

Pharmaceutical Executive

THE PEOPLE PUZZLE



How do you find employees that are the right fit and keep them in the picture? Get involved, get visible, and be patient.

By J. Kevin Day

There is probably not a senior executive on the planet who, at one time or another, hasn't raised an eyebrow or two to express exasperation over "people problems." But just try to run the modern business corporation without them. Forget the Internet chatter about the peopleless workplace. There's no substitute for the contribution people make to the bottom line.

That bottom-line contribution is not a given, however. It depends on how well organizations bring on, nurture, and retain winners. You don't hear many senior executives of pharmaceutical, biotech, and medical-device companies complaining about the impending "war for talent" that was a common refrain five or so years ago. In many areas within life sciences companies, there is no shortage of talent. "There is enough talent out there for most positions, if you're willing to look hard and be patient," says Ross Jaffe, managing director of Versant Ventures, a healthcare-focused venture firm in Menlo Park, CA.

But, in a number of critical functions, top talent is as rare as identical snowflakes—and just about as fleeting. "We're

seeing shortages of top research and development talent," says Joerg Reinhardt, CEO of Novartis Vaccines and Diagnostics. "In R&D, you really need specialists coming from the pharmaceutical area—there is an absolute scarcity, especially on the management level."

Kimberly Popovits, president and COO of Genomic Health, a California biotech that specializes in molecular diagnostics, says that the exponential growth of industries such as targeted therapies, biomarkers, and molecular diagnostics has outpaced the training and expertise of most regulatory personnel. "There just aren't enough people who have caught up with these evolutionary changes," she remarks.

But talent scarcity is only one issue. The other is cost. Employee churn can be an expensive proposition, with serious bottom-line implications. According to a chief career officer at the HR solutions provider Adecco, writing in April on forbes.com, a company of 40,000 full-time employees will likely save \$140 million annually by reducing annual turnover from 40 percent to 15 percent. And the churn is spreading. *Forbes* also reports that last year, in one month alone, almost one-third of American Internet users visited an online job site like monster.com.

Employee-turnover calculators have sprung up all over the Internet. They allow employers to figure out costly variables such as the hiring manager's salary, the cost of each training day, and the cost of having the position remain vacant while a search is under way. Employers can see just how much money is walking out the door every time they lose a talented worker.

Whether driven by scarcity, cost, or just the ongoing need to engage the best and brightest, smart executives in life sciences companies are attacking the issue at both ends. They are looking for new ways to attract winners, keep them motivated, and build loyalty for the long term.

Identifying Winners

The first part of this equation—attracting top-performing talent—is as much about method as the actual talent pool, no matter its depth. One rule of thumb: Avoid the delegation trap during the search process. “Many people believe that it's Human Resources' job to hire and keep people,” Novartis's Reinhardt says. “That's the first step on the road to disaster. Looking for, interviewing, retaining, and motivating talent need to be a significant part of senior executives' job duties.”

It is critical for executives on a talent hunt to think in new directions. For example, Reinhardt favors selective hiring from other industries for certain support functions. He finds that people with a different perspective “add immense value to the talent mix, especially when teamed with experienced pharmaceutical people.” Making a job search an out-of-industry experience can also help diversify an organization's talent pool over the long term.

Creating market buzz about your company can be an effective method of gaining access to talent. Popovits says that Genomic Health began conducting open houses of its facility, making an overview of the company's business model an integral part of the tour. “We wanted to draw top minds

