

A Case of Sustainability in Leadership

How Amrop secured a sustainability change leader for an ambitious pharmaceutical company.



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Leaders For What's Next

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One of the world's largest industries, the pharmaceutical sector underpins the health not only of people but of entire economies.

Pharma today is being forged by several major structural factors: post WWII infrastructure, an ageing population, a lingering focus on curing rather than preventing disease. There is an overriding need for a holistic approach to health, with government and industry working hand in hand.

Read on to discover the full case study and its context.



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Industry context | 5 core challenges for pharma players

Pharma organizations inhabit a fiendishly complex system. It is difficult to operationalize good intentions, particularly given relentless imperatives to deliver product, secure profits and keep the pedal on innovation. Some specific challenges emerge.¹

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REGULATION

Already heavily regulated, pharma is set for further pressure, whether carbon taxes or further price regulation. And when modifying products, packaging, and production processes, firms face a level of scrutiny that requires diligent planning, testing, and registration. The sector must work with regulators to ensure its complexities are taken into account in policy development.

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SUPPLY CHAINS

The circular economy and reverse supply chains are well underway. But developing more sustainable supply chain networks is particularly difficult for a sector for which product purity is paramount. And when excluding non-conforming suppliers, pharma players must still protect the flow of their supply chains.

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TENDERS

Pharmaceutical companies are having to meet a broadening set of criteria to comply with tenders (also at government level) — these now include sustainability aspects.

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INTERMEDIARIES

The ability of pharmaceutical companies to directly interact with patients is limited by the role of doctors, pharmacists and healthcare providers.

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PRICE-SETTING

The sector's price-setting peculiarities limit its scope to share the cost of ESG measures with customers. And pharmaceutical providers, unlike their consumer healthcare equivalents, cannot use ESG to boost their brands. Furthermore, cost pressure on healthcare systems and hospitals is leading buyers to seek savings.



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No easy prescription for sustainability in pharma

Pharma produces more emissions per \$1m generated than the automotive sector² with its CO2 footprint set to triple by 2050 if left unchecked. As a 2021 statement by nine industry bodies acknowledges³: “Global public health is inextricably linked to the health of the planet.” All members had taken significant remedial actions, it assured, with 80% of the largest having set net-zero or carbon-neutrality targets. It promised investment in science and research to address the challenges.

Most people cannot afford proper healthcare, or struggle to get clear and consistent information. The industry is under pressure to improve access to medicine (especially in developing countries) and raise product quality, transparency and data protection in the shift towards a patient-oriented business model.

As Edelman reveals, the societal need for public engagement by the pharma industry is in no doubt. And in some corners, unethical sales practices still spark debate.⁵



In 2022 the Edelman Trust Barometer posted trust in pharma at 61 percent, making it the least trusted healthcare sub-sector.⁴



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The client's context

Almost a century old, our client has over 4000 employees and an annual turnover of \$1bn. Its products are exported to the EU, Africa, the Americas and Asia, and its market position is growing.

The organization manufactures prescription, over the counter (OTC) and hospital drugs, dietary supplements and medical devices. Its portfolio spans most of the major therapeutic groups.

With an active product pipeline and multiple patents granted over recent years, the group invests intensively in product development.

"From the outset, the organization was bringing in high level specialists from around the globe: clinical researchers, top class lab installations," says the Amrop Partner who led the assignment.

"Recruiting executives for this client means recruiting for a big name with a considerable reputation.

A milestone in the company's history was its purchase by a leading entrepreneur, who applied his previous experience to building a pharmaceutical company — particularly regarding manufacturing excellence - significantly multiplying the firm's value over the years.

As Chairman of the Board of Directors, he has deeply influenced the company's stance on sustainability and has green lit major investment in the domain."

An organization with ambition and focus

When the group restructured its sustainability strategy, the key stakeholders and decision-makers responsible for the primary business areas took part. Three pillars of social responsibility resulted, covering ethics, patient and societal support, and innovation. The strategy also operates within a selection of sustainable development goals (SDG's), balancing the three pillars of ESG and based on ownership, unity, and openness.

The organization is a member of the United Nations Global Compact initiative, committing to the 10 principles of UN Global Compact and reporting on its progress (see Appendix). It is a strategic partner of a think-tank assembling companies with significant CSR track records and has signed the Diversity Charter, involving all staff members and business and social partners. The group has also initiated partnerships with local governments and the private sector to implement sustainable development goals.



Installing systemic sustainability

The company takes a strategic, long-term view of sustainability, considering it as a core value creation factor. “How can sustainability add value to our business and stakeholders? How can we create an inter-related system of actions, rather than simply saying that we are doing something for the planet? Too many organizations undertake random initiatives disconnected from business reality. Our client has put tangible goals on the agenda, also in the social dimension. They have done so in a purposeful way, rather than simply waving the differentiating flag.”

