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New faces for a new pharma

Human resources executives reveal how the trends shaping the pharmaceutical industry are having a dramatic effect on staffing needs and the types of employees developers and marketers must seek.

By *Med Ad News* staff with Peter Goossens, partner, and Matt Vossler, partner, Heritage Partners International

A number of underlying, evolutionary trends are changing the very nature of how the pharmaceutical industry operates and the talent the industry requires. These changes affect the views, practices, and needs of the people the industry employs and the markets and patients the industry serves. The retained executive search firm Heritage Partners International interviewed a range of human resources executives from biotech and



pharma organizations to discover their views on the most important of these changes, how they have shaped the environment in which they operate, and how their global organizations are preparing to remain successful in their respective businesses, particularly in building the necessary teams.

Throughout the discussions, one thing became apparent: the changes that have enveloped the industry affect all its functions – from R&D, manufacturing, and regulatory affairs to commercial operations and corporate strategy.

THE TRENDS

Within R&D, a gradual shift has taken place during the last few decades away from chemistry and toward biology. Synthesizing small molecules

and developing them into medicines with advantages over already existing products has become increasingly more difficult. This is not a dead avenue for research, but rather more challenging to sustain as a basis for a successful business. The most promising developments are now biology-based. This means the research function of the pharmaceutical industry has had to fundamentally retool.

R&D organizations have been hiring young scientists in droves. The result is not only strong research organizations steeped in biology, but also very young research departments.

The new generation of employees looks very different from its predecessors, according to Ginger Gregory, Ph.D., global head of human resources, **Novartis Institutes for BioMedical Research** (nibr.com). The new ar-

TIPS FOR YOUNG EMPLOYEES STARTING A CAREER WITHIN THE INDUSTRY

- Build true expertise in the function of your choice
- Learn as much as you can about the other functions with which your work needs to coordinate
- No matter where you work, learn about finance and find ways to achieve more with less
- Above all, get international experience, because without it your career will be limited

rivals are very independent, attracted to the content of the job rather than the title. They are incredibly networked and approach work challenges through their networks. They have relatively little loyalty to the company, at least as far as the scientists are concerned, and more loyalty to their profession. In addition, they dislike – and sometimes disregard – organizational hierarchies.

HR departments are trying to manage this through a number of programs that are essentially culture builders for the organization. **Millennium Pharmaceuticals**, for example, prides itself on the culture it has created that attracts highly educated scientists and puts them into a stimulating environment. One of Millennium's biggest challenges is how to maintain that highly attractive corporate culture as the company grows from the small company it was to the medium-sized one it is now and beyond, according to Stephen Gansler, senior VP, human resources, Millennium (mlnm.com).

Additionally, research is becoming more global. "Our R&D leaders today now have to be global in their thinking, regardless of where they are based," according to David Nurnberger, senior VP of **Boehringer Ingelheim**.

And, as Denise Peppard, senior VP, human resources, **Wyeth** (wyeth.com), points out, "R&D leaders ... must possess significant knowledge of the markets they are in to conduct global clinical trials, execute research alliances in multiple countries, and work with employees from local labor markets, with diverse employee practices."

Due to increasing regulatory requirements, securing FDA approval

for novel therapies and products in a timely fashion is getting harder, partly due to the difficulty of enrolling the appropriate patients for clinical trials. In addition, due to market opportunities outside the United States, the industry now needs to produce development plans that will satisfy the regulatory requirements of a variety of jurisdictions. The most important of these, apart from FDA, are Europe and Japan. As a result, the cost of developing new pharmaceutical products has skyrocketed so that full development lies within the reach of only very large financial concerns able to assume the risk. This forces go/no-go decisions to be made sooner. The upside of quicker approvals is a lower overall cost of drug development. This leads to an emphasis on translational medicine, which tends to get drugs to trial faster.

"Accordingly, there is a larger focus on translational medicine and how it speeds development and leads potentially to a quicker approval process," Dr. Gregory says.

Although manufacturing has remained a bit more stable than other functions, it too has experienced meaningful change.

"Over the last decade or so, supply chains, which were traditionally local or regional, have transformed to the point that they are now generally recognized as truly global," according to Mr. Gansler.

Most pharma companies have embraced this change, understanding that manufacturing now requires much better planning and communication across the different regions and geographies of the world. Still, most companies have only barely started to implement the new technologies



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required to manufacture biological products. Thus, when research develops biology-based blockbuster drugs, manufacturing may not have the installations and capacity to supply the market with the quantity of products needed – witness the rationing expe-

rienced by Wyeth with the arthritis drug **Enbrel** and the huge investments needed to alleviate the situation.

From a commercial perspective, the most significant change of the last 10 years is globalization, caused not by a decline in the U.S. market, but by faster growth outside the United States. Dr. Gregory shares Novartis' view that "from a demographic perspective, the U.S. [market] is becoming less important each day."

