European Biotech CEOs navigate towards a “New Normal”

Highlights from the fourth round of digital gatherings with European Biotech CEOs, hosted by Egon Zehnder

The pharmaceutical industry’s reputation has never been higher, but this poses challenges as well as opportunities.

- “The truth is that so far all the measures used have been very primitive: social distancing is a mixture of plague medicine and Roman medicine,” says one CEO.
- Some promising results are emerging from early vaccine trials, but we can expect public disappointment from given the lack of understanding of how hard it is to produce vaccines: there are many risks in terms of effectiveness, safety, and supply issues.
- Moreover, there are a lot of conspiracy theories circulating regarding vaccines, which as many as 25% of the global population believes, according to surveys.
- Some call participants were concerned about second waves of the virus impacting public confidence and complicating the medical response required to bring the pandemic under control.

- Competition for supplies of the vaccine appears likely, which could also introduce reputational risks.
- How should the industry prepare for these potential issues?

We need to gain as much perspective as possible on COVID-19's longer-term impact on business practices in a dynamic environment, where no one really knows how things will play out.

- Which trusted pre-COVID business reflexes now need rethinking, for example on stock market volatility, or on end-user behaviour?
- Leaders cited a recent survey of Fortune 500 CEOs, indicating that a third felt that there was no prospect of returning to the "old normal" way of working. https://fortune.com/2020/05/14/fortune-500-ceo-survey-coronavirus-pandemic-predictions/
- The speed of rapid lockdown across the global economy surprised many who had modelled the impact of pandemics prior to COVID-19. There is probably no going back now, and the economic cost of lockdown means leaders have to be more vigilant of pandemics in future.
- If companies are to revise plans for the second half of 2020, or indeed 2021, they need to start taking decisions now, even though all the necessary data isn't available: "There is a new level of complexity in our world, and educated guesses are needed in the short term to navigate it."

Companies are continuing to raise finance, despite the prolonged impact of the lockdown restrictions in many markets. The investor community was shell-shocked for a couple of weeks, before recognizing that they still had funds to invest, then adapted quite quickly to the new environment. Several board directors said both new and existing investors proactively approached their companies. This rapid adaptation, and the power of some new ways of working, causes executives to ask to what extent some former business practices are ever likely to return.

- For example, roadshows are now much more efficient via Zoom: CEOs can conduct a series of meetings around the world (and around-the-clock) with very little downtime, compared to travelling to meet investors face-to-face.
- CEOs need to learn how to do video roadshows sustainably (e.g. more

disciplined preparation/meeting management - and scheduling of bio breaks!) But how far will the value (versus the cost) of face-to-face meetings in building trust reassert itself after the pandemic has subsided?

- A tactical but important aspect of effectively managing these meetings is balancing the sharing of PowerPoint slides versus time reading participants' body language. With a drive for more speed, the quality of the human interaction might significantly drop.
- One contributor described closing a series B funding in mid-April and wondered how far this would have worked had they not started to build face-to-face relationships before the crisis. One leader acknowledged that raising money virtually on the NASDAQ, where there has been no previous US exposure, might not work. Co-investment is quite sophisticated in these fundraisings, and without co-investor confidence it can be hard to get fundraisings over the line: "there would be all sorts of issues around pricing and confidence in that scenario, although given how far Biotech funding is a matter of fashion, it will depend on what area you are working in".
- Another contributor was in mid-negotiation with two syndicates on their series B funding when the Dow first dropped by 700 points due to the COVID-19 crisis. They lost one of the syndicates and needed to reassure investors about the impact COVID-19 was likely to have on their trials and their different business scenarios, but they still managed to close the round.
- Another contributor had not started their series B fundraising until lockdown was underway, and while things have been very intense, they were progressing well, although they were pushed to look at the crossover. They successfully built quite a lot of new relationships with investors they had not previously met; what seemed to matter was how compelling the story was.
- Perhaps unsurprisingly, those involved in raising funds for vaccine ventures have noticed a very significant increase in investor appetite compared to just a few months ago.

The Big Pharma companies are showing polar reactions towards business development, with some much more agile than others.

- For example, Japanese companies, and some US companies like Merck have been quite slow (although they're now fully committed to COVID-19 activities), while Sanofi has been very agile.
- Meanwhile, some British biotechs have signed spectacular deals with Big Pharma, with significant amounts of funding attached.

Business continuity remains a concern for some companies, where clinical trials have been significantly impacted:

- From our discussions, it's clear that companies' current situations vary a great deal, with some still on track in terms of trials, and others effectively at a standstill, struggling to understand at the site level what is happening across a very complex set of differing situations.
- Where clinical trials aren't moving and the cost base remains unchanged, there is a clear risk of unexpected shortfalls in funding from companies that thought they were sufficiently financed pre-COVID. For these companies, a good pipeline and well-grounded science are no longer sufficient – they now need to be able to show that they can generate data in the new environment.
- Meanwhile, it was challenging for those planning commercial launches at a time when sales people were unable to speak to doctors, not least managing commercial staff who find the lack of access to customers particularly frustrating. There is now a clear need to retrain customer-facing staff to use technology as effectively as possible to replace face-to-face meetings.
- The massive outlays by government may also trigger cash constraints in the future in many health systems. Several contributors said that the stock market and underlying results have yet to converge, and we might need to brace ourselves for hard times ahead.

The market for talent in some areas continues to be brisk, albeit candidates' reactions to the pandemic typically being quite binary, with some refusing to consider a move and others seeing it as a natural moment to make a change.

- Meetings have been faster and easier to arrange, with fewer confidentiality worries.

- Many companies are now reconciled to hiring people without actually meeting them, which prompted some to wonder if there would be integration issues when they finally met the team? Some of those on our calls cited opportunities for well-financed companies to hire locally-based staff away from companies whose future looks less certain, and which are based elsewhere.
- Companies have also started laying off people in considerable numbers. without any face-to-face interactions with those affected. "This is very difficult: I feel like I am a coward hiding from them."
- Meanwhile, one company succeeded in setting up a high-calibre scientific advisory board with six top key opinion leaders in no time at all, given that they were only required to attend meetings by Zoom, and therefore only needed to commit a few hours per year, making their hourly pay rate look attractive.

The impact of the pandemic on company culture remains an open question.

- There are some strong indications that different personality types are reacting differently to homeworking, with more introspective personalities preferring it, while more extroverted staff drained by the current reliance on videoconferencing.
- CEOs interact more frequently with their staff than previously, partly because they feel more formal interactions are needed in the absence of any informal meetings, but also because they are more available.
  - CEOs speculated about the transition back to the office, anticipating employee disappointment that they're (once again) not as available as during the pandemic
- Counterintuitively, some aspects of videoconferences increased intimacy, as aspects of individuals' personal lives, such as children and pets, became more visible when working from home.
- But others remarked on the inefficiencies of being physically dispersed, "with no ability to bump into someone or put your head around the door and ask their views on something, the big things get done but many of the small things get missed and small issues are neglected and become bigger than they need to be". This requires everyone to be more aware of what isn't happening, and to have the discipline and resourcefulness to find ways of addressing it.

For more information, contact:

Mark Byford
London
mark.byford@egonzehnder.com

Anna Vichniakova
London
anna.vichniakova@egonzehnder.com

Ben Maddox
London
Ben.maddox@egonzehnder.com

Marie Grønnegaard Christensen
Copenhagen
marie.gronnegaard@egonzehnder.com

Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: click here for further details.

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