

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Executive Search for Pharmaceutical Companies



As Managing Director, **ROBERT D. HENNESSY** of The Hennessy Group offers extensive experience in executive search, specializing in the pharmaceutical and biotechnology industries. Mr. Hennessy's career has been dedicated exclusively to managing retained search projects and improving the executive search industry. His experience has been gained in both small and large firms. He has worked in boutiques as well as serving as a key account executive for Korn/Ferry International, one of the world's largest search firms. While there, Mr. Hennessy started and built a highly successful office in the fifth largest business center in the US. Following that, as a Senior Partner and Corporate Officer, he was instrumental in the start-up and explosive growth of a global search firm that specialized in the pharmaceutical industry. Having managed hundreds of search projects, The Hennessy Group offers one of the search industry's most successful fulfillment records.



TWST: Please give us a description of your firm and the services you provide specifically to the pharmaceutical industry.

Mr. Hennessy: As a retained executive search firm, our expertise focuses on executive and management resources. We help both small and large pharmaceutical companies identify and attract top talent. Most often, we are providing executive search services for Director, Vice President, and above positions for all functions within the pharmaceutical industry. In addition to our core business of search, there are times when clients ask us to assess internal executives or their entire management team. This can happen for a number of reasons, including a reorganization or

the hiring of a new Chief Executive Officer. Clients who are expanding through acquisition may utilize our executive assessment as a highly confidential service when they want to review the management team(s) of a potential acquisition target(s). When you consider the importance of executive leadership in the pharmaceutical industry, we can be a very valuable partner to Chief Executive Officers in their efforts to hire the best leaders.

There are times when a client needs to significantly enhance their leadership team beyond the selective use of executive search for specific situations. In these cases, we manage talent identification programs where the intent is to seed an organization with high potential talent at either the middle management level or, for larger organizations, at the senior executive level. This type of program can be implemented when we are targeting a specific function or, more broadly, when we identify best-in-class executives with the potential to become P&L leaders. In these situations, a client keeps us on a monthly retainer so that we are continually managing a search for high potential individuals who can ultimately run a business.

As you can see, all of our work involves the competitive assessment of leadership talent in the pharmaceutical industry. Most of the time we are managing executive searches for pharmaceutical clients in need of a functional executive, a general manager, or even a new executive to add to their Board of Directors.

TWST: What types of companies retain your services and what positions are they typically looking to fill?

Mr. Hennessy: Generally speaking, we serve three types of clients. We have an impressive fulfillment record serving large multi-national pharmaceutical companies. However, over the past few years, we have increasingly been working with smaller specialty pharmaceutical companies. In particular, the developing companies appreciate the fact that we have an in-depth knowledge of the entire pharmaceutical industry. We also work with select venture capital firms that, like us, specialize in the pharmaceutical, biopharmaceutical, and biotechnology industries. When we work with a venture capital client, we are typically searching for a new leader to run one of their portfolio companies.

Search projects for large clients tend to cover the entire management spectrum. For smaller, developing companies, the type of executive being recruited usually depends on where the company is in their business plan. Newly formed companies often

need development executives with a specific therapeutic expertise to help guide new drugs through various stages of the drug development and approval process. A company with a new compound in an advanced development stage may require a new commercial leader to help the company prepare for a new product launch. Both types of companies require leadership teams with a broad base of skills. Public companies in the pharmaceutical industry in particular must manage and develop their internal operations, while also presenting the best possible face to Wall Street and the external market. For a first time CEO, managing the life cycle of an early stage developing company can prove to be a steep learning curve. These leaders need top lieutenants who can help them compete.

TWST: How do you see the environment now for recruiting and how does it compare with trends you have seen over the last 10-15 years?

Mr. Hennessy: In our opinion, the need for effective recruiting and staffing is more critical than ever. Companies are developing fewer managers today as their operations become more productive and their internal structure becomes much leaner. Global market forces have heightened competition and have made it harder to dominate in any given industry. Therefore, it is paramount in today's market to be able to attract and retain the best management and leadership talent. Over time, the marketplace tends to serve as a great equalizer. Although it has always been important for industry leaders to recruit well, over the past several years, the ability to recruit the very best leaders has become a distinct competitive advantage. Chief Executive Officers who do not embrace this concept may lose — and they may lose more than once. Initially, they lose the opportunity to enhance their management team with the best leaders, and then they must compete against these same leaders in the marketplace.

TWST: What do you see as the greatest challenge in recruiting for this industry now?

Mr. Hennessy: The industry today is divided into what is called big pharma and many small to medium-sized companies.

