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A review of global leadership issues and industry trends

The life sciences CEO: key skills for challenging times

The global economic downturn has brought weakened financial markets, increased unemployment and scarce credit, as well as a profound shift in consumer behavior toward saving that could continue well after the recession ends. In this environment, life sciences CEOs face a seemingly herculean task: to guide the business safely through unprecedented volatility and through added price pressure caused by increasing public finance deficits, while still creating and executing a strategic long-term vision for a successful, increasingly global operation. And they must do this in a high-pressure fishbowl of growing government oversight and shareholder scrutiny.

In a transforming world, the skills that once made for a successful CEO aren't necessarily the ones an organization needs in its leader for the future. Boards planning for a long-term orderly succession or seeking a CEO today face daunting challenges, both in determining the core desired competencies of their future CEO, and in finding an outstanding leader who possesses them.

Through our work conducting more than half of the external CEO searches each year for the largest U.S. companies, our nearly 300 life sciences CEO searches around the world over the past three years, and our work with boards evaluating internal CEO succession candidates, we've observed this recent evolution of the role firsthand. Board directors today are seeking a CEO who can help their organization navigate the current storm and capitalize on the recovery to follow. Whether boards ultimately select an outstanding internal candidate, or turn to an executive with a broad range of skills developed outside the organization, the main competencies they seek remain the same. Here are the skills

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they are requesting most — along with some guidelines for prioritizing these abilities to make the right decision in choosing a leader.

The Top-Tier Skills

At the start of the CEO search process, it can be tempting for companies to assemble a "dream sheet" of qualities for their ideal chief executive. But the size, scale and complexity of many organizations today can make it impossible for a single person to offer every competency that would belong on the list.

Instead, boards should first look at where the organization is and where it needs to go. One that is in dire straits or is underperforming likely needs a strategic, transformational CEO who will take the organization to a different place. One that is fundamentally sound and seeking to sustain and advance its existing position, on the other hand, might need a strong operator who can restructure the organization, take out costs, organize the operating model to be more effective, and work well with its various constituencies.

These two kinds of leaders aren't mutually exclusive, but there's normally an imbalance. The best strategists often aren't world-class operators, and the best operators aren't necessarily the best strategists. That being said, both strategic skills and operational skills are among the top-tier competencies expected in all CEO candidates, along with leadership and a respect for governance.

Strategic Skills

As the economy has changed, so too have customers' needs. CEOs today need a customer-centric awareness, flexibility and vision to respond to these emerging needs by nurturing innovations that meet them. They must be able to assess new markets, business models and competitive shifts, and use this information to lead the development of new products and services. The best CEOs also have a big-picture understanding of the overall business and break down silos to ensure that decisions are made in the best long-term interest of the organization, not just the short-term interest of individual functions, business units or geographies.

In an increasingly fluid world, the pieces of the puzzle are moving faster than ever — and aren't likely to slow down anytime soon, even after the economic recovery begins. The CEO needs to be forward-thinking and prepare for better-than-expected and worse-than-expected scenarios to keep the organization on the right path in a world where nothing can be taken for granted.

Operational Excellence

In the current environment, while external communications and working with Wall Street are still important, the CEO role has become much more focused on the day-to-day responsibilities of running a company well. In response to the recession, CEOs are being pressured to run their organizations leaner. But years of Six Sigma and other programs have increased productivity, and the easy efficiency gains in manufacturing and logistics have already been made.

To make further gains, boards are seeking CEOs with operational command and creativity. Some organizations may even need a leader with restructuring experience to make it through the storm. And, in this

time of M&A opportunity, having a CEO with expertise in that area can also be a real advantage.

Inspirational Leadership
At the top of most boards' wish lists is a reference to visible leadership. The CEO must be a leader who can articulate a vision and get people to follow it. CEOs today need to be able to communicate and work effectively with an increasing diversity of stakeholders, including Wall Street, shareholders, customers, regulators, government officials and employees. And they must do this in a more collaborative, more collegial way than ever before. The days of the imperial CEO are over, even while leaders are being asked to make decisions at an increasingly rapid rate.

