

# *Dealing with disruption* *16th Annual Global CEO Survey*

Key findings in the Pharmaceuticals  
and Life Sciences industry

*February 2013*



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# **Welcome**

Far-reaching changes are taking place and they're taking place faster than ever. In this new era of 'stable instability', risks that once seemed improbable, even remote, have become the norm. For CEOs across the world, 'expect the unexpected' has become the mantra. The only solution is to build organisations that can thrive amidst disorder: organisations that are agile and adaptable, as well as able to cope with disruption, can emerge stronger than before.

We polled 1,330 CEOs in 68 countries, and talked face-to-face with another 33 CEOs, in our 16th Annual Global CEO Survey, to find out how they're creating resilient organisations that can flourish under stress. *Dealing with disruption* shows that CEOs are:

- focusing on a few carefully selected initiatives to stimulate organic growth;
- exploring new ways to attract and keep customers; and
- balancing efficiency with agility.

And to succeed in these three goals, CEOs are recognising the role that trust plays, and that they'll have to work hard to repair the bridges between business and society.

This report is a summary of our key findings in the Pharmaceuticals and Life Sciences industry, based on interviews with 90 CEOs in 37 countries, as well as an in-depth interview with Yasuchika Hasegawa, President and Chief Executive Officer, Takeda Pharmaceutical Company Ltd., Japan.

To see the full results of the 16th Annual Global Survey, please visit [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey).

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# *Introduction*

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# ***Introduction***

Pharma's future has never looked more promising – or more ominous. Major scientific, technological and socioeconomic changes will revive the industry's fortunes in another decade, but capitalising on these trends will entail making crucial decisions first.

While they're confident about their own future revenue prospects, pharmaceuticals and life sciences CEOs are also concerned about economic conditions and the impact that future government responses could have on growth.

What else did they tell us?

- They're working hard to meet the demands of patients and society.
- Growth markets will be critical to future success.
- Cost-cutting is high on the agenda.
- R&D and innovation is a top priority, and so are the people who make it happen.
- They're strengthening engagement with a whole range of stakeholders.

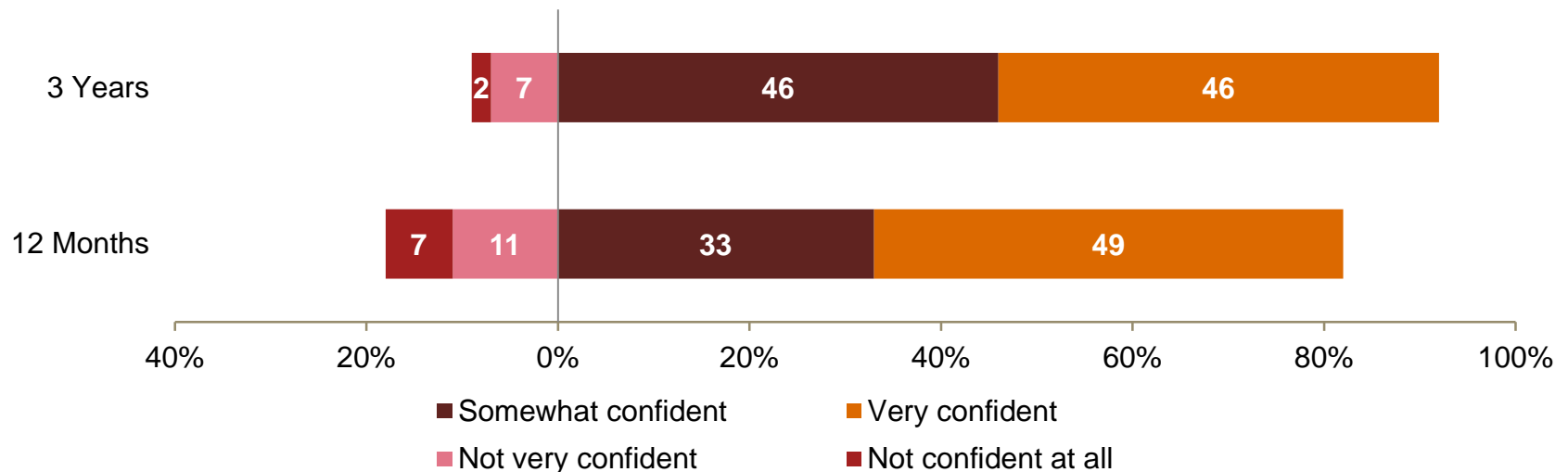
# *The disruptive decade*

# 49%

of pharmaceuticals and life sciences CEOs are very confident they can raise the revenues their companies generate over the next 12 months.

# Pharmaceuticals and life sciences CEOs are confident of future success

The pharmaceuticals and life sciences industry is going through a period of profound disruption. We've discussed the changes in detail in our Pharma 2020 series. But most CEOs expect to master the challenges; 82% are confident of generating higher revenues in the next 12 months, while 91% are confident of doing so over the next three years.



Q: How confident are you about your company's prospects for revenue growth over the next 12 months? Over the next 3 years?

Base: All respondents (Pharmaceuticals and Life Sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

# *What worries CEOs?*



# ***What governments do could have a big impact***

## ***Over-regulation***

*73% of pharmaceuticals and life sciences CEOs worry it could put the brakes on growth.*

