Hot Job Market Creates Challenges for Companies, Opens Doors for Workers

By Adam Thomas / September 10, 2019

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The quickening pace of innovation, novel technologies, new entrants, cross-segment partnerships and many other changes — coupled with a strong financing environment — have led to an incredibly dynamic and interesting time to be in the healthcare sector.

All this is occurring during a record-setting period of economic growth across the US economy. The unemployment rate is low, and the flow of new immigrants is being reduced.

Taken together, we have the ingredients for a tight labor market — making it hard for employers to find workers, and giving more leverage to job candidates with valuable skills.

"Every life sciences organization is trying to grow, but there is a finite talent pool. We see candidates receiving multiple job offers while voluntary turnover continues to climb towards 15%," says Rob Surdel, partner and head of North America advisory at the Rewards Solutions practice at Aon.

A Biotech Boom

"There are a few significant market factors that are making this a particularly challenging talent acquisition and retention environment." says Tom Carey, the Chief Executive Officer of Perspective, a private global executive search and talent firm in the life sciences sector. “First, the financing environment continues to be very strong for early-stage and venture-backed companies. Secondly, the public financing market is also strong and, therefore, the IPO market continues to be open for biopharma companies. Finally, new company models are emerging that incorporate new types of technology into drug discovery and development.”

The statistics back up Carey’s views. More than $38B of venture funding was raised over 2017 and 2018, according to BioCentury. This year might not pan out to be a record-breaking year, but in Q1 2019 alone, venture-backed healthcare companies raised $4.2B across 162 deals, according to PwC and CB Insights’ MoneyTree report. The pace of company creation and early-stage financing has been relentless, with little sign of slowing. In 2018, $6.2 billion went to Series A companies alone.

As an industry, we have seen 50+ IPOs every year since 2013. But 2014 and 2018 were peak years with 118 and 102 IPOs, respectively.
At mid-year for 2019 there have already seen more than 40. For historic comparison, in the aftermath of the Great Recession, biotech typically saw 10-20 IPOs per year.

**Feeling the Pinch Across the Labor Market**

There simply isn’t enough “loose talent” – unemployed or underemployed or easily available workers – to fill the staffing needs at companies seeking to grow like this.

The tight labor market having a big impact on employees of all levels at life sciences companies.

The pace of new company creation is surpassing the market’s ability to groom CEOs. “The need for CEOs and experienced R&D talent far outpaces available talent in the market so many companies are hiring first-time CEOs. We don’t see this trend shifting any time soon,” says Carey. “The hope in CEO recruitment is always to find someone who has done it before, but with the lack of available talent, companies and venture funds need to remain open minded and take calculated risks on first-time leaders.”

Economic trends are also driving acute needs in specific skill sets. For example, the pace of IPOs means that CFOs with IPO experience continue to be in high demand, particularly in Boston. With a public offering also comes the need to add to and evolve the company’s Board of Directors. Filling the Audit Chair role with someone who has professional accounting experience is often a pre-IPO priority. Identifying experienced leaders to play this role is increasingly a challenge, as startup boards are often dominated by venture capitalists who lack this professional qualification.

Similarly, there is an increased demand for leaders with certain technology skills as organizations deploy new types of technologies across the business. Leaders that possess a range of skills, such as Chief Medical Officers with a strong understanding of data science, are also in short supply and high demand.

Job titles such as Chief Analytics Officer and Chief Data Officer have emerged as key roles at today’s leading organizations, notes Aon’s Surdel. “In the digital age, industry lines are blurring more than ever before so we’re really seeing a lot of hiring activity at life sciences firms for roles and skills that were traditionally found only at core technology companies. In turn, we’re seeing this phenomenon drive up compensation for employees with these skills.”

**Changing Dynamics for Attraction and Retention**

While the healthcare industry is going through unprecedented change, the motivations of individuals within the talent market are also evolving. Employees do not value compensation over all else. It is a smaller piece of the overall puzzle when considering a job change. Employees want to feel valued and see their impact on the organization, particularly in hot talent hubs like Boston.

Executives and the employee populations at large want to be paid fairly and understand the rationale for the overarching compensation and benefits package. But they will join or remain with a company because of a more complex set of variables.