Manufacturing complexity

Making the sustainability drive particularly challenging is the famous complexity of a pharma business. The work has to permeate an entire organization, one that is already dealing with heavy legislation, governmental and non-governmental bodies.

“We also have to consider the group’s international network of manufacturing supply chains, packaging, water, energy, all needing to improve their sustainability parameters whilst the group remains cost-competitive in Europe. Our client has established a working plan with each supplier; by 2025, all have to meet their sustainability criteria or leave the mechanism. This work is undertaken by a dedicated department whose head has become impactful in the organization.”

Root and branch change

Despite its carefully crafted sustainability strategy, certain areas of the organization are lagging. “It’s not a fully rosy picture: some departments are receptive; others want to know what’s in it for them. For instance, the commercial executives don’t understand sustainability well, so a lot of education is underway.

“Critically, the group’s CEO is a sustainability evangelist, and the board is fully behind the movement. The Head of Manufacturing is a particularly important stakeholder too and a major supporter of the sustainability role within the organization.”

To steer the course forward, the group’s top management decided to appoint its first head of sustainability, reporting to the CEO. “The role is not officially part of the management team but is deliberately designed to be independent, working across all departments. Amrop had already conducted a number of complex assignments for the group. Based on our track record, we were entrusted with this challenging search.”

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The search strategy and process



Search universe and role profile



“Sustainability is still relatively new in pharma,” the lead Amrop Partner explains, “so the pool of seasoned sustainability specialists is small. However, we have lateral experience in industries with complex manufacturing processes and supply chains.”

The brief described an executive with a proven history of delivering results in sustainability. Beyond that, Amrop was free to define a broad search universe. “Fortunately the client was not fixated upon having a pharma executive. We therefore mapped companies from compatible industries that were active in the sustainability domain and gathered recommendations from board members and CEOs. We contacted senior candidates from highly reputable firms. It goes without saying that we had to be very literate in the subject matter.”

The CEO was in charge of the assignment and a firm believer in the power of engagement: “I can issue as many procedures, declarations or imperatives as I like, but if people don’t understand or believe that these deliver something that matters to them, they will do the minimum.”

The assignment clearly illustrates a crucial conceptual difference in the sustainability domain: “ESG does not equal sustainability. Many candidates have ESG titles but focus on components rather than preparing the big picture. Our client wanted someone to set a frame for the whole domain. It’s like a puzzle; before you fill in the pieces, you need to see the whole image. It was challenging to find a person who had achieved a complete set of results in a sustainability drive. EU legislation is relatively new — it’s not something that you can track over four or five years.”

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+ Role profile in a nutshell



+ Attracting the candidates

The task was now to attract senior executives to a position that lacked a compelling title and was not board-level. “We explained that the organization’s culture emphasizes job essence, rather than job titles. Furthermore, the concept of the role is well-established within the business and very impactful.”

Moreover, the pharma industry offers excellent employment terms, and Amrop’s client was known for its attractiveness in that aspect. “However, the really engaging factor was the scope and content of the role.”

