

Living in hard times

Maintaining knowledge and experience internally is a challenge in today's financial climate, in SMEs and in big pharma. This article provides some tips on how companies can maintain their best staff or find reliable alternative options, especially at the critical level, when downsizing is inevitable or 'class acts' are unavailable

All companies evolve as requirements shift, whether to address market factors, eg looming loss of blockbuster portfolios, thinner pipelines or a further shift towards biologics. Different talent components and management skill requirements emerge (even downsizing groups have work to do and, it could be argued, have an even greater need for expertise), particularly to manage new forms of resourcing effectively. A clear strategy in resource management by leadership teams can optimise this, even in a depressed environment.

Pharma companies are now reacting in a comprehensive manner to the financial and regulatory realities of the past few years. However, as the sector evolves to meet the new challenges by losing staff (in what was previously seen as core areas), the need to access such critical expertise or retain key internal talent, remains. As an aside, SMEs have never had to live with anything but an internal expertise shortfall, their survival depending on a few key players who have needed to show a high degree of loyalty in good times and bad. In some ways they thus are better prepared for tougher times even though their problems are compounded by lack of follow-on investment.

Historically, in major pharma, 'top gun' discovery and development professionals, and their teams, had the capacity to cover many scientific and medical questions internally, often in resource-rich environments. This allowed big companies the luxury of multiple resources which they could manoeuvre appropriately, topped up by minimal external resources (see Classic Resourcing Model figure). They retained the capacity to plan programmes strategically and deliver tactically, assess and cope quickly with negative outcomes, through

leaders able to give appropriate structural guidance proactively, to maximise the chances of keeping programmes on track.

The reality is that such people, giving the direction and mentorship that differentiates success and failure, are increasingly rare and the historical training grounds of big pharma for the next generations are shrinking. This is creating problems and delay-creep in programmes for which it is difficult to undertake remedial action, given the historical cost and timelines needed to find or replace expertise. This latter issue does not have to be the case, however.

In today's reality of diminished resources, how do you access talent?; how do you keep what you do have or how do you get what you need (if it is no longer embedded within the apparatchik)? The 'hows' of managing critical knowledge and the personnel who hold it, in times of change, should include the following:

- How to retain access to critical knowledge
 - How to keep your 'top' people or those you need short-term and how to motivate the key personnel for the future.
 - How to get what you need, when you need it, when other options fail.

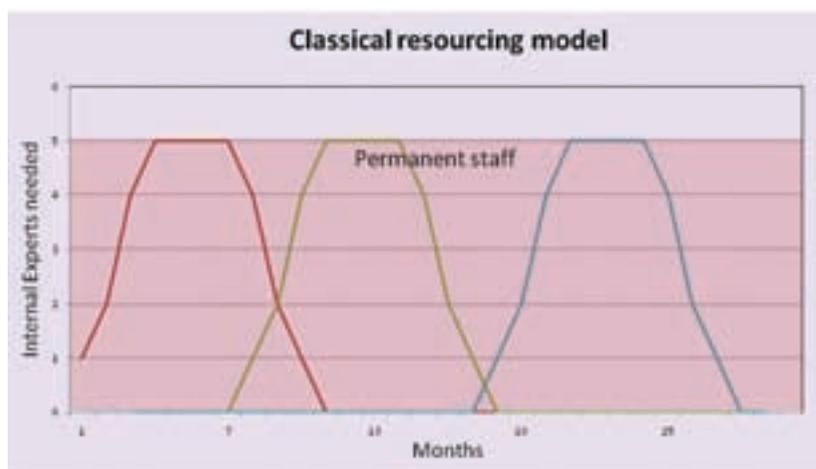
How to manage access to good people in hard times

Better to retain than replace

The elements that attract and retain stellar people are easily identifiable – intellectual challenge, an environment conducive to productive work (including collaborative, enthusiastic colleagues and a reduction in politicking), some future career enhancement mapping (even when groups are

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shrinking) and good remuneration policies that reward effort and impact.

It is obvious downsizing creates instability and not everyone will be fighting to stay in an organisation which they perceive as diminishing. Particularly for the high-flyers, where there are fewer career enhancing opportunities in flatter or diminished structures. They may find it easier to move on now, with the redundancy package to bolster them, to achieve their goals. The best people remain in high demand and some specialties – modelling, regulatory, translational medicine, certain therapeutic areas – are increasingly competitive. Even now, with substantial downsizing releasing experienced staff on to the market, one still cannot rely on top talent being available and easy to attract or loyal. Especially as some companies remain very attractive, with intellectual engagement and new faster-moving structures in place (plus the financial resources to pay well and with considerable flexibility in supporting relocations) and they can afford to cherry-pick their staff. Worst case scenario is when the best leave because they can and the mediocre remain.

Sensible companies will already have an impact assessment strategy in play before any major announcements, whether to protect team spirit when losing colleagues or to provide insight on the advantages and/or skills enhancement of bringing in new blood. If a new person is a 'risk' to a valued incumbent, plan for potential replacement, redeployment or reincentivisation.

