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The DNA of Pay: Evolving Compensation in a New Era of Life Sciences

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The rapid advancement of technology is fundamentally reshaping the life sciences industry, driving breakthroughs in drug discovery, diagnostics, and personalized medicine. As artificial intelligence, robotics, and big data analytics become integral to innovation, the fusion of these disciplines is transforming not only research and development but also the way companies attract, retain, and motivate top talent.

For high-growth life sciences companies, this convergence presents both opportunities and challenges. Success now depends on assembling teams with expertise spanning biology, technology, data science, and engineering—an undertaking that requires a deliberate and strategic approach to talent acquisition and retention. As demand for these specialized skill sets outpaces supply, traditional compensation models may be inadequate. Companies should therefore rethink their compensation strategies to remain competitive in an evolving market where talent expectations, industry benchmarks, and pay structures are changing.

Competing for Talent Across Industries

As these two worlds converge, it's important to understand the compensation norms, expectations, and motivations of talent from both sectors. Sourcing of talent across industries complicates pay design as the compensation models differ significantly between the sectors. Tech companies are known to offer higher salary and cash bonus compensation, often exceeding those offered at early-stage life sciences companies. They are also more likely to offer restricted stock units (RSUs) as a more predictable form of income as that vested value is a clearer component of annual total compensation. Employee expectations in the technology industry perpetuate these differences and originate from business model differences where the path to product viability and cash flow is much shorter than it is for life sciences.

Compensation at life sciences companies, on the other hand, has typically trailed technology on the salary and bonus side, but can offer greater upside due to the stronger emphasis on stock options and other long-term incentives tied to milestones such as drug approvals or successful clinical trials. Business and compensation time horizons are generally longer, which means employees must be comfortable trading off short-term cash compensation for a shot at long-term wealth—a riskier proposition overall.

Scarcity of Talent Driving Compensation Costs

The limited availability of talent in emerging fields like AI, machine learning, big data analytics, and bioinformatics has created a sharp imbalance between labor supply and demand, driving compensation levels higher. Unlike traditional roles with well-established salary benchmarks, these specialized positions are difficult to market-price accurately using standard compensation surveys. The rapid evolution of these fields, combined with a small

pool of highly skilled professionals, forces companies to compete aggressively, often pushing salaries beyond conventional high-tech benchmarks.

For life sciences companies, the challenge isn't just in offering competitive pay—it's also in maintaining internal pay equity while attracting critical talent. Hiring top AI or data science experts at compensation levels above standard ranges can create disparities within the organization, leading to dissatisfaction among employees in similar roles but with different pay structures. While the business case for paying top dollar to secure transformative talent is strong—especially when these roles can directly impact innovation and commercial success—companies must carefully weigh these decisions against their broader compensation philosophy. Without a structured approach, organizations risk salary compression and undermining pay consistency, which can lead to broader retention issues and morale concerns in the long run.

Adding to the complexity, the rise of salary transparency through online compensation databases and social media has further fueled pay expectations. While this accessibility empowers employees to negotiate better compensation, it also introduces challenges, as self-reported compensation data is often inconsistent or lacks context. Differences in company size, funding stage, and ownership structure can significantly impact pay levels, making direct comparisons misleading. Life sciences companies must proactively manage these perceptions by clearly communicating their compensation philosophy and trade-offs—such as the balance between short-term cash compensation and long-term equity incentives—to ensure employees and candidates understand the value of their rewards.

Come Back to the Compensation Philosophy

How can life sciences companies adapt and address the demands that these technologies are having on their compensation systems? In our experience, it starts with a review of the compensation philosophy, and agreement among key leaders in management and on the board about the company's objectives.

1. **Align compensation with strategy and goals by linking pay to business growth.**
   Reiterate the logic of compensation models in high-growth businesses. The appeal of working at a growth-oriented company lies in the potential for long-term wealth creation and the opportunity to contribute to future value. To attract top tech talent, companies should emphasize this unique value proposition over the ability to earn richer short-term cash compensation.
2. **Strike the right balance between cash and equity by designing a balanced pay mix that reflects risk and reward.**
   It's crucial to create a mindset that embraces the risk-reward dynamic inherent in high-growth environments, and to recruit talent that supports that model. While companies may need to flex their pay structure to attract exceptional talent, they must be cautious not to break it entirely. Outliers in compensation should be the exception, not the rule.
3. **Clarify the cash vs. equity trade-off by setting realistic expectations for compensation.**
   Set clear expectations for cash and equity compensation and take time to communicate to your employees and candidates the trade-off between the two as part of your philosophy. It's true that talent from big tech companies can enjoy high cash compensation and reliable earnings in vested equity each year, but they will not have an outsized opportunity to participate in the long-term value of that company in the

same way they can at a smaller high-growth life sciences business. Therefore, employees at high-growth should not expect both high salaries and significant equity ownership.

4. **Build in flexibility by adapting benchmarks to an evolving market.** Given the scarcity of good benchmarks in compensation surveys for high-tech roles in life sciences, companies may need to reference market percentiles above their standard pay positioning strategy. Companies can even consider benchmarks from larger technology businesses, but only as a frame of reference to understand the potential replacement cost of talent.
5. **Be disciplined in pay decisions and maintain consistency to prevent disparities.** While flexibility is important, companies should be willing to walk away from candidates with unreasonable expectations. Clarifying the compensation philosophy and using it as a guide in your talent strategy becomes self-fulfilling by recruiting like-minded, entrepreneurial employees that "buy in" to the team and the company's long-term vision. Exercise discipline and judgment when making final pay decisions, and involve compensation committees or boards as necessary.
6. **Sharing is caring; communicate your compensation philosophy more broadly.** Be willing to share the company's compensation philosophy internally and demonstrate to current employees that you care about getting compensation "right." Develop a compensation communication strategy that reinforces there is a robust framework and process in place for pay decisions. And help managers understand how to talk about the consistency and fairness of the company's approach.

In Conclusion

The fusion of life sciences and technology presents both exciting opportunities and unique challenges for companies striving to attract and retain top talent. As these industries converge, life sciences organizations must craft compensation strategies that balance the need for competitive pay with financial sustainability. The key lies in developing a flexible, transparent compensation philosophy that aligns with growth objectives and emphasizes the unique value proposition of working in this dynamic field. Success will hinge not only on competitive pay packages but also on creating a compelling narrative that resonates with tech-savvy professionals, fostering a culture of innovation, and offering opportunities for meaningful work.

Companies that can effectively communicate their vision, align compensation with long-term goals, and create an environment where diverse talents flourish will be best positioned to lead the next wave of breakthroughs in human health, ultimately reaping rewards that extend far beyond financial metrics.

About the Author

Rob James is a managing director with Pearl Meyer with almost 15 years of experience in executive compensation and finance. He serves as a trusted advisor to boards and senior management at public and private firms across North America. He works with companies in all industries, but he has in-depth knowledge and expertise in designing compensations strategies for organizations in life sciences and technology, particularly emerging and high growth companies that are pursuing or have recently completed a M&A transaction or public offering.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.