Boards are also looking for candidates with unquestioned integrity — leaders with a moral compass and constitution that people can support. In an environment where jobs have been cut and workers are being asked to sacrifice, boards are distinctly looking to avoid a "do as I say, not as I do" CEO.

In addition to being someone people can follow, the best CEOs are also great team-builders and talent managers. One person cannot be an expert in all the different silos in an organization. Given the diverse businesses, geographies, functions, risks and opportunities that are involved in the running of a multinational corporation, organizations need depth and great talent across all their senior executive positions.

Moving forward, CEOs will increasingly be judged on their ability to create, mentor, motivate and retain talented teams, and on their ability to assess and plan for succession in the senior ranks. Over the longer term, one of the greatest things a CEO can do is create a legacy and set the stage for a good outcome after he or she leaves. This requires the vision to foresee what qualities the leaders of tomorrow will need, and the ability to develop talent with these skills to prepare the company to meet the needs of a changing marketplace.

Governance Skills
If the CEO will also serve as chairman, he or she will also need governance experience. But this skill is not the absolute requirement it once was. In fact, we have seen an ongoing trend toward separation of the CEO and chairman roles. In our 2009 *Spencer Stuart Board Index* of S&P 500 companies, 63 percent of companies combined the two roles, down from 65 percent in 2007 and 84 percent in 1998. And 35 of the 38 S&P 500 companies appointing a new CEO in the first three quarters of 2009 separated the two roles — admittedly a limited sample, but one that may indicate a hastening of this long-term shift. If nothing else, it indicates that boards have become more willing to split the two roles when a CEO first joins a company so he or she can focus on running the business without the additional concern of leading the board.

Even CEOs who don't have governance experience, or won't serve as chairman, will still find working effectively with the board to be a key to success. This new environment requires CEOs to be more collaborative and collegial in this relationship. It is helpful for chief executives, particularly first-time CEOs, to have a mentor on the board who is committed to his or her success and who can assist in navigating the CEO/board relationship. To be most effective, a CEO should also be able to cultivate a handful of people within the team, the board, and from outside the organization he or she can trust and turn to for advice.

Situational Skills

Beyond the four core competencies every CEO needs are a variety of complementary skills that vary in importance by organization depending on the company's specific situation and goals. Expertise in product innovation and development is not a critical competency for all life sciences CEOs, but for the leader of a medical technology organization, it's a basic requirement; not all CEOs need a deep understanding of payment and reimbursement issues, but a healthcare system leader probably does.

There are tradeoffs, and no one excels in every area, so these skills should be prioritized based on the organization's needs. In recent months and years, we have seen the following skills assume greater importance for the majority of organizations.

Industry Experience
The life sciences industry today is increasingly complex, and current economic conditions leave little room for error. Organizations seeking a CEO generally want a leader who's ready to step in and make an immediate impact. Someone from outside the industry has low odds of successfully navigating the highly politicized environment and lobbying required at the federal, state and local level; macro-level issues such as patent and import protection; and relationships with stakeholders such as patient associations and other interest groups.

Pharmaceutical and medical technology leaders must have an understanding of how to navigate the intricacies of research and development amid myriad legal and regulatory considerations. Healthcare leaders must be thoroughly versed in payment and reimbursement issues that can affect both liquidity and the bottom line. And all life sciences CEOs must be current on healthcare reform and its potential implications for the business.

In some cases, however, the talent pool may be so small that it's advantageous to consider talent from other related industries. In these cases, identifying the three to five characteristics that are relevant to success within the sector allows the organization to broaden the search to include executives from other industries where successful leaders exhibit the same traits.

Outsiders can and do provide fresh thinking, but many have stumbled by failing to grasp what makes a complex life sciences business function well. It's unusual, but certainly not unheard of, for a CEO to arrive from a dramatically different industry and be successful. Over the years, we have seen a number of companies bring talent in from outside the industry at the top level — but we see it happen less frequently in the life sciences.

Financial Acumen
Today's CEOs must be superior capital managers to keep the organization afloat in a tight credit market. Many organizations had capital structures that were sound when credit was free and flowing, but now can't renew their revolver. Those that are going bankrupt now often aren't doing so because they're losing money, but because they don't have capital.

