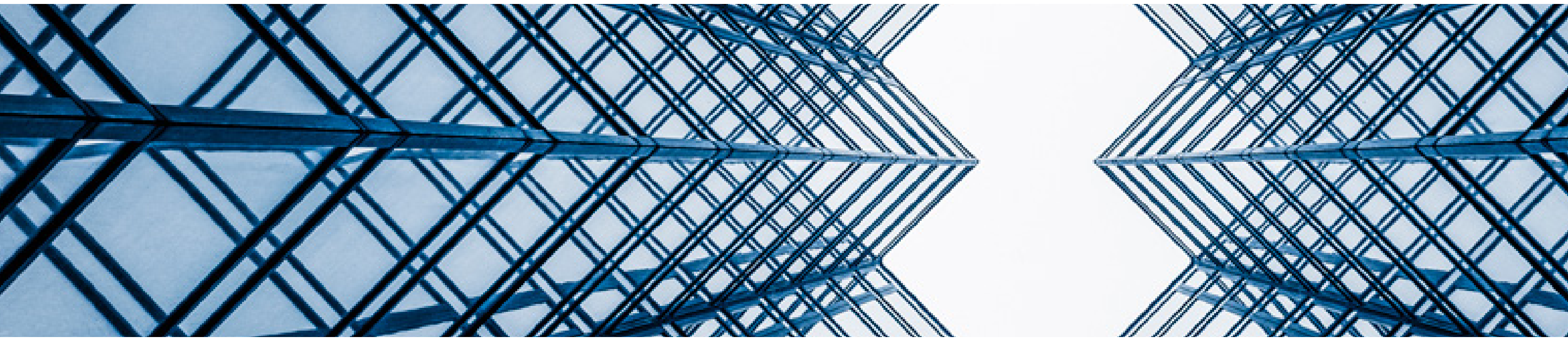

# The Life Sciences Leadership Imperative

## Rethinking success in the Middle East and Africa

The emerging markets of the Middle East and Africa (MEA) are the most recent focus for growth among pharmaceutical and life science companies. The US, Japan and main EU markets continue to dominate the life science sector in total value, with healthcare spending growth in North America projected to rise by 4.6 per cent annually until 2019. By contrast, spending growth in MEA is forecast to rise by 9.3 per cent annually.

Countries in the MEA region, more than 70 in total, differ considerably in size, population, culture, GDP, and wealth. Healthcare systems differ too, yet present remarkably similar challenges: access and affordability of healthcare, quality of facilities and services, availability of healthcare professionals, and disease burden.

Rising populations, an expanding middle class, and an increase in non-communicable diseases, such as diabetes, cardiovascular conditions and oncology, are driving the demand for improved quality of care and more advanced drug therapies. Additional drivers include mandatory health insurance, which is expected to be fully in place in most Gulf Cooperation Council (GCC) countries by 2020, with plans to address insurance reform also under way in Nigeria, South Africa and Kenya.

While there are promising revenue opportunities for those companies that make prudent investments in MEA, much depends on understanding the needs and priorities of the countries that make up the region. Companies must have especially high-quality leadership and management vision to operate successfully in such diverse territories. In addition to complex issues in each locality, there are challenges in attracting and retaining the necessary people to execute strategy.

# Private sector participation

In response to growing heathcare needs, governments throughout MEA are investing in infrastructure, building technologically enhanced primary care facilities, improving diagnostic capabilities, and expanding health screening and access to medicine. They need and welcome the involvement of the private sector in fostering commercial excellence and participating in government partnerships on disease-management and public-awareness programmes.

Life science companies are responding, some with unprecedented investment. Sanofi has opened a $95 million warehouse in Algeria, the largest of its type in Africa. Roche Diagnostics Middle East has become the first in-vitro diagnostic company to have a management centre and logistics hub in the Middle East. A €70 million factory is under way in Iran by Novo Nordisk. Meanwhile, Bayer HealthCare and Merck Serono are both working with governments in the Gulf on projects such as the creation of education and training programmes for health workers, research centres on diabetes, or awareness campaigns in schools. The list of companies becoming more active in the region is growing rapidly and includes Eli Lilly, Novo Nordisk and Novartis.