## ***Economic volatility***

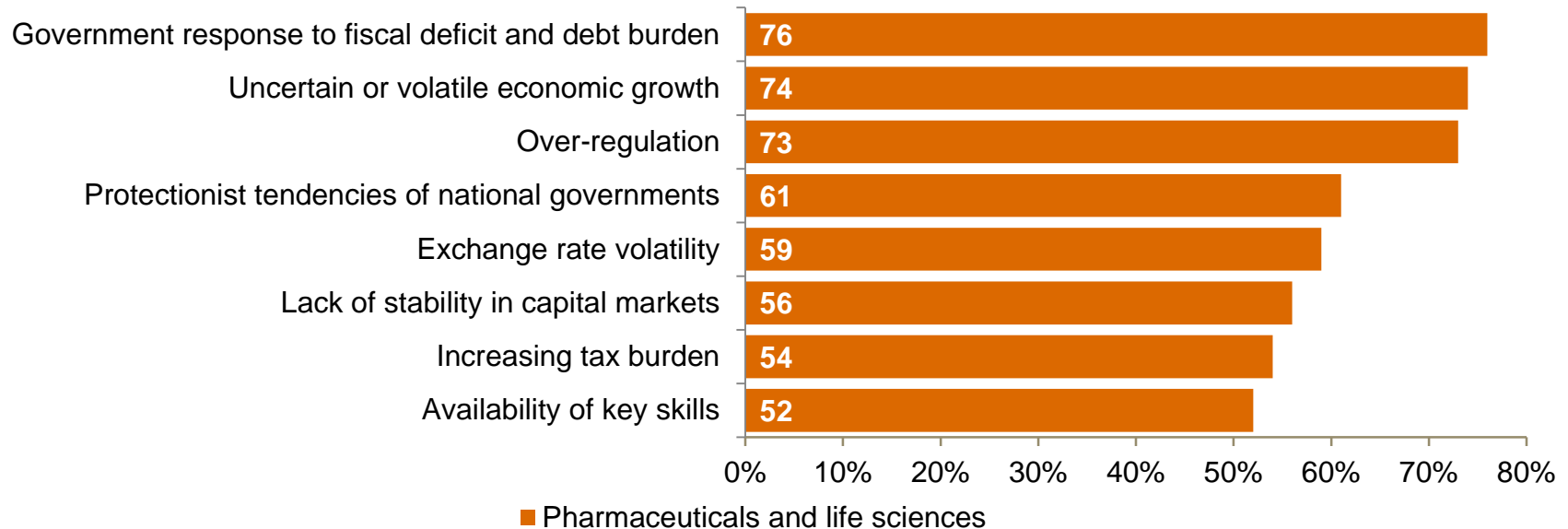
*74 % are concerned about uncertain economic growth—that's still fewer than across the total sample though*

## ***Debt and deficits***

*76% of pharmaceuticals and life sciences CEOs are wary about how governments will respond*

# ***Economic factors top the list of CEOs' concerns, but skills gaps follow close behind***

Pharmaceuticals and life sciences CEOs are concerned about a wide range of economic threats. For most of these they're actually slightly less concerned than CEOs overall. Having the right talent in place is an issue too.



**Q: How concerned are you, if at all, about each of the following threats to your growth prospects?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

Note: Respondents who stated 'extremely' or 'somewhat' concerned. Only the top 8 threats for pharmaceuticals and life sciences CEOs are listed. List combines 'economic and policy threats' and 'business threats'.

# *So what are CEOs doing?*

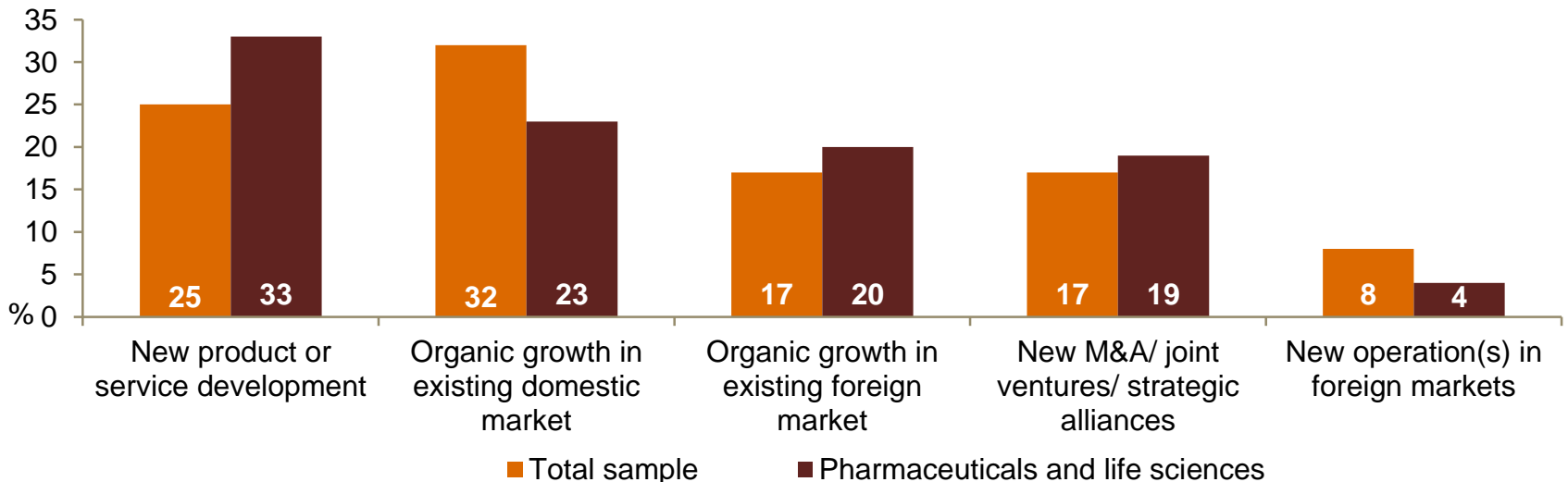
# *Targeting pockets of opportunity*

**33%**

of pharmaceuticals and life sciences  
CEOs expect new products and services  
to drive growth this year.

# Pharmaceuticals and life sciences CEOs are looking to innovation and growth markets to drive growth

While CEOs in most sectors are depending primarily on organic growth in their home markets, for pharmaceuticals and life sciences chief executives, new products or services are more important. And foreign markets nearly match domestic ones in growth potential.