In fact, Europe has become more important, partly due to the decline in value of the U.S. dollar. The emerging economies, principally in Asia, have also contributed to the relative decline of the U.S. market within the portfolios of pharmaceutical companies. As a result, a large part of the growth of the world market is happening outside the United States.

"And as a matter of fact, we see achievement of success for U.S.-based pharma companies in large part linked to the commercial success in the developing and emerging markets," according to Ms. Peppard.

Other changes affecting the commercial side of the business include shifting demographics as baby boomers continue to retire at an accelerated pace and the influence of gen X and gen Y increases, as well as the sales process itself.

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The old way of selling drugs – with a large, field-based sales force selling blockbuster products to doctors – is becoming less relevant as companies market to smaller, more specialized

patient populations and new ways of communicating with customers continue to emerge.

Indeed, opportunities in the pharmaceutical industry increasingly depend on smaller patient populations. Ten to 15 years ago, the very successful products – such as Lipitor, Prozac, and Zantac – were aimed at very large patient groups. In the future, products will be aimed at much smaller patient populations. As a result, the competitive advantage of the large pharmaceutical companies – large sales forces and broad reach across the world – will become less important, providing opportunities for smaller players.

On the financial side, pressure is growing on pharmaceutical company profit margins as development becomes more expensive. The manufacturing of biological products is exponentially more expensive than the cost to produce synthesized drugs and the industry's big revenue generators attract competition from generics as soon as their patents expire. This, of course, increases the pressure to launch replacement products with equal revenue-generating capacity – a very tall order.

As it is so difficult for companies to replace revenue lost to generics and achieve success through their own R&D organizations, the industry is seeing a wave of consolidation and the rise of business development departments.

THE IMPACT ON STAFFING

All these changes have an impact on the talent needed and the ways HR leaders are building the teams to maintain and build their businesses.



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Among the changes affecting staffing, the most important is the globalization of the pharmaceutical market. This is the one constant across all functions. The pharmaceutical industry is in great need of executives who understand not just the United States but the rest of the world as well.

And, as a result of margin pressures, an increasing need exists to take advantage of resources across the entire business. Companies are looking to develop global capabilities in a variety of ways, including emphasis on recruiting more heavily across the globe and promoting non-U.S. individuals within their organizations into global leadership positions.

Predictably, companies are also investing more effort and money into expat programs. Boehringer Ingelheim is following about 60 international transferees, up from virtually none just a few years ago. Wyeth had about 45 international assignees in 2001. Now there are more than 200. "Five years ago we started moving people around the globe and have now made this type of global experience a key metric for succession planning," Ms. Peppard says.

Companies are also using organizational design to achieve similar aims. At Novartis, the company is organized completely on a global basis; the research facility in Cambridge, Mass., is part of a global organization in which a superior may have part of his or her team located on another continent and may be reporting to a boss who lives on yet another continent.

Companies are having difficulty, however, finding candidates who will accept international transfers. As a result, Boehringer Ingelheim has a program that focuses on younger employees, giving them international exposure early in their career. The company also focuses on short-term international assignments.

Wyeth, on the other hand, focuses on succession talent who have experience in one or more functional areas, as part of a talent strategy to develop a diverse pool of top executives with cultural sensitivity and global acumen. Many companies make use of membership in special international/global task forces to provide more international experience. Wyeth has had significant success with international assignments for its finance staff.

Globalization, as important as it is, is only one instance of a more general trend of ever-increasing complexity that has been developing during the last five to 10 years. "Our most successful executives today are those who are comfortable dealing with ambiguity, while those who still must define the world in terms of black or white will struggle," Mr. Nurnberger says.

Because of the pressures on margins, the penalties for failure are more dire. As a result, all functions need to coordinate much more closely. This puts an added premium on finding executives who can manage and lead in a micro sense while keeping a bird's-eye view on the macro. For example, in research, not only do companies have to be able to achieve scientific breakthroughs, they also need to understand how the eventual product can be produced, how the technology will scale up, and the size of the investment needed to eventually produce it in quantity. This, in turn, is dependent on the regulatory approval that the product is likely to get and, based on the most likely list of indications and restrictions,

how large the market is likely to be.

These calculations are getting more and more difficult to make and require a level of experience and expertise that is not in large supply. In the future, pharma companies are going to need executives with these kinds of capabilities more and more. Especially at the very large pharma companies, where thousands of decisions need to be made, it becomes critical that many can be made at lower levels to minimize the number of decisions that filter up to top management.

Another trend that is caused by the pressure on margins is an increasing stress on performance management. Boehringer Ingelheim (boehringer-ingelheim.com) has made a large effort in recent years to change its corporate culture from a focus on activity to one more centered on outcomes. Increasingly, pharma companies are measuring how well their executives are doing and to what extent they are reaching the company's objectives. All these trends raise serious questions about how the industry will be able to attract and develop the talent that it needs to be successful, particularly in the coming decade. This is a question that keeps many CEOs awake at night.

About Heritage Partners International

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