

Does your chairman need to be Superman?

Nicolas Hollanders

To find the right chairman for your biotechnology company, brush up on your chemistry skills.

In recent years, with the maturation of the industry and the need for world-class leadership, biotechnology companies have increasingly turned to executive search companies. Biotech companies are usually small to mid-sized entities facing important challenges; they need to be able to raise funds and manage their cash flow while adhering to a long-term, credible strategy. At the cutting edge of technology and science, their leaders need to balance both technical judgment and business-driven decisions on an international scale.

Not only are companies evolving rapidly, but the context in which they operate is changing every day. Each company needs to be nimble enough to adapt or transform its business model as often as changing circumstances will require. Last but not least, biotechs are small enough entities that key individuals are fundamental to the performance of the company. Certainly at the early stage, most are driven by scientists who have little management experience and who find themselves pushed into complex management issues at a fast pace.

For its annual European Biotech CEO Survey, Egon Zehnder International decided to focus on the relationship between the two executives that usually share the top in a biotech company, the chief executive officer and the leader of the nonexecutive board, be it the chairman or the lead director¹. This article focuses on one of the key areas investigated: in today's world, what are the role and the competencies expected from a chairman? And does reality fit the expectations? The survey gathered input from no less than 66 respondents across 12 European countries. We spoke to both CEOs and chairmen in order to get the full picture.

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Role and competencies of the chairman

What is striking from the responses is how varied the chairman's role can be. Figure 1 summarizes the perceived duties of the chairman in aggregate terms. Not surprisingly, *managing the board meetings* is mentioned by 22% of the respondents, and as such, is the first issue a chairman should address. When breaking down the respondents' companies by category, it immediately becomes clear

with their chairman to support them and help them get through difficult periods.

The sounding board role is clearly separated from the *business guidance* role which focuses on more objective, business-related issues. This generic term basically covers the role of the chairman in challenging both the executive and nonexecutive team members and keeping them focused on the right things.

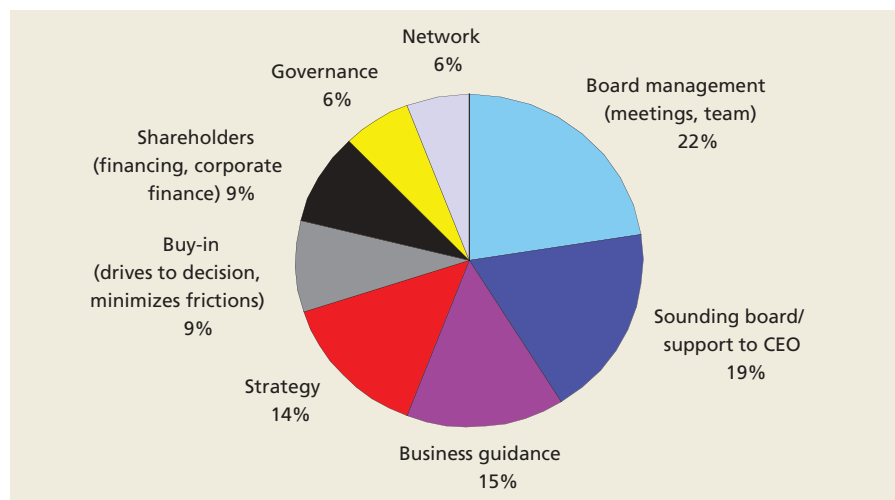


Figure 1 The perceived duties of a chairman.

that this aspect of the chairman's role is far more important in small companies than in larger or more mature entities. Managing the nonexecutive board is therefore probably one of the key issues for a chairman in a startup where a 'board culture' does not yet exist.

Much more surprising is the ranking of the *coaching and sounding board* function to the CEO; close to 20% of the respondents mentioned this key duty, irrespective of the size of the company. Apparently, biotech company CEOs seem to be very lonely at the top, and are demanding a one-on-one relationship

Further down the list is *strategy*. This item is mentioned by only 14% of the respondents and is again a very important item in smaller companies; the data show that the input of the chairman in defining the strategy tends to diminish as the company progresses and grows in size.

Close to 10% of respondents listed the *buy-in* role, where the chairman has a driving seat in bringing the board to consensus, minimizing frictions and possibly arbitrating some disputes.

Relationships with shareholders, mentioned

by only 9% of respondents, may be seen by some as surprisingly unimportant. One should not forget, however, that in many biotech companies, major shareholders have a seat on the board, which enables them to have direct contacts with both the CEO and the executive team.

Finally, only 6% of the respondents see the *networking* role of the chairman as vital; this is quite an interesting perspective, as an extensive address book in the industry is very often seen as an absolute prerequisite for a chairman. The data extracted from this survey tend to show that the address book as such seems not to be as important as the ability of the chairman to develop such contacts over time in a wide variety of environments.

A Swiss Army knife?

