As the generics pharmaceuticals business model evolves, the industry faces many of the same challenges as those of traditional big pharma. Consequently, generic drug companies may find that the key to continued growth will be breaking with tradition and recruiting and retaining seasoned big pharma executives. But, it cuts both ways, and big pharma may find that the expertise of generic drug executives accustomed to leaner budgets and product cycles is the tonic they need. As a result, the professional crossover opportunities for pharmaceutical industry executives are immense.

Generic drug companies today are more sophisticated, researching new drug-delivery technologies, venturing into biosimilars and developing their own branded products. These strategic decisions are complex and require key leadership skills, including the fortitude to make substantial, long-term investments and the ability to manage strategic risk.

For its part, big pharma faces a barrage of pressures to counter patent expiration and to accelerate their R&D processes. Therefore, big pharma needs leaders who are able to think and act swiftly, operate leaner and meaner, and thrive in a price-sensitive environment, all while maintaining a results-oriented focus.
People who succeed in generics come with a track record of success elsewhere and also possess the ability to deal with ambiguity.” — Doug Boothe CEO, Actavis USA

The need to cope with these new leadership demands comes during a period of economic uncertainty. The pharmaceutical industry overall is fairing better than many other business sectors in the current economy, but that doesn’t mean it’s not experiencing pain. For example, according to market intelligence provider IMS Health, total prescription drug sales in the United States increased by only 1.3 percent in 2008.

As for generics alone, another IMS Health study reported that global generics drug prescription sales growth slowed to 3.6 percent in the twelve months ending September 2008, down from 11.4 percent in 2007. The big pharma and generics sectors are witnessing considerable change, and every indication is that the turbulence will continue for the foreseeable future.

Détente begins
Both sectors historically have hired almost exclusively from within their own ecosystem, with big pharma claiming that their more mature R&D and commercial models require a certain level of sophistication. Conversely, hiring managers in generics believe that few from large pharma can work with the speed and efficiency needed for their sector.

However, both sides appear to have a growing appreciation and appetite for the functional excellence of the other. Illustrating this dynamic, generics has a strong need for top-notch legal experts while pharma is pursuing more decisive, cost-driven leaders.

“There is a desire at our company to attract and develop talented, high-potential executives with an entrepreneurial spirit and induce new DNA into the organization,” says Amit Patel, senior vice president and head of North American generics for Dr. Reddy’s Laboratories.

“While we have kicked-off a significant effort on leadership and talent development within the organization, we are also open to taking more bets on hiring out-of-the-box executives with broad managerial skills, some of whom might even stem from experiences outside the pharmaceutical industry.” Patel, who also is a member of Dr. Reddy’s Global Management Council, came to the company having worked in strategic consulting for a healthcare IT start-up and in venture investing.

With such changes in the air, what will successful leadership in the generic industry look like in the next five years? To learn more, we interviewed numerous executives at the world’s top generics companies.

Through these conversations, we found that while these executives are keen to point out critical differences in management and leadership styles
from their pharma counterparts, the business challenges are similar. This statement may sound somewhat jarring, as both sides have tended to view each other with a certain degree of skepticism. However, a close look at the challenges of both sectors reveals that both generics and big pharma would benefit greatly from introducing key talent from the other.

**Crossover success stories**
Iceland’s Actavis Group is a good example of the power of cross-fertilization. The company entered the United States three years ago, with a growth strategy based on acquisitions. After the completion of three key acquisitions, it is now ranked among the top 10 generics manufacturers in the country.

Crossover hiring played a role in this success. Doug Boothe, CEO of Actavis in the United States, who himself made the successful transition from big pharma, took advantage of the downsizing by his large pharma neighbors in the Northeast to hire managers from manufacturing, supply chain, formulations, and analytical development, all with regulatory and compliance expertise.

“The right attitude, mind set and ability are what is needed to make a successful transition,” Boothe explains. “People who succeed in generics come with a track record of success elsewhere and also possess the ability to deal with ambiguity.”

