

COMPLETE

The



Package

JOE **JIMENEZ**

With an ability to step back from the protracted machinations that often prevail at pharma companies, **is leading Novartis with a focus** on the customer and a commitment to meeting goals and priorities.

Sometimes it's the simplest observations that help illuminate answers to the most complex issues. Joe Jimenez has the ability to navigate the labyrinthine workings of the pharmaceutical industry to get at the heart of what business is, or should be, about.

His straightforward observation that patients are consumers in a time of serious need is a home truth that all involved in the world of pharma would do well to follow. And it goes to the heart of how Novartis Pharma is seeking to approach its drug development, marketing, and sales practices.

With a background in the consumer packaged goods (CPG) industry, Mr. Jimenez brings a fresh perspective to his role as CEO of Novartis Pharmaceuticals, both with regard to understanding patients and developing products and business models.

"It's important to understand the psychology of patients, what they're going through, how they're thinking about their disease, the medications they're taking, and the decisions they make regarding their treatment," he says. "My consumer background gives me an advantage in these areas."

His consumer experience, particularly in leading Heinz in North America and Europe, has led him to understand the importance of moving quickly. While the development timeline in the consumer packaged goods world is substantially shorter than in pharmaceuticals, Mr. Jimenez notes the need for innovation is just as great, not only from a product standpoint but also from a process improvement standpoint.

"If we can simplify our processes then we can invest more in innovation and accelerate the pace at which we bring new therapies to patients," he says. "One example of the approach to being more efficient is in the area of procurement. While at Heinz, we pioneered reverse auctioning and e-sourcing and we were able to generate significant savings. I'm taking these same learnings and applying them to the pharmaceutical industry, specifically to Novartis. This will help us take unnecessary costs out of our system, thereby improving productivity and allowing us to continue to invest heavily in research and development, which is really at the core of what we do."

Another example of the way Mr. Jimenez is invigorating the thought process at Novartis is by tapping into a mix of talented individuals who have both pharmaceutical and non-pharmaceutical experience.

"The pharmaceutical industry went through some very good times in the 1990s, times that probably won't be repeated in the near future," he says. "By bringing in new people from other industries, for example the CPG industry, who might think about the patient or physician in a different way or customer management in a different way, we can rethink how the business has been run and bring new and innovative ideas about while leveraging the strengths and knowledge of the people who have grown up in the pharma industry."

A BROAD PERSPECTIVE

The oft-quoted comment that it's a small world may be true in many respects, but it doesn't take into account the vast differences that make operating globally both exciting and challenging. Mr. Jimenez's appetite for the then-evolving trend of market globalization was whetted while studying economics at Stanford in the 1980s. He was able to broadly apply the theoretical lessons from his academic days when he started his career in the consumer package goods industry and then specifically when he landed an international position, during which time he learned in detail how different cultures and the psychographic makeup of consumers lead to very different behaviors.

"For example, most Americans think of Europe as one homogeneous place, and it wasn't until I moved to London to run a division for Heinz that I learned that there really was no one 'Europe,'" he says. "For example, France has its own customs, and the way its consumers think, raise their children, and make purchasing decisions is very different from how consumers react in Germany, which in turn is very different from consumer purchasing decisions in the United Kingdom. It was fascinating to bridge what I learned about global markets at Stanford with the experiences of running a global business."

His global experience is hugely valuable for Mr. Jimenez as he now leads Novartis Pharma, which has operations in 56 countries around the world, each with full blown offices with salesforces and medical staff.

Ensuring operations are effective and businesses are growing across the globe requires open and creative thinking, and that is particularly so in developing markets.

"For example, in China only about 25% of the urban population has some form of health insurance," Mr. Jimenez says. "We're looking at how we can dramatically increase our investment in China and in ways that apply learnings from other countries, as well as take learnings from this experience that can be used in other countries. We know China doesn't follow the



We must continue to invest heavily in R&D; new drugs are our future."

same model as the United States or other markets, but there are some similarities, so we can take those learnings and apply them to China as we build different capabilities."

