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Can Emerging Pharma's Leadership Move On to the Next Stage?

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36 comments

This past summer, when news of regulatory noncompliance troubles in the region reached a high point, I asked Indian pharma CEOs in a post on this site whether they had lost their chance to innovate.

A recent article by John Jullens in Harvard Business Review, "How Emerging Giants Can Take on the World," discusses different strategies that can be used by companies from emerging countries to compete against the multinationals. Jullens writes:

Companies in emerging markets embody a contradiction: They are both first movers and latecomers. They're among the first to have made cars, appliances, or computers in their home countries, but they're way behind multinationals that have been honing their capabilities, technologies, and brands for decades... As first movers, they have typically pursued rapid top-line growth at all costs, acquired technologies by all means legal and sometimes illegal, and simply copied the products and processes of developed-market companies. They have mastered the local business landscape and learned to cater to customers who are just joining the consumer economy. Their speed and agility have served them well -- indeed, some scholars have argued that opportunism, tenacity, ingenuity, and connections with local power brokers are the only capabilities emerging giants need.

However, Jullens says, many leaders have not laid the kind of foundation required to be profitable in a more conservative market. Competing based on quality is one example he cites. Another is innovative branding.

As these companies grow, he notes, leaders lose control, and operational problems become evident -- such things as poor product quality, low employee satisfaction, and poor inventory control. Unfortunately, these problems can only get worse over time.

Copying established companies' products and processes is fine when a business is young and markets are growing by double digits, but companies outgrow this phase.

With Indian pharma, for instance, many emerging giants are still run by their founders who have powerful connections, but tend to make decisions based on their own experience. This experience may no longer be relevant when companies grow, he writes:

They fail to realize that their organizations have outgrown their management structures or are overextended, with too many employees, too many facilities, and too many commitments to volume levels. They don't notice until too late that a changing business climate poses challenges the company isn't prepared to face.

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The following are most critical when it comes to pharmaceutical companies in India, China, and other emerging markets:

- The need to compete on quality
- Over dependence on founders, whose judgment may not be enough to sustain the company during years of rapid growth

The answers to these problems are technology fortification and its enhancement and delegating authority to professional business managers at the highest ranks of management similar, just as companies in developed nations do.

Unless more companies in "pharmerging" regions adopt these strategies, they may not be around in 30 years, even those that changed the playing field for the pharmaceutical industry over the last 10 to 20 years. What do you think? Please write in and share your opinions.

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