

CORNERSTONE 
INTERNATIONAL GROUP

THE KEY CHALLENGES

Life Sciences & Healthcare 2020

A Global Report

A Survey Report from
CORNERSTONE INTERNATIONAL GROUP

Table of content

INTRODUCTION

01 | THE IMPACT OF COVID-19

02 | STRATEGY

03 | ORGANIZATION

04 | LEADERSHIP

05 | TALENT

SUMMARY

ABOUT

Introduction

The Life Sciences Healthcare (LSH) Industry is critical and extremely complex.

It is about saving life and the progress of science. It is a major share of the society and economy of any country, reaching roughly 10% of GDP in developed nations, 5-8% in emerging economies. The scope is wide, including manufacturers (drug discovery & formulation, API, medical devices, diagnostics, CRO, health-tech, etc) and services (hospitals and clinics, nursing homes, insurance, etc).

Our survey studies this very broad canvas, from the activities of top global scientists in Big Pharma to caregivers serving in Nursing Homes or workers making hygienic towels.

The complexity of the Healthcare business is “baked in”, with components perpetuating a potential state of conflict: the efficient provision of goods or services relies on market-based principles but what and how to treat people must be validated by the medical community and the State.

Healthcare is country specific, each system being built around different social, economic cultural and political assumptions. How do you fund Healthcare? How do you remunerate actors (Doctors and also suppliers)? How do you regulate supply & demand? At one extreme, we have the US with minimized government intervention and the most vibrant and innovative powerhouse in medical related sciences. At the other end are industrialized nations with a safety net and high interventionism in order to curb prices and ensure the provision of Healthcare to the whole population. Then we have the emerging economies that are searching for a model that is efficient from a social and economic point of view.

01

The Impact of Covid-19

Cornerstone International Group undertook this survey of the Life Sciences and Healthcare industry before the Covid-19 pandemic. Though not a subject of the survey, the inescapable impacts of Covid-19 rapidly became inseparable from the trends we identified, resulting in the following notations.

- All Healthcare systems have been put under heavy stress by the pandemic. There is new pressure to increase the robustness of Healthcare systems and in most countries to increase investment in order to raise the capacity level.

- The pandemic reminds us of the importance of Healthcare to the general population. There is a true global recognition of Healthcare Professionals (HCP). It also raises the self-esteem of the employees of LSH industries, whose organizations are sometimes seen as balancing the saving of life with profit.

- The global market of LSH is a fragmented one which the Covid-19 pandemic should help to integrate. In the first three months of 2020, almost 1,000 new clinical trials (CT) were launched to study everything about the virus transmission, metabolism, treatments or vaccines. With a limited mandate, the World Health Organization (WHO) is trying to coordinate international effort. Should it be increased?

- Product cycles in LSH are very long compared to other sectors due to the priority on safety. But the pandemic has shown that fast track or green channels are possible in “war time”. So LSH will have to work on how to accelerate “go-to-patient” time after normalcy returns.

- Pricing model and efficiency of LSH services and products will be under scrutiny with the coming economic crisis as public spending is ballooning.

- Digitization and Artificial Intelligence (AI) were finally scaling up in the whole sector. But with the pandemic, the trend is accelerating. Telemedicine is now a reality. Patient tracking is compulsory. AI-supported diagnosis is helping lung diagnosis. And much more is coming...

- This report identifies key soft skills for leaders in LSH, of which managing uncertainty was seen as a basic need. Post-crisis, it will be about navigating uncertainty. Countries and their LSH suppliers will restructure supply chains shaken by the collapse of international transportation.

- New emphasis on learning agility, humility in managing complexity and integrity will influence the role of executive recruitment in the sector.



Strategy

Compared to other businesses, strategy in LSH is characterized by heavy fragmentation and the length of product-cycle on one side and by unbalanced pricing practices on the other.

Global Fragmentation

Registration regulations at the national level generate fragmentation of the global market. “Glocalization” is a must for global companies. According to a strategist of a large MNC:

“Just look within Europe. Behaviours of prescribers are totally different, according to how the system works. In Germany, a Doctor is paid by patient visit, so he or she wants to see the patient frequently and will look for drugs that enable short-term monitoring. In Spain, the Doctor is paid by the working day, so the next visit will be six months later. You need to be very local”.

