds of next-generation executives is how to make their company's business model viable in a future where change is the only constant. When we asked executives about managing in an environment dominated by volatility, uncertainty, complexity, and ambiguity (VUCA), seven in ten of them were not ready to concede that it is a major strategic concern.



The military acronym VUCA arose in the 1990s and gained currency in the business world after the global financial crisis of 2008–09. VUCA succinctly summarizes the unprecedented risks constantly emerging and challenging top executives—in the life sciences as in other industries. The life sciences industry increasingly faces all four elements: *Volatility* (mergers and acquisitions, the rise of protectionist trade policies, centrifugal forces in the European Union); *Uncertainty* (cost of drugs, the changing horizon of health benefits); *Complexity* (increasingly advanced science required to address chronic and intractable diseases); and *Ambiguity* (swings in regulatory decisions in areas such as biosimilars).

The respondents who are relatively unconcerned about VUCA generally fell into one of two categories: 1) those who minimize the effects of these forces in life sciences, and 2) those who acknowledge those effects and indicate a readiness to take them in stride. “At the end of the day,” said a member of the first group, “the healthcare system is big, slow, and old, and it is not as affected by VUCA as other industries might be.” The sentiments of the second group are typified by an executive who said, “When it comes to management, uncertainty is a fundamental issue. You have to deal with it 24/7.”

The tendency to minimize the challenges of VUCA may be shortsighted—from both a career and a company perspective. Granted, VUCA may have become a catchall for “Hey, it’s crazy out there,” but we were surprised that fully seven in ten of our interviewees do not see VUCA requiring a new set of exigencies, when in fact life sciences leaders will need to possess adaptive skills. And with the world likely to remain in a VUCA state for some time, winning companies will be those that can consistently turn uncertainty into opportunity.²

“Sweden has always been stable, but now it is changing—and it is harder to foresee what will happen and to navigate around it.”

Respondents almost unanimously agree that cybersecurity must be addressed, but they expressed differing degrees of understanding and urgency.

While most respondents anticipate that cybersecurity will be a medium- and long-term issue for top managers, only about one-third say they have assessed the issue, and many report that their companies are not yet doing enough about it. “Only a few people really understand the scale of the threat,” said one interviewee, “including the potential for crime that comes with it.”

² Colin Price, “VUCA, meet META: The 2017 list of superaccelerators,” Heidrick & Struggles, June 13, 2017, heidrick.com.

They may not be out of step with executives in other industries around the world. For example, in a recent survey of 400 managers from Germany, Japan, the United Kingdom, and the United States who are experts in Internet-of-Things (IoT) security, only 16% said their companies are well prepared to defend against cyberattacks.³ In life sciences, such inadequate preparation could be a matter of life and death for patients, especially as the use of IoT tools proliferates in numerous areas, including patient monitoring, medical devices, process validation, and cold-chain control, among many more.



Given the rapidly increasing role of technology in all aspects of business, attitudes toward cybersecurity will need to change. They may already be doing so. The widespread ransomware attack that struck Europe in late June 2017 (after our interviews were conducted) likely renewed focus on this issue. The fact that Danish multinational A. P. Moller-Maersk was a prominent victim—costing the company an estimated \$200 million to \$300 million—made the attack top-of-mind in the Scandinavian region. MSD, the global pharmaceutical company, was also severely affected by the attack, notably raising awareness about the importance of cybersecurity among the life sciences executives we spoke with.

³ Harald Bauer, Gundbert Scherf, and Valerie von der Tann, “Six ways CEOs can promote cybersecurity in the IoT age,” McKinsey & Company, August 2017, mckinsey.com.

“Most people in my company are too relaxed about cybersecurity.”

Many executives say the pace of digital transformation is too slow.

To compete effectively, Scandinavian life sciences companies, like companies in all industries around the world, must be digitally savvy. Innovations in areas such as genetic engineering, 3-D printing, cloud-based testing and algorithm experiments, artificial intelligence (AI), machine-learning technology, and cutting-edge biotech show the opportunities that await companies that improve their digital and technological capabilities.