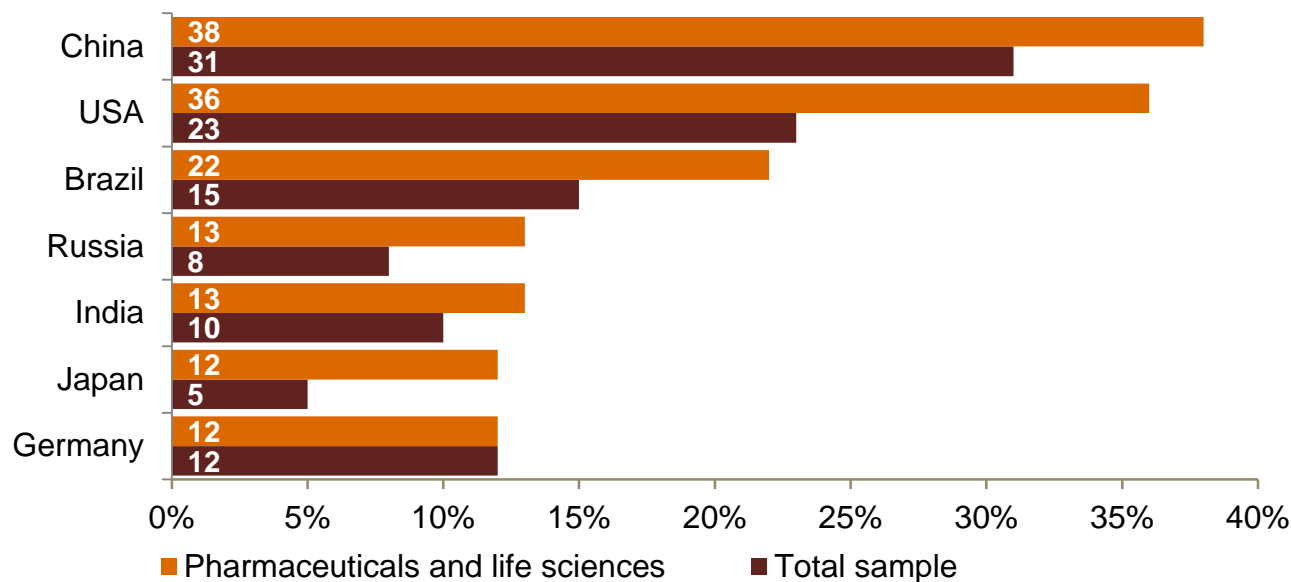
**Q: Which one of these do you see as the main opportunity to grow your business over the next 12 months?**

Base: All respondents (Total sample, 1330; Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

# ***The BRIC countries are important to future prospects – but so are the US, Germany and Japan***

The pharmaceuticals and life sciences industry is looking strongly to growth markets, especially China and Brazil, to fire up growth this year. But mature markets remain important too – especially the world's biggest healthcare spender, the USA.



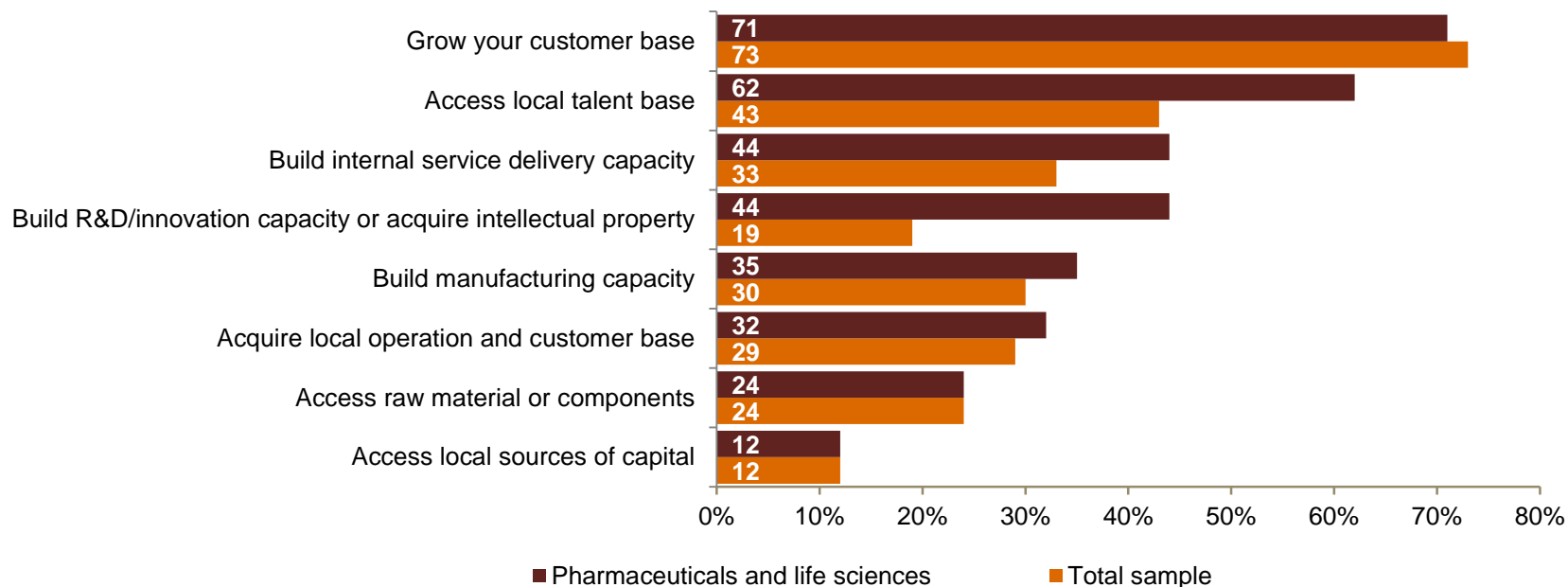
**Q: Which countries, excluding the country in which you are based, do you consider most important for your overall growth prospects over the next 12 months?**

Base: All respondents (Total sample, 1330; Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

# Why China? Customers and talent are top objectives

Like peers across the sample, the #1 objective for pharmaceuticals and life sciences CEOs in China is growing the customer base. But accessing local talent follows close behind. Building internal service delivery and R&D and innovation capacity are important too.



Q: Which of the following objectives do you hope to achieve in the next 12 months?