For the same disease and same mature drug, Germany will use a monthly dosage, while Spain will favour a six-month dosage. “How can you build a global standard and strategy?”



The Product Cycle

The product cycle is very long in LSH, but interaction with public policies is creating volatility in planning:

“50% of products launched in a supermarket will die within one year. In LSH, you need ten years to plan a project. Will my successor see the result of my work? The global leader needs to arbitrate long & short term. And to find the equilibrium is very difficult”.

This explains why predictability of the regulatory framework is paramount for LSH leaders. One Ukraine CEO complains that every few months there is a new Government, new certification rules, new patent protection laws etc. “Everything is always changing”.

Regulation Rigidity

Regulation, key to ensure safety, also limits innovation, not only in the industry but in the field of medical insurance.

“Regulation for insurance is relatively homogeneous globally but for health data it is very heterogeneous. It is very complicated as rules are totally different from one country to the other. For example: the use of genetics data by insurers is very different between the two neighbours US and Canada, so you can imagine how much worse it is with other countries”...

Another conflict is between the needs of massification and personal care. For example, in the diagnostic industry, consolidation is going on with the merging of test laboratories and growing size of equipment.

“But at same time, patients want more care, more time and more details about their personal situation. Ideally, we would like to have the test performed with each individual GP. We would test at the point of care. And we need technologies that read the diseases with patient genetics...”

This fragmentation in terms of registration and regulation is simplified in practical terms by the fact that 75% of the global market is driven by the US, EU and Japan. Global companies focus pragmatically on three regulatory agencies and venture very late in the rest of the world.

Pricing Fluidity

Another very important strategic consideration is the pricing scheme, which is also organized on a national basis. With almost systematic International Reference Pricing (IRP), there is a far greater fluidity in information and practices than in the regulatory field. But here, too, the market is not really global.

The US has the highest prices and by far. So companies target the US and invest there in order to develop innovation. EU and Japan are part of the second wave of deployment, if local market access policies are supportive. Beyond, some emerging economies like China try to challenge the status quo. It has succeeded in revamping its industry regulations in the last few years, but its Pricing & Reimbursement (P&R) regulations are preventing the early launch of products.

“They had the chance to be part of the second wave, it looks like now China is going back to the third wave” comments a Western Pharma Executive.



Organization

Feedback on challenges faced by organizations are often very specific to companies and their development stage (you have a very different structure when you are a local vs global organization or a start-up vs a mature structure). Nevertheless, interviewees generally focused on three major themes: digital development of the whole company, transformation of R&D and the need for agile and flexible organizations.

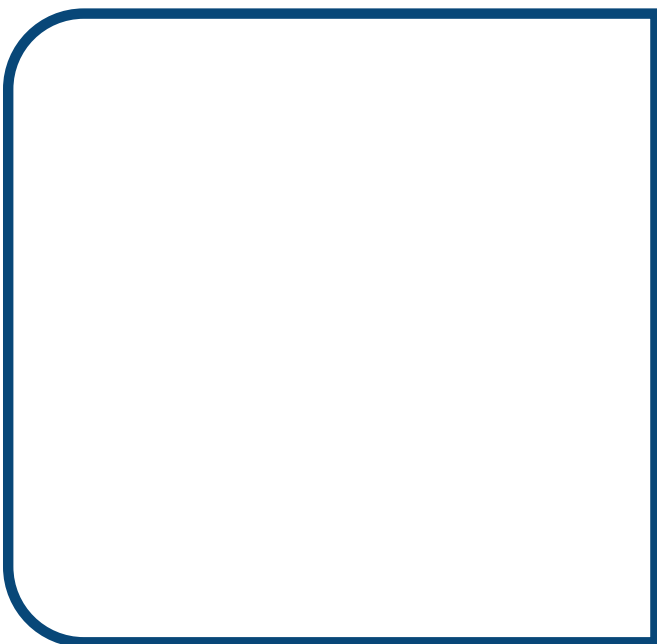
Digitization / Artificial Intelligence (AI) / Machine Learning (ML)

These are hot areas for the whole LSH industry. Big organizations such as hospitals are at the top of the list.

