# Leadership for a NEW ERA

As the life-sciences industry continues to evolve,

leaders need to realign their style to keep pace.

-suite executives throughout the life-sciences industry, including pharmaceutical, biopharmaceutical, biotechnology, medical device, and professional services companies continue to face considerable challenges in sustaining corporate growth while also addressing increasing barriers from regulatory authorities as well as healthcare payers that continue to demand lower cost, yet highly innovative products.

Experts say changes in the healthcare system, both in the United States as well as abroad, are altering the traditional business model of life-sciences corporations, and as a result, companies both small and large are considering new business strategies and methodologies that will ultimately ensure the success of their corporations.

Experts at the Forum Corp. identified seven major leadership development trends that will impact strategies in the coming years.

First, they say complexity is the new normal. To illustrate this point, they reference the

Economist Intelligence Unit, which reports organizations are launching more major change initiatives than ever before: three to five per year, on average. Furthermore, IBM's Global Chief Executive Officer Study reports that 79% of CEOs say the level of uncertainty and complexity will get even higher; less than half say they are prepared to manage it.

A recent Forum global survey of 700 leaders found that 72% report high or extremely high increases in uncertainty in their companies.

Twice as many business leaders say "the ability to lead change" is a top business challenge as compared with 2010, according to Forum's VOC research.

The second major trend identified by Forum is that the talent shortage is intensifying.

Experts say to expect a shortage of management talent for some time as economic growth outstrips home-grown talent in emerging markets and managers in advanced countries choose entrepreneurship in increasing numbers.

# **FAST FACT**

94% OF PHARMACEUTICALS AND LIFE-SCIENCES CEOS SAY CUSTOMERS AND CLIENTS ARE INFLUENCING THEIR BUSINESS STRATEGY.

Source: PwC

In conjunction with this talent management issue, Forum experts say development investments in first-line leaders have tripled.

Annual investment per first-line leader has grown from \$533 in 2009 to \$1,671 in 2012, more than a three-fold increase. Investment at mid-level and senior level has also gone up, but not as much as first-line. They say to keep up with competitors, companies should invest at least one-third of their total leadership development budget in their first-line leaders.

The fourth trend identified by Forum is the need for leadership skills. Forum identified four important skills: think like a leader; coach your team; get results through others; and engage people.

The Carnegie Foundation, among other sources, contends that the ability to lead people effectively — people-leadership skills — is roughly three to four times more important to a leader's career success than are other skills and knowledge.

Employee engagement, the fifth identified trend, is a growing concern.

Forum's global study on engagement found that 20% of workforces are not engaged, 65% are somewhat engaged, and 15% highly engaged.

The sixth identified trend is that leadership is becoming more collective and less individual.

Many leadership experts suggest that innovation, change, new directions, and strate-





gies emerge not from individuals, but from social networks.

Forum's engagement research found that

it's not just about employee engagement anymore. In today's connected world, leaders need to be concerned with engaging these groups of stakeholders in addition to employees: suppliers, non-employee associates, partners, customers, and consumers.

Multiple studies show that employees around the world are working harder than ever, getting less downtime, and feeling a greater sense of information overload, which is the framework for the seventh identified trend: bootcamp training is out.

Forum's survey of 700 leaders globally reported that 91% said they feel they have too many projects, activities, and responsibilities; and 75% said they have "little or no" capacity to "do more with less."

They suggest giving learners a break. They're tired, and "pedal-tothe-metal" training will only make them more tired. Design learning that's practical and challenging, but

that also includes chances for: team bonding and laughter; quiet time and reflection; freewheeling discussions with colleagues; and a bit of surprise and adventure.

# Leadership Impact on Corporate Culture: New Skills

There are many leadership tasks that shape a company's ability to execute its strategy, but there are two of particular note according to experts: creating a strategy-supportive corporate culture and exerting the internal leadership needed to drive the implementation of strategic initiatives forward and achieve higher plateaus of operating excellence.

"Transformational leaders need to be financially savvy, strategic, and understand the mechanics of their business, that is a given," says Shideh Bina, founding partner of Insigniam. "And they must paint a picture of the future that's worthy of people's personal commitment. That picture is what will engage the best of their people in the transformation journey."