Is inappropriate retirement an issue? The workforce is ageing, even in R&D. In times of change, older staff may think that now is the time to retire or move into consultancy. Capturing their knowledge and expertise, which is often largely within their heads, is a challenge. Far better to incentivise,

retain them for longer and proactively plan for some form of knowledge management structure (and we're not talking about an IT solution but the deliberate and structured mentoring and sharing of skills and ideas which are part of the 'growth' of more junior staff or new staff). Using departing talent as consultants can only work if there are no conflicts of interest arising and can be seen as 'bolting the stable door after the horse has fled'.

Financial packages, when cost-cutting is the order of the day, are always an issue and retention or recruitment incentivisation should be comprehensive and not just managed with an eye on the immediate bottom-line. So:

- Salary premiums, creative equity sharing, formal career support and market/business exposure are components of the package which managers must be able to negotiate in order to retain top talent. Additionally, packages need regular review and should be adjusted to reflect current market conditions for that individual, not just as part of an annual assessment. It is notoriously difficult to assess a reference salary range for a high-flyer because most available data is averaged. If in doubt, ask a senior executive search person you trust. Remember, when a retention bid needs to be rolled out in a hurry to keep a disaffected key player, it is often too late. A good head-hunter will have already countered any such strategy by asking, "Why didn't the company offer what you seem to be worth earlier, without you having to hold a shotgun to their head?" and "How can you trust them in the future?"
- Many share incentive plans are judged by employees to be a small part of their main remunerative package and are better replaced with defined cash schemes based on tough targets.
- If there is need to move staff during consolidation exercises, especially across borders, support measures should genuinely support (some groups/managers still have a local mind-set or cannot see the bigger picture).
- Give greater 'ownership' to key players so they feel part of the change process through maximal communication, if necessary by devolving responsibility and increasing involvement throughout. It is imperative to maintain two-way communication as the company evolves. During change, the politics of uncertainty can intrude between employees, the top management and the Board, etc. Lines of communication are blurred and updates are given less frequently than is optimal, with identifiable cases of communication lines being deliberately blocked.

● Use opportunities to give extra responsibilities. If performed successfully, acknowledge that success and reward it somehow, even if not financially. Short-term sharing of top echelon perks is surprisingly effective in SMEs and perhaps big pharma might learn from that.

The mark of real leadership in uncertain times is not only creating or translating the vision and delivering on it but also in identifying, recruiting, retaining or structuring access to the talent that is needed to do it effectively. This is vital in effecting necessary change while ensuring the retention of key knowledge. This is actually true whether a company is in growth mode or downsizing. Leaders do not always take this as seriously as they might when concentrating on firefighting. Unwanted loss of critical people at the strategic and tactical level of companies have too often been triggered by downsizing events, where management failure in handling this sensitively was obvious to outside observers.

How to get what you need, when you need it, when retention cannot be achieved?

Cost-reduction strategies involving core skill downsizing have not been very effective to date in delivering savings and maintaining continuity of performance in R&D. At a time when management faces a need to cut high headcount costs, what they get is a debilitating skills/knowledge deficit, particularly in access to highly skilled pharmaceutical development staff. The option of fully staffing development departments across all TAs and functions is long gone. Investing in permanent staff for single or intermittent issues is no longer practicable, given the fluctuations in requirement (especially with impoverished pipelines).

Pharma is seeing a consequent reduction in its ability to react quickly and/or access the expertise needed to deal with the numerous opportunities, problems or even planned capacity issues that arise.

There has been no suitable model to date for cost-effectively replacing the innovative, expert staff needed to run pharmaceutical pipelines creatively. Companies have historically resisted outsourcing at that level to contractors, fearing the introduction of errors, delays and poor regulatory compliance. As a result, only routine process tasks, such as manufacturing, data management, clinical trial monitoring and payroll have been outsourced massively, so far. These are considered to be low risk elements, which is essential in a risk-averse

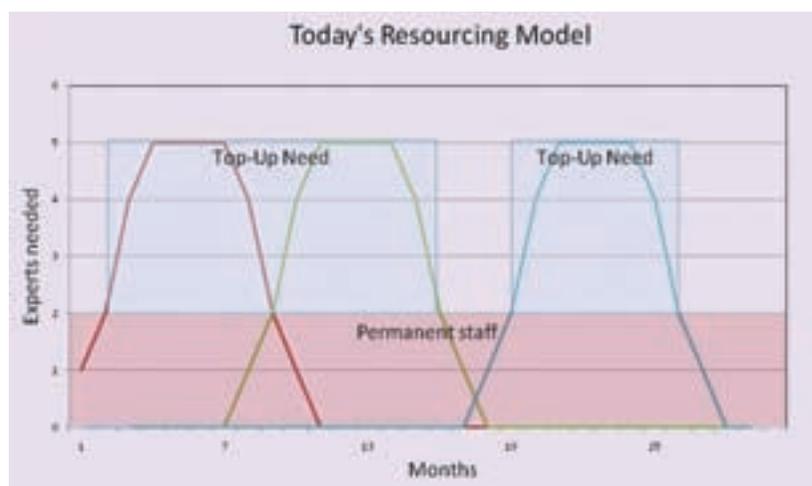
and highly-regulated industry, where development can take years and errors can have expensive and long-standing consequences.