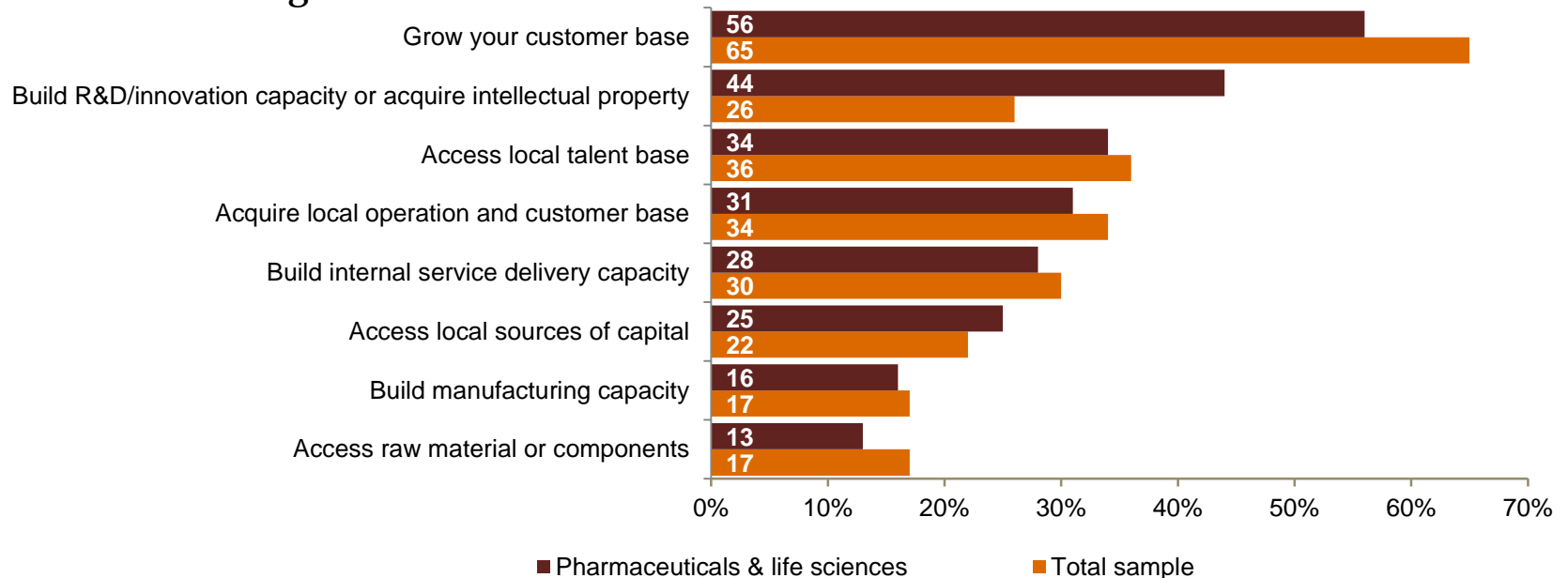
Note: Don't know/refused excluded.

Base: Respondents who identified China as one of their most important growth markets (Total sample, 414; Pharmaceuticals and life sciences, 34)

Source: PwC 16th Annual Global CEO Survey 2013

# And why the USA? Customers and innovation are key in the biggest market

As in China, the top objective for pharmaceuticals and life sciences CEOs in the USA is growing the customer base. The #2 reason is innovation and intellectual property – and exactly the same number of sector CEOs – 44% – are looking east to China and west to the USA in this regard.



Q: Which of the following objectives do you hope to achieve in the next 12 months?

Note: Don't know/refused excluded.

Base: Respondents who identified the USA as one of their most important growth markets (Total sample, 310; Pharmaceuticals and life sciences, 32)

Source: PwC 16th Annual Global CEO Survey 2013



## ***A CEO's view on the growth economies***

“My own view is that Asia and Africa are going to be key drivers of future global growth. In Asia, people will be living longer and healthier lives. In that sense, Asia in the coming years will be experiencing a ‘healthcare explosion’, as opposed to a population explosion.”

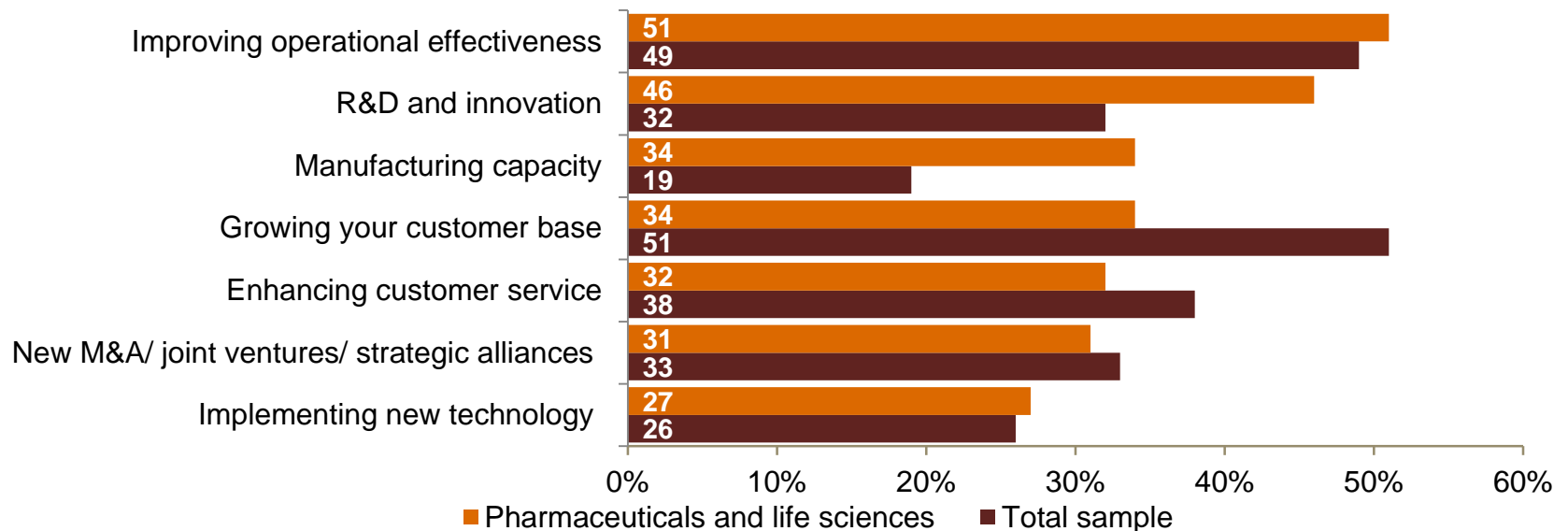
Yasuchika Hasegawa,  
President and Chief  
Executive Officer, Takeda  
Pharmaceutical Company  
Ltd., Japan



***“Looking ahead, it’s also clear that the future of our company lies in the developing world. About 70% of the pharmaceutical industry’s growth now comes from the emerging economies. So the question for us is, how are we going to build a market presence in the emerging world and how are we going to build an infrastructure to get our products delivered there?”***

# Investing for growth

A look at pharmaceuticals and life sciences CEOs' top investment priorities for the coming 12 months again underscores the importance of innovation, which ranks #2 after improving operational effectiveness. At 46%, it's 14 points higher than across the overall sample.