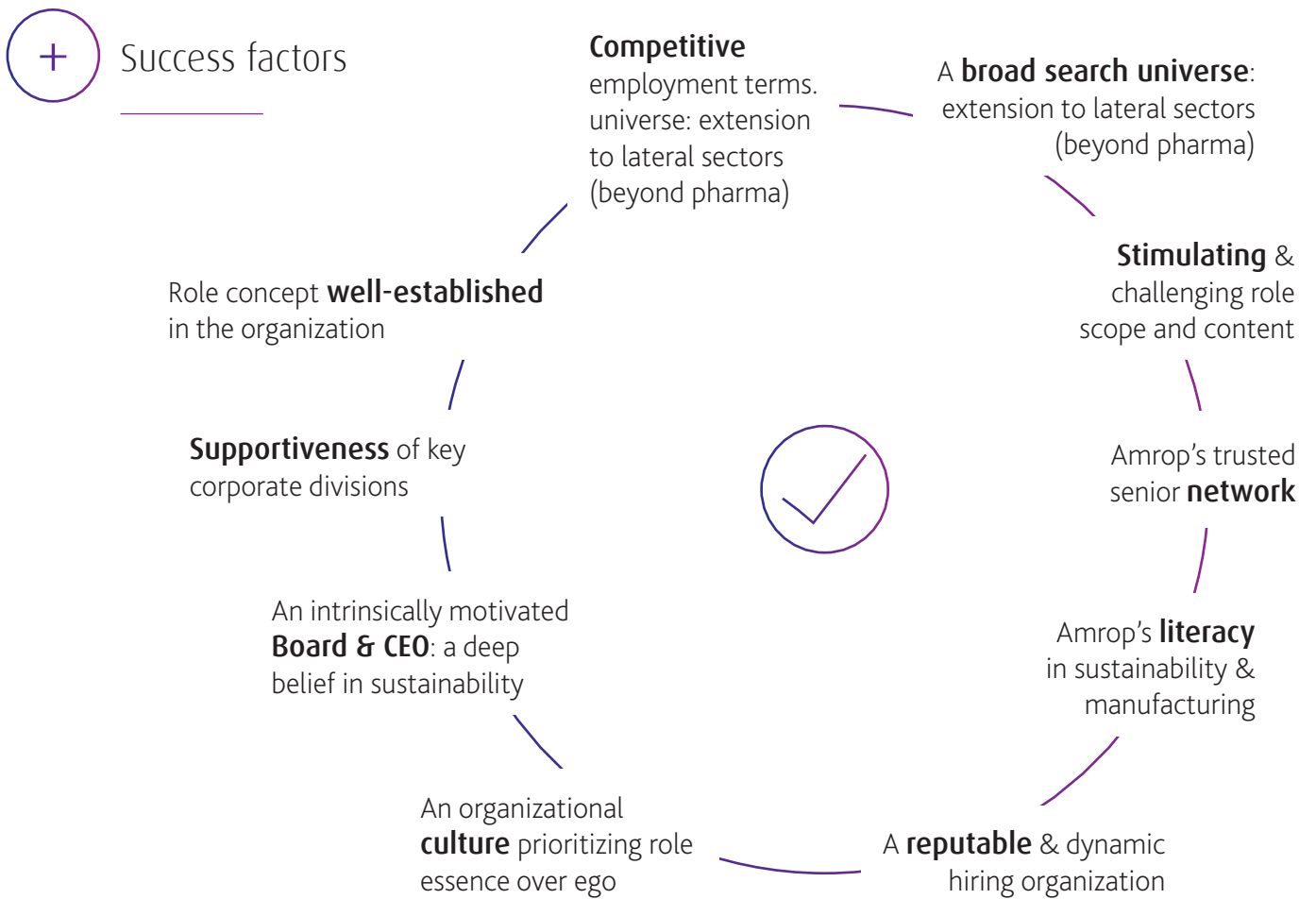
Board and CEO support are critical for senior executives, especially for those stepping into new posts. Amrop was able to reassure the candidates on this point. “The CEO has ensured the board speaks one language when it comes to sustainability. The board’s intrinsic motivation was the key success factor from the beginning: let’s do it because we believe in it, not because someone told us to.

“This is vital for any sustainability position, and we communicated it to the candidates. It is telling that over 70% of the executives we spoke to immediately agreed to consider the role. This facilitated the selection of four people for the shortlist.”