In many companies, people in multiple roles contribute to managing the income statement. But only two people manage the balance sheet — the CEO and CFO. Therefore, it's difficult to judge whether a CEO candidate will do this well until they actually get in the role. It is helpful for a CEO to enter the position with a broad exposure to finance, business development, and financial planning analysis, but many candidates might not have done those things.

At minimum, CEO candidates should show a capacity for managing the margin pool and shrewd knowledge of fixed and variable costs, capital structure and the importance of access to capital. They should understand the financial drivers of success in the organization and industry and display an ability to manage those levers effectively. Beyond that, the CEO should be able to work with the CFO to assemble a talented financial team and ask the right questions of them to arrive at operational decisions that take overall financial consequences into account.

Global Understanding
Global experience has become a necessity for many CEO candidates in the life sciences industry. Such a background offers clear advantages in the pharmaceutical and medical technology industries, which have operated in global markets for many

years. But today, more and more healthcare providers are also starting to establish international beachheads through joint partnerships with organizations in other geographies. Health insurance companies are increasingly advocating overseas treatment options that reduce costs. And hospitals and health systems are starting to look at the benefits a global workforce can provide in alleviating predicted shortages in nursing and other healthcare professions.

As a result, it is helpful for life sciences CEOs to have international experience as well as a broad understanding of different markets and diverse populations, both to meet the unique customer requirements of each market and to successfully manage an increasingly diverse global employee base.

As organizations become more global and are required to invest more around the world, their footprints are changing and growing significantly. In response, CEOs need a sophisticated mindset to navigate political risk across nations and plan for potential disruptions in ever-lengthening supply chains. They also need a big-picture understanding of technology and its strategic application in different regions, and of the diverse regulatory considerations of various markets.

Stability in an Uncertain Time

Apart from all of these skills, there is a set of personal qualities that is fundamentally critical for the life sciences CEO. It includes a great understanding of people, problem solving capability and self-evaluation and adjustment skills — a skill set we call Executive Intelligence. These are the skills that dovetail most closely with success in any leadership role, and that allow the rare crossover CEO from another industry to experience success in the life sciences.

In the end, there are no rules when it comes to choosing a CEO, and there are many other skills, from technology expertise to marketing excellence, that can be critical for CEOs of certain organizations, but that are too numerous to cover here. Instead, we have highlighted the competencies that we see again and again in life sciences CEO specifications today — and in today's best and most forward-looking CEOs. By prioritizing these skills for the company's needs as they consider their next leader, boards can efficiently and effectively select the right CEO. As a result, they can give the organization stability and vision in a time of volatility and short-term thinking, and position it for success over the long haul.

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The healthcare information officer: crisis or opportunity?

Healthcare has traditionally been one of the U.S. industries least influenced by information technology, staying largely paper-based decades after most other industries have become highly automated and IT-dependent. But President Obama's goal to have hospitals universally adopt electronic medical records (EMRs) within the next five years has brought a new focus and momentum to healthcare technology adoption — and, along with it, to the role of the healthcare chief information officer (CIO).

In this environment, healthcare CIOs face new pressure to accomplish in a few years what healthcare institutions previously couldn't over decades. They also have a unique opportunity to hasten an already-appearing trend: their elevation into a true strategic partner whose decisions will have an increasing impact on patient care and the bottom line.

To learn more about the challenges, responsibilities and concerns of healthcare CIOs in this dynamic time, Spencer Stuart recently interviewed several CIOs and select senior leaders of healthcare institutions, whose perspectives inform this article.

Preparing for Unprecedented Change

Healthcare CIOs agree that the HITECH Act's incentives for EMR deployment — and Medicare penalties for non-deployment starting in 2015 — have been an impetus for technology adoption. "It has opened a door that people have been knocking on for a long time," said Ben Williams, senior vice president and CIO for Catholic Healthcare West. "Not only are these incentives and penalties increasing adoption, but they're also leading many in the industry to have real conversations about how IT can improve the delivery of healthcare."

At the same time, many view Obama's timetable as overly optimistic given the scale of change required. In particular, healthcare leaders see a divide in the readiness of different organizations for the massive change — and initial costs — of EMR adoption.