In addition to his consumer background, Mr. Jimenez also gained valuable insights from working at Blackstone, a private equity firm.

"While at Blackstone, we bought Pinnacle Food Group, a U.S.-based company," he says. "This experience taught me how to look at an industry and a particular company from the outside. I had to figure out what was working at the company, what wasn't, and how to develop a plan for rapid action. This experience enabled me to look at things differently, which has been invaluable to me at Novartis."

Having spent many years in the CPG industry, Mr. Jimenez joined Novartis in April 2007, initially as CEO of the Consumer Health Division.

"Intellectually, I was very interested in healthcare because of the demographic trends facing many markets — the aging population, the cost of chronic illnesses, and what impact those costs are going to have on reimbursement organizations and governments in the future," he says. "The healthcare industry has a very spe-



Novartis Pharma's CEO, Joe Jimenez, is a people person. For him, the thrill of leading an organization such as Novartis is found in its talented individuals — being inspired by them and seeking to inspire them.

"Being able to lead and help such talented and accomplished people to change the way they operate to position Novartis Pharma for the future has been very rewarding for me personally," Mr. Jimenez says.

In guiding his team, Mr. Jimenez maintains an open and inclusive style, and ensures he taps into the expertise of those he works with.

"I seek to unleash our peoples' intellectual horsepower so they can drive this company forward," he notes. "This is much more rewarding than my telling them what I want them to do."

According to Subhanu Saxena, Country Pharma Organization (CPO) Head UK and CEO Novartis Pharma UK, Mr. Jimenez's people skills have been apparent right from the start.

"I have had a true dialogue with him in all our business discussions," Mr. Saxena says. "My team and I were discussing the

cific role to play in terms of mitigating the cost of chronic illnesses and I believed that working in consumer health would be a good way for me to leverage my consumer knowledge."

After six months into the job, he was approached to take on an even bigger role — running Novartis' pharmaceutical division.

"I was quite surprised," he says. "After many years of industry successes, the external environment was changing rapidly and company executives wanted an outside view of what was happening and how Novartis Pharma

would have to change to guarantee the same type of success for the next 10 years."

ADAPT AND GROW

The move from the consumer side to the pharmaceutical side of the business has opened Mr. Jimenez's eyes to the intricacies of drug development. Mr. Jimenez notes that some of the biggest differences between CPG and pharma are the heavily regulated nature of the pharma business, the long development timelines,

A PEOPLE'S LEADER

IN AN EXCLUSIVE INTERVIEW WITH PHARMAVOICE, JOE JIMENEZ, CEO OF NOVARTIS PHARMA, TALKS ABOUT HIS LEADERSHIP STYLE, WHAT INSPIRES HIM, AND WHAT MOTIVATES HIM TO SUCCEED.

marketing strategy around the launch of a new product, and although Joe wasn't sure it would work, he trusted us to carry it out and gave us the benefit of the doubt, which was really inspirational for the team."

In everything he does, Mr. Jimenez is guided by five values: be honest, deliver on the commitment, be accountable, develop a sense of urgency, and have fun.

"When I say be honest, I'm referring to intellectual honesty," he says. "For example, if a new product launch is behind schedule, I want my people to be honest about why objectives aren't being met, and what should be changed to get it back on schedule. We can't just wish or hope things will get better without taking action."

Delivering on the commitment is critical, he says, because Novartis Pharma represents 70% of the overall company's revenue, so how pharma performs has a massive impact on the broader organization.

Accountability is something that people in a matrix organization need to pay heed to because it's all too easy to have a diffusion of responsibility, Mr. Jimenez points out.

Furthermore, a sense of urgency comes naturally to Mr. Jimenez, who spent much of his career in the consumer packaged goods (CPG) industry where moving fast to beat the competition was essential for survival.

"Because we're asking everyone to work hard, if they aren't having fun at what they're doing, we're not going to get the best out of

them," he says. "So positive energy creates great results and vice versa."

Mr. Jimenez's CPG background brings a fresh perspective to the business, Mr. Saxena says.