The demand for outstanding talent remains very competitive within the industry. The larger pharmaceutical companies offer a great deal, but they are perceived by some executives as being more bureaucratic and more hierarchical, and affording less opportunity for empowerment and decision making.

One of the influences also making it more difficult to recruit is the proliferation of smaller pharmaceutical companies. These companies usually are less bureaucratic, less hierarchical and can offer an executive greater decision-making authority, as well as the chance to act in a more entrepreneurial manner. If a company is pre-IPO, it can also offer an opportunity for building real wealth.

H I G H L I G H T S

The expertise of Robert D. Hennessy and his executive search firm focuses on executive and management resources by helping pharmaceutical companies identify and attract top talent. All of the work involves the competitive assessment of leadership talent in the industry. The need for effective recruiting and staffing, he says, is more critical than ever. The ability to recruit the very best leaders has become a distinct competitive advantage. CEOs who fail to embrace this concept may lose the opportunity to enhance their management team with the best leaders, and then find they have to compete against these same leaders in the marketplace.

The number of evolving biotech and biopharmaceutical companies also increases the competition for top talent. A Vice President or Senior Vice President at a large pharmaceutical company can now get an opportunity to become a President, Chief Operating Officer, or Chief Executive Officer in a shorter period of time.

Due to many external factors, such as managed health care, the FDA, environmental issues and legislation, the industry may be seen by some executives as less attractive than it was five to 10 years ago. The ongoing consolidation within big pharma has also caused individuals to view opportunities with more caution. These consolidations obviously create fewer opportunities at the top.

TWST: How well must you know the client company — their corporate culture, philosophy and their products — in order to find, attract and place the best people?

Mr. Hennessy: Of course, the need to know a client's competition, financial position, and future direction is of paramount importance in any professional search. But just as important is the internal climate of the company or, put another way, the culture of the company. All too often, this aspect is overlooked. In my opinion, a client's culture has more to do with a successful placement than any other single factor. Is the company risk-tolerant or risk-averse? Is it top-down driven? Does it have a "can do" attitude? All these

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TWST: What is the supply/demand balance now for the types of executives you are recruiting?

Mr. Hennessy: Certainly, there can be no doubt that there is always a shortage of available class A — or best-in-class — talent. Given the competitive landscape in the pharmaceutical industry, clients are continually looking for leaders who can help move their company to a higher level of performance.

Keep in mind that any company's executive team is in a continuous state of flux due to retirements, resignations, sicknesses, etc.; it is seldom, if ever, stable. So there is a need for ongoing vigilance as to the quality of a company's management team. Chief Executive Officers and Boards must take a hands-on approach to this problem. Fortunately, I believe this is becoming a regular agenda item at Board meetings.

Recently, a Chief Executive Officer of a global multibillion-dollar company told me he only needed 20 to 25 top executives in order to be the leading company in the industry; however, he could not secure the 20 or so he needed. He is not satisfied that his team is the best.

In this rapidly changing global economy, the competition for executive talent will become more intense than in the past, and the supply will always be a moving, short supply.

factors have a direct bearing on the type of candidate that should be presented to a client. It is also important to understand the management styles of those executives around the position being searched. This is especially significant in team-based work cultures.

So to answer your question, knowing as much as you can about a client certainly helps to make successful placements. In fact, I follow the rule that you can never know too much about a client, simply because their status is always undergoing change. It is imperative for us to stay current on our client's activities.

TWST: How specific are clients in their search criteria?

Mr. Hennessy: All too often, confusion or misunderstanding can develop between a client and a search firm simply because of the lack of specificity. Of course, this issue is further complicated if the search firm does not have a good working knowledge of the company, as I explained earlier. When specifics are lacking at the outset, frequently you will find that the specs keep changing during the search process, thereby putting considerable strain on the time factors. Quite honestly, if there is a lack of specifics at the beginning of any search, it is clearly the fault of the search firm. It is the search firm's responsibility to dig for the specifics that make for a successful search. That is an intrinsic part of the consultant's job.

However, I should point out that when there is a long, successful relationship between a client and a search firm, you might get a call from a Chief Executive Officer saying, “Get me another John Doe — I need the spot filled by the end of the year.” While this situation may be rare, it can happen when there is a good working relationship and trust between a client and the search firm.

When we start a new search, our firm makes it a practice to meet with the hiring management team at their location as soon as possible. Following this planning meeting, we submit a search strategy that the client approves in the first 10 days of the project. We find that this usually helps our clients to focus on the critical selection factors required for success in the position.