"Large healthcare systems have usually invested a tremendous amount of capital to make this happen, but the mid-size and smaller organizations have neither the manpower nor the money to do it," said Rick Breon, president and CEO of Spectrum Health. "At Spectrum Health, we have invested hundreds of millions of dollars, and have several components of an EMR, but not a comprehensive one yet." Experts agree that the change will be most daunting for physician groups because of the initial cost of EMR systems and the ongoing internal support that the solutions require.

According to a recent *New England Journal of Medicine* study, only 1.5 percent of U.S. hospitals have a comprehensive electronic-records system. In part, this can be attributed to the fact that doctors and hospitals must invest considerable time and money to implement EMR systems, while insurers and payers see the most immediate financial benefit of reductions in unnecessary tests and medicines.

Another factor limiting EMR adoption may be a lack of patient understanding on the topic. "In most areas of the country, people see a computer screen at

As CIOs take on more of a leadership role, relationship-building is becoming more critical — starting with senior management.

their hospital or in their doctor's office and expect their records to be online," said Jonathan Manis, senior vice president and chief information officer for Sutter Health. "I believe the public would be surprised to learn that their data is not yet fully automated, integrated or accessed by other technology systems. Educating and empowering patients to demand greater integration can help us to move EMR adoption forward much faster."

An additional challenge lies in integrating information from different departments that have their own homegrown systems and data. This lack of consolidation increases the level of difficulty for EMR implementation considerably, but is also one of the best arguments for why automation is needed. "Staff in our cardiothoracic surgery department currently enter more than 400 elements per patient, some on paper and some electronically," said Virginia McFerran, chief information officer for UCLA Health System. "When you think about the workflow changes possible through automation, there's no doubt it can create more positive patient outcomes."

Despite the obstacles they face, many CIOs feel that today's technology is sufficient to make universal EMR implementation a reality, and that the real challenge is successfully driving the institution-wide process changes associated with adoption. "If you look at the places that have been successful in deploying EMRs, they're using the same solutions that others have been unable to deploy," said Asif Ahmad, vice president for diagnostic services and chief information officer for Duke University Health System and Duke University Medical Center. "Those places have CIOs who understand operations and can make the technology a competency and not a drag."

And recent research is now starting to illuminate the concrete benefits to hospitals of successful EMR implementation. A 2009 study in *Archives of Internal Medicine* of 41 urban hospitals in Texas found that hospitals with automated notes and records, order entry and clinical decision support had fewer complications, lower mortality rates and lower costs.

The Top Technology Priorities

Though EMRs are far from the only technologies CIOs are responsible for, stimulus-related attention and revenue implications have vaulted them to the top of the technology priority list. This is presenting difficult decisions for CIOs, who acknowledge the importance of automating medical records, but also realize the uncertainty, cost and time commitment that comes with implementing a comprehensive EMR system today.

"At 30,000 feet, automation sounds great," said Gary Davidson, senior vice president and CIO for Lancaster General. "At ground level, we're still not going to have the integration that everybody expects after spending this money. Providers have to look at how they are going to integrate and get access to this information. Without a global strategy that avoids interfacing, it's going to be another stand-alone island for much longer than we desire — the whole value of this is to have it all integrated."

But integration is just the first chapter of the technology challenge that EMRs present for CIOs. "Something that often gets overlooked until the systems are adopted is the real infrastructure need for quick response times and reliable uptime," said Larry Stofko, senior vice president and chief information officer for St. Joseph Health System. "This quickly becomes the focus for clinicians after

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they make the workflow change, because the only way they have to get the information is electronic — the paper doesn't even exist anymore."

These complexities related to EMR adoption have made some healthcare CIOs feel that other technologies offer a quicker, clearer path to improved patient care. "We've considered the stimulus plan and its EMR suggestions, and we don't necessarily think that emphasis is the right one," said Michael Rowan, executive vice president and chief operating officer of Catholic Health Initiatives. "We believe the fastest, easiest and most economical way to make a difference, and the priority for IT investment, should be around medication order verification to eliminate medication errors, and around getting a better handle on hospital-acquired infections." Other CIOs consider technologies such as computerized physician order entry (CPOE), picture archiving and communication systems (PACS), and decision support technologies as major IT priorities.