"He is not bound by what has been done in the past, he welcomes observations from left field and what these could bring to the mix," he says. "He is committed to listening to unorthodox suggestions that can help grow and build our organization."

Mr. Jimenez also is committed to ensuring diversity at the company and personally mentors several high-potential associates at Novartis.

"Joe is also a great mentor and has a really strong focus on both the key strategic issues defining our business and putting the right talent in place to lead," Mr. Saxena notes. "In all of the discussions I've had with him, I always feel that he is truly thinking about what is best for me and my future career. I always walk away feeling valued, knowing that my opinion really counts for something. He also is focused on our culture and building our talent pool, which is inspiring to see coming from the top of the organization."

In addition, Mr. Jimenez works directly with Chief Diversity Officer Michelle Gadsden-Williams to track and monitor the top 200 diverse talents throughout the company, in all parts of the world.

"She helps me evaluate minority candidates or diverse candidates for all of the key positions that I'm involved in appointing, and she helps us build forums, particularly female leadership

and the fact that the stakeholder equation is far more complex.

Mr. Jimenez believes that pharma must start to adapt and change if it is to navigate the tougher regulatory and business climate that exists today.

"As I've come into the industry, I've looked at some of the trends that have shifted and converged upon each other to create great change and turmoil and thought about how we can position Novartis Pharma to win going forward," he says. "I concluded that we are going

forums, around the world that enable women to talk about key challenges and share some of their learnings," he says.

Leading a large pharma company and having oversight for so many people requires a great deal of energy.

Mr. Jimenez draws on his own strengths to lead and manage, and he says the key is to learn how to set goals and follow through to achieve those goals. He draws on his competitive swimming days at Stanford for inspiration in these areas.

"I was a breaststroker — to achieve a personal best time I would set a goal at the beginning of the year," he says. "I would train very hard, sometimes four or five hours a day, and when things got really tough I always focused on the end goal."

And once the goal is achieved, he says, it's important to celebrate the success.

"This cycle of setting a goal, working really hard, and then celebrating the success has been a common imprint with me and it's the way I run my business at Novartis," he says.

Just as critical as being goal oriented, is taking time out to recuperate. With a wife and three children, Mr. Jimenez jealously guards his leisure time with them, but it's not always easy to shut down completely.

"Like many people in the industry, I've become somewhat of a Blackberry addict," he says. "So even when I'm off having fun with my family, I'm still connected to the business. I've become really good at multitasking. You know you've arrived, when you can run your business and also be with your family at the same time."

to require new ways of thinking and the adoption of best practices from other industries, and then apply these solutions and tactics to our pharmaceutical business."

One area that he says requires significant change is the commercial model. Physicians have less control and say over what drugs are dispensed, while the reimbursement agencies and insurance companies have a greater say.

"To overcome this shift in prescribing control, we need a different go-to-market model than we've had in the past," he says.

In the 1990s, he says, the CPG industry went through similar and significant changes when key account managers became the prevalent decision makers; the solution was to create cross-functional teams at the headquarter level.

"The pharma analogy is to surround the payer with individuals who not only have sales expertise but also health economics expertise, marketing expertise, logistical expertise, etc. — all of the functions we use to help payers accomplish their objectives, and in a way that benefits Novartis," he says. "This is a very different commercial model and a very different mind-set."

A FOUR-STEP PLAN

To understand what would need to change to ensure Novartis Pharma's continued strength, Mr. Jimenez started out by assessing the trends that are negatively impacting business: a tougher global regulatory environment; more generic competition and more aggressive generic companies; restricted physician control over prescribing; downward pricing pressures; and increased scrutiny from reimbursement agencies and governments around the world to contain costs.

In response, Mr. Jimenez worked with his executive team and developed a four-step plan to position Novartis for future success.

"The first thing we did was to restructure our development organization; we changed the model from one that was functionally driven — i.e., regulatory, safety, etc. — to a cross-functional approach," he says.