The spread in expectations means that the perfect chairman can almost be seen as a virtual Swiss Army knife, equipped with multiple tools to answer any request and to be able to deal with almost any situation that arises. Interestingly most of our respondents reflect this perspective: they feel that the chairman's role should be focused on facilitating interactions rather on content-driven input. Even if the role of the chairman evolves as the company matures, his or her impact on personal relationships—between executives and nonexecutives but also among the nonexecutives—is seen by all respondents as a key element of the success of the company.

If we start differentiating according to several criteria, some differences do appear. Generally speaking, investors (and particularly venture capitalists) seem to have a narrower view of the role of the chairman; he or she should not be too much involved in strategy, governance or networking but should be more of a sounding board and common sense arbiter for the directors.

Some notable differences can also be found across countries. In France, the model is more directive, putting emphasis on strategy and business guidance, which is not that surprising if one remembers that in most cases the chairman is also the CEO. In both the United Kingdom and Germany, there is a stronger emphasis on the people leadership role, and on the chairman as the intermediary between the shareholders, the board and the senior executives.

As mentioned before, size can also be an important factor. In smaller companies, the chairman will be expected to provide substantial input on strategy, as management will most likely still be very science focused. In larger or more mature organizations, where there is likely to be a solid business

strategy, the emphasis will be put on the 'sounding board' role.

Circumstances can, of course, completely shake this pattern; at times, fundraising and corporate finance activities can suddenly dominate the role of the chairman. At the same time, managing the board may need to become more intensive when the board is seen as dysfunctional, especially when the company goes through a major transformation phase.

Does the chairman need to be Superman?

Having defined broadly the role of the ideal chairman, what should his or her key attributes be? Figure 2 gives an overview of the key skills that are expected from a chairman. The

When asked about circumstances where chairmen have added the most value, a number of respondents spontaneously mentioned keeping the team calm and focused through tough and turbulent times. The chairman has to both reassure and motivate all parties in order to bring confidence during adverse circumstances.

Likewise, in a number of cases chairmen have proven their efficiency in working on the relationships between the investors and the executive or nonexecutive team. Here again, they are seen as the champions of the company's interest in the broadest sense of the word, arbitrating particular demands and priorities from the different stakeholders.

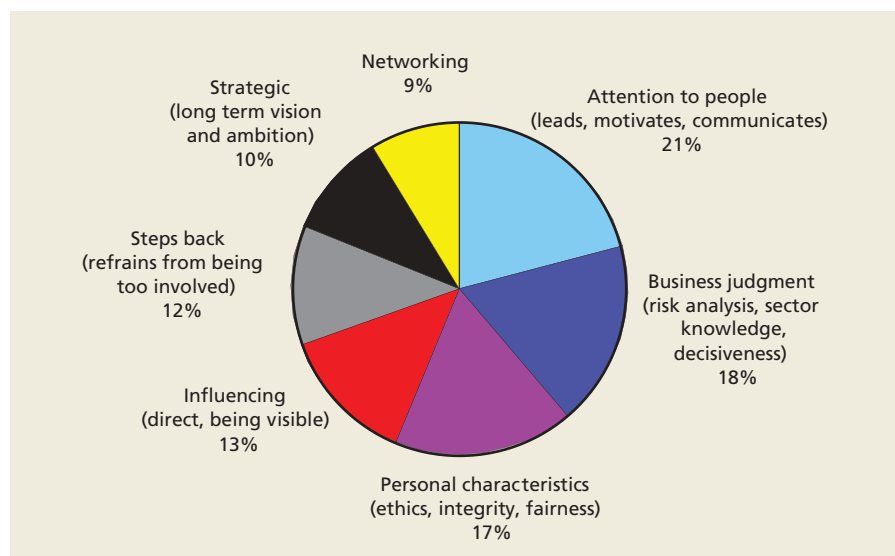


Figure 2 The key skills expected from a chairman.

survey proposed a number of possible answers, covering both soft and hard skills as well as specific experience. Almost two-thirds of the expected skills of the chairman are on the soft side, and at the top of the list is *attention to people* (that is, leading and motivating them). This comes above *business judgment* (covering risk analysis, sector knowledge or business decisiveness), which ranks almost equally with *personal characteristics* that combine ethics, integrity and fairness.

The chairman should be someone who is quite visible and who can be *influential*; 13% of the respondents see this as a key attribute, whereas almost the same number see the ability to refrain from being too involved and *stepping back when needed* as being at least as important. All together, the chairman is seen as a coach and facilitator, rather than as a direct leader.

Conclusions

Selecting the right chairman for a biotech company will make a huge difference to its success. However, with such a variety and spread in expectations, one must always remember that there are excellent chairmen without a tick in every box. The difficulty lies, therefore, in making sure not that all the boxes have been filled, but rather that the candidate has the most important skills, listed in the right order of priority. The most important set of skills to have is the ability to select, understand and influence people.

Irrespective of the type of product or technology platform, at the top, chemistry is critical!

1. Egon Zehnder International. *European Biotech CEO Survey* (EZI, Brussels, Belgium, January 2004).