The shift in the MEA marketplace from one of selling operations to one of major investment locations requires changes in companies' activities across the value chain. Considerations include strategic geographic presence, regional offices, market access, manufacturing decisions and operational excellence, all of which must be carefully considered when developing a talent management plan.

## A STRATEGIC GEOGRAPHICAL PRESENCE

Life science companies that group emerging markets with developed markets or lead from global headquarters may send the wrong message to governments, which prefer to partner with companies that demonstrate a commitment to healthcare in the region and participate in the development of local talent.

In the Kingdom of Saudi Arabia, for example, foreign-owned healthcare providers must work within increasingly stringent government controls on ownership and meet hiring and training expectations. Those companies that wish to take advantage of Saudi Arabia's pharmaceutical market, the largest among GCC members, will be expected to hire Saudi employees, participate in the training and development of local talent to curb the country's high unemployment rate among young workers, and partner with the government in developing the economy.

Companies without a local presence are less likely to engage with necessary stakeholders, understand the depth and complexities of the business environment, or make optimal, informed decisions. They risk financial exposure while generating sub-optimal returns on investments and resources. Inevitably, such compromises affect market access and opportunities for growth, and they may end up shut out of the market entirely by competitors who pay greater attention to larger national and local interests and offer a more comprehensive value proposition.

At present, the spectrum of geographical presence among life science companies is very broad, ranging from no presence, to strategic/selective presence, to full coverage. The decision over which footprint to adopt depends on each company's ambitions in the region, its strategic plans, risk appetite, business model, and service and products offerings.

## STRONG REGIONAL OFFICES — THE BENEFITS

Well-resourced regional offices create high visibility in the marketplace and help life science companies make more informed, commercially advantageous decisions. With the right people on the ground, regional offices can develop local knowledge, share accurate communication, feedback to global headquarters, evaluate forecast data more accurately, and make efficient use of resources.

> Well-resourced regional offices make more commercially advantageous decisions

Companies with strong regional offices also send a positive message to regulatory bodies, communicating companies' long-term intentions and investment, and positioning them for wider market access and a preference in contract awards. They can win favour with governments through public-private partnerships and by taking a proactive role in creating jobs, developing a local workforce and demonstrating social responsibility. Sustainable management training and education programmes not only attract the best local talent and work in sync with government initiatives, but are essential if a company wishes to grow with the market.

Even in the absence of government pressures, however, a local presence allows companies to understand the forces influencing all relevant stakeholders and to capitalise on that privileged knowledge. They are better able to respond to value propositions that go beyond products and services, assess pricing methodologies in different regions, and widen market access.

## Corporate culture — a critical factor in leadership decisions

Culture has a powerful effect on business results. The right culture can encourage innovation, growth, market leadership, ethical behaviour and customer satisfaction. By contrast, a misaligned or toxic culture can erode business performance, diminish customer satisfaction and loyalty, and deflate employee engagement.

Culture represents the "unwritten rules" for how things really work in the organisation: it is the manifestation of the shared values, beliefs and hidden assumptions that shape how work gets done and how people respond to one another and to marketplace developments.

CEOs and other top leaders tend to have a strong impact on the culture through what they emphasise and the examples they set.

In MEA, national culture adds a further layer of complexity to the way business is conducted and is a significant factor in leadership appointments. Cultural sensitivity is especially critical in a region where traditionally trust, order and authority play a key role in business relationships and where diversity and compliance issues are priorities due to the complex mix of nationalities and backgrounds in the workforce.

### A framework for thinking about culture

Having an integrated framework for assessing corporate culture and the personal styles of individuals makes it possible to apply insights about the culture to leadership and talent decisions.

