

CAREER

55 years old. Married with two children and one grandchild.
1984 Veterinary surgeon. **1986** MBA with major in Finance at HEC Paris. **1986** Financial Controller, then Sales Manager at Roussel Uclaf* in Asia-Pacific. **1993** Head of Global Marketing at Roussel Uclaf. **1996** General Manager Australia at Hoechst Marion Roussel. **1997** Regional Vice President Asia Pacific at Hoechst Marion Roussel. **2000** Head of Global Marketing at Aventis Bridgewater (US). **2002** CEO at Aventis USA and Sanofi Aventis USA from **2004**. **2006** Head of Strategic Marketing at Roche. **2009** CEO of Genentech (purchased by Roche), in San Francisco. **2010** CEO of Roche Pharma AG. **2012** CEO of AstraZeneca.

* Formerly France's second largest pharma company, until it was acquired by Hoechst in 1997.

PASCAL SORIOT (MBA.86), Chief Executive Officer of AstraZeneca

In October 2012, Pascal Soriot was appointed Chief Executive Officer at AstraZeneca, with a big challenge: turning around the pharma company after a series of setbacks in research and development (R&D). The treatment he is delivering is all about innovation, risk taking and staying independant (and not selling to Pfizer even for 117 billion dollars, see box page 46). Interview.

BACK TO SCIENCE

HEC When you joined Astra-Zeneca, the group was losing steam due to generic competition and lack of innovation.

Did you hesitate before taking the CEO position?

Pascal Soriot Being offered to lead AstraZeneca is something you cannot refuse, in my opinion. True, I was head of the pharma business at Roche, one of the best companies in the industry. Some analysts said that my decision was 'suicidal'. Of course, I was aware that AstraZeneca was facing a tough period, with patent expiries and a shrinking pipeline; but after 25 years in the industry, I knew that it was a strong company with great people. So I did not hesitate. During my first 3 months at the head of the group, I conducted a strategic review and travelled around the organization. I met hundreds of employees, junior and senior, and something became clear to me: the company had become risk-averse and bureaucratic. In recent years, AstraZeneca experienced several setbacks in late-stage clinical trials. Also, the 15.2 billion dollar acquisition of the biotech MedImmune in 2007 was heavily criticized – the market believed it was overpaid. As a result of this constant scrutiny, employees at AstraZeneca became very conservative, inward-focused and process-driven. Actually our people were paralyzed because they did not want to fail again. But it was an illusion: there is no innovation without set-

backs. In our industry, the average success rate in phase 3* is about 65%; even at the best pharma groups, 20 to 25% of projects fail.

Another problem was that management became too pre-occupied by financials. For instance, I realized that one of our products, olaparib, which treats a mutation for some patients suffering from ovarian or breast cancer, was not being developed because the sales people thought it was too small an opportunity. As you can imagine, our scientists were incredibly frustrated. But olaparib is back, it is being rapidly progressed and it is now an important part of our exciting pipeline. Our purpose is to develop new medicines that help patients; if we do this well we can no doubt be commercially successful. Many analysts now predict that olaparib will be a very important product and generate good revenue for the company.

HEC You are in charge of conducting a strict restructuring program, with 5,600 layoffs last year. You also decided to "put science at the heart of everything we do".

What do you mean by that?

P. S. Our sales are declining. We needed to restructure the organization, not only to save money but also, and more importantly, to simplify the organization and remove management layers that added to complexity and slowed down decision

making. I want AstraZeneca to return to its DNA, which is science and smart risk taking. It is not only an R&D question, it is a mindset change for the entire company.

Management used to talk too much about financials, share buybacks and dividends. We had lost sight of our purpose and the role of our people. Now they are more engaged because we are moving faster, taking smart risks and they know they can make a difference to the lives of the many patients who need our new medi-

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cines. Our clinical news flow is improving, too. Meetings with analysts used to be all about the last cost saving program; now we provide data about clinical trials and describe what is coming out of the pipeline.





HEC 2013 was your first full year as CEO. How did the company perform?

