

A White Paper



## The Leadership Challenge in the Pharmaceutical Sector

What Critical Capabilities are Missing When it Comes to Leadership Talent and How Can They be Developed?

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## Introduction: The Challenges

Pharmaceutical companies face complex issues that grow more challenging by the day. Healthcare reform and changes in technology, government policy and consumer expectations are revolutionizing relationships with key stakeholders and impacting operations in unforeseen ways.

Globalization is presenting its own set of challenges that span multiple levels of most pharmaceutical organizations – from marketing to regulatory. Add to the mix the “patent cliff,” a sagging economy, shrinking R&D budgets and lackluster sales pipelines and you have a recipe that would challenge even the most seasoned leadership team.

Most experts believe that companies who succeed in the face of such challenges will do so by placing a renewed emphasis on innovation. Moreover, they will **adapt effectively in the face of change and uncertainty and will position themselves as a vital partner in the healthcare delivery chain.**

One of the most crucial questions facing the industry, though, is what leadership skills companies will need to navigate this complex and changing landscape – and how current pharmaceutical leaders stack up.

To shed light on the issue, the Center for Creative Leadership (CCL®) conducted a study to address three key questions:

1. What leadership competencies are most critical for success in pharmaceutical organizations?
2. How strong are current pharma leaders in the competencies most critical to success?
3. What potential pitfalls lie ahead?

To conduct our study, we used data from Benchmarks® – CCL's flagship 360-degree assessment, which was recently updated to reflect the latest global research and client feedback. Based on years of Center research with thousands of leaders around the world, Benchmarks uses 130 behavioral questions to measure how each leader stacks up against the 16 competencies that studies show are most vital to effective leadership.

## Critical Leadership Competencies

1. **Strategic Perspective.** Understands the viewpoint of higher management and effectively analyzes complex problems.
2. **Being a Quick Study.** Quickly masters new technical and business knowledge.
3. **Decisiveness.** Prefers quick and approximate actions in many management situations.
4. **Change Management.** Uses effective strategies to facilitate organizational change initiatives and to overcome resistance to change.
5. **Leading Employees.** Attracts, motivates and develops employees.
6. **Confronting Problem Employees.** Acts decisively and with fairness when dealing with problem employees.
7. **Participative Management.** Involves others, listens and builds commitment.
8. **Building Collaborative Relationships.** Builds productive working relationships with coworkers and external parties.
9. **Compassion and Sensitivity.** Shows genuine interest in others and sensitivity to employee needs.
10. **Putting People at Ease.** Displays warmth and a good sense of humor.
11. **Respect for Differences.** Values people of different backgrounds, cultures or demographics.
12. **Taking Initiative.** Takes charge and capitalizes on opportunities.
13. **Composure.** Demonstrates self-control in difficult situations.
14. **Balance between Personal and Work Life.** Balances work priorities with personal life.
15. **Self-Awareness.** Has an accurate picture of strengths and weaknesses and is willing to improve.
16. **Career Management.** Uses effective career management tactics, including mentoring, professional relationships and feedback channels.

Benchmarks also explores the flip side of the equation – how each leader stacks up against the five factors our research shows are most likely to stall or derail a career:

## Common Derailment Factors

1. **Problems with Interpersonal Relationships.** Ineffective at developing good working relationships with others.
2. **Difficulty Building and Leading a Team.** Exhibits problems when attempting to select, develop and motivate a team.
3. **Difficulty Changing or Adapting.** Shows resistance to change and to learning and developing from mistakes.
4. **Failure to Meet Business Objectives.** Finds it difficult to follow up on promises and complete a job.
5. **Too Narrow a Functional Orientation.** Lacks the depth needed to manage outside of current function.

## Critical Leadership Competencies

1

**Question 1: What leadership competencies are most critical for success in pharmaceutical organizations?**

To answer the first of our questions about leadership in the pharmaceutical industry, we looked at the relative ratings current pharma executives gave when asked to rank the 16 Benchmarks competencies according to how important each was for success.