Pharmaceutical industry veteran, William S. Marth, CEO of Teva North America brands and generics, has also been successful in hiring pharma executives. The biggest difference he sees is that many pharma executives often don’t know how to operate with the speed and decisiveness necessary to be successful in generics.

“In a generics company you need to be able to predict the changes and be ready and able to react. Quick and well reasoned decisions are far better than the alternative,” he says. “In big pharma the slow ponderous decision-making process hampers activity,” says Marth.

But, the right candidates can overcome these challenges. Teva North America’s vice president of R&D, Yatindra Joshi, who transitioned successfully from Novartis, appreciates his new environment. “I am amazed at the speed of decision making, the empowerment and the energy in a generic company like Teva,” he says. “There is so much opportunity to go beyond your job description; you can really make a difference.”

“There is so much opportunity to go beyond your job description; you can really make a difference.”

—Yatindra Joshi, Vice President of Research and Development, Teva Pharmaceuticals USA
It’s a new playing field for generics

It is generally agreed that talent development in the generics sector has been an organic process. As a consequence, as the industry has grown, the demand for leaders has outstripped the supply. Talent from large pharma, therefore, could be leveraged more to fill the gap.

For example, areas like clinical, manufacturing, labeling and packaging that are often not so complex may benefit from an influx of big pharma talent. “To make a successful transition from pharma to generics is not difficult,” Joshi says. “You need to be a fast learner and be able to grasp the legal and regulatory implications no matter which functional area you work in.” Many of the generics senior executives we interviewed agree that the broader the experience base one has in pharma, the easier it is to adapt to the generics environment.

Historically, generics companies addressed a familiar and predictable set of business decisions:

- Which drug should we target?
- Do we have the right chemistry?
- What are the potential legal challenges?
- Do we have the right organizational capabilities to ensure sustained competitiveness?

They tended to plan their business activity close to a drug coming off patent. But there is clearly a shift in this strategy as companies compete to gain the “first-to-market” advantage. (An example of this trend is the aggressive effort of former Ranbaxy Laboratories, now in alliance with Daichi Sankyo, to pursue Pfizer’s successful drug, Lipitor.)

Speed rather than deep analysis of risk and opportunity marked the prevailing quality of past executive-level decision making in generics. While the need for speed still exists, there is a definite move from opportunistic business decisions to a more strategic approach, which requires more thoughtful analysis as the risks become greater. This shift is coming at a time when the margin on generic drugs is near its lowest.

Another recent and dramatic change in the generics industry is the need for the generics CEO to be savvy in legal and regulatory criteria in order to plan the pipeline. With the push...
to stay ahead in Para 4 filings and to have the most “first-to-file” products, it is a very different ball game for generics leadership.

“Generic companies’ CEOs can be more structured in their decision making,” notes Chris Worrell, CEO of CorePharma, LLC. Worrell also believes that generics leadership teams can learn from big pharma’s financial and risk management prowess. “Generics sometimes have a gap in general management expertise and sound management structures,” he adds. “In small to mid-sized generic companies, decision-making processes tend to be ad hoc and limited to a few top executives.”

It is easy to see that as generics companies start broadening their business models to include biosimilars and more complex delivery technologies, they would benefit from turning to big pharma executives who have tackled these issues already. In addition, these executives bring big pharma relationships that can play a meaningful role in forging mutually beneficial authorized generic deals.

**Big pharma’s challenges grow**

As large pharma launches a wave of merger and acquisition activity and subsequent consolidation, these companies will have the opportunity to learn from the integration experiences of their counterparts in generics.

For example, the mergers of generics companies Teva and Barr and Mylan and Merck KgAa resulted in each rapidly absorbing the efficiencies of the other. But, Pfizer’s acquisition of Wyeth could, as one executive stated, “take years to complete” and is likely to spur the elimination of as many as 26,000 jobs worldwide.

Additionally, many pharma companies are reviewing their generics strategies. To operate in this new “meanner and leaner” paradigm, pharma companies need to evaluate and consider the processes and systems already embedded in the generics sector. As a result, we predict there will be more talent movement from generics to pharma.

