# What talent management can do to shape next-generation pharma leaders

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A Sanofi executive discusses his company's leadership-development programs and approach to building employee capabilities amid rapid change.

**How can HR help** build leaders capable of meeting the challenges of tomorrow's healthcare industry? McKinsey's Mary Meaney talked with Roberto Pucci, executive vice president for human resources at Sanofi, about the capabilities and mind-sets needed for success in a fast-changing world—and what HR professionals can do to nurture them. In this interview, part of our Biopharma Frontiers series on how the pharmaceutical industry is evolving and how leaders can adapt, Pucci describes the leadership programs he oversees, explains why he values authenticity, and considers how a company might position itself to win in the war for talent. An edited transcript of Pucci's remarks follows.

**McKinsey:** *In recent years, the pharmaceutical industry has gone through enormous changes. What do you see as the biggest challenges it faces in the next few years?*

**Roberto Pucci:** One of the biggest challenges is that the days of strong patent protection, lower pricing pressure, and broad patient coverage are over. Today's healthcare business is exposed to pricing pressure, generics entry, increasing competition from small biotech and technology companies, complicated patents litigation, and other trends that make the environment in which we operate much more demanding. That means we need people with fresh skill sets and the mind-set, agility, and flexibility to adapt quickly to the evolving landscape.

**McKinsey:** *What are you doing at Sanofi to equip leaders to succeed in this new environment?*

**Roberto Pucci:** We've had our wake-up call, and we're energized and committed to leading change. We've done a lot of work lately on building development programs that are relevant to the business and that help equip leaders to meet future healthcare challenges.

In one of our flagship programs, Leading for Tomorrow, we bring leaders to a range of different markets to expose them to disruptive businesses and foster a mind-set of innovation. Part of this year's program focused on technological innovation in China, and leaders engaged with

entrepreneurs in healthcare and other sectors on topics such as crypto-currency and the use of virtual and augmented realities, gaining insights that will help them shape Sanofi's future. The other part of the program took place in Boston and exposed leaders to innovation in the areas of artificial intelligence, machine learning, big data, and robotics.

We try to build programs that challenge our thinking, embrace the possibilities of disruptive technologies, and encourage employees to work in teams to implement new strategies. We also bring people together from different places to network and share experiences. In the past few years, we've recruited a significant number of executives from other industries as well. That's good because they've brought us more diversified leadership experiences, but it's challenging, too, because they've had different histories of growing as leaders, so we need to elevate them to the highest possible denominator and capitalize on that. We're trying to work on these dimensions of leadership development while still recruiting to strengthen our bench further.

**McKinsey:** *What do you look for when you bring people in from outside? What capabilities are you seeking to acquire?*

**Roberto Pucci:** It's a mix: we need capabilities in healthcare and biotechnology, of course, but as we become one of the leading companies in consumer healthcare, we also need more people with a consumer-goods background. And in global functions like finance and HR, where you don't need expertise in a specific industry, we've recruited a lot of people from outside healthcare.

Sanofi isn't a French-based or US-based company; we're international, with a presence in more than a hundred countries. Our executive committee is highly diversified, with six nationalities out of 14 people, and we manage people from many different countries and backgrounds. We look for people who've lived in more than one country, because I believe it makes them more adaptable, and it also has a cultural dimension. This is a company of relationships more than processes. You've got to be able to build and nurture relationships and get things done through others.

Personally, I also look for authenticity. Does this person have a genuine interest? Do they want to grow and build something beyond themselves? Do they aspire to make a difference in healthcare and serve a common purpose? One of the signs of authenticity is people's readiness to talk about their weaknesses. After all, nobody is perfect. Interviewing is not about selling something; I don't want people to fail, nor do I want our company to fail by bringing in the wrong profiles. I want people who are not afraid to be open and are humble about their weak spots.

I also look at someone's career history and how many changes they have made. Millennials may think differently, but I take the traditional view that loyalty plays a part. If you want to build something positive and sustain it, you have to invest time and energy over a number of years.

**McKinsey:** *Some of today's big themes across industries are digitization, analytics, and big data. How do those affect you when it comes to the people you recruit and the way you manage HR?*

**Roberto Pucci:** I believe healthcare is at an inflection point, and the relationship between technology and medicine will continue to evolve rapidly. People want to take more control over their lives; they don't want to depend on anybody else, even a doctor. I talked to one doctor the other day who said he spends a lot more time with patients now because they come to him much better informed. Unfortunately, a lot of what they find out isn't accurate, so he has to make sure they have the correct information to make better decisions about their care. And technology that helps patients take control will become more and more relevant.

When it comes to HR, a lot of people are talking about analytics, but I have yet to see it applied in a powerful way. Using data analytics to make decisions doesn't come naturally for our function; we are more concerned with the soft side of things than the KPIs [key performance indicators] or the metrics. Clearly HR needs to evolve, but I see analytics more as a means of interpreting data and deriving concrete actions from it.