“Everything has to become a standard process: supply, labour management, activity planning, quality management etc, everything you think of as standards either do not exist or are rudimentary with outdated systems. There is an immense need to catch up. This means we have to do a lot of basic homework”.

This is true also for industry flagships, but at a higher level. In a way, all R&D activity in LSH is about generating data and finding patterns. Currently, managing information is more critical than clinical or bench work. Then you want to monitor patient behaviour and anticipate trends. Patients also want more autonomy through the Internet of Things (IoT) and other new tools...

So how to think in terms of data generation? How to manage “data lakes”? How to inter-connect them?



Research & Development

Interviewees spent a lot of time discussing R&D transformation. The industry is spending a huge amount of resources to innovate. Typically, 15% of revenue of Big Pharma is invested in bringing new drugs to market. The company of one interviewee even reaches 40% of revenue.

Outcomes in terms of new products is rather limited in Pharmaceuticals but better in MedTech or Diagnostic. Overall, though it has slightly improved in the last few years, experts and Boards question the limited outcome of R&D and express concerns about the efficiency of these investments.

Numerous management initiatives, including digitization, AI and ML, are pushed through the R&D function. New models also enable some companies to re-engineer their R&D by externalizing the whole process. The CEO of a mid-sized pharma in the US says:

“[outsourcing R&D] is far less expensive, but management of the company needs also to bring about a paradigm shift and develop new capabilities”.

Flexible and agile organizations

The need for flexibility and agility is a general feature of the LSH industry. One CEO described it as “overcoming enterprise inertia” or, from another, “breaking silos”. For one-third of those interviewed the challenge is internal, for two-thirds it is coming from outside their organization. For both groups, at the core lies the regulatory process and the length of the cycle.

“Approval of drugs is very, very difficult and a time-consuming activity,” says one leader. “Combining the Research, the customer need and the approval process is very complex and, even being handled by a separate unit, takes a lot of direct coordination at the CEO level”.



The first impression listening to CEOs and leaders was their humility. Almost one quarter did not answer or comment about leadership related questions. Some felt they were too young in their position. Maybe it is due to the length of the product cycle and the fact that the results of their work will be for their successor. Leaders' tenures are often shorter than product cycles. "I needed two years just to understand our business", records the head of a big medical device company.

Another explanation might be the intrinsic difficulty of making decisions in an environment controlled on one side by scientific experts and on the other by Government officials. Leadership in this business, said one French executive, must be ego-free.

Four soft skills of efficient leadership were widely cited across responses:

Understand science and technology

Cross specialty and cross expertise are nowadays required by the leader, explains the CEO of a start-up:

“In my field, a pharma leader that does not understand digital, biology & diagnostics will be lost. We are at the junction of these fields. Everything is inter-connected now. You can no longer just do phase 1, phase 2, phase 3 and then launch (...) Everything is opening up... Even in pharmaceutical, you now have to focus on Chemistry, Manufacturing and Control (CMC) at the same time... It has to be mastered by the leader”.

This is true for “noble products” like pharmaceuticals, but also for basics such as surfactants, added the COO of a European group. The customers (hospitals) care about the environmental impact:

“Breakthrough innovations are expected even for wipes. How to target specific germs in hospitals and prevent nosocomial diseases? How to prevent flooding with chemicals? How to recycle them?”

Manage complexity

Leadership in LSH is linked to the complexity of sciences and market access. Most often products or services in LSH are reimbursed in different ways and reimbursement processes are complex to master. They are very country specific, and, being at the core of public decision-making, swing according to political situations. In the words of one US CEO, it is about

“catching what escapes higher-order thinking, making connections between different dots”.



Act fast

Another set of concepts used by interviewees to describe leadership soft skills included “change”, “be agile”, and “be reactive”. The CEO of a Healthcare IT company put it in a poetic way:

“I cannot change the direction of the wind, but I can change the sail.”