Andrew O'Connor III, president of A.J. O'Connor Associates, says bold leadership characteristics will be required to ensure businesses can adapt and thrive in the future.

"From our research, we've distilled the following competencies that we think will be critical for the 2020 leader: collaborative orientation; developer of people; learning agility; digitally proficient; global mindset, including cultural agility; conscious capitalist/conscious leader; future focus; adaptability/change ori-

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10 Examples of External Data Types an Economist-Minded HR Leader Can Use to Drive Better Business Strategy		
	<b>Economic Indicator</b>	How to use it?
Market Data	GDP Per Capita	Understanding standard of life measures and anticipating future growth can help HR stay ahead of the curve when the business is ready to penetrate new markets or expand in established ones.
	Confidence	Monitoring confidence can indicate consumer and industrial outlook, allowing HR to anticipate potential changes in the economy.
	Public Infrastructure & Private Investment Spending	Spending per capita and spending as a percentage of GDP are means of normalizing spending to compare the current positions and policies of different markets.
External Data	Company Value & Output	Monitoring the trending and current worth of your company can help keep a pulse of the overall health of the organization and anticipate future changes.
	Market Performance	External performance can be used to conduct competitive analysis and establish comparative benchmarks.
	Job Creation	Monitoring job creation can help HR anticipate labor market changes that could impact the demand for different skills, organizational retention, and competition for key types of talent.
	College Hiring	Understanding college hiring levels can help HR anticipate the types of degrees and specializations in demand and the amount of competition for different types of university talent.

decisions for acquiring and managing talent.

retention programs.

Source: Deloitte

**Education/Skills** 

Unemployment

**International Mobility** 

entation; 360 communicator; and innovative/creative champion."

From Ms. Bina's perspective, leadership revolves around the corporate culture.

"Leadership casts a shadow," she says. "How leaders think, how they act, what they talk about, how they listen, the conversations they put forward, they conversations they engage in, the conversations they don't engage in, the content of the conversations, all of this sets the context of the culture for the enterprise. You can unravel an enterprise and understand its culture by understanding the network of conversations, because that's what people do at work. They talk and they listen.

"Everything is some form of speaking or listening — reports to email to SOPs," she continues. "Managing that network of conversations is how to manage culture. Unfortunately, I think many leaders think they can have throw-away conversations that won't have an impact. Everything leaders say has an impact."

President and CEO of ECR Pharmaceuticals Cameron Durrant, M.D., agrees that without leadership there is no intentional corporate culture, which devolves into infighting, politics, victimism, and selfishness.

"My leadership style is to be open, driven, humanistic with clear delineation of boundaries and expectations of myself and others," he says.

# A New Model Calls for New Leadership Skills

Driving so many leadership initiatives these days is the push for companies to become more patient-centric and in doing so adjusting to the demands of new stakeholder groups.

Understanding the education and skills available in different labor markets can help HR make informed

Monitoring the inflow/outflow of talent to different markets can help HR anticipate skill shortage and

"supply" side of labor and can serve as a valuable input to the development of compensation and

surpluses in different geographies and develop strategic mobility programs to enable a global workforce.

Monitoring different types of unemployment can help HR understand and anticipate a portion of the

According to PwC, pharmaceutical and life-sciences companies need to respond to patients' needs, but they need to understand and cope with the expectations of governments and regulators too. The CEOs in its annual survey understand this balancing act; 94% say customers and clients are influencing their strategy and the same number say they take governments and regulators into account.

Dr. Durrant says he is surprised the percentage isn't 100.

"Who do the other 6% think we are business to serve?" he asks. "It's preposterous to have a customer/client-absent business strategy. We are encouraging dialogues on brands; paying attention to out-of-pocket costs; and emphasizing brand and business attributes that matter to patients."

Ms. Bina says putting patients front and center is creating all types of new questions.

"Are patients sufficiently accountable for their own health to be able to give input on it and if not, how do we drive accountability with the patient?" she counters. "How are physicians going to succeed in the new world and how can life-sciences companies support physicians as they adjust to the new business models?