P. S. I keep telling people that we are going through a journey which will take 3 years or so. AstraZeneca is facing patent expiries of best-

WE ARE DOING SMALL AND MID-SIZE DEALS, NOT LARGER M&A. OUR BUSINESS IS NOT ABOUT ACQUIRING COMPANIES AND ACHIEVING COST SAVINGS; IT IS ABOUT DEVELOPING MEDICINES FOR PATIENTS.

sellers like Seroquel (antipsychotic), Nexium (digestion) and Crestor (cholesterol). This has created enormous headwinds for us. So our sales are still declining. But we are going to

bottom out soon, and sales and financials will improve. Importantly, we are accelerating projects and our pipeline has made enormous progress. A year and a half ago, it was almost empty; now we have 11 projects in late stage development (phase 3) and 19 candidates in phase 1 or 2 that could move to phase 3 by next year*.

HEC Among those 19 candidates for registration, which is the one you have the most expectations about?

P. S. It is always difficult to choose among many products with good potential, but I would say the most exciting field is immuno-oncology. Cancer cells are really smart; they develop mechanisms to confuse your immune system and hide themselves. Some of our products inactivate those mechanisms; others stimulate the patient's immune system. Last year, the American Society of Clinical Oncology said that immuno-oncology was one of the most promising new treatments

against cancer. The latest annual meeting of the American Association for Cancer Research almost completely focused on immuno-oncology. AstraZeneca has one of the best portfolios in that field, which bodes well for the future.

HEC In February, AstraZeneca acquired the remaining 50% of its diabetes alliance with Bristol-Myers Squibb (BMS), for 4.1 billion dollars. What was the purpose of this record transaction?

P. S. It was actually a good deal for both companies. Cardiovascular diseases like diabetes are one of our three key therapy areas, while BMS has decided to focus on oncology. Also, we have a pretty big infrastructure in primary care, which BMS doesn't have to the same extent. Last, it is consistent with our strong presence in emerging markets, China in particular. By 2023, there will be about 500 million people with diabetes in the world, twice as many as today. Most of the increase will happen in emerging markets like China. People there are getting richer, they eat more and exercise less – so they develop diabetes.

A PHARMA GIANT UNDER PRESSURE

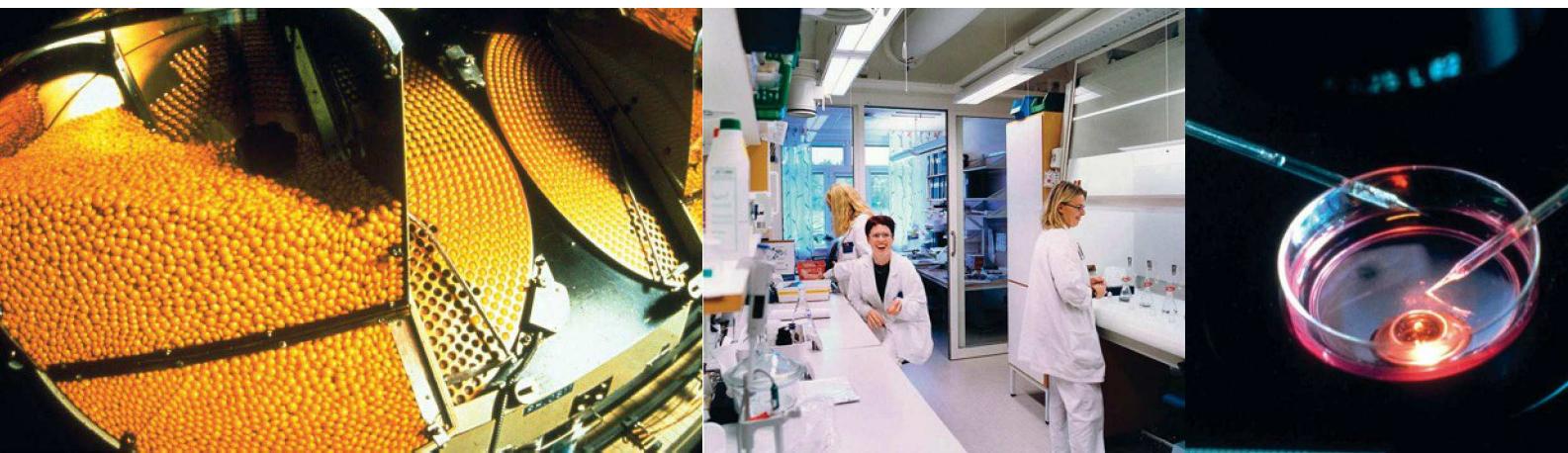
- AstraZeneca plc is Britain's second-biggest pharmaceutical group, and the #8 world-wide (per 2013 revenue).
- The company was founded in 1999 through the merger of the Sweden-based Astra AB and the UK-based Zeneca Group.
- 51,500 employees, of which 35% in Europe, 22% in North America and 33% in Asia/Pacific.
- Three core therapy areas: Cardiovascular and Metabolic disease (CVMD); Oncology; Respiratory, Inflammation and Autoimmunity (RIA).
- AstraZeneca is listed on the FTSE 100 Index and the New York Stock Exchange. Market cap: 99bn USD (as of May 15).
- Last year, sales declined by 6% to 27.7bn USD and operating profit was down 22% to 8.4bn USD, due to patent expiries and generic competition. However, sales in emerging markets increased 8% to 5.4bn USD.