In deciding which systems to implement, CIOs are being forced to work smarter as the operating margins of many hospitals have decreased in the current economy. But they also see their organizations making IT a priority amid budget cuts because of IT's ability to improve patient care. While facility budgets have virtually dried up at many hospitals, IT investments have been reduced by 20 percent or have even held steady in many institutions, according to some CIOs.

A Strategic Partner

Traditionally, healthcare has trailed other industries in making the CIO a strategic partner, but that has changed over the past several years as organizations have realized the profound impact technology can have on patient care. "Healthcare is about decisions, and the decision-making process is about having data and turning it into information," said Rowan. "There's a correlation between the best healthcare organizations and their level of investment in IT."

As CIOs take on more of a leadership role, relationship-building is becoming more critical — starting with senior management. In some organizations, the CIO still reports to the CFO, but in many, the role is now a direct report of the CEO. "Our CIO is a valuable member of our senior leadership team and speaks on behalf of our entire system," said Breon. "I do not know of many strong organizations where the CIO is not a strategic component of the senior management team."

Most importantly, CIOs are building closer relationships with clinicians. Since virtually all healthcare today involves some level of information technology, the CIO is becoming a business coordinator who builds trusting relationships with doctors and nurses to introduce the IT and manage an organization that can support that community.

Reshaping Healthcare

In addition to the recent focus the HITECH Act has given CIOs, ongoing technology advances also figure to heighten the impact that CIOs can have as change agents who help reconfigure and enhance patient treatment. "Our clinical team is very mobile, but our computers are very stationary — and that doesn't support the care process," said Ed Kopetsky, chief information officer for Lucile Salter

Packard Children's Hospital. "You're going to see mobile device integration like we're seeing in the iPhone extending to clinical practice."

CIOs may also play a role in bringing healthcare to people outside of the facility. "The virtual world is changing how we're going to deliver care and how people will interact with our systems," said Davidson. "Health systems, if they're going to succeed, will have to move to where the care is going to be provided, be much more proactive and try to keep the patient out of the hospital."

This new thinking, and the CIO's role in it, could also dramatically transform the patient care experience within healthcare facilities. "A lot of data could be collected from the patient's home over the Internet so that huge waiting rooms and a 12-person admitting department are no longer necessary," said Kopetsky. "And biomedical equipment is becoming more portable and available in nursing units, so patients won't need to be moved as much. All of this is going to change what the physical plant will look like in the future."

The Future of the Role

Some experts believe that the $20 billion in stimulus money could create as many as 50,000 new healthcare IT jobs, and will undoubtedly place more demands on CIOs, who in many cases are already taking on additional responsibilities.

"Being a successful healthcare CIO means being a thought leader," said Williams. "In healthcare today, there is much more demand for IT than there are resources to meet it, so part of being a successful CIO is giving good advice about how to achieve the best ROI in terms of outcome and quality. It's not at all about deploying the most sophisticated technology. It's about demonstrating good value and good outcomes with major projects. If you do that, you will build credibility for your department, for yourself and for clinical IT within your organization."

As CIOs work to build their departments to meet their organizations' IT needs, most think that managing outsourcing relationships, particularly when it comes to repetitive, non-customer-facing activities, will become a greater part of the CIO's role. But few expect a repeat of the institution-wide outsourcing that some organizations have previously attempted. "The great experiments of outsourcing the whole IT shop never have legs beyond a few contract cycles," said Eric Yablonka, vice president and chief information officer for the University of Chicago Medical Center. "I don't know too many CIOs who are big fans of outsourcing to that extent — they just don't believe the vendors deliver or substantively improve the overall cost structure for IT services."

As the role develops, opinions are also mixed as to whether there will be more CIOs crossing over from other industries. Some expect more crossover to take place, but note that this also happened in the late 1990s — and that some of those CIOs were unprepared for the 24/7, 365 day a year focus and smaller budgets of the healthcare environment.

Given the unique nature and regulations of the healthcare industry, those CIOs that do expect more crossover expect to see it at a few levels lower than the CIO level, and even many of those who do support industry crossover still prefer healthcare experience in their own hires. "Being an IS [information systems] leader in healthcare is not so much about technology as it is about the innovative delivery of healthcare," said Manis. "I believe it takes a specialized IS professional to be successful in this industry. I expect to see far more crossover from clinicians and physicians becoming IS leaders than I expect talent from other industries transitioning into healthcare."