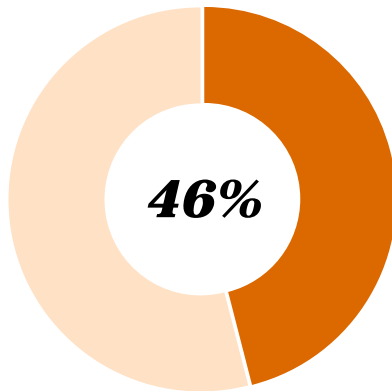
**Q: What are your top 3 investment priorities over the next 12 months?**

Base: All respondents (Total sample, 1330; Pharmaceuticals & life sciences, 90)

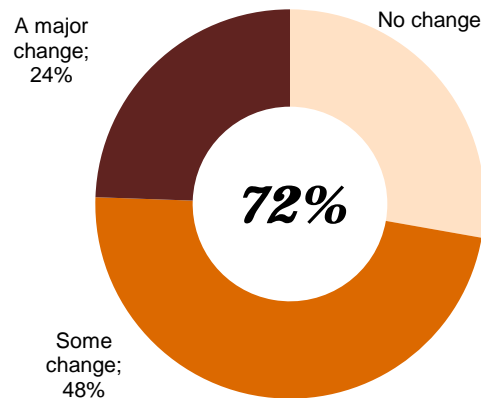
Source: PwC 16th Annual Global CEO Survey 2013

# ***R&D and innovation is a top priority***

46% of pharmaceuticals and life sciences CEOs say R&D is a top investment priority over the next 12 months. That's significantly more than the overall average.



And 72% of pharmaceuticals and life sciences CEOs say they'll make changes to increase R&D and innovation capacity.



***Pharmaceuticals & life sciences innovation is changing radically.***

*As we discuss in our recent [Pharma 2020](#) report, sector companies are facing major challenges around innovation. They need to focus efforts on improving research productivity. And there are many exciting new areas of research, like genomics, man/machine interfaces, regenerative medicine and vaccines for chronic conditions.*

**Q: What are your top 3 investment priorities in the next 12 months? To what extent do you anticipate changes at your company over the next 12 months with regards to an increase in R&D and innovation capacity?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

# A CEO's views on innovation

***“Success depends upon our capacity to innovate new products. Unfortunately, in my view, the pharmaceutical industry is hitting the wall in terms of product innovation. Currently, products based on low-molecular compound technology account for over 80% of the products coming out of the pharmaceutical industry. But this technology has limits in terms of efficacy ...”***

***“...if we look around the world, there are public research laboratories, universities, and government research organisations which collectively have about a million people doing research in many different kinds of cutting-edge technology. It's vital that we track their progress so that we are able to obtain rights to the most promising new research coming out of the public sector.”***

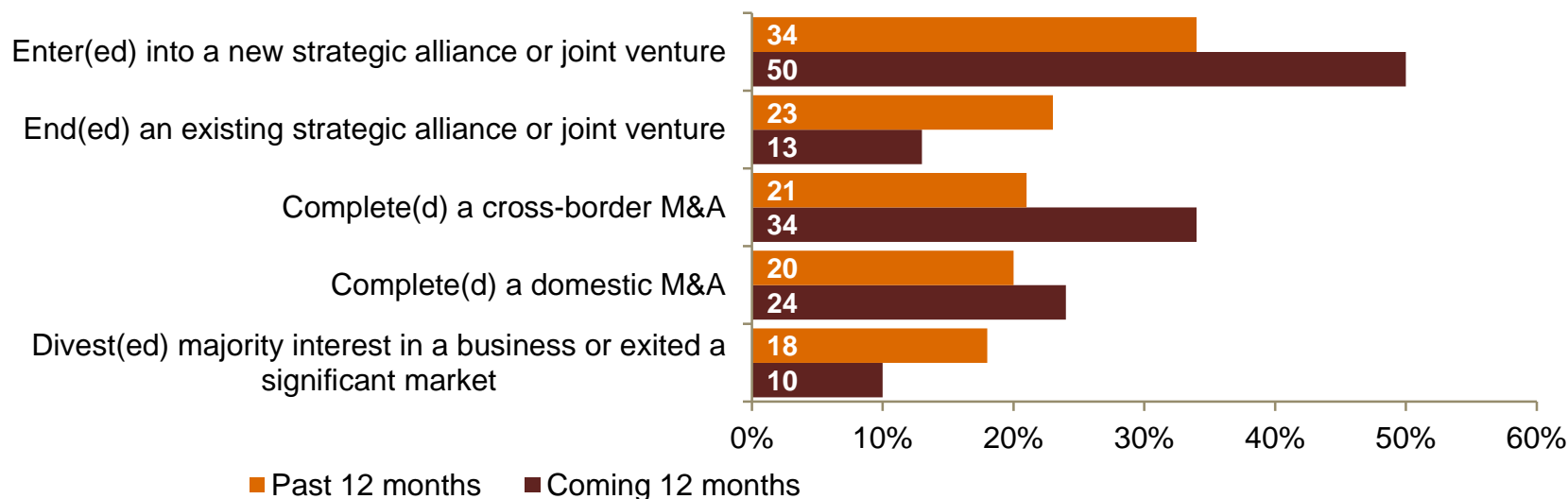
**Yasuchika Hasegawa,  
President and Chief  
Executive Officer, Takeda  
Pharmaceutical Company  
Ltd., Japan**



***“That's why the R&D in the pharmaceutical industry is gradually shifting toward the development of high-molecular compound products. ... Clearly, from the point of corporate strategy it is extremely important that we become one of the leaders in new technologies such as high-molecular compound technology.”***

## ***More transactions are expected in the coming 12 months, with partnerships most popular***

As was also true last year, half of pharmaceuticals and life sciences CEOs plan to launch a new partnership in the next year. In the past 12 months, around a third were able to get such arrangements off the ground.



**Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

Note: Don't know/refused excluded. Not all restructuring options are shown.

# *Concentrating on the customer*

**94%**

of pharmaceuticals and life sciences  
CEOs say that customers and clients  
influence their business strategy.

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## ***Listening to customers***

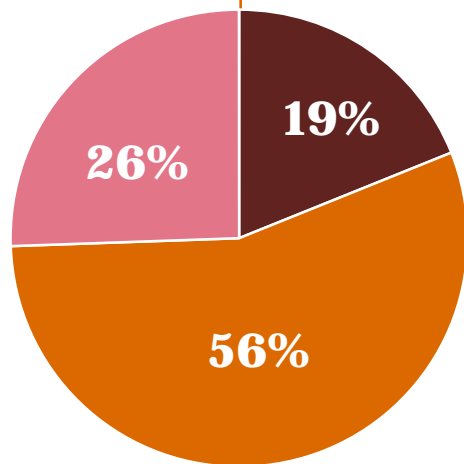
**77%**

***of pharmaceuticals and life sciences CEOs are strengthening efforts to engage customers and clients***

# ***Many are changing course to serve customers better and win their loyalty***

# 81%

81% of pharmaceuticals and life sciences CEOs are changing customer growth/retention/loyalty strategies — and 26% say they'll make 'major' changes



■ A major change    ■ Some change    ■ No change

**Q: To what extent do you anticipate changes at your company over the next 12 months with regards to customer growth /retention/loyalty strategies? Do you anticipate no change, some change or a major change?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013



## ***But are they investing enough in better customer service?***

***only 32%***

**of sector CEOs say enhancing customer service is a top investment priority this year**

As we've noted, operational effectiveness and R&D and innovation are the areas where the most pharmaceuticals and life sciences CEOs are focusing their investment strategy.

One result, though, may be that better customer service has been pushed off the radar screen for many companies. Just 32% of sector CEOs say that enhancing customer service is a top investment priority this year, slightly less than across the total sample.

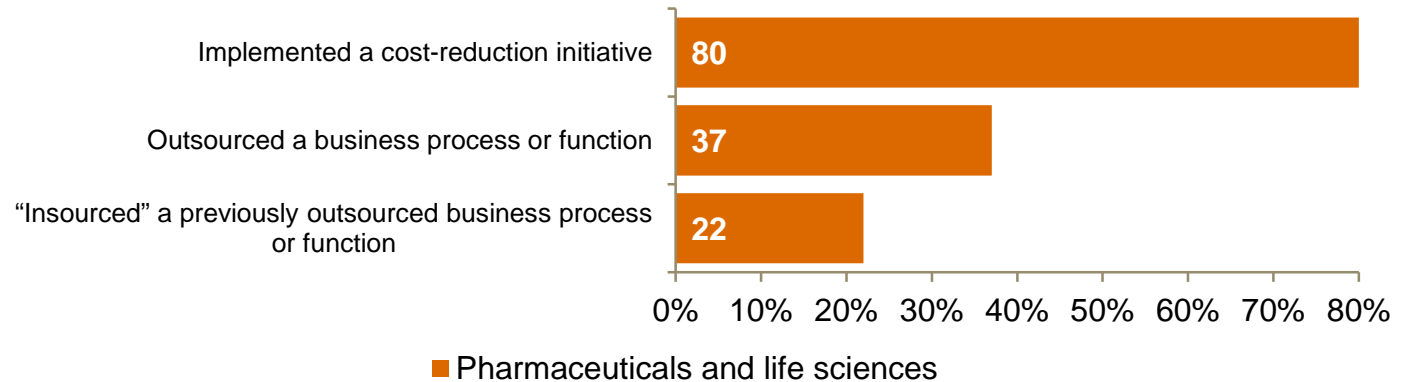
# *Improving operational effectiveness*

**51%**

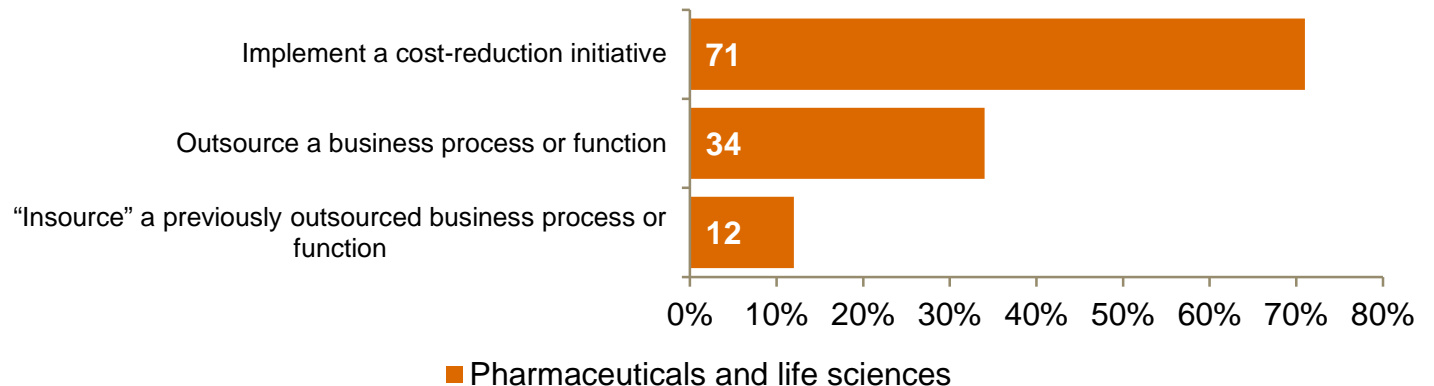
of pharmaceuticals and life sciences CEOs say it's one of their top 3 investment priorities. That puts it #1 on their list.