The result has been the creation of small development teams that run each project, whether for a new molecule or new indication. Each team is led by a global project head. And each team has the ability to make autonomous decisions about the development path for its drug or molecule.

"As a result, the teams have cut unnecessary layers in the development process, some of which used to be owned and managed by the functional leaders," he says. "This one change has enabled us to speed the decision-making process and ultimately drug development."

The second big area of change that Mr. Jimenez and his team have made in the past eight months is to the commercial model.

"Because physicians have less say over which drugs can be prescribed based on for-

mularies, our customer base is changing quite a bit, so we're testing different ways to address the market," he says.

To start, Mr. Jimenez and his team set up pilot tests in three highly restrictive U.S. markets. The number of field sales reps calling on individual physicians was reduced by about 50%. At the same time, the company increased the number of people who serviced the insurance company or the healthcare provider so that the payer perspective was better integrated into the company's outreach.

"This approach created a cross-functional team; our people listen to a broader range of customer feedback so we can understand all stakeholder needs and better penetrate the account on different levels," he says. "This has led to breakthroughs around Novartis drug access."

He explains that when he spoke with the salespeople in those restrictive markets, the consensus was that it was a horrible job. They were forced to sit in waiting rooms throughout the day, sometimes for 45 minutes to get just 30 seconds of 45 seconds with the physician as he or she walked through the hall.

"Since we've made this change in these markets, I've had sales reps come to me and say how much more they enjoy their job and that now they have a shot at making the President's Club — that's our top 10% of sales reps in the country — something they would never have been able to accomplish had we not made this change," he says. "They do a better job and they are far more fulfilled. We started this in January, and over the next few months we will see how the results unfold and then decide if we're going to roll out this model to more markets."

The third area of change in Mr. Jimenez's plan is around productivity.

"We must continue to invest heavily in R&D, because new drugs are our future," he says. "But the only way we can continue to fund research in an environment that is being impacted by downward pricing pressures is by taking nonvalue-added costs out of our business."

To that end, he and his team set an aggressive goal for 2008, which was to improve productivity and free up \$600 million — focusing on delayering and simplifying activities and structures in procurement, marketing, and sales. Those savings will then be reinvested in growth and innovation, expanding development programs, and reinforcing initiatives in high growth geographies.

The fourth big change involves greater investments in emerging markets.

"When I evaluated the U.S. and European markets, the findings revealed fairly slow growth for the next five to six years, midsingle-digit at best, and for Novartis Pharma to grow at a high single-digit level we're going to have disproportionately grow in China, Russia, South Korea, Turkey, and Brazil," he says. "Growth in these countries, where we have large organiza-

tions, is in the mid-teens, but we need those businesses to grow in the 25% to 35% range.”

To achieve his goals, Mr. Jimenez has spent time with the management teams in each of those markets to build growth acceleration plans, including more investment in field sales reps, more investment in medical affairs, and more investment in drug development.

Beyond the four major pillars of change, Mr. Jimenez is eager to find greater synergies between the various Novartis divisions.

“For example, consumer health has the potential to reach people in a different way than we can in pharma,” he says. “There are some therapeutic areas, such as Type 2 diabetes, that lend themselves to a cross-functionally organized effort that leverages the knowledge from our consumer health business and draws on our expertise in the disease area, allowing us to approach consumers in a very different way.”

A real-world application of this approach might happen sooner than later. Tying OTC and pharma synergies could work for the company’s new drug, Galvus, an antihyperglycemic agent, which is being launched through much of Europe and Latin America.

“There are also opportunities to be gained from our animal health business,” he continues. “Many of our therapies that work for the human population also work on animals and there’s a lot of crossover from a specific drug standpoint that could be applied to animal health.”

THE ROAD AHEAD

Creating change in an industry that is slow

Joe Jimenez has the ability to navigate the labyrinthine workings of the pharma industry to get at the heart of what business should be about.

to adapt and that, moreover, has enjoyed success with the old model is not easy.

