

Contributed by Julie B. Kampf

# PHARMA'S CLOUDS AREN'T DARKENING THE EMPLOYEE RECRUITMENT OUTLOOK



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**M**assive product safety recalls; costly accounting and pricing violations; embarrassing marketing and sales transgressions — is the beleaguered pharmaceutical sector an executive recruiter's nightmare?

Hardly. Despite the pummeling that big drug companies are taking in the press, inside the industry there is little evidence of widespread résumé preparation. Few are trying to get out of the pharmaceutical industry; in fact, search firms are getting more calls than ever from people who want to join it. An informal poll of a select group of registrants at the Healthcare Businesswomen's Association's recent Leadership Conference confirms these impressions. And, of course, the pharmaceutical industry continues to be well-represented on virtually every "2004 Best Company to Work For" and "Corporate Reputation" list.

Of course, executive job seekers tell us that corporate reputation is a major factor in recruitment. And there's no question that companies embroiled in major scandals have a harder time attracting and keeping the best and the brightest people in their fields. But experts also say job hunters are more forgiving of otherwise respected companies that suddenly find themselves under the microscope.

Those sentiments were reflected in a recent online survey reported by *The New York Times* in which 83% of the 1,020 respondents said a company's record of business ethics is "very important" when deciding to accept a job offer. But respondents also indicated that not all tarnished companies should be shunned. According to the study, executive job seekers distinguish between short-term transgressions and major corporate scandals.

These distinctions may help explain why there's been no rush for the lifeboats among executives at drug companies that recently have suffered black eyes — or at their competitors feeling a spillover effect — and why there still are plenty of job seekers at all levels who would love to board these corporate ships. So far, at least, there have been no Enron-type scandals. Although serious, the reported transgressions haven't undermined or even destroyed the industry's reputation as a place where people can feel good about their contribution to the health of people around the world.

## PREVENTING DEFECTIONS

But what might happen if there are additional Vioxx-type recalls, more regulatory fines, or a heightened public and political backlash to drug pricing? What can human resource executives do now to prevent defections if turmoil persists? Here are three tips:

- Communicate fully and honestly about your company's problems. Silence, denials, and cover-ups take a far greater toll on morale, retention, and recruitment than the underlying transgressions themselves. Also, provide ways for employees to respond to questions from family, friends, and neighbors.
- Be sensitive to employees' concerns. Recognize that all employees have justifiable fears about being associated with a

tarnished company — even if it's a temporary tarnish. But be especially attuned to the morale of mid-career managers and successful sales reps. These are the folks who will be targeted for recruitment by your competitors.

- Keep succession planning up to date and give senior managers fresh training in techniques for rebuilding morale and fostering career growth among the people who report to them. Adopt policies that will prevent a small number of exits from escalating into a mass exodus and will create a long-term barrier to competitors recruiting your employees, which could further impact the overall reputation of the company. Remember that keeping good employees and managers happy and secure is a lot less expensive than replacing them.

Sometimes embattled companies need to take more dramatic steps to prevent an exodus of senior managers. For example, Merck, which has been publicly battered in the wake of its Vioxx recall, recently announced a plan that would give its top 230 managers large payouts if the company is taken over. The plan is structured to encourage these key executives to ride out the storm rather than abandon the ship.

## STIRRING THE POT

Despite best efforts, no company can be completely immune from lapses in corporate ethics. If a drug company, or the entire industry, finds itself under a protracted siege of legal, regulatory, and media scrutiny, there almost certainly will be a reshuffling of executive talent. But that's not necessarily bad. I call it the "pot-stirring effect."

Every company should periodically recruit outsiders from competitors and other industries to bring in new ideas and fresh thinking. In fact, a lack of pot stirring may have contributed to the growing clouds over the pharma industry. The silver lining in those clouds could be a new distribution of talent. Up-and-coming companies may be able to bolster their management ranks with experienced executives from some of the firms that face ongoing problems. And some of those old-line companies may find that executive defections create opportunities for an infusion of some badly needed new blood.

For pharma's human-resource managers, the bottom line is this: take prudent steps now to hold onto your best managers and future leaders, but also be ready for some pot stirring to recruit some fresh faces into your executive offices as the opportunities arise.

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