In addition to the changes in the CIO role itself, more CIOs are expanding their influence by taking on additional organizational responsibilities.

Kopetsky, for instance, is responsible for performance improvement, new management systems and clinical informatics. "CIOs generally are excellent operationally, understand how the business is run, and are very good strategically," said Yablonka, who knows several CIOs who also serve as the chief marketing officer or chief strategic officer.

With these new responsibilities, and with the growing focus on the healthcare CIO's role, has come greater pressure to perform. But it's a challenge many CIOs are looking forward to. "Even in the dawn of uncertain reform with regulatory complexity and competing priorities, I can't imagine being in a better place," said McFerran. "If you look across industries for opportunities to make a profound and positive difference in people's lives, you will discover CIOs at competing hospitals working side by side, strategizing as peers in the board room, and leading crackerjack technical teams that make a difference. I can't think of a more exciting place to be over the next 20 years than in healthcare and health research."

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Life sciences leadership in asia pacific

Many observers predict nothing short of a dramatic shift in the center of gravity of the global pharmaceutical and medical technology sectors to Asia Pacific. With two of the world's most developed healthcare markets already — Japan and Australia — Asia Pacific's future growth will be driven by the rapid expansion of the middle class in countries such as China and India, which have very large and growing population bases.

For many life sciences companies, it would be difficult to overstate the importance of Asia Pacific to their strategy. "Asia Pacific is a growth driver of the company. Sixty-five percent of our international growth comes from the region," said the president of international for one medical technology company. A pharmaceutical company leader said simply: "In terms of growth, Asia Pacific is our engine."

An overarching challenge for companies doing business in the region is Asia Pacific's vast diversity of cultures, languages, and economic and governance models, defying any monolithic approach. Some organizations approach the region, which often is defined as China, India, Japan and the Pacific Rim, from a base in Japan or Singapore, where many companies have significant research capabilities; others place their main focus on the fast-growing markets of China and India. Still others view markets through the lens of their state of development; hence, organizations basing their approach on market maturity may have an "emerging market" strategy that encompasses emerging Asian markets and other emerging economies, for example in Latin America, but not the mature markets of Japan and Australia.

"One of the primary characteristics of the Asia Pacific region is its diversity. It is even more diverse than Europe, where there are 27 different countries but there is a common regulatory framework in the European Union. There is not a common, harmonized regulatory framework in Asia Pacific," said Tim Oldham, corporate vice president and president of Asia Pacific for Hospira.

It also is a highly dynamic region that continues to change quickly. "The challenge for life sciences companies operating in Asia Pacific is to learn quickly, be adaptable and be flexible. The current economic situation further highlights the necessity of these characteristics," said Gerald Lema, president of Asia Pacific for Baxter International.

Because of the growing importance of Asia to the industry, Spencer Stuart's Life Sciences Practice decided to explore the business and talent issues facing multinational companies as they expand their businesses in the diverse markets of Asia Pacific. Consultants spoke with the senior regional leaders of global pharmaceutical and medical technology companies in Australia, China, India and Japan, two of the region's most mature markets and two of its fastest-growing markets. These leaders talked about the state of the industry within their countries, the strategies their companies are pursuing, the emerging talent requirements as well as companies' approaches for finding and developing the leaders needed for the future. What follows is a summary highlighting the market landscape, competitive pressures, challenges and talent issues for life sciences organizations in each of these countries.

China

The Chinese market is large and fast-growing. An estimated 100 million Chinese are potential customers of modern imported medicine, a population that may double by 2010, according to Datamonitor. The market for pharmaceuticals is projected to grow by 143.5 percent between 2008 and 2013 to reach a value of more than $50 billion. The Chinese healthcare system is quite different from that of Western nations. This is particularly true for medical care in rural areas, where 700 million Chinese — more than half the population — live great distances from the modern hospitals of major urban areas.

The market's rapid growth and the sheer size of China's population make it a key strategic market for multinational pharmaceutical and medical device companies. Life sciences organizations are increasing their investments there, in some cases moving global research and development capabilities to China and building manufacturing plants.