Our respondents conceded that their companies have a long way to go in the digital realm, with about four in five agreeing that their firms need a more robust digital culture. They also expressed some frustrations over how the issue of digital development is currently managed. “Digital transformation is needed, but the whole project has been very much top-down controlled,” said one executive. But, he said, “Going forward the new generation will know how to deal with it, and in the future, it will be less of an issue than what we think of it today.” Another interviewee cited the difficulty of digital transformation: “It is expensive to restructure your organization and become more digital, which is why this goes way too slowly.”

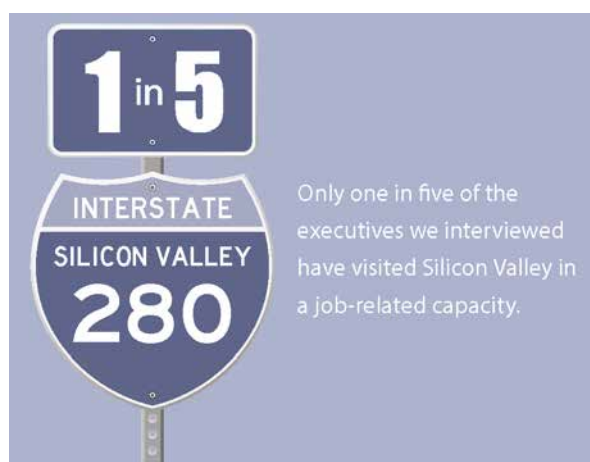
Efforts are afoot to help all industries, not just life sciences, improve in the digital arena. A 2016 Boston Consulting Group study commissioned by Google looked at the Danish organizational landscape and concluded that while Denmark has many pieces in place to go digital quickly—including infrastructure, flexible employment regulations, language skills, and high consumer use of digital services—all Danish companies are moving at a relatively slow pace when it comes to digital improvement.⁴ To that end, the government is preparing a digital growth plan aimed at improving educational curricula, instituting national workforce planning, targeting businesses to improve exports, promoting

⁴ Emanuelle Alm, Niclas Colliander, Gustav Gotteberg, Fredrik Lind, Ville Stohne, and Olof Sundström, *Digitizing Denmark: How Denmark Can Drive and Benefit from an Accelerated Digitized Economy in Europe*, Boston Consulting Group, August 2016, di.dk.

wider adoption of cutting-edge technologies and new business models, and seeking international collaboration within Europe and beyond. Pursuing any or all of these pathways could particularly benefit the life sciences industries.

“Much more direct customer and consumer communication is required, and the most relevant platforms are digital.”

Meanwhile, digital advances in Silicon Valley will pose a growing competitive threat. Apple, Google, and others are pushing into medicine, harnessing their experience in big data analytics to improve healthcare and create new profit centers. In June 2017, the life sciences division of Google invested in a new fund that will buy stakes in European biotech groups, underscoring the tech company’s growing interest in drug development. Indeed, the life sciences breakthroughs from Silicon Valley span genetic engineering, 3-D printing, cloud-based testing and algorithm experiments, AI, and machine learning technology—moves that are creating cutting-edge biotech in areas where such progress would have seemed like magical thinking until recently. Yet few of our interviewees indicated awareness of these developments or of the other innovation hubs propelling change in their segments—changes that could produce great benefits for their stakeholders and, most importantly, for patients.



And fewer still pointed to hubs of industry clusters generally, such as Boston, Singapore, and Switzerland.

Companies must focus more attention on corporate social responsibility if they are to successfully attract and motivate members of Generation Y.

More than two in three of our interviewees endorsed the statement, “Companies must do more today and in the future to assume social and ecological responsibility. Only in this way can Generation Y members be attracted to a company.” The remainder acknowledged CSR as an important, but not decisive, strategic issue. Almost all Swedish executives strongly endorsed CSR while only about two-thirds of their Danish counterparts did so. Said a respondent who endorsed greater CSR, “There are completely different expectations from the younger generation regarding CSR. Feeling proud of the company they work for is really important to them.” These responses confirm what many studies have shown: companies that provide employees with social purpose and meaningful work enjoy a competitive edge in attracting key talent.⁵

For those who did not find CSR strategically significant, the argument was simple: “The business of business is business—CSR is fine, but not crucial,” said one. Added another, “We need to be good citizens, but be rational about it. We do not try to be an NGO [nongovernmental organization], but we need to behave and be able to face people outside the company.”