And, there is good reason to believe that such crossover activity can succeed. The accompanying sidebar illustrates the seven Mission Critical Leadership Characteristics for success identified by generics executives we interviewed.

### Evaluating and deploying people accurately
- Can evaluate strengths, weaknesses and potential; knows what skills are required to fill a job or role; hires the best.

### Dealing with trouble
- Fearlessly takes on all issues, challenges, and people; comfortably confronts and works through conflict; lets everyone know where they stand; is energized by tough challenges; not afraid to make tough decisions and take action; challenges the status quo.

### Making complex decisions
- Solves even the most complex of problems; great at analyzing whatever data is available; is a quick study of the new and different; uses multiple problem-solving tools and techniques.

### Inspiring others
- Skilled at getting individuals, teams and an entire organization to perform at a higher level and to embrace change; negotiates skillfully to achieve a fair outcome or promote a common cause; communicates a compelling vision and inspires others; builds motivated, high-performing teams; understands what motivates different people.

We searched our proprietary database of best-in-class profiles of large pharmaceutical company executives to determine which of the seven characteristics these leaders possessed, and found that executives in both sectors shared four of them:

- Keeping on point.
- Understanding the business.
- Making complex decisions.
- Inspiring others.

The fact that the highest performing big pharma and generics senior managers share four of the seven “necessary” leadership characteristics, in our opinion, creates a solid foundation on which executives can build success in a new arena.

### Building the bridge slowly

It is important to be realistic about the ease of crossing over between sectors. Although the gap between generics and big pharma is closing fast, there are clearly key skill differences.

“Generic companies are very hands-on at every level in the organization,” says Steve Kaplan, Ranbaxy’s vice president of...
human resources Europe. “There exists a ‘doing more with less’ mindset. This is very different from many large pharma companies that use armies of consultants.”

Big pharma executives also manage budgets for R&D and sales and marketing that dwarf those at generics companies and require a very different skill set. Many marketing executives with long careers in pharma may not have ever led a product launch, but in the same time span most in generics companies will have launched dozens of drugs.

We see potential crossover in key functions, such as legal, R&D, regulatory and operations. Several executives interviewed concurred, stating that pharma will benefit greatly by making a few strategic leadership hires from the generics sector. These hires should include top-notch regulatory, development and operations executives who will bring efficiencies, new ideas and speed into the organizations.

At this point in time we certainly do find very talented ex-pharma executives at generics companies. They relish the freedom to operate, the level of responsibility and speed of decision making. Conversely, a much smaller number of generics executives have moved to big pharma.

Attitudes are changing and generics companies are recruiting outside of their sector comfort zone. “There is talent movement between generics and big pharma,” notes Tammy McIntire, president of Apotex Corp. U.S.A. “It’s just a trickle among sales positions right now, but the notion is becoming more attractive at the senior management level.” McIntire put her words into action by hiring a head of U.S. operations from outside the generics sector.

We can see that large pharma may start to examine talent within the generics sector with more interest and appreciate the skills they offer. As Marc Schorpion, vice president of human resources at Johnson & Johnson recently said, “I wish we could get some of our executives to treat this business more like a generics company, with every penny counting and every decision critical.”

The business models are clearly drawing the sectors together and there is a similar view of the key Leadership Characteristics needed for success from both sides of the divide. We believe it is only a matter of time before more talent moves in either direction.
About the Korn/Ferry Institute

The Korn/Ferry Institute was founded to serve as a premier global voice on a range of talent management and leadership issues. The Institute commissions and publishes groundbreaking research utilizing Korn/Ferry's unparalleled expertise and preeminent behavioral research library. It also serves as an exclusive destination for executives to convene and hone their leadership skills. The Institute is dedicated to improving the state of global human capital for organizations of all sizes around the world. For more information on the Institute, visit www.kornferryinstitute.com.

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Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa, is a premier global provider of talent management solutions. Based in Los Angeles, the firm delivers an array of solutions that help clients to attract, develop, retain and sustain their talent. Visit www.kornferry.com for more information on the Korn/Ferry International family of companies, and www.kornferryinstitute.com for thought leadership, intellectual property and research.

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