Over the past 15 years we have seen such resourcing of relatively routine activities by in- or out-sourcing continue to grow but, more recently, the loss of critical talent internally means companies are turning to external sources for the real (and sometimes core) expertise required to maintain standards, speed and risk containment. Such intermittent resources are generally only available as freelancers or through small consultancy groups, unsupported by the tools required to maintain the high standards industry is mandated to have, such as IT infrastructure, continued professional training etc.

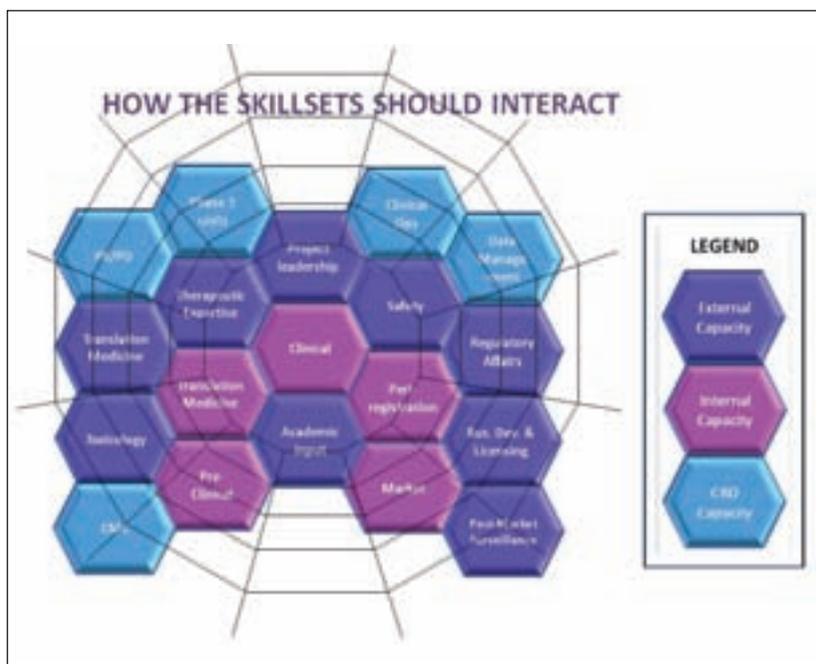
We now see an accelerated need for reliable alternatives to the hitherto usual R&D employment or resourcing via interims models, ones that are designed to fill the skills/expertise gap when necessary/as necessary, yet maintain that vital continuity of performance.

This need can only be fulfilled by:

- A fully flexible resourcing model which allows companies to access expertise on an 'as needed' basis, to fill skill, experience and/or resource gaps, as they occur yet provides:
 1. Layered, integrated teams of experienced professionals to exactly match each company's needs at every stage, including routine access to respected industry and academic leaders, who are able to bring creativity towards fast-tracking projects or a greater chance of success.
 2. Teams which can be fully integrated within a client's own structures, tailored to fit with



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There is a critical need for organisations to provide such talents (outside the normal CRO structure) and these groups are now appearing. One such is TranScrip Partners, which is a partnership of pharmaceutical professionals offering a wide range of expertise in drug development and commercialisation. The team consists of highly skilled, experienced Senior Partners and Partners, supported by Associates. Working across a wide range of pharmaceutical sub-disciplines and therapeutic areas, these organisations have the collective experience to augment pharma's remaining resources in a cohesive and structured way, on an 'as needed' basis. The partnership model offers individuals or teams of pharmaceutical professionals and allows mixing and matching of time dedicated to each project by different experts, as required, without the need for costly use of a series of interims. **DDW**

a client company's own business model and yet longitudinally flexible enough to change its team structure as programme requirements evolve.

3. Leadership and continuing oversight systems for every project team by the most appropriately experienced individual, whether an in-house manager or external expert that ensures 'Best in Industry' standards.

- This new method of working requires a realignment of attitudes to resourcing within 'conservative' in-house groups, who can see outsourcing of expertise as a threat (as was seen 15 years ago when CROs first entered at the operational role level).

Paul Branthwaite has nearly 30 years of experience, including consulting and lecturing internationally, within the pharmaceutical and biotechnology sector. He is now a Senior Partner at TranScrip Partners, where he consults and leads business development but remains as VP & MD Europe for Bench International, the global executive search team. Paul has worked in marketing, personnel resourcing, business development and clinical R&D in a wide range of therapeutic areas. Among his achievements was being a member of the Cyclosporin-A development team that made routine organ transplantation possible.

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