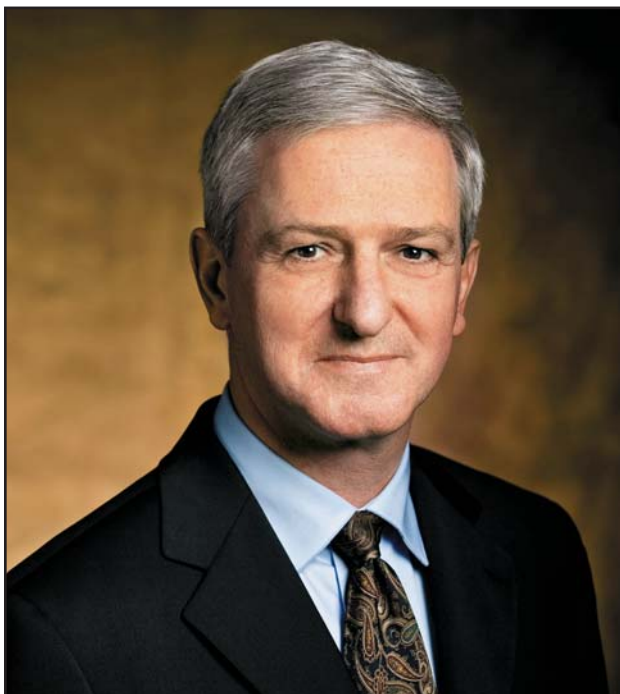
who were considering going into the clinical lab practice or who were thinking about entering the business world,” she says. “The results have been stellar. It is no longer as difficult to recruit very impressive candidates.” Word of mouth about the company has spread. “The number of talented people who now seek us out is dramatically increasing.”

Given the number of job seekers going online, it is not surprising that an increasing number of companies are exploring new ways to tap the Internet's potential in the hunt for talent. Marco Rosa, vice president of Human Resources at the opto-electronic manufacturer Carl Zeiss Meditec, says that in addition to the tried and true—his company has tripled the size of its referral program—Rosa has turned to Web-based job boards to boost his company's visibility. “Three years ago, people didn't know we existed,” says Rosa. Not anymore: The difficulty now is plowing through the mountain of resumes.

In addition to trying innovative new techniques, a very old practice—the mastery of which has long been counseled by both Zen archers and Little League batting coaches—is vital for finding talent: patience.

“Don't rush to judgment,” says Mel Engle, regional director, North America, for Merck Generics Group and president and CEO of Dey, a \$600 million manufacturer, marketer, and supplier of inhalation therapies and anti-allergy products. “We don't settle,” he declares. “We select.” He suggests that others do likewise. “Go slowly. Hiring decisions last a long time, so even though you feel the urgency of the vacancy, make sure you do it right.”

Versant's Jaffe agrees and remembers a time that a rush to judgment backfired. “We were in the middle of a search,” he recalls, “and we compromised on somebody who we thought would be OK, even though we knew that person had some weaknesses.” It was a big mistake and resulted in



“I'm the head of a division,” says Novartis Vaccines' Joerg Reinhardt, “and 10 percent of my own performance assessment depends on how well I train and develop my people.”

another costly search. “You're better off being disciplined and patient and continuing to look for the right person,” Jaffe cautions.

Patience tends to have a higher payoff when you have benchmarks to measure prospective hires. Suggestion: Put teamwork high on the list. As Jaffe puts it, “Success, particularly in small companies, is a team sport. Individual prowess is important, but in the end, it's a team effort that makes companies successful.” He quotes the old adage that “‘A' people hire ‘A' people; ‘B' people hire ‘C' people” and adds that “we're looking for the guys who can build an A team.”

Jaffe's point has merit. Hiring is no longer just a matter of looking for the superman or superwoman in the haystack. Work in the modern enterprise is done largely in teams. If a super player isn't also a super team player, then you'd best take a pass. While solo accomplishments are important, don't forget to take a long, hard look at the person's team performance. How did other members of the team perform under this person's leadership or in partnership with him or her? How did the prospective hire deal with the team's conflicting interests?

Jaffe likes to home in on how well a prospective hire would apply past experience leading teams to the new situation by asking: "What's your management strategy for our company? What kind of talent do you perceive that you're going to need around you to win in this market opportunity, with this technology? What kind of team will you build in this company to excel?"

Questions like these can tell you more about a potential talent acquisition than the merely skin-deep data of an individual's quarterly performance numbers. It could prevent the costly mistake of letting a potential MVP go to the competition.

Keeping Your Best

Regardless of the quarter-to-quarter vagaries of the job market, keeping top-performing stars is an ongoing challenge. As Jaffe says, "The best talent is able to recognize the best opportunities. If they don't continue to believe that they are part of a high-performing team in a top company, they will eventually be attracted to a company they perceive to be more interesting."

Retaining winners has many advantages, from leveraging the ability of stars to raise the performance levels of those around them to neutralizing the threat of having your crème de la crème siphoned off by competitors. Chances are, if you've noticed a stand-out performer on your team, the competition has too.