To be sure, the need for exactness is crucial and such exactness should be agreed upon early in the process.

TWST: What kind of process do you have candidates proceed through before you submit them to your clients?

Mr. Hennessy: The executives that we present to clients as finalist candidates often tell us that we have the most thorough and demanding search process they have ever experienced. It is pleasing to me how often we get this feedback.

Our telephone screening process enables us to selectively identify those best-in-class executives who we will meet to assess in person. Following these meetings, our clients receive detailed evaluation reports on those executives who are truly the best for their specific needs.

Once the client meets with our candidate and moves them forward as a finalist, we provide additional documentation in the form of a candidate self-evaluation. This is an additional

“The real advantage for our clients is an intangible, but very special, feeling of trust that develops when a true partnership exists. Our clients know we will deliver. We offer an open platform where our pricing is published in advance and new clients are informed of existing client relationships. Therefore, we work as a strategic partner whereby we expect to share risks and rewards based on our performance.”

TWST: How do you track and rate your client’s level of satisfaction?

Mr. Hennessy: I am glad you asked this question because, at the end of the day, this is the real test of a successful search firm.

We do, indeed, track all placements for a considerable period of time after they start their new assignment. If the candidate is not with the client after a specified period of time, we consider the assignment a failure — regardless of the reasons involved. I am quite happy to say that our placements have over a 90% success rate, which is noteworthy because the fulfillment rate in our industry is typically between 50% and 70%.

After we place an executive, we follow up with both our client and the placed candidate at 30, 90, and 180 days after the start date. We are essentially serving as a liaison for our client as the placed executive becomes comfortable in his or her new work environment.

Due to our results-oriented approach and our understanding of the pharmaceutical industry, we have developed a good track record of turning new clients into repeat clients. I consider this to be another good indicator for client satisfaction.

step in executive search assessment; however, our clients tell us that it adds value to the selection process. By completing the candidate self-evaluation form, candidates can differentiate themselves from other finalists. Clients can learn how candidates think and can also evaluate their written communication skills. Although I won’t go into full detail, candidates submit in writing ideas for career development, an action plan for the position, anticipated obstacles for success in the position, and challenges to accepting an offer. By this time, we have also documented the candidate’s compensation history in detail, including all option package information and any special incentive arrangements. Generally, candidates comment on our thoroughness during the search process, while clients compliment us for our quality and diligence once the project is concluded. We have even won new clients due to our thoroughness in conducting reference checks.

TWST: What sets your company apart from your competitors and what specific advantages do your clients derive from your services?

Mr. Hennessy: Before building this firm, I had a high level of success working for four different search firms. One firm consisted of simply the owner and me. Another was one of the

world's largest executive search firms. Therefore, I gained a good diversity of experience on how the search industry functions. Regardless of size, I learned that the competitiveness of the search industry forces most firms to focus more on selling and marketing themselves than actually fulfilling their client engagements. Our industry also needs to focus more attention on the responsibility of training our own consultants. In my opinion, our firm goes against the tradition of the search industry because we focus on delivery, and continuously strive to develop our consultants to be the best.

From our inception, we decided that our unique appeal would be our underlying commitment to the quality of our search process. You will not find a more client-focused and results-oriented firm. We search for high potential consultants who enjoy hard work and who approach client projects with a sense of ownership. Although we are approaching our third year, this interview is really the only public announcement we have made. We purposely took the time to build and develop a staff and infrastructure that would outperform our peers. Although we cannot match the glitter and glitz often offered in this industry, we believe we are the leader in successful project fulfillment.

Given our experience serving the pharmaceutical industry, we are able to help our clients save time and money when they need to hire the best new leaders. However, the real advantage for our clients is an intangible, but very special, feeling of trust that develops when a true partnership exists. Our clients know we will deliver. We offer an open platform where our pricing is published

in advance and new clients are informed of existing client relationships. Therefore, we work as a strategic partner whereby we expect to share risks and rewards based on our performance.

Quite honestly, everyone should recognize that the search process is not an academic pursuit; it is a hands-on, attention-to-detail, time-consuming, step-by-step process. If any of the steps are not addressed properly, the end result is questionable. To me, each step is a key link in a quality chain; if any of the links are approached without due care, the quality chain is subject to breaking.

In an industry where it is difficult to differentiate, The Hennessy Group stands out because of our underlying commitment to the quality of our process. Over time, the quality of our work will differentiate us from other search firms.

Quality is our hallmark and will remain so.

TWST: Thank you.

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