R&D in the Healthcare Sector—Productivity and Leadership

Online Survey Results
Demographics

Findings are based on 118 responses from:

- CEOs, chairmen and board directors (45%)
- Heads of R&D, heads of research and heads of development (28%)
- Heads of human resources (10%)

Other participants include:

- Chief medical officers
- Heads of science & technology
- Heads of marketing
- Heads of business development
- Heads of regulatory affairs

Company size

- 34% of respondents are from companies with more than 5,000 employees
- 19% of respondents are from companies with between 1,000 and 5,000 employees
- 11% of respondents are from companies with between 100 and 1,000 employees
- 36% of respondents are from companies with less than 100 employees

Geographic area

- Respondents based in Europe (49%)
- Respondents based in North America (51%)
- Respondents with a global focus (19%)
Executive Summary

Unmet Medical Needs

• Addressing unmet medical needs is by far the top priority for improving R&D productivity for all respondents, and the main driver for heads of R&D.

Speed to Market

• There are three main steps companies will take to increase speed to market:
  (i) collaborate earlier and more closely with key external stakeholders;
  (ii) improve the decision-making processes and/or processes in R&D operations; and
  (iii) target smaller subpopulations of patients requiring smaller and shorter trial programmes.

R&D Costs

• There are two main steps companies will take to reduce R&D costs relative to expected revenues:
  (i) focus on new approaches to patient selection and study design; and
  (ii) make greater use of biomarkers and techniques of translational medicine in the early research phases.

More than half of CEOs and heads of R&D expect to outsource everything considered non-core to the proprietary specialisms.

Innovation

• There are three main priorities for companies in taking innovative steps to address unmet medical needs:
  (i) target unmet needs/including novel targets with new proprietary compounds initially in niche indications;
  (ii) foster an open innovation model and partner with academia/other companies rather than compete, particularly for large companies;
  (iii) focus on personalised therapies and the convergence of diagnosis and therapy through technology and innovation of care.

End-User Focus

• The focus for end-users is jointly to deliver the best clinical outcomes and produce data to support unique claims.

R&D Organisation

• Centres of excellence are very likely to be created in the R&D organisational model, and the internal research function is very likely to be reduced.

Large organisations will
  (i) seek greater integration of R&D areas;
  (ii) strive for greater empowerment and less hierarchy and
  (iii) create centres of excellence around therapeutic areas and/or technologies.
Smaller organisations will
(i) reduce the size of the internal research function;
(ii) create centres of excellence around therapeutic areas and/or technologies and
(iii) strive for greater empowerment and less hierarchy

The focus for CEOs in all companies is to reduce the size of the internal research function. This links to the finding that half of CEOs expect to outsource everything considered non-core to the proprietary specialisms

**R&D Leadership**

- Current R&D leaders will need to adapt and expand their skills and new leaders with more business acumen are anticipated
- The profile of R&D leaders will shift significantly towards entrepreneurial drive and competitiveness

All see entrepreneurial drive as more important in the future. Relationship building and influencing skills are considered more important in larger organisations.

**R&D Hiring**

- To increase R&D productivity, external hiring will grow significantly, including outside the healthcare industry

A significant majority of CEO, board level and heads of R&D expect external hiring to be higher in the future

By contrast, only a small percentage of HR heads expect external hiring to run at a higher level in the future.

Those who expect organisations to hire internally less than they do today are split almost equally among smaller and large organisations. These respondents are primarily heads of R&D, followed by CEOs, with a very small number of HR heads
Addressing unmet medical needs is the main driver for improving R&D productivity

Number of respondents ranking each strategy as the most important
Speed to market: three dominant steps

Percentage of respondents who agree ‘fairly strongly’ or ‘very strongly’ that to increase speed to market companies will need to…

1. Collaborate earlier and more closely with key external stakeholders to prevent delays in approval
2. Improve the decision-making processes (decide faster) and/or processes in R&D operations (produce data faster)
3. Target smaller subpopulations of patients requiring smaller and shorter trial programmes
Reducing R&D costs: two main steps

Percentage of respondents who agree ‘fairly strongly’ or ‘very strongly’ that to reduce R&D costs companies will need to…

1. Focus on new approaches to patient selection and study design so results can be demonstrated relatively easily and quickly

2. Make greater use of biomarkers and techniques of translational medicine in the early research phases to reduce attrition rates in later stage developments
Innovation: three main priorities

Percentage of respondents who agree ‘fairly strongly’ or ‘very strongly’ that to drive innovation companies will need to…….

1. Target unmet needs/including novel targets with new proprietary compounds initially in niche indications; then “grow as you go”, extending the market as well as clinical development for additional indications.

2. Foster an open innovation model (collaborating more with academia and/or other companies) and partner with one another rather than compete.

3. Focus on personalised therapies and the convergence of diagnosis and therapy through technology and innovation of care.

Reposition products (based on serendipity) designed for a specific area to another indication where they appear to work.
Innovation: three main priorities

Percentage of respondents who agree ‘fairly strongly’ or ‘very strongly’ that to drive innovation companies will need to…….

- Target unmet needs/including novel targets with new proprietary compounds initially in niche indications; then “grow as you go”, extending the market as well as clinical development for additional indications
- Foster an open innovation model (collaborating more with academia and/or other companies) and partner with one another rather than compete.
- Focus on personalised therapies and the convergence of diagnosis and therapy through technology and innovation of care
- Reposition products (based on serendipity) designed for a specific area to another indication where they appear to work

The main priority for large companies is to foster an open innovation model and partner with one another rather than compete.
End-user focus

Percentage of respondents who agree ‘fairly strongly’ or ‘very strongly’ that to increase end-user focus companies will need to…

1. =Deliver the best clinical outcomes
2. =Produce data (in addition to the bare minimum needed for registration) to support unique claims possibly including superiority claims (e.g. through head-to-head comparisons of standards of care, possibly including competing products
3. Also important—to deliver an optimal balance for medical inventions in terms of benefits for patients, prescribers and low cost of care
4. Fairly important—to produce integrated therapies (i.e. Combinations of different drugs, diagnostics and biologic parameters), which can form personalised treatments
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R&D Organisational Model

Percentage of respondents answering that it is ‘very likely’ that the R&D organisational model will change and that companies will...

