The first 100 days: a biotech CEO survey

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In the words of one biotech CEO, "Managing a new company is like riding a wild horse."

The arrival of a new chief executive officer to head up a company, large or small, is always a major event—especially for the CEO. The first 100 days constitute a critical phase, a period famously charged with both potential and pitfalls. The new CEO, absorbing facts and personal reflections about his or her new job while gathering insight into the company, will also be laying the groundwork for the company's future strategy. And as with first impressions, you don't get a second chance at your first 100 days. So how do you make the most of them? This was the theme of this year's European biotech CEO survey conducted by Egon Zehnder International's life science practice[1].

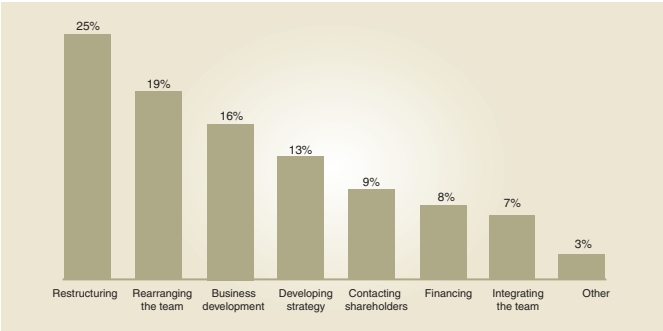

Figure 1 Biotech CEOs' activities in the first 100 days.

Our starting principles

Our aim was to understand what the earliest critical success factors were for new CEOs appointed to a biotechnology or emerging healthcare company. We sought to determine whether there was an identifiable pattern of right or wrong moves, particularly in the early days, by analyzing what these newly appointed senior executives did. Based on what our respondents thought they should have done, or done more of, we focussed on the issue of change versus continuity, specifically regarding changes to the management team.

As in the past, this year's survey brought us in contact with a large range of companies. Some 75% of respondents worked in private companies, whereas the other 25% headed public companies. The respondents had a wide range of geographical origins. For the first time, we surveyed a number of emerging healthcare companies in Eastern Europe in addition to our traditional business landscape geared towards the United Kingdom, Germany, Switzerland, Scandinavia and other Southern and Western European countries.

What did you do, or what should you have done first?

The respondents to our survey were invited to list the three key activities they focused on during their first 100 days. **Figure 1** shows a synthesis of the responses collected. The largest group of respondents (25%) cited "restructuring the company" as a priority. Cutting costs and eliminating excess wherever possible are indeed usually seen as key priorities. "Rearranging the team" was second at 19%, whereas "integrating the team" was found much further down the priority list. Business development was a focus for 16%, whereas 13% concentrated on developing company strategy. On the financial side, 9% devoted substantial attention to contact with shareholders. Add to this the 8% who focused on reworking company financing, however, and financial considerations come to a higher total (17%).

At first sight, these results are not surprising. Bringing in a new CEO often means that a company needs to make changes, most often in people and financing. This is precisely what these CEOs did. Looking back, however, would they stick to the priorities they set then, or would they do it differently?

Figure 2 lists a number of issues on which respondents were asked to comment. Judging by their enthusiastic responses to this question, our CEOs would probably have revised their priorities in retrospect. A third of the respondents mentioned spending more time communicating with investors. Building investors' confidence should be a key focus during the first 100 days. Without that confidence, everything is bound to be wrong in investors' eyes, and a new CEO's fate is sealed very early. The key to confidence building is transparency: don't pull any surprises, communicate constantly both one to one and at board meetings and make each investor feel special.

Close to half of the respondents stressed the fact that they should have spent more time trying to understand their company's real capabilities. Very often they accepted as fact what had been presented to them, either by the board or by the retiring CEO, whereas reality often proved to be substantially different.

Almost the same number stressed the need to rearrange their team. Here again a key message emerges: whereas most of the CEOs recognize the right decisions they made regarding their team, including the replacement of some of the members, most felt they should have done it much earlier—at the very beginning of the process.

A deeper analysis reveals a remarkable pitfall: the CEOs of bigger companies realized they had underestimated the need for change. CEOs heading smaller entities, meanwhile, were quicker in introducing changes in people, strategy or organization. In those small companies, only 6% thought they should have spent more

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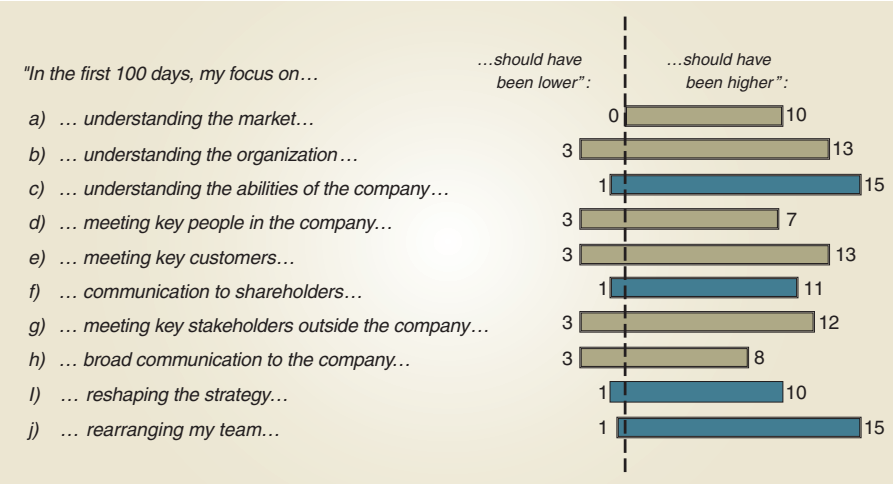

Figure 2 Biotech CEOs' attention in the first 100 days, revisited.

time reshaping strategy, whereas nearly a third of the CEOs of medium-sized companies and half of the CEOs of bigger companies, felt they should have taken more action in this regard.