Carey highlights a range of factors that can play into as decision to join or stay with a company. “With so much noise in the market, there is little window to engage talent around companies that fall outside their interests. Alignment on geography, therapeutic areas of interest and the stage of company are often the first “boxes” to check.”

He also cites mission, culture and values. “Inherently, life sciences companies are virtually always purpose and mission-driven organizations. Defining an organization’s differentiating values and culture can serve as a powerful recruiting and, more importantly, retention tool.”
Development opportunities remain an important factor. Leveraging the opportunity to add to someone’s operational and/or functional skill set can help both recruit and retain talent. One of the leading reasons for people to leave companies across all levels is lack of a clear career path and development opportunities.

No one likes being stuck in a dead end. In a biotech labor market like this, no one needs to settle for that.

An Increasingly Nuanced Picture

Separate from traditional compensation and benefits conversations, many employees want to know that the whole picture of an organization will fit within their personal and professional lifestyle. Allowing employees to equally prioritize family obligations, volunteer activities, fitness interests, etc. can lead to a happier, healthier workforce.

There are also sub-factors within each of these areas, which may complicate the picture. Organizations that prioritize diversity and inclusion at the board and C-suite level will tend to have an easier time attracting and retaining diverse talent.

In addition to those profiled here, companies like Agios Pharmaceuticals and Bluebird Bio, amongst others, have done an exceptional job of creating an organizational identity that motivates employees, and encourages them to be loyal.

However, one difficulty for companies is that the importance of many of these factors is very person-dependent. People interested in high science, and novel platforms will rarely, if ever, consider joining a single asset me-too company, even if the regulatory pathway is clear and the asset works. Others may feel the opposite – that working on “science experiments” won’t have near-term patient impact. Being able to identify those who are interested in your particular type of biotech story – your stage of development and near-term path for organizational growth -- remains critical to hiring success.

Firms Face Up to the Challenge

Individual firms are then faced with local challenges. Erin Lanciani, senior vice president for people and organizational strategy at Sage Therapeutics, has more than 20 years of experience in developing human resources strategies and programs across life science companies. Lanciani captures the double-edged sword of portfolio success:

“A strong pipeline created a world-class recruiting challenge for us. We needed to rapidly expand our workforce to prepare for commercialization and grew from 180 people at the end of 2016 to over 780 today. That’s a case of almost tripling the size of your workforce in the midst of what is arguably the most competitive biotech recruiting market in history.”

Ginger Gregory, executive vice president and chief human resources officer at Biogen, a 7,500 employee company worth $45 billion, notes the market doesn’t just make it harder to recruit new employees.

Retirement is on her mind.

“Our voluntary turnover rate is stable but too high,” she said. “The advantage of our brand in the biotech space is also the reason that we are constantly under attack by other companies. Big Pharma wants the biotech speed and agility while start-ups want the experience.”

Gregory continues, “We need to assume that our employees are being targeted daily with external opportunities. Retention is a critical priority and has been the drive behind our work on employee engagement, career development, rewards and recognition.”
Adam Thomas, chief human resources officer at Synlogic, a clinical stage publicly traded biotech of approximately 85 employees, agrees with Gregory: “We have great people, and any of them could choose to work somewhere else right now.”

Other dynamics of the Cambridge, Mass. market also start to play in today’s market. For example, growth can put pressure on space – also currently at a premium in Cambridge.

Below the Waterline – Operational Issues

The tight market is increasing time and cost to fill metrics. This can place strains on operations within the organization. Thomas notes: “We promoted our chief medical officer to CEO, which is outstanding. However, this then creates an opening. As a new technology platform, getting the right fit into this position is critical. This leads to a long search time – nine months now and counting – and a CEO who is still being asked to do double duty. We’re coping, but this type of situation does place a strain on individuals and the organization.”

Gregory says this issue isn’t limited to small companies. “We have a few key open roles that are difficult to fill. The impact is that we sometimes have to be creative with reporting lines and that can add to complexity.”

Given talent shortages companies are increasingly stretching both internal and external talent into broader positions. However, individuals then need to grow into the role. “Stretch assignments are great” says Thomas, “but without the right support, coaching mentorship and development an individual can struggle which is not good for anyone.”

He adds, “I used to work with a leader who joked – ‘we have two development approaches: sink, or swim.’ In today’s market, you must be able to provide more than this.”