For instance, there's a lot of debate about the effectiveness of evaluating people. Some data has shown that in the six to nine months after an evaluation, motivation declines not only after a bad evaluation, which you might expect, but also after an average evaluation. People's performance deteriorates, and that affects the whole business. The question then becomes does it make sense to give people this information at all? Some companies are deciding that it doesn't.

We can also use data to ask if we are doing the right things. In China, we had very high turnover in our sales force—about 20 to 22 percent. That's not typical for us, so we did an analysis to understand the reasons. I was expecting to see promotion, development, and compensation, but very close after that came work–life balance. So it seems the idea of young people in emerging markets wanting to grow fast, make a lot of money, and then move on is not the full story according to the data we have.

**McKinsey:** *When it comes to managing and improving employee performance, how has your thinking evolved?*

**Roberto Pucci:** The relationship between employees and their managers is crucial. They need to have a dialogue that is transparent and direct and ongoing, not just once a year. But how can you make sure this takes place, and how do you avoid putting people in boxes? Nobody wants to be labeled as average; everybody wants to be better than average.

I haven't figured out any magic recipe, but I do know you have to tell people what their strengths and weaknesses are. You don't do them any favors by not telling them the truth. And you need a system that allows you to differentiate between people so that you can promote and

reward them appropriately. Especially when resources are scarce, you've got to have a sound basis for deciding who gets what.

To develop leaders, you have to give them feedback on their ability to manage people. People matter, yet you never see an evaluation of human capital on a balance sheet. You have ROI [return on investment], EPS [earnings per share], and all sorts of financial metrics but nothing that measures talent.

**McKinsey:** *As the competitive landscape becomes more diverse, with the entry of tech companies, biotech firms, and start-ups, how do you position yourself to win in the talent market?*

**Roberto Pucci:** That's exactly what our human-capital strategy is all about. I think you can segment the landscape along two axes: on one side you have the small biotechs, with agility, a sense of freedom, and no bureaucracy, and on the other side you have the big companies: heavy, bureaucratic, and a lot slower. But what if we had an employee value proposition that mixed the two: a large company with 110,000 people and an entrepreneurial spirit? Somewhere that offered people the choice of working as specialists or generalists, in mature countries and emerging markets, with the infrastructure of a large company plus the freedom of a small one? Usually the choice is binary, but could we be both?

If we want to build an environment with that kind of value proposition, it has implications for HR. Some people don't care about their pension; they care about their time. But if you join a big company, the benefits are standard: here's our package, take it or leave it. The concept of "cafeteria benefits" has been around for years, but more in theory than in practice. You have to recruit people with all kinds of profiles, including senior people with expertise that younger people can't yet bring. Different people have different needs, so how can HR accommodate them all? We have to be able to modulate our offering to be more competitive with what's out there in the market.

**McKinsey:** *Where do you focus to make the most difference: on a small number of pivotal roles, the middle 80 percent, or both?*

**Roberto Pucci:** Many companies go by hierarchy and follow the grading system, but I believe in focusing on the roles that have the biggest impact on the business, which aren't necessarily the top grades. The business cycle also plays a part. All of a sudden you could face a crisis out there, and if you don't manage it properly, your company could be at stake.

Some pharma companies have encountered significant ethical issues in China, for instance. If that's you, China may not be one of your largest markets, but if you can't fix the issue, you could jeopardize your whole company image. That makes the head of China a key position in terms of the potential impact on your business at that point.

So what we are starting to do, rather than judge someone's importance by their grade, is to ask which are the 10 or 20 roles that affect our organization the most right now? Who is occupying these roles? Do we have the best people? Are we spending our resources in the most effective way?

Of course, it's not an easy equation to solve, because it takes flexibility to move people around. In a global company, you can't just shift people from country to country every six months. People have families, and there are other challenges to overcome, but agility is key. That goes for individuals as well as the organization. Mental agility forms part of the assessments we do. It encompasses various dimensions, such as self-awareness, creative thinking, and authenticity.

**McKinsey:** *The political landscape has undergone dramatic changes in the past year or so. How does this affect your HR philosophy?*

**Roberto Pucci:** Our company is built on diversity, but externally things seem to be moving in the opposite direction: we're seeing countries attempt to leave the European Union, stop immigration, protect local industry, fight globalization, and resist technological change. It looks as though we're traveling at two speeds. Our company's culture is about inclusiveness—giving everyone a chance in a world without borders. All of a sudden we have to operate in a social and political climate that's become very challenging. How do we get it right?

One thing that's critical is making sure that employees understand why we do what we do. Too often top management decides what's right and wrong for everybody without spending enough time listening to people. That doesn't mean always adopting their opinions; a company isn't a democracy, and that's not how things work. But once you've taken a decision, you've got to make sure people understand why, so that they can ask how will that affect me? How can I help? Do I want to be part of this? ◻

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