"I think that like many different enterprises in the healthcare world, life-sciences companies have more than one customer," Ms. Bina continues. "They have the hospital and they have the physician and they have the patient. Those are three different constituencies and being responsive to the needs of those three constituencies and enabling them will require new skills and new perspectives, which will be critical for success going forward."

PwC says pharmaceuticals and life-sciences CEOs are responding — 81% are beefing up efforts to engage with customers. And they're finding new ways to do it. PwC experts report that some companies are starting to reach out directly to patients to better understand how their medicines work in real-life settings.

KPMG analysts contend that as healthcare systems continue to grapple with the pressure of rapidly increasing longevity, rising patient expectations, unhealthy lifestyles, multiple comorbidities and significant healthcare cost inflation, pharmaceutical companies ought to be much more engaged than they are currently with this rapidly changing healthcare land-scape.

They say those companies that are partners

### **10 Disruptive Forces**

Insigniam has identified 10 forces disrupting the healthcare industry. Leaders will need to address these in their strategies if they want to continue to grow.

- Transition from fee-for-service to value-based reimbursement
- 2. Shifting volumes and lower reimbursements
- **3.** Moving from caring for sick individuals to managing the health of a population
- 4. Advances in health information technology (HIT)
- Acceleration in introduction of digital health tools, advanced medical technology and new medical models
- **6.** Shifting demographics
- 7. Provider shortages
- 8. A more informed and involved patient
- 9. Increasing government regulation
- 10. Shrinking availability of capital

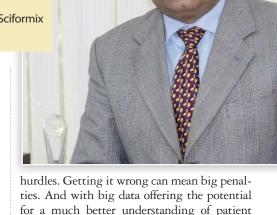
Source: Insigniam

in the debate and manage to negotiate through it successfully will find multiple opportunities to improve the bottom line. If I am kept up at night by finding the right balance, on a daily basis, of meeting client expectations with the highest operational efficiency, while maintaining the utmost employee satisfaction.

**MANISH SOMAN / Sciformix** 

According to Chris Stirling, KPMG's global head of life sciences, there is considerable opportunity to improve margins for pharmaceutical companies that can capitalize on the changing healthcare landscape. Without a doubt pharmaceutical, medical device and diagnostics, and other life-sciences companies have the talent and ability to demonstrate their value as a partner to healthcare systems around the world but both elements of the business model and the way it interacts with its stakeholders need to be rethought.

PwC's recent survey revealed that CEOs are focused on other hurdles as well. The most concerning is over-regulation —73% of pharmaceuticals and life-sciences CEOs think this could pose a threat to growth. To get a new drug approved, pharmaceuticals companies need to navigate a whole series of regulatory



hurdles. Getting it wrong can mean big penalties. And with big data offering the potential for a much better understanding of patient populations, the whole process may change radically in the future. Here, too, pharmaceutical and life-sciences CEOs are reaching out. Four out of five are increasing their efforts to engage with governments and regulators.

Manish Soman, CEO of Sciformix, a global SPO (scientific process organization), is ensuring that he has a highly functional team that's in command of the dynamic global regulations.



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"Ensuring that we have people with the highest level of competence and who are always updated with the latest regulatory developments are the biggest challenges that we face on a daily basis because this is key to ensuring compliance, quality, and hence customer satisfaction," he says.

## **Managing Through Innovation**

In its Pharma 2020 report, PwC looks in detail at some of the challenges the sector is facing in managing its innovation process. PwC researchers believe that companies will need to become much more selective about the molecules in their pipeline. They'll also need to consider exciting new areas of research, like genomics, man/machine interfaces, regenerative medicine, and vaccines for chronic conditions. However companies approach innovation and R&D, the pipeline will continue to be a focus — 46% of CEOs rank it as a top investment priority.

From Ms. Bina's perspective, innovation needs to go beyond the pipeline in relation to transformational leadership.