*Among the key findings from our study:*

**The ability to lead employees was rated as the most important quality needed for effective leadership.** It topped the list for 90% of the pharma executives who provided Benchmarks performance data on leaders in their organizations. The top eight competencies shown on page 6 were each endorsed by the majority of respondents who work in the pharmaceutical sector. Putting people at ease is considered lowest in importance – perhaps an expected result in light of the significant challenges the industry now faces.

### Top 8 Leadership Competencies

- Leading Employees
- Strategic Perspective
- Decisiveness
- Change Management
- Composure
- Building Collaborative Relationships
- Participative Management
- Taking Initiative

### Bottom 8 Leadership Competencies

- Being a Quick Study
- Self-Awareness
- Confronting Problem Employees
- Balance between Personal and Work Life
- Compassion and Sensitivity
- Respect for Differences
- Career Management
- Putting People at Ease

## Current Strengths

2

**Question 2: How strong are current pharma leaders in the competencies most critical to success?**

To answer our second question we looked at our Benchmarks data from two different perspectives. First we averaged the Benchmarks competency scores given to pharma leaders by 16,136 of their co-workers. The scores range from 1 (not a strength) to 5 (a clear strength). Next we looked at how those averages stack up against the competencies rated most important for success.

*Among the key findings from our study:*

Current pharma leaders were rated lowest on their ability to confront problem employees. Respect for differences, putting others at ease and being a quick study were rated clear strengths – but are not among the top-rated competencies judged vital to success. The most important capability of all – leading employees – received the second-lowest score. **Leaders clearly are underperforming in many of the skills areas deemed most important to the industry.**



Figure 1

Leadership Competency	Co-workers Average Rating of Pharma Leaders	Importance Rank
Respect for Differences	4.17	14
Putting People at Ease	4.09	16
Being a Quick Study	4.04	9
Taking Initiative	3.93	8
Decisiveness	3.93	3
Strategic Perspective	3.92	2
Balance Between Personal and Work Life	3.87	12
Compassion and Sensitivity	3.82	13
Composure	3.80	5
Participative Management	3.79	7
Change Management	3.77	4
Career Management	3.76	15
Building Collaborative Relationships	3.75	6
Self-Awareness	3.74	10
Leading Employees	3.72	1
Confronting Problem Employees	3.55	11

## Potential Pitfalls

### 3 Question 3: What potential pitfalls lie ahead?

For more than two decades, CCL researchers have been exploring why many a promising career suddenly comes to a halt. We have closely followed leaders who were identified early in their career as having significant potential, but who stalled before fulfilling those expectations. Some reached a plateau or were demoted. Others had their responsibilities reduced, retired early or lost their job. Regardless of the form it takes, **career derailment has significant direct and lost opportunity costs for an organization**, as well as a devastating impact on the individual involved.

Our research shows there are five dominant derailment characteristics that have remained constant over time and across cultures:

1. Problems with interpersonal relationships
2. Failure to meet business objectives
3. Inability to build and lead a team
4. Inability to change or adapt during a transition
5. Overly narrow functional orientation

CCL's Benchmarks instrument assesses the degree to which leaders may be experiencing one or more of the derailment factors so that we can flag potential problems – hopefully before they have an irreparable impact on the leader's career.

*Among the key findings from our study:*

Our study shows the greatest potential derailment factor for pharma executives is “having too narrow a functional orientation.” Having a narrow exposure is a characteristic often found in leaders who have risen up the ranks through sales, research or some other functional “silo.” These individuals may struggle when asked to take on a more general leadership role.

There can be a decided organizational pressure to keep top functional performers focused on their area of expertise. In addition, those same top performers may themselves prefer to remain in their functional comfort zone. But to fulfill the promise of a leader's potential, **it is critical to have developmental assignments that broaden experience.**

Organizations can help leaders avoid this derailment factor by offering and encouraging “zigzag” career paths that feature lateral plus vertical movement. **Moving to different areas within the organization can help a manager develop a broader perspective and learn how to build relationships with different people in different ways – before it becomes a job expectation.**

Figure 2

<b>Derailment Factor</b>	<b>Rating*</b>
Too Narrow Functional Orientation	2.04
Difficulty Building a Team	1.91
Difficulty Changing or Adapting	1.79
Failure to Meet Business Objectives	1.78
Problems with Interpersonal Relationships	1.75

\*Unlike the leadership competencies assessed in Benchmarks, the questions pertaining to derailment are worded negatively. A score of 5 indicates a highly negative response. Lower scores are preferred.