Compensation Considerations are Paramount

Maintaining equity, increasingly critical since the introduction of the Massachusetts Equal Pay Act (MEPA) and similar laws in other states, can also be tough. Companies need to balance “doing what it takes to get talent in the door” while staying true to their overarching rewards framework. If you need to break the budget to hire a new chief medical officer, what does that mean to the compensation for the chief scientific officer down the hall who’s been an outstanding performer at the company the past 3 years? What if the people demanding increases are mostly men?

Designing a rewards philosophy that incorporates pay fairness and transparency will set the tone for being an equitable employer and compliant with new fair pay laws, notes Aon’s Surdel. However, he recommends companies conduct an equal pay audit every one to two years to address any pay inequities that can surface at any time, especially during periods of rapid hiring.

Biogen’s Gregory notes the risks of getting this wrong. “It’s taken some time to align the organization to be truly equitable both with the external market and across our employee populations. We re-leveled roles and are being disciplined about sticking to our guidelines as we are moving people internally and hiring from the outside.”

A microcosm of general equity issues is title inflation. Companies are often faced with candidates who would normally be placed in management-level titles based on their background and experience, but have received VP or above level offers. It can be a tough decision for companies to decide whether to compete or not when faced with a critical role that has been open for a while.
“While many people think job titles are ‘free’ they are anything but that,” Surdel said. If you don’t have strong job leveling criteria to fall back on, you are at the whim of the negotiation and potentially undermining the pay system behind it.”

**Rising to the External Challenge**

One approach to addressing these challenges is to get as many people working on the problem as possible. HR leaders frequently cite the benefit of employee referrals – when an existing employee speaks well of the company and encourages a friend to apply.

Branding also plays a key role. Lanciani says Sage has invested heavily in telling its story. “We developed a talent brand that is unique to Sage and helps to showcase what makes Sage special. We then devised a social media strategy that helped bring that brand to life and significantly increase the number of people coming to us.”

She continues: “This strategy along with two of our core values of “Do Big” and “Grow through Learning & Change” were big enablers that allowed us to move to a more agile “Inbound” recruiting strategy. A very different approach to traditional recruiting and hiring that heavily emphasizes bringing talent “inbound” to you through the use of consumer-focused marketing strategies and analytics. A way to think about this strategy is the same way that online juggernauts like Amazon or Netflix, attract, convert, delight, and onboard new customers.”

Sage has seen results. In the past year, Sage has seen hiring of inbound online applicants grow by more than 20%. The increased traffic coming in from the web has contributed to a 117% surge in overall applicants in the past year. Sage’s work used social media to enlarge the online applicant funnel in the early going, but it has now included more modern technologies, such as an artificial intelligence-enabled career site that provides custom experiences for different types of candidates.

Other companies are bound to follow suit, but those who embrace these modern strategies, and the rise of HR technology, will have a step up in the rapidly changing talent market.

Gregory said Biogen has also focused on clarifying the values of the company. “We had a very layered and complicated set of values, behaviors and competencies that was an amalgamation of decades of the company,” says Gregory. “In 2017, we threw out all the old models and started fresh to determine what we believed our culture needed to be given the present business and ecosystem in which we work. We developed the Biogen Elements that define our cultural norms and values. It took off like wildfire across the globe and is the basis for the entire people lifecycle (who we hire, how we onboard, how we train, how we reward, how we measure our engagement, and so on).”

It can also be important to really target those who are most interested in your scientific field when sourcing for candidates. “We have a unique technology,” says Thomas of Synlogic. “Working on engineering microbes as therapeutics may not appeal to everyone, but those who are interested in what we do tend to be enthusiastic about the technology, the programs and thus the company. We’ve had most success when we can identify people early in the process who are passionate about the promise of our core technology.”

**Shoot those Sacred Cows**

Companies should challenge some assumptions in the process. “We’ve typically tried to hire from within the local Boston market. However, right now it is important to stay open to great candidates who require relocation,” says Thomas. “As an industry we’ve been pretty incestuous and although industry experience is critical for some positions, that is not universally the case. We need to challenge ourselves about whether we can look outside the industry. We’ve found that there is great talent out there when you do.”
Moreover, different staffing approaches can also help address talent shortages. More part-time, consulting and contract models are being used, even at senior levels. For example, there are now a number of finance executives who are playing the CFO role for multiple companies. Gone are the days when contracting was only for lower-level positions. We will likely see this continue to increase as a workable model, particularly where others in the company can fill some of the needs – such as a CEO with strong Wall Street relationships partnering with a contract CFO.