To fully understand an organisation's culture, the most important dimensions to consider are the manner in which the organisation responds to change and whether it tends to think of its people as individuals or groups (i.e. is there a leaning towards independence or interdependence).

Spencer Stuart has identified a set of distinct socio-cultural styles or "basic assumptions," which apply to both cultures and leaders. Together, these styles can be used to describe and diagnose highly complex and diverse behavioural patterns in a culture, which helps to understand how an individual executive is likely to align with and shape that culture.

Each style represents a distinct and valid way to view the world, solve problems and be successful, both as individuals and as organisations. While no single style can fully depict a culture or personal style, individual styles and organisational cultures tend to be more heavily weighted in two to three styles that reflect their orientation toward people and change.

For example, a culture that emphasises learning and enjoyment will be characterised by a greater tolerance for risk-taking and exploration, and individuals who thrive there will value their autonomy and constantly seek the next new thing. By contrast, a culture that emphasises safety and order will prioritise risk management, efficiency and stability, and the individuals who thrive there will be careful and concerned about how their actions affect the company and their co-workers. An organisation's dominant cultural style invisibly drives individual behaviour and decision-making and reflects "what it feels like" to work there.

Questions life science companies in MEA should be asking:

» What is our existing culture and does it support the future vision and strategy for the business?

» In what ways does our corporate culture need to be adjusted to enable us to meet the needs of customers, partners and employees in the region?

## MARKET ACCESS EXPERTISE

To profit from the growth anticipated in the Middle East and Africa, companies not only need to adapt their commercial models to reflect the ever-evolving dynamics of the region, but they need to do so quickly, recalibrating their strategy when shifts in government policy or focus occur. Traditional sales and marketing and tender-focused market access approaches are inefficient and offer no competitive advantage. They are being replaced by innovative market access solutions, often dependent upon working in conjunction with government, payers, tendering bodies, regulatory authorities and advocacy groups.

The international reference pricing (IRP) process within and across markets is complicated, and the sequence of a launch must be carefully crafted in order to avoid problems with price benchmarking. With strong local knowledge, launch sequences are better optimised, with market access strategy continuing through to post-launch.

Market access planning must span multiple functions across the whole of the organisation. This may require rethinking some of a company leadership's working assumptions and include the following measures:

- Engagement with payers and governments in order to help shape healthcare policies and infrastructure. For example, pharma companies might share expertise, including data, to demonstrate the efficacy of various interventions, thereby helping governments develop timely and efficient healthcare solutions while maintaining cost efficiency.

- Collaboration with government and other payers in the process of decision-making on specific drug and treatment programmes. This could begin as early as when a drug is being evaluated by the FDA or EU so that the process of registration can be done in tandem, with the drug available for use immediately upon FDA or EU approval.

- Prioritising market access early in the development of a drug from its clinical stage to launch and through the post-launch period.

- Clear differentiation of drugs and services including comparative measures that show the economic and health benefits of specific drugs or clinical programmes. Partnering with payers in creating innovative pricing.

- Evaluation and optimisation of the tendering process, examining the effect of tenders on various stakeholders and gauging the impact on patients and quality of care.

- Harnessing digital tools and social media to open up new channels and develop content that will engage new and existing customers. Agile and flexible business models are necessary in order to offer new value-added services and innovative pricing.

## ADVANTAGES OF LOCAL MANUFACTURING

Life science companies no longer view emerging markets simply as locations in which sales and marketing teams can sell directly to health authorities and medical institutions. Instead, they are developing an additional value proposition in manufacturing and operations, building local distribution and manufacturing centres where possible and hiring local nationals to run them.

Throughout the region, governments offer pricing advantages to locally manufactured goods. Local manufacturers also have more chances to register the product and win tenders, giving operations a dual benefit. For example, Algeria's limitation on imported drugs, Iran's refusal to register drugs that can be produced locally, and Saudi's preferential pricing, all demonstrate the advantages of an investment in manufacturing.