## Solutions: Investing in Leadership Development

Investing in leadership development is more critical for today's pharmaceutical organizations than ever before. The glimpse our study provides of the current state of leadership in the pharma sector supports that need. In particular, there are six high-priority areas that are prime targets for performance development and support.

**Priority 1: Leading Employees.** Leaders who are skilled at directing and motivating people are a vital component of any successful organization.

*Characteristics of a leader who is strong in leading employees:*

- Delegates important tasks, not just things he/she doesn't want to do.
- Provides prompt feedback, both positive and negative.
- Pushes decision making to the lowest appropriate level and develops employee confidence.
- Acts fairly and does not play favorites.
- Uses knowledge base to broaden the range of problem-solving options for direct reports.
- Explains, answers questions and patiently listens to concerns when implementing a change.
- Interacts with staff in a way that develops motivation.
- Actively promotes direct reports to senior management.
- Develops employees by providing challenges and opportunities.
- Sets a challenging climate to encourage individual growth.
- Rewards hard work and a dedication to excellence.
- Finds and attracts highly talented and productive people.

*To improve employee leadership capabilities within your organization:*

- Implement 360-degree leadership development assessment in order to determine the leadership gap in your own organization.
- Develop best practices, launch internal groups to share experiences and create forums to share lessons learned.
- Develop library of leadership-related material.
- Develop mentoring programs for specific leaders who need support.

**Priority 2: Strategic Perspective.** Managers with a strong strategic perspective understand the viewpoint of higher management and can effectively analyze complex problems.

*Characteristics of a leader with a strong strategic perspective:*

- Understands how higher management works.
- Builds good relationships with a variety of stakeholders and with those up the chain of command.
- Interacts comfortably with executives.

*To improve the strategic perspective of your organization's leaders:*

- Suggest that managers meet and interact with senior management in informal settings.
- Encourage managers to seek and integrate input from stakeholders.
- Suggest managers go to the toughest senior officer first to get informal buy-in before approaching the whole management team.
- Advise managers to seek a confidant or mentor from top management.

**Priority 3: Decisiveness.** Managers who are decisive prefer doing or acting over thinking about a situation.

*Characteristics of a decisive leader:*

- Does not hesitate when making decisions.
- Isn't overwhelmed when action is needed.
- Exhibits an action orientation.

*To improve the decisiveness of your organization's leaders:*

- Create processes to help managers obtain relevant information for decision making.
- Help managers take calculated risks that will demonstrate and reinforce their orientation to action.
- Offer courses on inductive and deductive thinking skills.
- Develop criteria and a process for decision making and clarify responsibilities.

**Priority 4: Change Management.** Managers who can manage change well use effective strategies to make it easier for the organization and its people adapt.

*Characteristics of a leader strong at change management:*

- Views change positively.
- Adapts plans as necessary.
- Manages resistance to change.
- Adapts to changing external pressures faced by the organization.
- Involves others in the design and implementation of change.

*To improve the ability of your organization's leaders to manage change:*

- Offer change management classes.
- Train managers on the points of resistance to change and how to manage them
- Emphasize positive outcomes of change.
- Encourage managers to involve others in decision making during organizational change.
- Encourage innovation throughout the organization.



**Priority 5: Composure.** Leaders with high composure skills demonstrate self-control in difficult situations.

*Characteristics of a manager who has strong composure:*

- Does not become hostile when things are not going well.
- Does not blame others for mistakes.
- Spends more time offering solutions than complaining about problems.
- Remains calm when crises occur.

*To improve the composure skills of leaders on your team:*

- Give managers feedback on how they are perceived by others when they are under stress.
- Develop organizational norms that focus on creative solutions as opposed to problem identification.
- Offer stress management courses and make sure managers have healthy avenues to release stress.

**Priority 6: Building Collaborative Relationships.** Managers who have high competence in this skill build productive working relationships with coworkers and external parties.