Either through choice or necessity, companies are also betting on talent over experience: “There are many divisional finance leaders, bankers and others who have the innate leadership qualities to be sitting CFOs,” says Carey of Perspective. “Pairing them with executives that complement their experiences and with either a CEO or audit chair capable of mentoring their gaps can be an effective way to bridge inexperience.” The same is true across many other positions. However, this places an increased emphasis on companies building the capabilities to identify early talent and develop that talent rapidly into stretching roles.

Challenging the traditional job specifications can also yield results and increase options for engaging talent. Asking “Are all the ‘essentials’ truly essential?” can yield results. Sticking with a finance example, Carey highlights the role of the audit committee chair. “CFOs by the nature of their roles have significant board exposure before having independent board membership experience. As a result, prior board experience as criteria for an audit chair should been seen as a preference, but perhaps not a requirement, to expand upon the available talent pool.”

Thomas says it is worth looking at the experience requirements. “We often ask for 10 years of experience, but when you break that down what is it that this experience brings that is really essential? Could someone have obtained these skills with the right set of experiences in five years? If so, you’ve just broadened your talent pool considerably and increased the chance to fill that role quickly.” He adds: “You may have also just opened up this position to internal candidates you would otherwise have ruled out.”

Process improvements can also yield impressive results. “Use every means you have to be creative in the recruiting and hiring process and make sure that you are committed to hiring the best people, every time for every position.” Says Thomas of Synlogic. “Treat everyone equally, remove as much of the hierarchy that you can. Be unconventional and avoid falling into the trap of ‘this is how we always do it.’ The rules have changed, the talent pool has changed and you have to go with it. Recruiting has to be the highest priority and you have to be recruiting all the time.”

**Optimizing Your Offering**

Companies are also focusing on optimizing the offering to internal and external candidates. In a tight labor market, things can move quickly. That means that the traditional compensation or benefits review may need to be rethought with more frequent checkpoints and ongoing revisions, replacing the annual performance review.

Biogen is taking a structured approach to adjust to market practices and employee preferences. “We are currently doing a conjoint analysis to determine a rank order of our offerings to guide adjustments for the coming years,” says Biogen’s Gregory. However, smaller companies without the resources to do formal statistical analysis can still focus here.

As Thomas put it: “Our team has a voice and they let us know what they like and don’t like.”

In addition, ensuring the communication to potential and current employees is crisp and compelling is essential to ensure companies are getting credit for our programs. Biogen is piloting the idea of sharing information from competition during the recruiting process to make it that much easier for candidates to compare offerings. Lanciani says Sage is constantly re-wiring to communicate from the inside out, laser focused on providing great experiences.
Focusing Internally

The ability to use internal talent to plug the talent gaps shouldn’t be overlooked. Offering employees opportunities to stretch their operational and strategic capabilities can be healthy for both the organization and individual. Learning opportunities also serve as a retention tool for high-performing leaders. Filling the funnel of potential executive and C-suite level leaders also benefits the industry at-large.

Many of the same techniques apply as strongly internally as externally – for example, challenging sacred cows, considering talent over experience, asking yourself whether “essential” criteria are really essential.

Development opportunities are particularly important to cultivate a deeper pool of diverse leaders. If the funnel of gender and ethnic diversity doesn’t exist at the director and VP level, we as an industry won’t have a pool of leaders for C-suite and board roles.

At Synlogic, Thomas notes the company is still young. “So we only have a limited number of examples of putting people in stretch roles. However, where we have taken this approach, it is really paying dividends for both us and the individual in question. We’re looking to do a lot more of it in the future.”

Prepare for the long haul

No matter which strategies are employed, the current market dictates that some roles will just take longer to fill. This can place pressures internally. “When you decide you need to use an interim reporting structure you should prepare for the long haul,” says Thomas. “Where traditionally you have asked yourself If it would make sense for two to three months, it is worth considering how this will work for six or nine months.”

There is no quick silver bullet for these very human challenges in biotech.