"We're doing a lot of consulting in the healthcare world and the key element we are speaking about is innovation," she says. "We believe companies will only succeed in healthcare if they are participating in reinvention period, end of the story. Cutting costs, squeezing more out, praying, and doing the rain dance for new drugs is only going to take a company so far. The entire model needs innovative thinking. It needs reinvention and then everything around how a company operates needs reinvention. We see CEOs who acknowledge that and are now mobilizing their organizations to innovate and others who are still trying to work their way through the haze. Then there are others who think if they follow the same formula that has been successful in the past, but only work better or more efficiently, they will be okay. Those are the people who I think are headed toward trouble.'

Mr. Soman says in the world of scientific process, there have been a lot of custom or bespoke processes that every organization has set to meet their organizational goals.

"At Sciformix, we have successfully used LEAN — creating more value for customers with fewer resources — to standardize and optimize these processes," he says. "We use LEAN heavily for process optimization, whether it is for regulatory processes or internal processes. This is a big benefit for the company's operations. Instead of using multiple customized processes we standardize them



16 The industry will be challenged to innovate, fundraise, and manage payer dynamics and reimbursement for medicines and other therapeutic interventions."

> DR. CAMERON DURRANT ECR Pharmaceuticals

and implement technology to automate them as much as possible."

More and more leaders and companies recognize that they must proactively disrupt, or risk being disrupted. But business-as-usual leadership, where big visions are followed by detailed roadmaps and action plans, do more than stifle disruptive innovation. They represent liabilities to success. Leading disruptive innovation involves adopting principles that fall outside the traditional training of managers and leaders.

Soren Kaplan, managing principal at InnovationPoint, as quoted in a recent article, stated new leadership competencies are required to navigate disruption.

"This means uncovering one's deeper motivations to drive meaningful opportunities for others; pushing personal boundaries to challenge one's own assumptions; taking steps into the unknown with the view that failure isn't failure at all but rather a stepping stone to learning and progress; and tuning into surprises as a kind of portal for gaining new insights and uncovering opportunities," he says. "To lead disruptive innovation successfully requires that we disrupt the most fundamental mindsets and behaviors that have led us to our current success."

Mr. Kaplan outlines five personal leadership competencies he believes are essential for success in today's environment.

The first is "a leapfrogging mindset." Leading disruptive innovation requires a mindset focused on leapfrogging — creating or doing something radically new or different that produces a significant leap forward, he says. Leaders who possess the unyielding intention of creating breakthroughs give them-

selves a leg up by ensuring everything they do adds a completely new level of value to the market

The second is boundary pushing. Mr. Kaplan says pushing boundaries occurs on two levels. On the personal side, leaders who live abroad, work across different functions, and surround themselves with diverse team members continually expand their mindsets and creative problem solving abilities. On the strategic level, they continually push the limits of their teams, organizations, and partners.

Third on Mr. Kaplan's list is "data-intuition integration." Most leaders want hard data when making important decisions. In times of disruption, robust data rarely exist. Leaders must use whatever information they can obtain from any and all sources inside and outside the organization, but then be comfortable using their gut for the rest.

Next is adaptive planning. Leading disruptive innovation requires managing incredible levels of uncertainty.

"Adaptive planning is an approach where action leads to results, we learn from them, and then we modify assumptions and approaches accordingly," he says. "Whether these results are good or bad, they get us closer to the breakthrough since they result in new insights. These new insights shape our future actions that are even better calibrated to the needs of the market."

Finally, he says leaders need to savor surprise. Disruptive innovation is a process laden with surprise — unexpected technological advancements, competitive moves, customer feedback, political and regulatory shifts, and other unforeseen events.

"Most companies assume surprises should always be avoided," Mr. Kaplan says. "But leaders who recognize that surprises are an inevitable part of the process — and a natural part of business, and life — are best able to actually use surprise as a strategic tool, which makes them the most agile and fastest to capitalize on unforeseen events.

"Leaders who want to make a significant difference for themselves and their organizations need to embrace new skills in today's increasingly disruptive competitive environment," Mr. Kaplan says. "While new behaviors are important, so are new mindsets. Leading disruptive innovation requires a new set of assumptions, many of which are based in a personal sense of humility, the recognition that we don't — and can't — have all the answers, and that disruptive innovation is all about finding clarity through embracing uncertainty."