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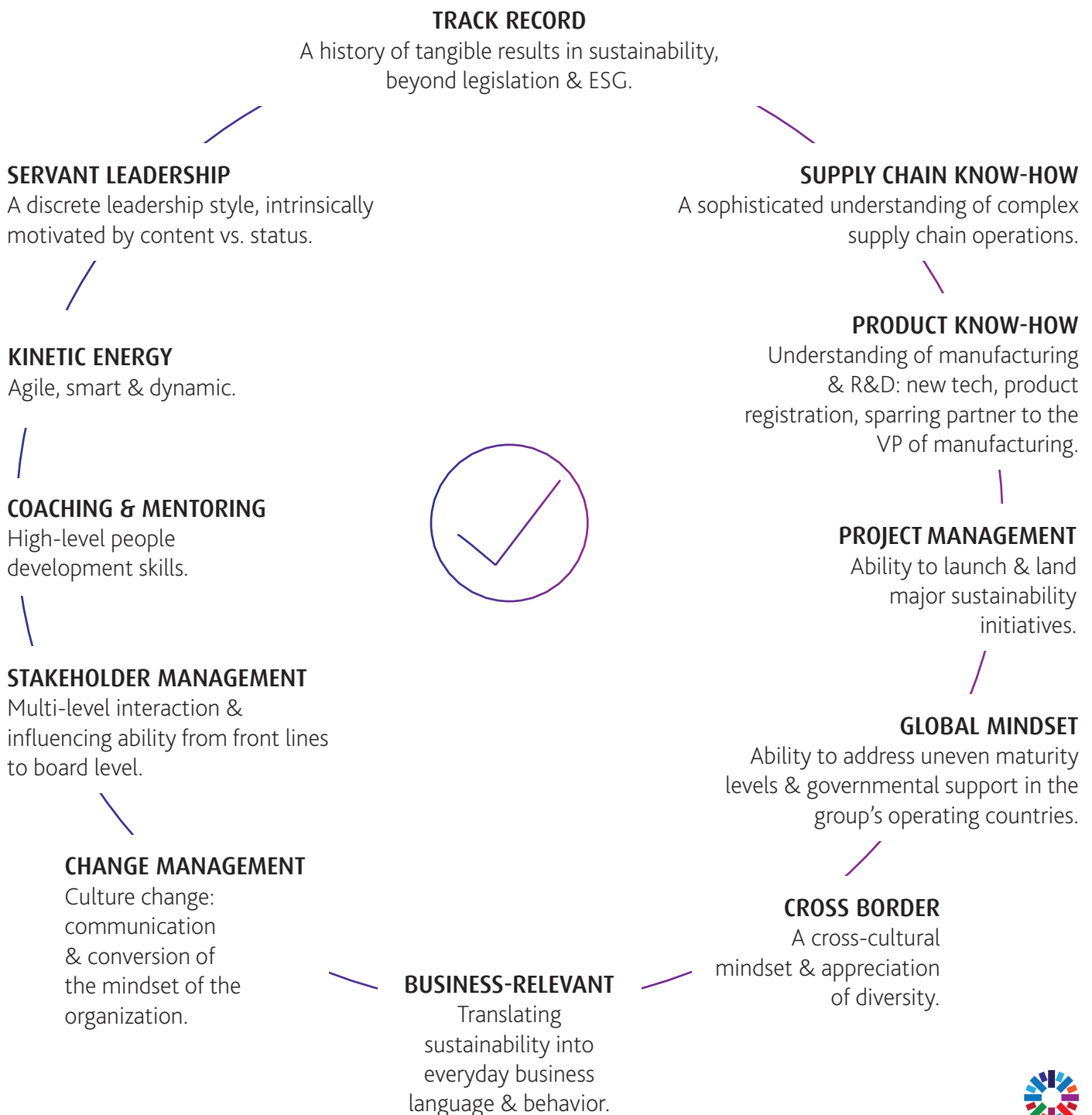
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The solution

After a 9-week process and an in-depth leadership assessment, the candidate was secured. "The new executive has a track record in heavy industry and construction. As these sectors are historically big polluters, our candidate has worked through some major obstacles during their career. Coming from an organization that was a pioneer in practicing sustainability, they have achieved proven results."



Appendix

Cop 26: Joint Industry Statement: UN Climate Change Conference (COP26): Biopharmaceutical Industry Actions to Tackle Climate Change 28 October, 2021

Global public health is inextricably linked to the health of the planet. Climate change, air pollution and other environmental challenges have a demonstrable impact on public health around the world. As part of the global health and care system, the innovative biopharmaceutical industry has a responsibility to minimise our impact on the planet as well as to research and develop new health products that manage and mitigate health risks from environmental challenges.

Global industry has led the way in tackling Covid-19 and we are fully committed to partnering with Governments and health systems across the world to take concerted action to address climate change. We are investing in research and development in greener products, as well as more sustainable production and distribution practices, that enable us to deliver medical innovation to patients in ways that protect and support the environment.

Our companies are already working on initiatives to reduce carbon emissions across our own operations and value chains, invest in renewable electricity and energy efficiency measures, recycle and cut water use and on bespoke projects which will impact positively on the environment.

All our member companies have taken significant actions to address climate change. Eighty percent of our largest companies have set net-zero or carbon-neutrality targets and many more have committed to ambitious short-term greenhouse gas emissions reduction efforts. Our companies' efforts are already yielding results in terms of emissions reductions, energy efficiency savings, and increased shares of renewable electricity. Investment in science and research, alongside co-ordinated global cooperation will deliver solutions to the biggest challenges of our age including the climate crisis.

Signatories:

The Association of the British Pharmaceutical Industry (ABPI)
 The European Federation of Pharmaceutical Industries and Associations (EFPIA)
 The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA)
 Pharmaceutical Research and Manufacturers of America (PhRMA)
 Innovative Medicines Canada (IMC)
 The Japan Pharmaceutical Manufacturers Association (JPMA)
 Farindustria
 Verband Forschender Arzneimittelhersteller e.V. (VFA)
 Les Entreprises du Médicament (LEEM)

Source: www.ifpma.org

The UN Global Compact (statement)

Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

10 principles of UN Global Compact:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour; and
 Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility; and
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: unglobalcompact.org



Sources

^{1,5}Bade, C., et al. (2023). *Sustainability in the pharmaceutical industry – An assessment of sustainability maturity and effects of sustainability measure implementation on supply chain security*. Corporate Social Responsibility and Environmental Management, Wiley.

