

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Searching for Executive Leadership in Biotechnology



As Managing Director of The Hennessy Group, **ROBERT D. HENNESSY** offers extensive experience in executive search specializing in the biotechnology and pharmaceutical industries. Mr. Hennessy's career has been dedicated exclusively to managing retained search projects and developing "best-in-class" search processes. 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 startup and explosive growth of a global search firm that specialized in the healthcare industry. Having managed hundreds of search projects, The Hennessy Group offers one of the search industry's most successful fulfillment records.



TWST: Give us a description of your firm and the services you provide — specifically relating to the biotechnology industry.

Mr. Hennessy: As a retained executive search firm, our expertise focuses on executive and management resources. We help biotechnology and biopharmaceutical companies to identify and attract top talent. Most often, we are providing executive search services for Director, Vice President, and above-level positions across all functions, as well as for general management positions. 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 reorganiza-

tion or the hiring of a new chief executive officer. Clients who are expanding through acquisition may also 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 biotechnology industry, we can be a very valuable partner to chief executive officers in their efforts to hire the best leaders.

As you can see, all of our work involves the competitive assessment of leadership talent in the biotech and pharmaceutical industries.

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

Mr. Hennessy: In the biotechnology industry, we generally serve three types of clients. They include early-stage companies, medium-sized companies and, of course, large companies. The early-stage companies are typically small firms working to discover new drugs or biologicals. These clients usually need executive leadership in the preclinical function, as well as executives to lead discovery activities.

The medium-sized companies have often gone public or are planning to do so. These companies have needs similar to many small firms. However, in biotechnology, once a company moves beyond discovery and toward manufacturing, their needs include regulatory, clinical, manufacturing and process development executives. Many of these companies are also looking to hire their first marketing leader. The large biotechnology companies have needs similar to our clients in the pharmaceutical industry. Search projects for these companies tend to cover the entire management spectrum.

In addition to the companies already mentioned, we also work with venture capital firms that specialize in the biotechnology and biopharmaceutical industries. In these cases, we are often searching for a new leader to run one of their portfolio companies.

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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 that companies have the best resources to compete. This includes attracting and retaining 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: It is a very exciting time to work in the biotechnology industry. It is a hot market with strong demand for executives across all functions. We are also seeing more firms enter the industry. This growth of new companies helps us because it gives us more targets from which to source candidates. That said, the pharmaceutical industry continues to offer a deep reservoir of talent for biotech companies. With respect to your question and because we also serve the pharmaceutical industry, I think it is appropriate to comment on the difference in cultures between these two industries.

Of the two, biotechnology is the more entrepreneurial industry. Hence, one of our greatest challenges is to identify and attract those executives who can transition to this type of environment. Biotech CEOs want executives who will roll up their sleeves and get

involved deeply in the organization. There is often more responsibility and exposure in these roles versus similar jobs in large pharma. Good biotech leaders must possess a passion and a high level of fire in their bellies. They must often deal with some degree of ambiguity and both strategic and tactical changes because they may not yet have a product on the market. They may also work with shorter cycle times. In addition, director-level executives and above in biotech must have good interpersonal and presentation skills in order to interact well with venture capital firms, large pharma companies and other investors involved in the fundraising process.

As you can see, the cultures between these two industries can be quite different. We strive to eliminate the more risk-averse people for our clients in biotechnology.

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 industry’s competitive landscape, clients are continually looking for leaders who can help their company improve performance.

As the biotechnology industry grows, the list of available Class A candidates becomes shorter. For our biotech clients, we define an A-level candidate as an individual who has been successful getting a new product to market. When a biotech company's product platform expands, its need for executive talent also increases. Without our help, it can be very difficult for a company to manage this increase in demand, given the dwindling supply of available A-level candidates. Hence, it affords us a good opportunity to work closely with the senior management team of growing biotech clients.

In this rapidly changing industry, the competition for executive level talent will continue to become more intense, and the supply will remain a moving, short supply.

TWST: How well must you know the client company — their corporate culture, philosophy and their products — 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 factors have a direct bearing on the type of candidate that should be presented to the client.

Mr. Hennessy: All too often, confusion or misunderstanding can develop between a client and a search firm simply because of a 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 explained in my previous reply. When specifics are lacking at the outset, you will frequently find 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. It 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, and 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 client's management team at their location as soon as possible. Following this 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.

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It is also important to understand the management styles of those executives working around the position being searched. This is especially significant in small companies, which is often the case in biotech.

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. It is imperative for us to stay current on our clients' activities, simply because their status is always undergoing change.

TWST: How specific are clients in their search criteria and do you have examples to illustrate them?

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. 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-day intervals 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 both the biotech and pharmaceutical industries, we have developed a good track record of turning new clients into repeat clients. I consider this to be another good indicator of client satisfaction.

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

Mr. Hennessy: The executives who we present 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 whom we will meet to assess in person. Following these meetings, clients receive detailed 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 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 they can also evaluate their written communication skills. Although I won’t go into full detail, candidates submit in writing their 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 once the project is concluded.

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. Thus, 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 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 we continuously strive to develop our consultants.

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 develop a staff 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 both the biotechnology and pharmaceutical industries, we are able to help 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. 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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