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HEC Apart from the BMS transaction, you took a cautious stance on M&A, with relatively small deals. Can you explain why?

P. S. We are doing small and mid-size deals, not larger M&A. Our business is not about acquiring companies and achieving cost savings; it is about developing medicines for patients. To build our pipeline, we conduct our own research and also buy products in early stage development. We are careful about large acquisitions,



which usually have a big impact on culture. In the market, there are not many companies with a valuable case for acquisition – I mean, transactions that would create value for shareholders without disrupting the organization.

Today, it looks like any deal would be rewarded by the market. There is so much cash floating around, and interest rates are so low, that it is relatively easy to buy a company at a huge price and make it look like it creates value. But I am not so sure that in 3 or 4 years, buyers will still look as smart as they do today.

HEC AstraZeneca focuses on prescription drugs. Should it diversify in over-the-counter sales, as competitors like GSK or Novartis do?

P. S. We are a pure pharma player. Everybody in the organization is dedicated to science, innovation and new medicines. I believe that being in OTC** or generics would be a distraction. Take a simple example: every year, we take our top 150 senior leaders for a seminar. If we diversify, what will we talk about? We will end up discussing the financials, share price and some HR issues. At AstraZeneca, our global senior leaders meetings are dedicated to science, products and customers. On top of that, if you look at the numbers, diversification can boost sales but profit remains driven by the pharma business. Most diversified companies have the vast majority of their profits coming from innovative pharma – even GSK or Novartis.

HEC With austerity plans in developed countries, health-care reimbursement is under pressure. At the same time,

generic drugs are wiping out significant turnover. In this challenging environment, what are the key success factors for pharma companies?

P. S. Obviously, the first one is innovation – you have to come up with new drugs that help patients. The second one is access. Pharmaceutical companies have to demonstrate the economic value of their medicine, for instance how much in healthcare costs they can save society. They have to price their products at the right level: high enough to reward the risk they take by investing in R&D, but low enough for citizens to afford it. Another key success factor is to improve productivity at all levels: our industry has to focus more on productivity, getting more value out of what we spend.

HEC AstraZeneca experienced strong results in China last year. The country already represents 7% of total revenue. Is it a top priority market for the group?

P. S. – The US is the country that

rewards innovation the best and, as such, it remains our main market. But China is very important for us. Diabetes, respiratory and cardiovascular diseases are on the rise because of pollution and smoking. Last year our Chinese turnover grew by 20%, well above the market (+14%). We are the second largest multinational company in China and with one of the best growth rates.