The importance of the team around the CEO

As mentioned above, nearly 40% of the respondents said they should have focused more on rearranging their team. As the CEO of an emerging Eastern European company said, "It is incredible how many things you can do when you have the appropriate people. I had to replace several people and it helped a lot."

Yet the principle is more far-reaching. Many feel that such decisions should be made very early on. "I should have fired the COO earlier. I should have been brutal. Until he went, the staff had divided loyalties," commented the CEO of a mid-sized British biotech company. A German respondent emphasized: "One of the key lessons is that I was not fast enough in changing the management team. If you are not sure that some of the people are with you, don't waste time trying to change their mindset."

The challenges to a smooth integration

Another survey question concerned the time needed for the CEO to feel comfortable in his or her new environment. Comfort is a subjective criterion, of course, and each CEO's degree of acclimation will vary. Nonetheless, it is noteworthy to observe how differently people answered the question, especially considering the commonality of their previous experiences. Moving from large companies to smaller, more entrepreneurial ventures is indeed quite a challenge, as the results of this survey confirm.

An analysis of the results reveals a clear pattern: close to 70% of the CEOs from smaller organizations felt "comfortable" after fewer than six months, with an overwhelming majority "comfortable" after only three months. In contrast, on average, close to 60% of the CEOs from larger organizations, mainly big pharma, required seven to 12 months before they felt they were in control. Or, in the words of one of our respondents, "In the early days, it felt like the blind leading the blind."

Another important element of the first 100 days is the need for the new CEO to establish respect in his or her leadership role at the top. In the majority of cases, the CEO has come from outside the organization, with no previous link to it, is unknown to the existing team and is not sure how welcome he or she may be. The change of CEO will likely have been driven by investors, sometimes against the wishes of a team very loyal to the previous CEO. The consensus here seems to be that you will need more than 100 days to earn people's loyalty, and you can significantly lower your chances of success by making bad moves. The new CEO can advance his or her cause with positive gestures. Take the example of one CEO who emptied the dishwasher while making his cup of tea every morning. This had a surprisingly significant positive impact, as soon all the employees knew and were talking about it. In a small organization, such positive acts can go a long way to establishing one's position. Unfortunately, negative events will move just as fast to establish the opposite, and take longer to undo.

Some of the responses were predictable, and some were surprising. First of all, it should be noted that an overwhelming majority did not believe in the benefits or significance of a CEO's transition period: "A week is more than enough." In addition, new CEOs seldom feel that managing the ego or frustrations of their predecessor should be their responsibility. Most of the CEOs expect this issue to be taken care of by the board before their arrival to enable the new CEO to concentrate on the business and, in particular, on driving change. However, as biotechnology matures in Europe, we should witness better-prepared CEO transitions, where the appointment of a successor is perceived as a continuation of the strategy rather than a break with it. From this perspective, one can envisage the benefits of retaining good contact with the previous CEO, who may still be a key member of the management team. This point directly relates to our findings in last year's survey on the importance of the board's planning CEO successions well in advance.

A tentative conclusion

How should new CEOs make their mark: immediately, through replacements in the team? Or gradually, by developing the existing team? Too often there seems to be a gap between the company goals and what is within realistic reach of the management team the CEO has inherited. Most respondents made substantial changes to the team and were confident in their changes, although they almost unanimously agreed that they should have taken action much earlier. There were, however, others who were happy not to have acted on their first impressions. There the advice seems to be to differentiate between attitude and capability: "You can work on the latter but with the former you must act quickly." Being realistic is important. One participant noted, "In the first 100 days you have the scope to cut the team, but not to build it. Rebuilding takes longer than that." On this question of change, the general consensus was that too much change is better than not enough. This confirms the need for the new CEO to establish his or her leadership, and reflects both the difficult environment in which European biotech functions, as well as the fast pace of any entrepreneurial sector.

Being appointed CEO of a biotech company may be a thrilling challenge, but it can be tough as well. Experience demonstrates that the first weeks and months are not always the most agreeable. Thrown into an unknown environment, facing issues that were often underestimated in the discussions that preceded the appointment, most CEOs are confronted with much greater pressure than they expected. An experienced CEO gives a final piece of advice: "Feeling comfortable too quickly is a bad sign. Life has a habit of surprising us. The Achilles' heel of any company is too high a level of comfort. Even more in biotech...."

1. Egon Zehnder International. *Biotech CEO survey 2005: The first 100 days* (EZI, Munich, Germany, May 2005). http://www.egonzehnder.com/