- Reduce the size of the internal research function
- Reduce the size of the internal development function
- Expand the size of the internal research function
- Expand the size of the internal development function
- Seek a reduction in internal research efforts and capabilities and increase the focus on internal clinical development
- Seek greater integration of the various functional areas of R&D with each other
- Integrate R&D with marketing to a greater extent
- Create centres of excellence around therapeutic areas and/or technologies
- Strive for greater empowerment and less hierarchy
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R&D Organisational Model (continued)

Percentage of respondents answering that it is very likely that organisations will...

- Less than 1,000 employees
- More than 1,000 employees

Large organisations will (i) seek greater integration of R&D areas and (ii) strive for greater empowerment and less hierarchy and (iii) create centres of excellence around therapeutic areas and/or technologies.

Smaller organisations will (i) reduce the size of the internal research function; (ii) create centres of excellence around therapeutic areas and/or technologies and (iii) strive for greater empowerment and less hierarchy.
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R&D Leadership

Percentage of respondents who consider it ‘very likely’ or ‘likely’ that to achieve their goals of increased productivity, companies will...

![Bar chart showing the percentage of respondents who consider it 'very likely' or 'likely' that to achieve their goals of increased productivity, companies will ask current R&D leaders to adapt and expand their skills to lead an evolutionary transition to the new R&D model, replace current R&D leaders offering greater business acumen based on cross-functional career development, replace current R&D leaders with leaders who have stronger scientific and medical involvement, and build stronger differentiation between scientific leadership and operational leadership in top appointments, as well as career planning.]

Other comments...

“Broader experience than big company R&D”
“Pure scientific acumen”
“Multi-functional skills”
“Greater business acumen”

Also anticipated is stronger differentiation between scientific leadership and operational leadership in top appointments, as well as career planning.
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R&D Leadership

Percentage of respondents who see these competencies being more important than today (blue), or about the same (red)

Creating vision and setting strategy
Executing for results
Building and managing teams
Relationship building and influencing skills
Learning agility
Entrepreneurial drive and competitiveness

About the same as today
More important than today
Hiring

Percentage of respondents who see external hiring taking place...

- At a similar level to today
- More than today
- Less than today

Healthcare companies will hire externally

When looking externally, companies will hire from within the healthcare industry

When looking externally, companies will hire from industries other than the healthcare industry
Hiring

To increase R&D productivity, respondents expect external hiring to take place...

- **CEO and Board Level**
- **Heads of HR**
- **Other**
- **Heads of R&D**

![Bar chart showing hiring expectations](chart1.png)

![Bar chart showing hiring expectations](chart2.png)
Appendix I
Headlines with percentage figures

The organisational model

82% consider it quite likely or very likely that the internal research function will be reduced, with nearly 42% believing that it is very likely that the internal research function will be reduced. Just 1% expect the internal research function to expand.

80% expect organisations to strive for greater empowerment and less hierarchy.

Greater integration of the various functional areas of R&D is still high on the agenda, with nearly 90% of respondents expecting organisations to continue to seek greater integration.

The required experience and knowledge for R&D leadership

More than 75% of our participants think that it is likely (52%), or very likely (24%) that current R&D leaders will be asked to adapt and expand their skills to lead an evolutionary transition to a new R&D model.

As many as 64% say it is likely (47%) or very likely (17%) that organisations will replace current R&D leaders with leaders offering greater business acumen based on cross-functional career development (e.g. combining Commercial, Human Resources and Supply Chain experience).

Nearly 70% expect companies to build stronger differentiation between scientific leadership and operational leadership in top appointments, as well as career planning. [19% consider it very likely and 49% consider it likely]
Appendix II
Headlines with percentage figures

Leadership competencies

Several key areas are expected to grow in importance in order for companies to achieve their goals of increased R&D productivity:

- Entrepreneurial drive and competitiveness—82% expect this to be more important than it is today
- Executing for results—69% expect it to be more important than it is today
- Creating vision and setting strategy—69% expect it to be more important than it is today
- Relationship building and influencing skills—57% expect this to be more important than it is today

Hiring practices

Hiring outside the healthcare industry is set to increase significantly:

- 58% expect healthcare companies to hire externally more than they do today, compared to 7% who expect healthcare companies to hire externally less than they do today
- When companies hire externally, 22% expect them to hire within the healthcare industry less than they do today
- When companies hire externally, 30% expect them to hire from industries other than the healthcare industry more than they do today

About Russell Reynolds Associates

Leadership. In today’s ever-changing global business environment, success is driven by the talent, vision and leadership capabilities of senior executives.

Russell Reynolds Associates is a leading global executive search and assessment firm with more than 300 consultants based in 39 offices worldwide. Our consultants work closely with public and private organizations to identify, assess and recruit senior executives and board members to drive long-term growth and success. We value teamwork, serving our clients with a collaborative approach that spans our international network of sector and functional experts.

Our in-depth knowledge of major industries and our clients’ specific business challenges, combined with our understanding of who and what makes an effective leader ensure that our clients secure the best leadership teams for the ongoing success of their businesses. For more information, please visit us at www.russellreynolds.com.
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