While both foreign multinationals and local Chinese companies compete in China's pharmaceutical and medical technology markets today, many executives argued that local players may well pose the larger threat in the future. As these local players become more sophisticated, multinational companies are focusing on marketing and improving their ability to differentiate their products in the marketplace through innovation and, as much as possible, avoid competing on price.

"The local players have been recruiting talent from multinational companies and bringing in professional management systems. They have become stronger. We need to be serious about the competition from these companies," said one executive.

Executives agreed on the primary challenges for pharmaceutical and medical technology companies competing in China. One challenge is the country's regulatory frameworks and the lengthy process required to get a product registered and added to the national reimbursement list. Many companies are working with the government to try to improve the process and expand the list.

Attracting and retaining top talent is another primary concern. On one hand, recruiting talent has become more challenging as multinational companies have become increasingly protective of their people. At the same time, the breadth of other opportunities in the marketplace means that there are always opportunities for the best employees to consider. The relative youth of the market and the persistent job hopping means that executives in China tend to be younger and less experienced than executives in other markets.

In the short term, the talent needs of life sciences companies in China will far exceed what's available. Adding hundreds of jobs a year, companies are continually hiring. The need for talent runs across the organization. Global pharma and medtech executives said their organizations need sales and marketing management leaders with excellent leadership skills; experienced finance executives who can help navigate myriad compliance issues; and strong human resources leaders who can help create a vibrant corporate culture and develop organizational competence. Finally, people with international experience are very much in demand. "As the company's business has grown significantly, we now need talent with international exposure and the ability to work well with global headquarters," one pharma executive told us.

Attracting these talented people requires a positive corporate reputation and a track record of success in the market, according to a 2008 IBM Global Human Capital Study. Meanwhile, the best retention strategies ensure that high performers continually receive new or challenging assignments and have clear career growth opportunities.

India

While the growth in India's pharmaceutical and medical technology markets is not as dramatic as China's for the time being, multinational pharmaceutical and medical technology companies see plenty of opportunity in the Indian market and are investing there for the long term. With an eye to the increasing incomes and the ongoing liberalization in the country, companies want to "set up a tent" there now.

India also represents an important talent resource for life sciences companies, life sciences leaders said. According to one executive, "This is no longer about cost arbitrage; it is now about value arbitrage and clearly for very strategic and competitive reasons."

Succeeding in India will require companies to have an intimate knowledge of the highly segmented healthcare market and to be able to effectively target their offerings specifically for those segments. There is opportunity at the bottom and the top of the market, and companies must be organized in a way that allows them to respond effectively to both.

In addition to the presence of large multinational players, the Indian pharmaceutical market includes thousands of small, local companies. Branded generics represent the largest segment today, but multinational players are investing in launching patented products as well, as part of their long-term growth strategies. "We are likely to see a significant shake out and consolidation in the near future. While the current landscape is dominated by Indian companies today, over the next five years we are likely to see innovation play a much more significant role," argued one pharma executive.

Looking ahead, life sciences executives see several challenges. First and foremost is the war for good talent. Life sciences leaders also are watching the government, given its role in funding and regulating healthcare services and deciding policy issues such as rules governing intellectual property protection.

The most important talent need, agreed life sciences leaders, is for creative thinkers who bring an entrepreneurial orientation to the business. "We need executives who are able to think against the grain and have the entrepreneurial skills to develop a vision and sustain the pursuit of that vision," said one pharma leader. "A particular challenge that confronts this pursuit of innovative, entrepreneurial agendas is the need to be able to 'hang in there' while building consensus and support and eventually demonstrating success."

Japan

Japan has the most developed life sciences market in Asia Pacific, with the largest pharmaceutical and medical technology markets in the region and the second-largest in the world after the United States. Datamonitor projects modest growth for Japan's pharmaceutical market through 2013, when it estimates the total value of the market will reach $67 billion.

Japan is an important strategic market for many global pharmaceutical and medical technology companies because of its size, the sophistication of the healthcare sector, strong appetite for new drug and medical technology, the traditional strength of the research and development talent base and its patent protection policies, which promote innovation. The Japanese market, especially its pharmaceutical market, was traditionally dominated by large to mid-size Japanese companies, however the landscape has been changed by relaxed regulatory policy since the late '90s and strong new drug pipelines by multinational companies with a strong commitment to the market.