*Characteristics of a manager who is effective at building collaborative relationships:*

- Relates to all kinds of people.
- Treats people fairly.
- Gains support and trust of peers, higher management and customers.
- Uses good timing when negotiating with others.
- Can settle problems internally and externally.

*To improve the collaborative relationship skills of leaders in your organization:*

- Develop employee performance standards, metrics and feedback processes so managers understand the importance of building relationships.
- Look for reputable leadership development programs for managers to attend.
- Offer teambuilding exercises.
- Volunteer to facilitate meetings where a conflict needs to be resolved.



# Leadership Development Solutions from CCL

With four decades of research and real-world experience involving thousands of pharmaceutical leaders around the globe, CCL is uniquely positioned to design and deliver leadership development initiatives for companies in the pharmaceutical sector. Our Global Pharmaceutical Leadership Solutions accelerate business results by targeting specific areas that can serve as levers for change in your organization. Our four-part leadership development program includes:

1

**Custom Pharmaceutical Leadership Solutions.** We offer a number of courses specifically tailored for leaders in pharma industry:

- **Creative Collaboration** – This 2 1/2-day program for cross-functional or multidisciplinary teams (e.g., product launch teams) aims to enhance collaboration and the ability to achieve strategic objectives.
- **Strategy Implementation Team** – This 5-day program provides a framework for strategic leadership and addresses the core individual and team competencies needed to tackle strategic initiatives successfully.
- **Women's Leadership Development** – This 5-day program for director-level women addresses the unique challenges women face as they progress in their careers. It deals both with issues of work-life integration and with gender-related organizational challenges. We take a holistic approach that encompasses each participant's personal and work life.

2

**Open Enrollment Programs**

Great leaders are a magnet for top talent and create the culture of performance your organization needs to accelerate results. Grounded in ongoing research and 40 years of experience developing successful leaders, CCL's open-enrollment programs target the real-world challenges unique to each level of leadership – whether a leader is just starting out or running a global organization.

3

**Executive Coaching Solutions**

Steeped in both research and practical know-how, CCL's leadership coaching can help your team master new attitudes and behaviors and achieve more than you ever imagined. Our individual, team and group-focused leadership coaching solutions can make a difference at all levels of the organization, from a first time manager to your CEO.

## 4

## Assessments

CCL pioneered the use of assessments and feedback in leadership development. Our expertise, customized services and state-of-the-art, research-based, 360-degree assessment tools have earned the trust of thousands of HR professionals and consultants.

### Conclusion

CCL's research was designed to answer basic questions about the present state of leadership in the pharmaceutical sector. We found there are significant gaps in many key capabilities that are critical to success.

Pharma organizations that survive and thrive will develop these important leadership competencies and will prepare their leadership team to handle the performance challenges inherent in the 21st century trends the industry faces – from healthcare reform, a struggling economy and global competition...to technological advances, partnerships and alliances and diversity in the workplace.

We hope the information provided in this white paper can help you facilitate conversations about the leadership capacity of your own organization and help you determine how aligned your leaders are with the competencies vital to your current and future success.

### About the Research

Findings presented in this white paper are based on data from 2,848 pharmaceutical managers and 16,136 of their coworkers who completed our Benchmarks® assessment tool between 2000 and 2008. Seventy percent of the respondents represent upper management from more than 120 different pharmaceutical organizations. On average the assessment taker was 42 years old. Fifty-eight percent were male and 59% had at least a bachelor's degree.

Benchmarks is a 360-degree survey that measures 16 skills and perspectives that are critical for success, as well as five that are possible career derailers. Note that the data collected were rescored to reflect the most recent changes in the Benchmarks assessment tool.

## Resources

If you would like to know more about the high-priority leadership development areas this paper covers, we recommend the following publications written by our colleagues at the Center for Creative Leadership. Each is available through our online bookstore at [www.ccl.org](http://www.ccl.org).