However, manufacturing investment decisions in life sciences are particularly complex. Even with strong prices and high annual growth, returns on investment vary substantially. Rewards derived from a locally situated manufacturing operation in one country cannot always translate to a neighbouring country, so investments must be heavily prioritised and multi-focused. Additionally, local regulatory requirements may compromise economies of scale and must also be taken into account when setting up operations locally.

Beyond manufacturing, positioning specific operational functions within the region can offer further opportunities to integrate with local economies and invest in resident talent. This satisfies government hiring expectations and demonstrates that companies are supporting and training nationals for operational capabilities such as production, supply chain or quality management, exposing them to best practices around the world. First movers have the advantage of cherry-picking the best local talent and empowering their workforce, which is essential for scale and sustainability of the business.

# Talent considerations

## COMPETING FOR TALENT

A strategic geographical presence with strong regional offices offers attractive advantages to life science companies operating in MEA, but can be difficult to put into practice. In many countries in MEA, a scarcity of available talent means that senior roles cannot be easily filled. The result is a significant talent gap, with companies competing for the best leaders in the global market.

A significant talent gap means that senior roles cannot easily be filled

Companies whose investments in the region seem meagre or fragmented fail to convince prospective candidates that sufficiently attractive leadership opportunities exist. If opportunities in MEA do not offer candidates obvious value in developing their competence, with further opportunities to progress within the organisation and potentially grow beyond the region, then those candidates may exclude themselves from the selection process.

## EARLY SUCCESSION PLANNING

Even with clear career development opportunities and a strong employer brand, the fact is that some executives will leave. A succession plan for replacing leadership talent has to be established early, even from the moment of recruitment, in order to build and preserve future leadership capacity in the organisation.

Those competing for talent in MEA may be tempted to offer inflated remuneration packages both to attract and retain talent. While reward packages must be competitive, they should remain only part of the attractiveness of a position. Our view is that competing for executives on salary alone raises the risk that new hires may be easily lured by competitors willing to offer yet larger financial packages. In addition to the costly disruption, executives who depart unexpectedly usually leave behind no identifiable successor.

## ATTRACTING TALENT INTO THE REGION

Companies need to be thoughtful about the balance of “westernised locals” versus “localised westerners”, with a strategy that takes into account the role and the scope of appointments. While expats may still be considered the experts, their value is most importantly expressed by the passing on of this expertise to a local workforce. Efforts at attracting senior management talent must always be approached with this key consideration in mind.

A succession plan for replacing leadership talent has to be established early

It is often difficult to secure westernised locals in senior management positions in MEA. They are highly sought after due to the breadth of their experience, their linguistic abilities and their cultural understanding. They are uniquely positioned to provide both solid knowledge of the culture and the ability to communicate the needs of the market up to the regional office and ultimately to company headquarters. Those who wish to attract westernised locals should be aware that they are in very short supply and must be actively recruited.

> Life sciences experience remains important, but some companies should seek talent more broadly

While westernised executives from MEA can be part of a global management plan, headquarters need to craft effective attraction and retention plans. Uncertainties over political unrest — concerns shared by multinationals in many different nations across the globe — make some candidates reluctant to relocate. Issues surrounding dual-career families, limitations imposed on women in management, and disruption to children's education are additional deterrents to relocation. Addressing perceptions about the country to which executives will locate, assurances about career paths, as well as infrastructure support networks, are therefore critical factors in attracting talent into the region.

## BROADENING THE CANDIDATE POOL

Knowledge and experience in life sciences remains important, but some companies should seek talent more broadly. For example, life science businesses have been hiring from the FMCG sector for some time as FMCG companies have a long history of working in emerging markets and an impressive record of growth.