“When I first got here, I went around the world to communicate to our people how the pharmaceutical industry is changing and how the old model won’t work anymore,” Mr. Jimenez says. “I laid the story out in terms of why we need to make certain changes and then charted with the team the path forward. The biggest challenge I’ve faced so far is overcoming resistance to change; when things are good and a particular business model is working, people don’t see the need to do things differently.”

Unfortunately, what helped hammer the message home was series of setbacks.

“In 2007, we encountered some serious challenges,” he says. “Zelnorm was withdrawn from the market in the United States. In addition, one of our antihypertensive medications, Lotrel, which had more than \$1 billion in sales in the United States, faced an at-risk generic launch by Teva, which significantly impacted sales. Even though the company had a challenging year, and

we’d never want to repeat 2007, nevertheless it was quite a wake-up call that made my job a little bit easier as CEO. I was really able to make the case for change and get my colleagues aligned to where we need to move.”

There is no room for complacency in a tough market, Mr. Jimenez knows, and he says it is critical for pharma leaders to stay focused on the business priorities. The first call to action for a good leader, then, is to establish those priorities.

“I’ve laid out clear priorities for the entire organization to focus on, created clarity around those objectives, and we are now executing to meet our goals,” he says.

A top priority, Mr. Jimenez says, is to deliver product launches on time and on budget, and having a clearly laid out list of priorities and goals is what will lead to good deliverables.

“When I came in we had just launched seven new drugs — a record number for the company — and getting these launches right was critical for the company’s future,” he says.

Among the new launches was Lucentis, Novartis’ monoclonal antibody for age-related macular degeneration, and Tekturna, a new antihypertensive.

“The execution plan and attention to detail on a country-by-country basis for those launches has been very good,” he says. “In the first quarter, those new launches generated more than \$500 million in sales, which projects out to about \$3 billion by the end of this year.”

These achievements, he says, are important from a portfolio standpoint, particularly post-2012 when Novartis will lose patent exclusivity on Diovan.

“As we lay out the key performance indicators — country by country — everybody has a clear sight line of what is to be accomplished and what their role is in delivering on the objectives,” he says.

In addition to emerging markets, Mr. Jimenez also knows that the aging population as well as the huge escalation in the costs associated with chronic illnesses offer opportunities for the company over the long term.

“The question is, have we created a clear enough picture about why and how we have to change our commercial and development models to gain a competitive advantage?” he asks. “We have begun on the journey forward; during the next 24 to 36 months we will see if the significant change processes within Novartis Pharma will be able to give us the competitive advantages we are looking for as the overall pharmaceutical industry faces tough times.”

A visionary leader, Mr. Jimenez has many goals and plans for the company as he continues to encourage new ways of thinking. ♦

A CONSUMER PATH

JOE JIMENEZ — RESUME

OCTOBER 2007 – PRESENT: CEO, Novartis Pharma AG, Basel, Switzerland

APRIL 2007 – OCTOBER 2007: CEO, Novartis Consumer Health Division, Basel, Switzerland

2002 – 2007: Nonexecutive Director, AstraZeneca Plc., London

2006 – 2007: Advisor, Blackstone Group, New York

2002 – 2006: Executive VP/President and CEO, Heinz Europe, H.J. Heinz Co., London

1998 – 2002: President and CEO, Heinz North America, H.J. Heinz Co., Pittsburgh

1997 – 1998: President, Hunt Wesson/Peter Pan & Orville Redenbacher/Swiss Miss Food Cos., ConAgra, Fullerton, Calif.

1993 – 1997: Various positions, including: Senior VP, Marketing, Orville Redenbacher/Swiss Miss; VP, Marketing, La Choy/Rosarita; VP, Orville Redenbacher Popcorn, ConAgra, Fullerton, Calif.

1984 – 1993: Senior Marketing Officer, Dressings and Sauces Div., The Clorox Co., Oakland, Calif.

EDUCATION

1984. MBA, University of California, Berkeley

1982. BA, Economics, Stanford University

PharmaVOICE welcomes comments about this article. E-mail us at feedback@pharmavoice.com.