One of the main forces that is likely to impact the competitive landscape in Japan is the expected growth in the use of generics in Japan.

Traditionally, generics have not made the inroads they have in other developed healthcare markets, but that is widely expected to change in the coming

years as the Japanese government looks for ways to reduce healthcare costs. For the past few years, Japan has seen several multinational generic players entering into the market from countries such as India and Israel. Large Japanese pharma companies are taking action, too. For instance, Daiichi Sankyo purchased Ranbaxy Laboratories, a large Indian generic player. Nevertheless, the potential impact on the pharmaceutical industry is hard to predict.

It will be important for pharmaceutical companies to develop a specific strategy to respond to market changes, including the growth in the generics business and industry consolidation.

Other issues facing pharmaceutical and medtech companies competing in Japan include price transparency, the need to continuously innovate and anticipate market shifts and the importance of working closely with the government to speed up the registration process.

As in other countries, recruiting strong talent is easier to do when the organization has a strong talent brand, a positive, collaborative culture and interesting, rewarding work to engage talented people, executives said. Every company has a clear strategic direction for talent acquisition and development and has been implementing it as a top management priority.

When hiring in Asia Pacific, it is very important to pay attention to the individual's cultural fit with the organization, said one executive. "When I recruit a new person, I particularly look at his or her personality and culture fit with our organization. I do not put the highest priority on technical skills, which I believe can be acquired after joining us as long as the person has the right mindset. We can teach technical things but we cannot teach 'talent,'" he explained. Furthermore, successful recruiting and talent development strategies depend on having a robust understanding of the local culture and values.

Australia

Australia is one of the most developed markets in Asia Pacific, and it is the second-largest market in the region for many companies. It has a strong patented drug market and is seeing a growing demand for expensive and innovative drugs and treatments. According to Business Monitor International, the Australian pharmaceutical market is valued at just over $7 billion. While patented medicines still represent the large majority of pharmaceutical sales, the use of generics is increasing and being encouraged by government.

Because of its size and maturity, Australia is a competitive market for pharmaceutical and medtech companies, with well-established foreign multinationals and large local companies competing for market share. The competitive landscape is likely to shift in the coming years because of the growth of the generics business, which is less mature than in the U.S. and some European markets.

"With the patents of a large number of products due to expire over the next few years, the growth of generic competitors will continue," observed one pharmaceutical company leader. "The recent rise of biologic agents has also altered the research landscape and created a new field of competition in addition to traditional small-molecule research. Biotechnology and biopharmaceutical companies will represent additional sources of competition, but also opportunities for the future."

Another challenge for pharmaceutical companies competing in Australia, as in other mature markets, is the upcoming expiration of patents for drugs developed in the 1980s and the need to replace those revenue streams, executives said.

Based on the opportunities and challenges ahead, how are talent needs changing? One of the most important needs going forward is to improve the ability of their organizations to innovate, executives said. That means bringing people with

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fresh perspectives and best-in-class ideas into the organization.

"We need people to think differently. This is one of the most regulated industries in the world. It's very strict about what you can and can't say and rightly so. As a result, people tended to not change practices, rather than look for new and innovative ways of doing things," said the Australia leader of a global medtech company. "What we're asking people to do now is look at the business in different ways. How can we have more disease awareness programs? How can we improve our compliance programs? We need to create leaner manufacturing and utilize the supply chain as a competitive advantage."

Given the shifts occurring in the way pharmaceutical and healthcare products are being marketed and sold, players in these sectors also will need sales and marketing leaders with a broader set of skills. Marketing leaders are going to have to focus on understanding the buying processes and the key points of influence that are really going to make a difference with consumers. Meanwhile, sales will have to be more consultative. Executives also see a growing need for "soft skills" related to working well across the business and across borders.

Finally, the industry's talent pool in Australia is shrinking, forcing companies to think about talent development and retention differently than in the past. Generation X and Generation Y have different expectations about the workplace than older generations and are less likely to work for one company for 20 years. That puts pressure on companies to come up with answers to the question: Why should someone work here?

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