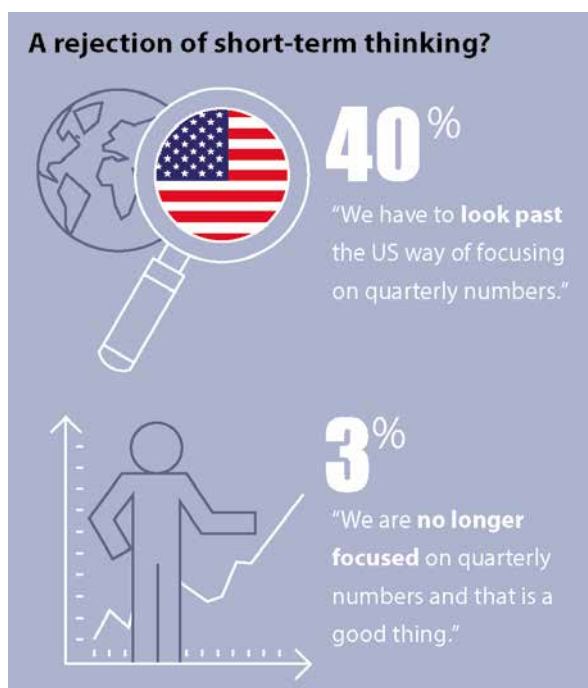
“In the future there will be huge pressure from employees for the business to become much more sustainable.”

⁵ See, for example, Vanessa C. Burbano, “Social responsibility messages and worker wage requirements: Field experimental evidence from online labor marketplaces,” *Organization Science*, June 30, 2016.

How they manage and lead

A majority gauge success by quarterly results, but a substantial minority appear ready to reject short-term thinking in favor of the longer view.

Six in ten of our respondents agreed that “solid numbers are the essence of our entrepreneurial activities, which includes measuring them in shorter intervals.” Said one executive, “Today it’s all about the numbers and the top and bottom line.” The remainder of our interviewees either firmly agreed that “we have to look past the US way of focusing on quarterly numbers” or indicated that their companies have already done so.



Even those interviewees who affirmed that their companies strongly favor quarterly numbers viewed quarterly results as having limited utility in an industry that requires long development cycles and a balance of short- and long-term thinking. Although the industry faces rapid change, it still depends on long-run R&D, motivated by the imperative to innovate. Therefore,

skepticism about the primacy of quarterly results could be critical to the vitality of the industry over the long term. As recent research by the McKinsey Global Institute found, firms that favor the longer term over the shorter term exhibit stronger fundamentals, deliver superior financial performance, and contribute more to economic growth and output.⁶

“If you do not look beyond quarterly performance, you will not be likely to make long-term bets to transform your business to tomorrow’s market needs.”

In companies more oriented toward short-term results, the “strategy ends up being focused on the shareholders versus other stakeholders,” according to Unilever CEO Paul Polman. “If ultimately the purpose of a company is maximizing shareholder return, we risk ending up with many decisions that are not in the interest of society,” Polman has noted.⁷ Yet, in public and private Scandinavian companies alike, the Wall Street ritual of the corporate earnings report still dominates the way P&Ls are run. And it creates a dilemma for the younger executives: they feel accountable for delivering growth and profits above all else because CEOs and their CFOs are responsible for maximizing returns for investors.

A majority of executives prefer to make tough decisions in concert with their teams, yet they are willing to go it alone if necessary.

About three in five respondents said they prefer to make tough decisions with their team, as opposed to making them on their own. However, just as many said, “I can operate in a team most proficiently but, if need be, I am more than willing to promote my goals and views, against objections” as those that said, “I am a typical team player and manage collegially.”

⁶ Dominic Barton, Jonathan Godsall, Timothy Koller, James Manyika, Robert Palter, and Joshua Zoffer, *Measuring the Economic Impact of Short-termism*, McKinsey Global Institute, February 2017, mckinsey.com.

⁷ Alana Semuels, “How to stop short-term thinking at America’s companies,” *Atlantic*, December 30, 2016, theatlantic.com.