### Leading Employees

- *Building character: Strengthening the heart of good leadership.* Klann, G. (2007). San Francisco: Jossey-Bass.
- *Influence: Gaining commitment, getting results.* Baldwin, C., & Grayson, C. (2004). Greensboro, NC: Center for Creative Leadership.
- *Giving feedback to subordinates.* Buron, R.J., & McDonald-Mann, D. (1999). Greensboro, NC: Center for Creative Leadership.
- *Communicating your vision.* Cartwright, T., & Baldwin, D. (2006). Greensboro, NC: Center for Creative Leadership.
- *Seven keys to successful mentoring.* Hart, W. (2009). Greensboro, NC: Center for Creative Leadership.
- *Building your team's morale, pride, and spirit.* Klann, G. (2004). Greensboro, NC: Center for Creative Leadership.

### Strategic Perspective

- *Becoming a strategic leader: Your role in your organization's enduring success.* Hughes, R.L., & Beatty, K.C. (2005). San Francisco: Jossey-Bass.
- *Managing conflict with your boss.* Sharpe, D., & Johnson, E. (2002). Greensboro, NC: Center for Creative Leadership

### Taking Decisive Action

- *Developing your intuition: A guide to reflective practice.* Cartwright, T. (2004). Greensboro, NC: Center for Creative Leadership.

### Change Management

- *Communicating your vision.* Cartwright, T., & Baldwin, D. (2006). Greensboro, NC: Center for Creative Leadership.
- *Leading with authenticity in times of transition.* Bunker, K.A., & Wakefield, M. (2005). Greensboro, NC: Center for Creative Leadership.
- *Responses to change: Helping people manage transitions.* Bunker, K.A. (2008). Greensboro, NC: Center for Creative Leadership.

## Composure

- *Building resiliency: How to thrive in times of change.* Pulley, M.L. & Wakefield, M. (2001). Greensboro, NC: Center for Creative Leadership.
- *Adaptability: Responding effectively to change.* Calcarco, A., & Gurvis, J. (2006). Greensboro, NC: Center for Creative Leadership.
- *Managing leadership stress.* Bal, V., Campbell, M., & McDowell-Larsen, S. (2008). Greensboro, NC: Center for Creative Leadership.

## Building Collaborative Relationships

- *Leadership networking: Connect, collaborate, create.* Grayson, C., & Baldwin, D. (2007). Greensboro, NC: Center for Creative Leadership.
- *Influence: Gaining commitment, getting results.* Baldwin, C., & Grayson, C. (2004). Greensboro, NC: Center for Creative Leadership.
- *Communicating across cultures.* Prince, D.W., & Hoppe, M.H. (2000). Greensboro, NC: Center for Creative Leadership.
- *Managing conflict with peers.* Cartwright T. (2003). Greensboro, NC: Center for Creative Leadership.  
Raising sensitive issues in teams. Lindoerfer, D. (2008). Greensboro, NC: Center for Creative Leadership.

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Jean Brittain Leslie is Senior Fellow in Research, Innovation and Product Development at the Center for Creative Leadership. In her role at the Center, she serves as a focal point for instrument and tool development and commercialization. Leslie has published more than 50 pieces on leadership, assessment and feedback – in the form of peer-reviewed articles, popular-press articles, book chapters and books. She has also presented more than 30 papers at professional conferences, such as the Academy of Management and the Society for Industrial and Organizational Psychologists.

### Kim Palmisano

Kim Palmisano is a Senior Account Manager at the Center for Creative Leadership where she builds and manages relationships with a wide variety of clients in the pharmaceutical industry and other sectors. She brings to her role more than 20 years of experience in organizational development, training and sales, especially in the pharmaceutical and healthcare industries. Palmisano's experience includes developing and presenting courses for both corporate training and for college instruction.



## About CCL

The Center for Creative Leadership (CCL®) is a top-ranked, global provider of executive education that unlocks individual and organizational potential through its exclusive focus on leadership development and research. Founded in 1970 as a nonprofit, educational institution, CCL helps clients worldwide cultivate creative leadership – the capacity to achieve more than imagined by thinking and acting beyond boundaries – through an array of programs, products and other services. Ranked among the world’s top providers of executive education by *BusinessWeek* and the *Financial Times*, CCL is headquartered in Greensboro, NC, with locations in Colorado Springs, CO; San Diego, CA; Brussels, Belgium; Moscow, Russia; Singapore; Pune, India; and Addis Ababa, Ethiopia. Its work is supported by more than 450 faculty members and staff.

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