



Daniel Vasella

EDITORS' NOTE Dr. Daniel Vasella is an honorary member of the American Academy of Arts and Sciences. Vasella obtained his M.D. in 1979 from the University of Bern in Switzerland and completed his residency at the University Hospital in Bern and the city hospital in Zurich, before returning to Bern as Chief Resident. Vasella was hired in 1988 by Sandoz Pharmaceutical Corporation in the U.S. where he remained until 1992, when he was promoted to CEO of parent company, Sandoz Pharma Ltd., and named a member of the Group Executive Committee. Vasella helped to orchestrate the 1996 merger between Sandoz and Ciba-Geigy. The two companies combined to form Novartis AG and Vasella was appointed CEO of the combined entity and a member of the board of directors. In 1999, he was named Chairman of the board of directors. In January 2010, Vasella decided to step down as CEO, and in February 2013, he retired as Chairman and was named an honorary Chairman. Vasella is now working with McKinsey & Company as a coach for CEOs and other executives. He authored *Magic Cancer Bullet: How a Tiny Orange Pill Is Rewriting Medical History*.

How were you so effective at leading Novartis?

When you get into a position like this, you owe the success to predecessors initially. After that, you work to ensure you hand it over to the next leader in better shape than when you got it.

You need to have an awareness of the history of the entity you're leading and how that history influences current behavior. Then you have to ask, "Is this the right thing for the future?"

The portfolio strategy is important. The choice of people is crucial and the way you drive performance matters. This has to do with capturing the hearts of people so you need a real purpose that touches people's own beliefs. You also have to believe it while you're in charge.

Vasella's Vision

An Interview with
Daniel Vasella, M.D., Former Chairman and CEO, Novartis

You have to have an aspiration concerning where you want to go. People rally around positive aspirations. You need to set very clear boundaries. Our guiding principle was, we're here to serve patients and if we do this well, we will be paid fairly. You shouldn't care primarily about the money.

After that, it's about asking what the capabilities are that you need in this industry. R&D is crucial. We made a few decisions that were risky but worked out, like moving the headquarters for research from Switzerland to Cambridge, Massachusetts, and hiring a new head of research, a top scientist from academia.

How best do you communicate with employees about the type of change you're seeking?

You don't talk about what people might lose – you talk about what people will gain.

You have to address the concern of your people early and figure out if it is based on a lack of information or a fear of losing influence. Find the reasons behind the resistance and address them.

In stressful situations, people do not hear so you have to repeat yourself.

How do you balance between short-term and long-term pressures?

If you think long-term – 5 to 20 years – you have to ask what society pays you for. This is the fundamental value you create and it has to guide you.

If you believe you can sit back and wait for the long-term result, it will never come, because the long-term is built out of many short-term wins. But you need to be in sync with a long-term plan.

What doesn't change is the purpose – that remains constant.

How did you decide what you wanted to do after stepping down from Novartis?

Nobody teaches a course on how to become a CEO or talks about how it will be once you get there. To share some of what I have learned with others has been motivating for me. I don't believe in giving recipes but in challenging, exploring, and helping people come to their own conclusions.

Is there merit to the thoughts of some that the U.S. is losing its competitive edge?

You cannot have a society that consumes increasingly cheaper goods by having them produced in countries with lower wages. So the manufacturing base in the U.S. has to be reestablished. This could be achieved with high tech and with quality, as well as with hard work.

The U.S. is hiring in the IT industry, but there are many people who aren't trained and aren't

willing to return to the classroom to prepare to thrive when there is opportunity. We have the best schools in the world, but they are for relatively few people. There needs to be quality training for many more people.

One advantage should be immigration. If you treat this in the right way, it's a growth engine.

What are some of the major forces the U.S. faces going forward?

Companies need to achieve the most possible with the least amount of resources. This links to innovation with the low wage jobs being the first ones to suffer. I would rather bet on high-tech high innovation areas for job growth because the U.S. is traditionally good at those.

The U.S. has an advantage now with shale gas that will provide more energy at cheaper rates and with less dependency on foreign sources. The goal should also be to avoid having to intervene in every foreign conflict, e.g. for energy.

It's critical to find a rational path for U.S. foreign policy and industrial policy, and to gain recognition of the fact that you cannot distribute money before you earn it.

Hiking up taxes will not be attractive for those who have a choice of where their business is located. The repatriation of money from profits made outside the country should be encouraged – not disincentivized because of taxes.

In health care, many will explore whether it's cheaper to pay a penalty for workers than to put them into an insurance scheme. So they might consider paying the penalty and sending them for free treatment to the emergency room. Will this be a good recipe? I'm not sure.

Are the right issues being discussed in terms of health care reform?

To talk about productivity and costs before you talk about quality is a mistake. The biggest waste is in poor quality health care.

We should put more money into disease prevention. Obesity, diabetes, and other diseases will each cost close to a trillion dollars a year by 2025.

There is also a hesitation to learn from other countries. One should pull together the best approaches for many diseases in various countries and pick and choose what works best.

We also have a big club made up of the drug, device and diagnostic industry, physicians, hospitals, insurers, lawyers, and sometimes politicians and none of them want to lose. This means everything is being diluted to an unrecognizable remainder. With that, you cannot achieve change. ●