Even those who chose one option sometimes cited examples of doing the other. One “team player” said, “Business decisions are based on the team. Decisions regarding my team are my own.” Another said, “It depends greatly on the decision. Often, the toughest people decisions are about the people closest to you.”

To some, the value of teamwork itself is primary: “You need to accommodate your team and be flexible as a leader,” said one. “As a manager, you need to focus on the individual to get the best out of your employees or team.” Or, as another leader put it, “It is important that everyone have the feeling that they are a part of something bigger.” On the other hand, the buck must stop somewhere. One respondent said she learned “if the decision maker is not clear, this can lead to a lot of frustrations in teams, as they do not know who will make the final call.”

“It is important to have the input from the team, but come decision time you have to make the right decision and not necessarily the one preferred by the group.”

Respondents generally appreciate the value of leadership and organizational development tools but know little about the specifics.

Respondents almost unanimously acknowledged the capacity of development tools to assess and improve individual and group performance and they are sensitive to the need to inspire leadership in the workplace of the future, yet they struggle to execute with current tools and processes. Few of the executives could clearly distinguish what tools to apply for specific purposes. And they struggled to articulate an approach to the assessment tools they employ in attracting, recruiting, retaining, and developing their associates and leaders; many say they simply defer to their human resources departments to handle the decision.

Most critically, a number of the executives expressed dissatisfaction with tools that evaluate talent and

leadership only in terms of past achievements. The executives said they require more action-oriented, qualitative instruments that can assess leadership potential, diagnose an organization’s capacity to execute, and help focus improvement efforts. The problem, however, may be one of unfamiliarity on the part of executives, as many such tools already exist. The past decade has seen an explosion of powerful psychometric instruments for the assessment of individuals, teams, and organizations.

How they see their careers and lives

Most respondents said they are satisfied with their corporate career, though it may occasionally involve some struggle.

Most respondents said they focused on building a corporate career without considering alternative paths. Several respondents specifically said they never considered following an entrepreneurial path, though they do express respect for entrepreneurs, founders, and start-up pioneers. Only two respondents have ever taken a sabbatical or other form of career “time-out.”



However, some female leaders cited gender as a complicating factor in getting ahead. “Specifically, as a woman leader you need resilience, persistence, focus, and hard work,” said one female executive.

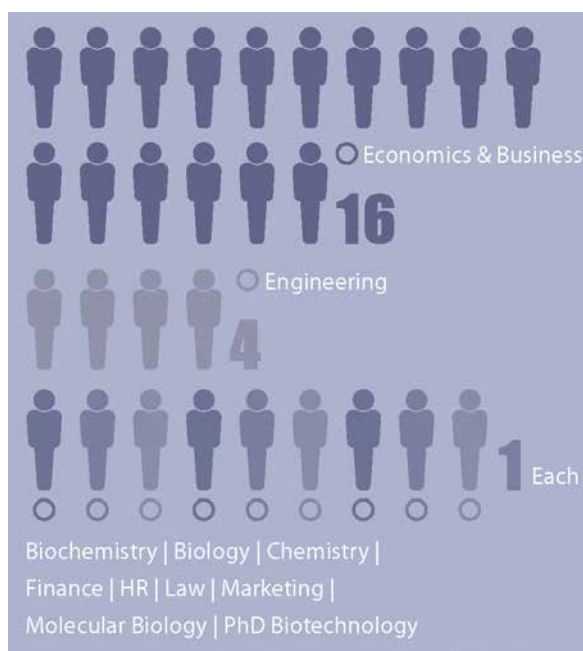
Nearly five in ten respondents said their careers are on an upward trajectory, possibly toward the CEO role. Just as many expressed optimism that they have not risen as high in their careers as they can, yet refrained from mentioning the CEO job as a specific possibility.



But more than half also said that merit is only one of several factors that figure into success. Said one executive, "Advancement is about being at the right place at the right time." Said another, "It is all about networking and politics. It would be naive to think otherwise." Less cynically, another noted, "[A] promotion can come from having the right relationships, especially a senior executive sponsor who believes in you. In most cases this does not come without merit, which is partly what generates the sponsor's belief."