# Pharmaceuticals and life sciences CEOs are making cost-cutting a priority

## Past 12 months:



## Coming 12 months:



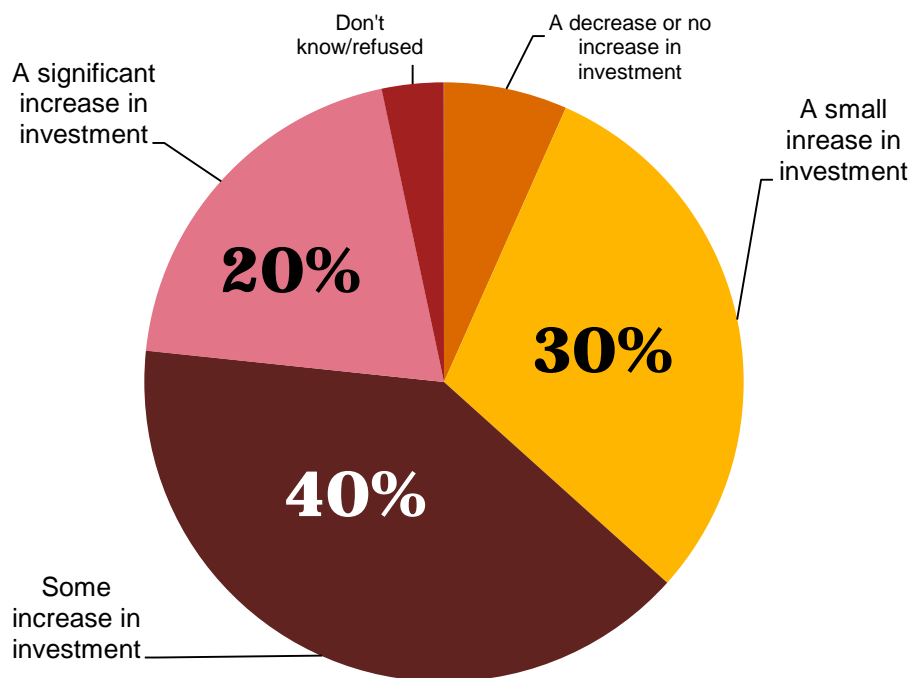
**Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months? Which, if any, do you plan to initiate in the coming 12 months?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

Note: Does not list all restructuring activities.

Source: PwC 16th Annual Global CEO Survey 2013

## ***And they're investing in the future workforce***



Pharmaceuticals and life sciences CEOs are increasing their investments in people. Almost all of them — 90% — plan to increase their investments in creating and developing a skilled workforce.

Most are placing a lot of emphasis on keeping that workforce healthy, too. As workforces in some key markets age, it will be important to keep employees working as long as possible.

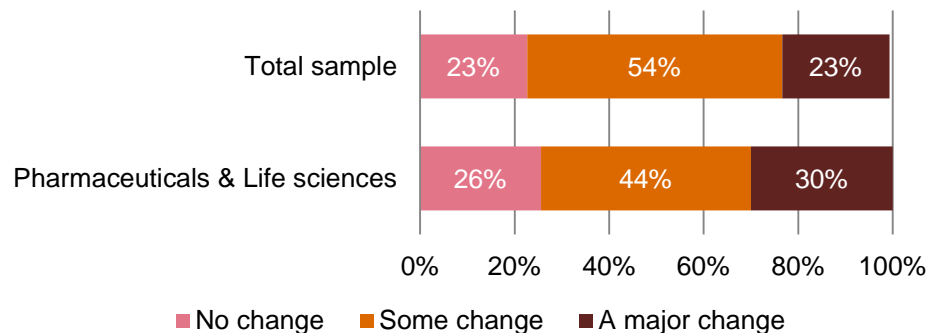
**Q: How much does your company plan to increase its investment over the next 3 years to create and develop a skilled workforce in the country in which you are based?**

Base: All respondents (Total sample, 1330; Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

# Motivated, engaged employees are critical

R&D and making inroads into new markets both require actively engaged employees. And with times and expectations changing, 74% of pharmaceuticals and life sciences CEOs say they are making changes to the ways they manage talent.



**Q: To what extent do you anticipate changes at your company over the next 12 months with regards to strategies for managing talent? Do you anticipate no change, some change or a major change?**

Base: All respondents (Total sample, 1330; Pharmaceuticals and life sciences, 90)

Source: PwC 16th Annual Global CEO Survey 2013

***“Our core strategy revolves around the question of how we can go about finding and recruiting top talent from around the world and provide them with the kind of work environment that will maintain their interest and reinforce their morale.”***

**Yasuchika Hasegawa, President and Chief Executive Officer, Takeda Pharmaceutical Company Ltd., Japan**

# *It's a question of trust*

# 94%

of pharmaceuticals and life sciences  
CEOs say both customers and clients  
and governments and regulators  
influence their strategy.

# ***Responding to the needs of patients and society***

## ***Engaging patients in new ways***

*76% of pharmaceuticals and life sciences CEOs say they are strengthening customer engagement. For some that means finding new ways to reach out to patients, like engaging them directly to better understand how their medicines work in real-life settings.*