Act with integrity

Another suite of attributes concerned what it takes to deliver on such concepts as “courage”, “risk taking”, “determination” and “integrity”. We were impressed not only by the level of energy needed to guide transformation itself but also by the strong ethics required to do this for the good of the patient. A seasoned head of a global organization observed:

“Ethics and compliance have changed everything for us. It started one decade ago and is continuing. Compliance is about how you interact with prescribers but also how you interact with academics and scientists. We launch one initiative every few months. It makes our life more complex and bureaucratic, but it is for the good.”



05

Talent

Identifying and engaging Talent was the issue most cited by our interviewees.

SUPPLY OF TALENT IS LIMITED IN KEY POSITIONS

a

Healthcare Personnel (HCP): The talent pool of Doctors ready to work for the industry is relatively limited. They need to have the right mindset.

“We need Doctors who are managers and commercial”.

It is true also for nurses and physicists for Nursing Homes.

“To care and accompany elderly patients is difficult. Can you accept the death of your patient? You need empathy but also commercial acumen. It is very difficult to find people having all these together”.

b

R&D and Sciences: Translational medicine is under supplied in research functions:

*“How to move from sciences to clinical? How to improve efficiency of projects?
How to understand patient needs and identify the exact parameters needed for a CT?”.*

Data scientists are also clearly part of the new talent required by the industry.

c

Technology: The whole technology family is in shortage, particularly roles such as Software developer, IT manager, Web developer, Database administrator, Network architect etc. Most of the time, they are very young, with low tolerance for frustration and in high demand on the market.

d

Frontline employees in emerging economies: New businesses in emerging economies require new competencies: Medical insurance in India and caregivers for Nursing Homes in China. These jobs require solid basic training that local jurisdictions are not yet delivering due to a lack of standards and education capabilities. Thus, companies must do the job.

e

Cross-border talent: Demand is quite different between established and emerging markets. Top tier organizations in the US and Europe have a multi-national approach to recruiting (one Belgian company was proud to show a CEO from another market and top managers from Finland, Canada and the US). The situation in emerging markets is quite different. Companies in India, Brazil and China rely mostly on their own nationals which limits their international development.

AT THE TOP OF THE ORGANIZATIONS



A

Survey respondents also shed some light on **Boards of Directors**.

In some emerging markets, but also in Western markets, the question about having an independent Board is apparently not always understood. Some respondents said: “we have one owner and an executive committee and that is enough.”

But more than one third of respondents stated they have independent Directors and diverse Boards in order to take robust decisions based on external expertise and experience. Here, LSH is probably building on the frequent usage of Advisory Boards used by Pharmaceutical companies when they need to structure medical and scientific expertise and inputs.

B

At C-suite level.

“Effective leaders in this industry are difficult to find. We need people that understand what is happening and are able to cope with high speed development. The issue is not one of HR or Finance. The biggest challenge is to find people who are strategic while strong in their own Healthcare field”.

Summary The Way We Were

It is too early to assess the impact of COVID-19 but it is destined to bring about major changes throughout our lives and thus the global Life Sciences & Healthcare industry.

The survey on which this report is based was completed prior to the start of the pandemic. Here's a summary of what we found at that time:

- The complexity of Healthcare stems from the fact it is country specific, built around the core of social, economic cultural and political assumptions.
- Global regulation is needed in order to ensure patient protection and product standards. But complex National frameworks create enormous complexity and obstacles to innovation.
- Planning of the industry is based on a paradigm of 10 or more years product cycle, meaning business leaders often never see the fruits of their insight and the real outcome of their decisions.
- LSH organizations are finally progressing in terms of digitization and much will happen to improve flexibility and agility.
- LSH is a very specific industry and has generated a specific set of soft skills in order to be able to lead these organizations.
- Talent is in limited supply in key areas for the development of companies in LSH.

The pandemic will accelerate some of the trends we have identified and will exacerbate others. But all in all, it reminds us that a healthy life and environment is one of the primary goals of our society.

We wish to thank all those who contributed to this report.

We hope this and other commentaries will contribute to the continuing improvement of our Life Sciences & Healthcare system across the world.

