



LEADERSHIP RISK

# The Leadership Miss No One Wants to Own

Why Executive Hiring Is the Most Underestimated Risk in Drug Development and Manufacturing

# The Risk Sitting at the Top of the Org Chart

The leaders of pharma and life sciences organizations walk the CPHI floor discussing pipeline progress, supply chain resilience, CDMO partnerships, and regulatory strategy. What rarely gets discussed openly is the risk sitting at the top of the org chart.

## The Cost Arrives Quietly

When a senior leadership hire misses the mark, the damage does not show up all at once. There is no line item labeled "leadership failure" on the P&L. Decisions slow. Quality systems weaken. Strong operators leave. Regulators notice.

## By the Time It's Named

The organization has already paid a steep price. In drug development and manufacturing, that price arrives faster and hits harder than in most industries.

# The Numbers Are Not Ambiguous

## 40–50%

### Executive Failure Rate

Newly hired executives fail within the first 18 months – consistent across McKinsey, HBR, and Heidrick & Struggles' analysis of 20,000 searches.

## \$2.7M

### Direct Cost of Failure

Average cost of a failed executive hire in the US in direct costs alone – not counting lost momentum, strategic drift, or talent departures.

## 15.1%

### CEO Departures in Q1 2024

CEOs departed after less than two years in role – up from an average of 9.6% since 2019, per Russell Reynolds Associates' 2024 Global CEO Turnover Index.

## What the Data Tells Us

Boards are acting faster when confidence erodes. That acceleration reflects both the rising stakes and the growing recognition that waiting too long to address a missed hire is its own risk.

Spencer Stuart's 2024 CEO Transitions research reinforces a consistent theme: **succession planning works best when it is treated as an always-on process**, not a reactive exercise triggered by crisis. Organizations that approach it that way tend to make better decisions and absorb transitions with less disruption.

# Why Pharma and Life Sciences Feel It Faster

Some industries can absorb leadership wobble. Drug development and manufacturing cannot.

## 470 Warning Letters in 2025


The FDA issued 470 warning letters in 2025 alone, with 148 directed at regulated lab environments. The most frequently cited failures are not technical – they are organizational failures with leadership at their root.

## Commercial Liability

In a CDMO or contract manufacturing environment, a warning letter is not just a compliance document. It is a commercial liability. Customers notice. Audits escalate. Contracts come under review.

## 503B Acute Risk

For 503B compounding facilities, the risk profile is even more acute. Heightened regulatory scrutiny, tighter turnaround requirements, and direct patient safety implications mean a leadership miss creates institutional vulnerability almost immediately.

 The FDA has stated explicitly in warning letters that executive management bears responsibility for demonstrating top-level support for quality assurance and reliable operations.

# What Actually Causes These Hires to Fail

Contrary to popular assumption, most failed executive tenures in life sciences do not collapse because of poor scientific knowledge or strategic vision. **They fail because of execution mismatches.**

## → Underestimating Quality Culture

Leaders who underestimate the rigor of quality and compliance culture misread what the environment demands from day one.

## → Misreading Operational Complexity

The pace and complexity of regulated manufacturing environments is unlike most industries. Leaders from lower-scrutiny backgrounds interpret compliance expectations through the wrong lens.

## → Matrix Communication Failures

Poor cross-functional communication in matrix organizations and an inability to build credibility with both scientific and manufacturing teams simultaneously.

⊗ These gaps rarely surface in interviews. They emerge during the first significant pressure event: an unannounced inspection, a batch failure, a supply disruption, or a regulatory inquiry.

By then, the organization has already invested **six to twelve months** in onboarding, alignment, and institutional trust-building — all of which resets.

# The Costs That Do Not Appear on the Search Invoice

Organizations are generally comfortable quantifying the direct costs of a leadership miss: severance, search fees, interim leadership, and recruitment. Those are real but relatively contained. The harder costs are the ones that accumulate quietly.



## Lost Time

McKinsey describes a leadership transition "exchange zone" that can stretch six to nine months under favorable conditions. When a hire fails, that clock resets. In a manufacturing environment tied to regulatory timelines or clinical milestones, 12 to 18 months of lost momentum has measurable commercial consequences.



## Bench Damage

Strong technical and operational leaders have options. When confidence in a senior leader erodes, high performers begin to evaluate their options quietly. That attrition often accelerates after the failed leader departs — precisely when the organization most needs stability.



## External Confidence

In life sciences, leadership instability reads as organizational risk to partners, customers, and regulators alike. CDMOs that experience frequent leadership turnover face harder conversations in customer audits. Investors track leadership continuity as a signal of operational health.

# What Boards and Hiring Leaders Get Wrong

If the risk is this well-documented, why does the miss rate remain this high?

## 1 Process Over Judgment

Search processes create a sense of rigor: competency frameworks, structured interviews, reference checks, assessment tools. These are useful inputs. They are not proof of fit. The gap between interview performance and operational execution is real – and wider in regulated environments where the job is harder to simulate.

## 2 Optimism Bias

Boards and hiring leaders want the person to succeed. Early warning signs get labeled "transition noise." By the time the pattern is undeniable, months have passed.

## 3 Mandate Ambiguity

When expectations are vague, leaders improvise. In a pharma manufacturing context, improvisation in quality and compliance is not a neutral outcome. Explicit mandates and early governance discipline are not bureaucratic exercises – they are risk management tools.

# A Better Standard for Getting It Right

Organizations in this space that reduce their miss rate tend to approach senior hiring with a different set of questions.

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## Define the Mandate First

What must be true at 90 days? At 12 months? What does failure look like, and who owns accountability for identifying it early? Define the leadership mandate before you define the candidate profile.

02

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## Distinguish Operator vs. Visionary

Drug development and manufacturing environments need operators first. The ability to stabilize a quality system and manage through a regulatory event is not the same skill set as presenting a compelling strategic vision. Both matter. The sequencing matters more.

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## Test for Environment Fit

Scenario-based conversations, detailed reference conversations focused on specific situations, and honest assessment of what environment a candidate has actually thrived in all produce better signal than standard behavioral interviews.

04

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## Govern the Transition as an Operating Plan

Decision rights, early reporting relationships, milestone expectations, and defined check-in cadences reduce drift during the critical first six months.

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## Watch Leading Indicators

Quality metrics, inspection readiness posture, team retention, and cross-functional escalation frequency are observable earlier than financial outcomes. Waiting for annual results to assess a new leader in a regulated manufacturing environment is waiting too long.

# The Bottom Line

Executive hiring is not a talent acquisition exercise. In drug development and manufacturing, it is one of the highest-impact operational risk decisions an organization makes.

## The True Cost of a Missed Hire

The cost of a missed hire at the top is rarely contained to severance and a second search. It is measured in lost regulatory standing, weakened quality systems, team attrition, failed timelines, and partner confidence that takes years to rebuild.

## The Standard Must Be Higher

The organizations that get this right treat leadership selection with the same discipline they apply to process validation, supplier qualification, and compliance planning. They define success criteria early, evaluate against operational realities rather than resumes, and govern transitions as actively as they govern production.

## The Stakes Are Clear

The risk is real. The standard for managing it is higher than most organizations currently apply. And the cost of getting it wrong in this industry is too visible, and too consequential, to treat as acceptable.

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