Even so, there is a reluctance to recruit people from FMCG or even generics into specialty businesses, despite the fact that even the most advanced therapeutic areas such as oncology are facing increasing competition from generics. Given the pace of change in life sciences and its move towards a more consumer-driven model — with health-related decisions no longer the exclusive providence of physicians, but also being made by pharmacies, hospitals and patients — importing talent from the more commoditised industries makes sense. Potential hires may come from fields as far removed from life sciences as management consulting or financial services firms. Factors such as leadership potential, capabilities, agility, and true cultural fit are becoming just as important as industry-specific experience.

## LOCAL TALENT

Life science companies from outside MEA must be aware that home-grown regional players in the sector have increasingly sophisticated HR strategies and inherent cultural knowledge that gives them an advantage when it comes to talent management in the region.

Moreover, the dynamics of attracting and retaining local talent are shifting quickly and are often country-specific. Companies in these markets need to stay ahead of current trends and be flexible in how they attract and retain local talent. Career development cycles are often halved in MEA due to businesses growing so fast, and talented individuals expect to be involved in high-level business issues early in their careers.

> Multinationals must be sensitive to the soft signals that demotivate high-potential local talent

Companies that compete on salary in lieu of development opportunities for junior management may experience retention issues later on, with cycles of high turnover undercutting profitability and contributing to an ongoing talent shortage that stalls the creation of a cohesive, working environment — all of which threatens market share.

Multinationals from outside MEA must be sensitive to the soft signals that demotivate high-potential local talent. An absence of rigorous career development programmes or a lack of local nationals in senior management positions may discourage local talent from staying in an organisation if they believe they will not advance swiftly enough or have a reasonable chance at a top job.

> The dynamics of attracting and retaining local talent are shifting quickly

Life science companies should also consider the business case for encouraging more gender diversity. With few women in leadership, talented women may be deterred from putting themselves forward for positions and may even look for opportunities in other sectors.

# Conclusion

Exciting opportunities exist for life science companies in the frontier markets of the Middle East and Africa. Over the past decade, healthcare in most countries in MEA has experienced double-digit growth as ambitious government reforms address the quality and availability of care throughout these regions. Increases in life expectancy, a rising middle class, and an upward trend in non-communicable diseases have all driven government investment in healthcare. Some GCC countries have introduced mandatory health insurance, shifting some costs on to the private sector and fostering further growth in private care.

However, life science companies wishing to take advantage of ambitious healthcare reforms need to act quickly as there are competing players with substantial investments already in the region. Companies need to make strategic decisions about their geographic presence as governments throughout MEA, keen to bring quality and access to healthcare into alignment with standards elsewhere, offer far better market access to those companies with which they have formed public-private partnerships.

Traditional notions about market access will no longer work. Companies need innovative market access solutions, including plans to collaborate with governments from early in a drug's life cycle, to invest in local talent and local manufacturing, and to expand the value proposition offered to payers generally.

While there is significant scope for growth and profitability for life science companies, managing organisational strategy and talent poses specific challenges in the Middle East and Africa. Companies should align their strategic thinking with the necessary talent to do the job. The pool of available talent in some areas is inadequate to fill key positions, making it necessary to bring in expatriates, at least in the short term. Success in the region will depend on the ability to attract and retain talent and foster leadership development among local nationals. Companies should be willing to readjust their attention to talent when strategy shifts, which it is likely to do in this dynamic region.

SpencerStuart

## ABOUT THE AUTHOR

Dr. Rony Touma specialises in the appointment of senior leaders in the life sciences and consumer industries and is based in Dubai. As a former executive in the pharmaceutical, healthcare and consumer industries, Rony brings first-hand insights to his searches for senior executives and non-executive board directors. Prior to joining Spencer Stuart, he worked at Novartis, where he held several leadership roles spanning regional general manager, market access and policy, strategy and commercial development in the Middle East, Turkey and Africa. Rony has also worked in management consulting. His experience spans four continents at the affiliate, regional and headquarter levels in the US, UK, Europe, Middle East and Africa.

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