
Editorial

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Over the past months, we have seen an unprecedented series of changes in the leadership of the major, global pharmaceutical companies. A new generation of CEOs now has to grapple with the almost \$25bn in patent expiries expected in 2008 and with a growing belief in the financial markets that the era of 'safe, big pharma' is for all intents and purposes, over. We may also be seeing the beginnings of the de-merger era, where pharmaceutical giants will not hesitate to sell, spin-out or simply close divisions or even regions that do not contribute in a meaningful way to corporate profit and growth. There is also evidence that the pharmaceutical marketing model has now become leaner and increasingly networked to take into account the new influencers and deciders, especially when it comes to expensive and innovative therapies.

What are the implications of the myriad of challenges faced by the industry for its choice of leaders? Clearly, relative youth is an advantage, as the going is getting tougher and tougher. As for experience, it remains to be seen if having a long legacy of work in the pharmaceutical industry is indeed a vital attribute for a successful pharmaceutical CEO. The managerial latitude available to today's leaders is diminishing; especially as scrutiny from large shareholders and activist investors and regulators becomes more and more intense. We also know that the image of the pharmaceutical industry has been tarnished by a combination of bad news, scandals and relentless media scrutiny.

If any generalisation is possible, it would be that managing a pharmaceutical company today is becoming less and less

different to managing a large corporation in any other sector. The serial shocks being experienced in bio-pharmaceuticals are probably not much different to those encountered in the chemicals or heavy industrial sectors decades ago. The most serious challenge facing the new crop of pharmaceutical leaders is the limited range of management options available. Larger companies are not blessed with pipelines that are in the near or even medium-term future going to deliver a copious number of innovative and profitable drugs. New products seem to be best obtained through judicious acquisitions of biotechnology companies or mergers, and even here the pickings are slim. Without the powerhouse of a successful R&D department, it is difficult to steer the giant vessel that is a global pharmaceutical company, on the path to success. In the face of stormy market conditions, especially due to generics and cost containment, the captain is often forced to jettison sales people and increasingly outsource activities to keep on course, and perhaps even afloat. Yet, there is no evidence that the model of the fully diversified global pharmaceutical company has indeed seen its last days.

The new generation of pharmaceutical leaders has gained most of its experience during the good and bountiful decades that the industry experienced. We are yet to see the inspirational turn-around stories in pharmaceuticals that are the stuff of legends in other industries. At this stage, it would be difficult to find many books in the business section describing the feats of a manager in the pharmaceutical industry. But perhaps the time has come when it would be possible for a CEO to indeed

‘work miracles’ with an ailing pharmaceutical company? Will this spectacular feat be driven from changes in R&D? This is most unlikely due to the long development timelines and the high failure rates in research. Perhaps we need to look to sales and marketing for the radical transformation — where lean, appropriate divisions extract the maximum value from every product in every market. Clearly pharmaceutical companies can do a lot more with less sales and marketing resources, but there are no easy answers. The industry has considerable expertise and combined insight into individualised

marketing, and this will have to be further unlocked.

Today’s crop of pharmaceutical CEOs will have to put even more effort into aligning, rightsizing and strengthening sales and marketing. The time is ripe to extract value from every unit of product sold, a meticulous attention to detail that may, who knows, guarantee one or other pharmaceutical industry leader a place in the pantheon of great managers.

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