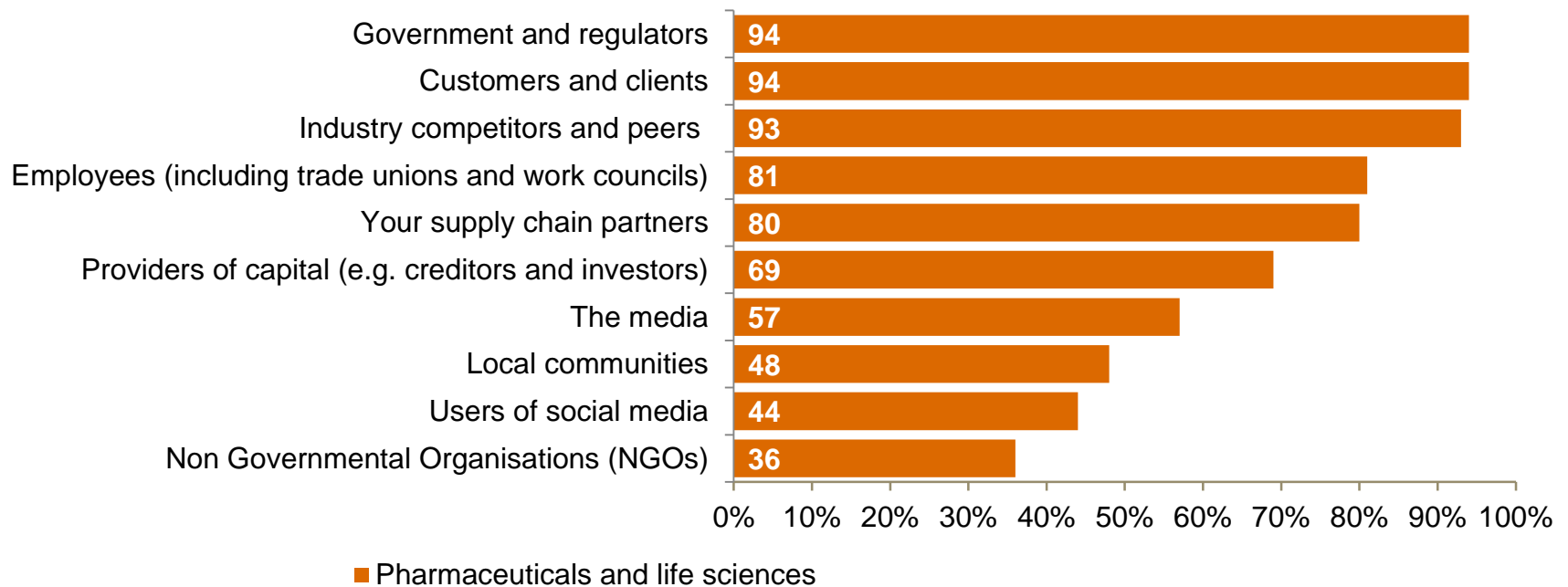


## ***Reaching out to regulators***

*Drug approval is a time-consuming process and getting it wrong can mean big penalties. Big data offers the potential for a much better understanding of patient populations, and the whole process may change radically in the future. So pharmaceuticals and life sciences CEOs are reaching out. Four out of five are increasing efforts to engage with governments and regulators.*

# ***Industry peers, employees, and supply chain partners are influencing strategy too***

Pharmaceuticals and life sciences CEOs understand the importance of engaging widely with a variety of stakeholders.



**Q: How much influence do the following groups have on your strategy?**

Base: All respondents (Pharmaceuticals and life sciences, 90)

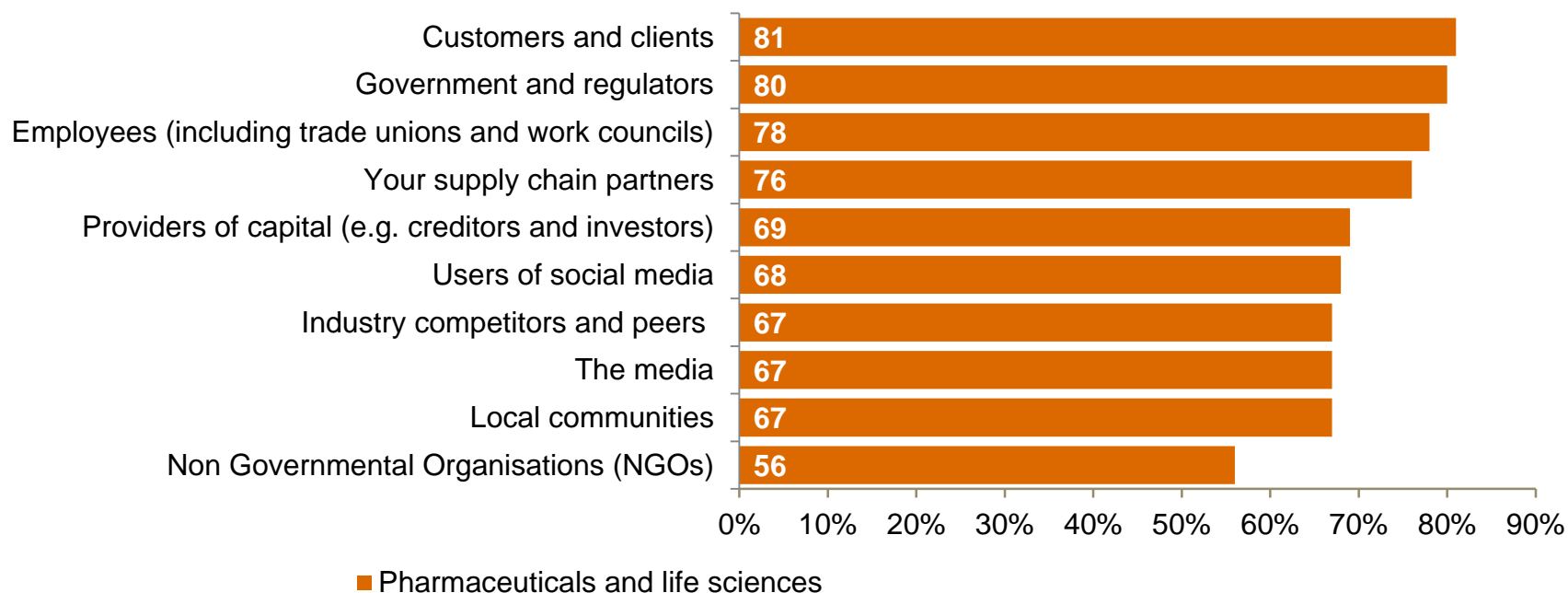
Note: Respondents answering 'some' or 'significant' influence

Source: PwC 16th Annual Global CEO Survey 2013



# And they're reaching out

Pharmaceuticals and life sciences CEOs are working to strengthen their relationships with the stakeholder groups they perceive as most influential.



**Q: For those stakeholders with some or significant influence, to what extent are you strengthening your engagement programme?**

Base: Respondents who answered 'some' or 'significant' influence to Q14a. (Total sample, 420-1285; Pharmaceuticals and life sciences, 32-85)

Note: Respondents who answered 'some change' or 'a major change'

Source: PwC 16th Annual Global CEO Survey 2013

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Ltd., Japan

Download the main report, access the results and explore the CEO interviews from our 16th Annual Global CEO Survey online at [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey).



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