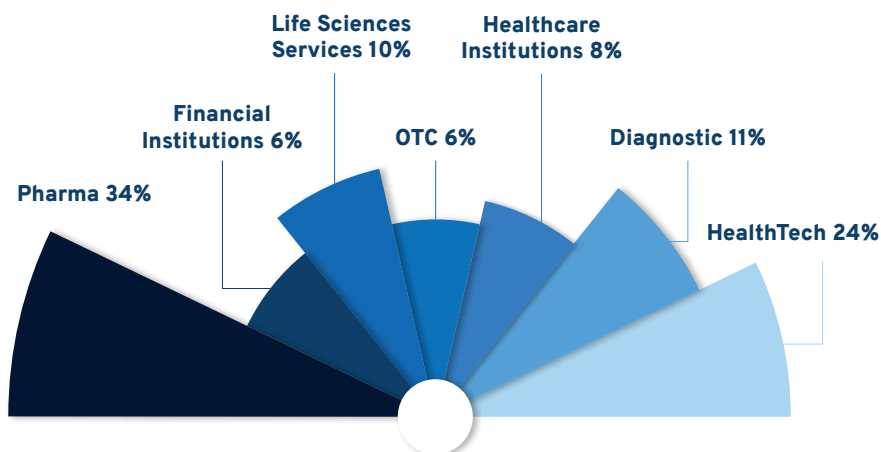
ABOUT: THIS SURVEY REPORT

OUR LIFE SCIENCES & HEALTHCARE SPECIALIZATION 2020

Between December 2019 and February 2020, Cornerstone conducted a global survey of the Life Sciences and Healthcare Industry which included 50 interviews in 12 countries.

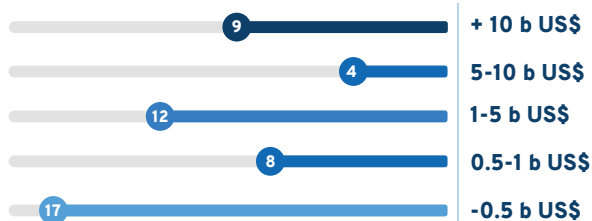
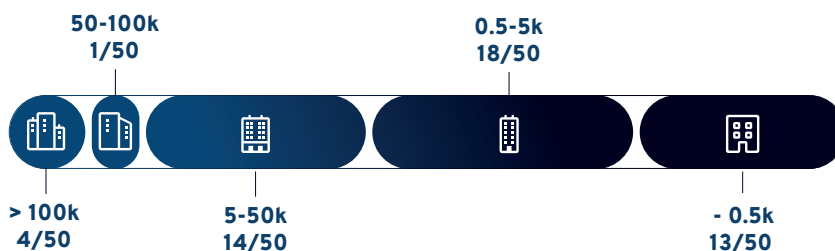
We interviewed LSH leaders responsible for global functions as well as territorial functions (country GM) and sectional functions (head of large Business Units). Organizations ranged in size from under 5,000 to over 100,000 employees and from under \$500M to 17 billion USD in revenues.

This snapshot of the industry at the start of 2020 – pre-pandemic – was assembled by our LSH team world-wide and edited by practice leader Eric Bouteiller of Cornerstone Beijing.



INDUSTRY SEGMENT

SIZE OF THE ORGANIZATION (PEOPLE)



COMPANY REVENUE (bUSD)

GEOGRAPHIES (LOCATION OF INTERVIEWEES)

France: 9
Ukraine: 4
Denmark: 4
Belgium: 2
Germany: 1
Sweden: 1
Switzerland: 1

Brazil: 6

India: 9

China: 7
Taiwan: 2

US: 4



ABOUT: CORNERSTONE INTERNATIONAL GROUP

Cornerstone International Group is an executive recruitment and development organization with 52 offices in 37 countries. Our Life Sciences & Healthcare (LSH) specialization is global and directed by Team Leaders in China and Europe.

Cornerstone last year celebrated 30 years of executive search and talent management excellence. We provide a complete suite of talent solutions, from finding future-proof leaders to growing performance & maximizing careers.

See back cover for contact information.



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