More than two-thirds of respondents said they received their best management training on the job.

Most of the executives we studied have at least a master's degree, so they already have a sound educational base. However, few seem to have a structured plan for professional development or lifelong learning, which could leave them ill-prepared as they ascend the organizational ranks and find that new skill sets are required at each level, particularly as they move to the C-suite and the board of directors.



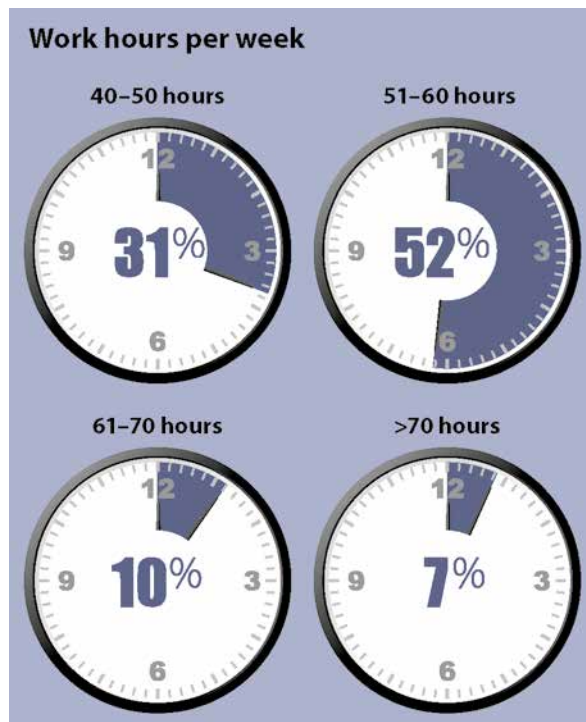
"No school compares to the complexity of business life, with big and small matters, internal politics, changes, and people management," said a respondent who strongly endorsed on-the-job learning. Said another, "To executives, an MBA is not crucial. It helps; it looks better; your network will be broader and that can help you get the job, but the experience you get on the job is most important." One executive cited "cross-functional job rotations and mentors" as critical to his career.

Some executives were careful to note that experience can be overrated. "It depends heavily on the diversity of experience possible in a job," said one. "Not all jobs are created equal." Others endorse a mix of both theoretical and practical experience. Some flatly said that practical experience is not enough on its own. "A high educational level is important," said one. "In the future, 'on-the-job experience' will no longer lead you to the top. You need a great toolbox to build a good career."

Only half of the executives regularly read management literature, and those who do say they read less than they would like. Of those who read sparingly, most cite a lack of time as the cause. Such time pressures have changed habits for many executives—instead of reading books, they read articles or listen to podcasts or watch TED talks, which they can do during travel.

Like executives everywhere, Scandinavian leaders in the life sciences struggle to achieve work-life balance.

Faced with the pressures of a 24/7 working environment, the next generation of executives seeks to stay mentally and physically fit to meet the challenges of their leadership roles. They take seriously the need to balance the demands of their jobs with life away from the workplace.



Nearly all the respondents have children, but more than half of the parents said they don't spend enough time with them. That's not surprising, since two-thirds of these executives work more than 50 hours a week. Those who said they manage to spend enough time with their children go to great lengths to do so. For example, one executive said his family accompanies him on work travel. Another executive said she works intensely for three days and leaves her children in her husband's care. Then, "when I am at home, I am 100% at home." Others said they take time off to be with their children.

The road ahead

Scandinavia has a long history of innovation, world-class educational institutions, established and emerging industry clusters, cross-border collaboration, and a research infrastructure that includes information-rich health-records repositories and biobanks. In a few years' time, the leaders profiled in this report will fill the most important positions in the region's life sciences companies. To keep the industry vibrant, they will need to create new business models, lead relentless innovation, and move their organizations toward patient-centric and outcome-based healthcare, all while accommodating daunting social, demographic, and economic forces. They will be responsible for rewriting the rules of competition. They will have to reimagine how to lead, develop, and engage the 21st-century workforce. And they will need to stay ahead of dizzying scientific and technological advances while building sustainable value for all stakeholders. It's a tall order, but these fast-track executives are looking ahead with confidence. ■

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