²6 Ways the Pharmaceutical Industry Can Reduce its Climate Impact. (2022). World Economic Forum.

³ UN Climate Change Conference (COP26): Biopharmaceutical Industry Actions to Tackle Climate Change

⁴ Edelman Trust Barometer Special Report: Trust and Health (2022).

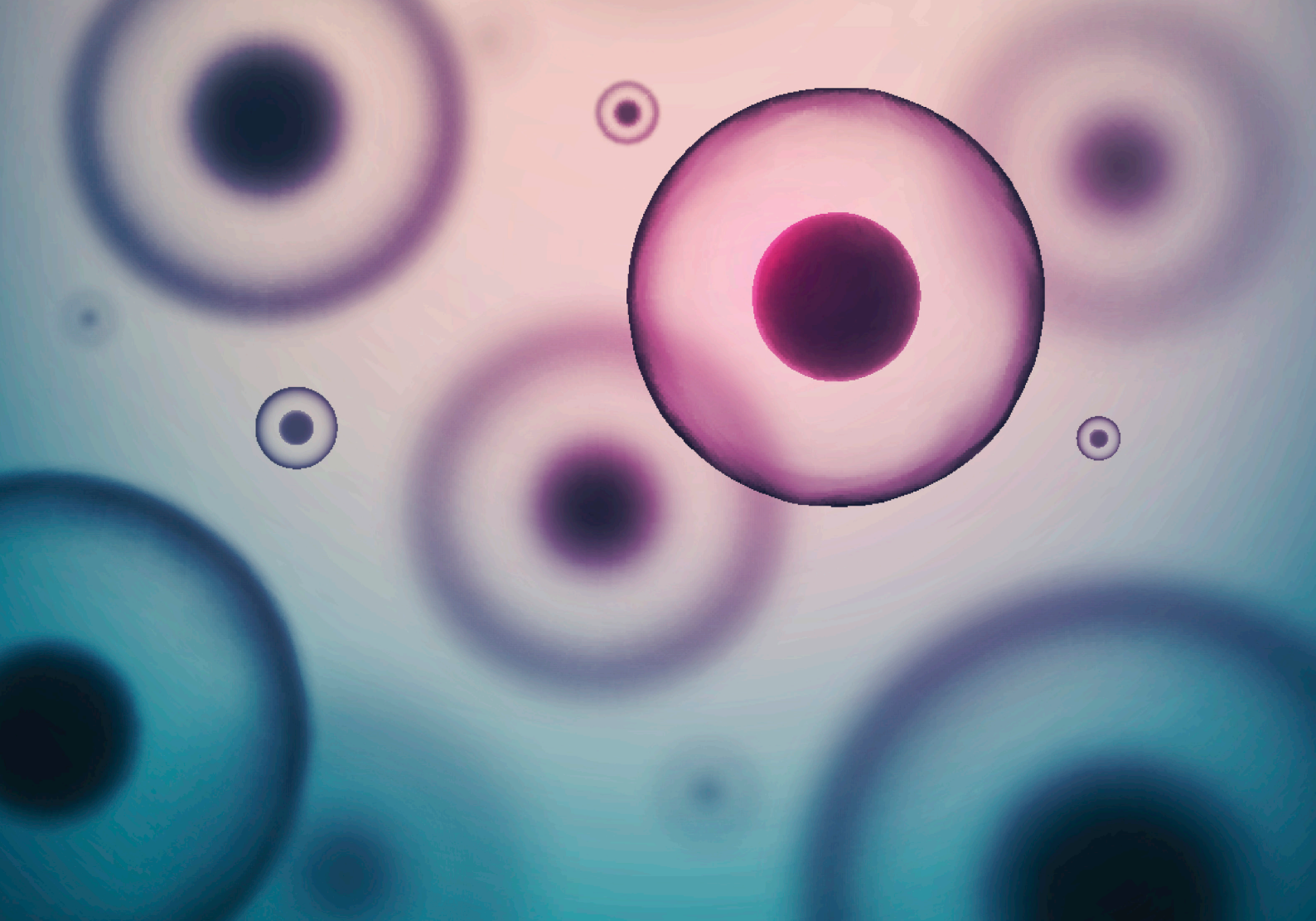
Further Reading



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About Amrop

The Amrop Partnership is a premium leadership and executive search consultancy with 68 offices in 55 countries and a global team of more than 500 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

www.amrop.com

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