Never underestimate the power of location envy. It is easy to overlook the importance of location in employee retention. "In the pharmaceutical industry, the New Jersey area is the place to be," says Engle. "Since we're in [San Francisco's] North Bay, we have to work even harder to attract and keep top people."

The fact that one of the nation's most desirable areas is considered pharma-Siberia should give executives a clue about how far outside the box they have to think to retain performance stars.

Cash isn't necessarily king in abating the challenge of employee churn. "All of us do benchmarking right now," explains Reinhardt. "We know what the overall compensation levels in the industry are. Everyone is more or less in the

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same ballpark, so financial reward isn't a significant issue."

As a result, employees take unique, qualitative variables into account when sizing up an organization. "The long-term prospects of a company are extremely important for highly talented people," says Reinhardt. "Perhaps the number-one factor is pipeline and growth." He tosses out

some questions that critically thinking employees ask about organizations: "Are you growing only the R&D sector or the whole company? What's the company's overall reputation for groundbreaking science? How is the organization's reputation for innovation?" Asking these questions about your organization—before your top performers do—could be of significant value in retaining your best and brightest.

Talented high achievers typically favor clear, measurable performance goals. At Novartis, exec team up with subordinates in the company to create individual "personal development plans." Each employee sits down with his or her direct report to define exactly what is needed for the employee to grow. Adds Reinhardt, "Together, they also define what potential next steps or positions might be right." By listening to the needs and hopes of employees, the organization can create a career track likely to keep the most ambitious and productive workers engaged long term.

Engle points to his company's rigorous management-by-objectives plan as an important retention tool. Every year, Engle and his senior executives establish the top-five goals for the entire organization. Each member of the senior team then sets a personal five-point agenda for his or her segment of the organization. These agendas align with achieving the organization's five overall goals. In turn, every direct report under each member of the senior team then sets a five-point agenda that aligns with the level above. Such top-to-bottom alignment creates a clear, objective way to drive the business and evaluate performance.

Engle believes that this cascading alignment of objectives is key to retention: "At the end of the year, when we review who has met their goals, the performers know how well they've done. So does management."

It also helps to deploy resources in an era of fast-paced change. As Engle explains, "The alignment process becomes extremely valuable if the company has to take a 'detour' to reach its destination.... Everyone stays on the same page."

Which brings us to the most vital part of both of these

retention-aimed initiatives: hands-on leadership. Genomic Health's Popovits begins to engage new hires as soon as they walk in the door. At her organization, every prospective employee is interviewed by a member of the executive management team. Popovits isn't exaggerating: She recently interviewed the person who will be responsible for managing incoming samples to her company's reference laboratory.

The company also holds new-employee breakfasts, and each month Popovits and Genomic Health's CEO meet with all employees who have an anniversary with the company during that month. Concludes Popovits, "It's the best way to protect a special culture and ensure we keep the bar high as we move through a critical growth phase."

Reinhardt says that Novartis's employee-development plan works well because it's given high priority by upper management. "This is a very, very important program for all of us," he says. "Our CEO personally goes through the development plans of the organization's top 500 people."

Novartis puts its incentives where its people-development plans are. "I'm the head of a division," explains Reinhardt, "and my performance assessment is dependent on how well I do on training and educating and developing my people.... I would say it's up to 10 percent of my overall assessment."

Adds Engle, "We train and treat employees very well. If we don't, they're going to go to the competition across the street. It's the nature of the beast, and we know it."

No matter what the dimensions of a given job market

"Don't rush to judgment when hiring," says Merck Generics' Mel Engle. "Even though you feel the urgency of the vacancy, make sure you do it right."



appear to be, finding and keeping performance stars will continue to be a challenge for even the most dynamic organizations. Like so much else, success is a matter of mastering the basics: taking innovative steps to uncover talent; using patience when searching for personnel; and investing in resources that keep employees focused and aligned. It's the best way to keep your people pipeline full with blockbuster talent—and your competitors at bay. **PE**

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Day & Associates has translated this experience into a unique and powerful organization with a single focus: to identify exceptional talent for clients. The firm offers expertise in all key healthcare industry sectors, including biotechnology, medical devices, pharmaceuticals, and venture capital. Through its global partnerships, Day & Associates provides clients with access to a vast international talent pool.

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