HEC You decided to move the company's global headquarters to Cambridge. How is it supposed to boost research and innovation?

P. S. During our strategic review, it became clear to me that we needed to simplify our R&D footprint and bring our scientists close to academic centres as well as co-locate our teams as much as possible to improve collaboration. Innovation happens where great science is located. In the US, our Washington DC science centre is close to the National Cancer Institute, the National Institute of Health, the Food and Drug Administration, the University of



WHAT THE ANGLO-SAXON PRESS SAYS ABOUT PASCAL SORIOT

Confidence is slowly building that he may have the right long-term prescription for the British group, helped by some lessons learnt at his past employer Roche. (...) [AstraZeneca] has already accelerated work on several promising cancer drugs. *Reuters, September 2013*

Soriot has smart ideas about which drugs to advance into later testing. *Forbes, March 2013*

Has anything really changed at AstraZeneca? Actually, yes. [The] organizational overhaul certainly looks different. [It] is not meant purely to be about hacking away at the cost base to protect the research budget; in the corporate jargon, it's about "putting science at the heart of everything we do". *The Guardian, March 2013*



Maryland, and many biotech companies. In Europe, the best bioscience cluster is located in the “Golden Triangle” between London, Cambridge and Oxford. That is why we decided to move our science centre from Manchester to Cambridge, where there is the Laboratory of Molecular Biology (one of the best in the world), the MRC Cancer Research Centre, the University of Cambridge, the Brain Disease Research Centre, the metabolic dis-

already have entered into a partnership with members of the Cambridge Cancer Research Centre.

HEC You studied at Ecole nationale vétérinaire d'Alfort, and later got an MBA at HEC Paris. How do you remember your time in Jouy-en-Josas?

P.S. I have a fantastic memory of my stay at HEC. It was one of the best times in my life. I was not the standard student, though, as I came up with my wife and my small daughter.

PHARMACEUTICAL COMPANIES HAVE TO DEMONSTRATE THE ECONOMIC VALUE OF THEIR MEDICINE, FOR INSTANCE HOW MUCH IN HEALTHCARE COSTS THEY CAN SAVE SOCIETY.

ease research unit and many other world class academic institutions. We will start to build the site late this year. It will be finished by 2016 and will also become our global HQ. In the meantime, we have rented facilities in Cambridge. That move will enable us to really connect with science in the best academic sense. We

But I learnt a lot and really enjoyed it.

My only regret is that the HEC MBA has not yet been able to position itself as much as INSEAD on a global basis. People looking at Europe will usually consider the London School of Economics and INSEAD, but they won't necessarily look at HEC, which is a pity because it is a fantastic school and a great campus. I am sure the school leadership is working on that.

HEC Any message for the HEC Alumni community?

P.S. Just follow your heart and take the jobs you think you will enjoy and where you can make a difference. It is the best way to be happy and to succeed. Also, be flexible and open to opportunities. I have been lucky because my family always followed me. If I had not been so flexible, I would not have got the opportunities I was offered. ●

* Clinical trials typically involve 3 main phases. Phase 1: Screening for safety. Phase 2: Establishing the efficacy of the drug, usually against a placebo. Phase 3: Final confirmation of safety and efficacy.

** Over-the-counter: sold without a prescription

THE TOP 10 PHARMACEUTICAL COMPANIES IN THE WORLD

1. Pfizer (US): 51.2 billion dollars in sales.
2. Sanofi (France): 44.9 billion dollars.
3. Novartis (Switzerland): 43.4 billion dollars.
4. Roche (Switzerland): 40.8 billion dollars.
5. Merck (US): 37.4 billion dollars.
6. GlaxoSmithKline (UK): 33.5 billion dollars.
7. Johnson & Johnson (US): 28.1 billion dollars.
8. **AstraZeneca (UK): 25.7 billion dollars.**
9. Eli Lilly (US): 21 billion dollars.
10. Bayer (Germany): 21 billion dollars.

Source: IMS Health. 2013 turnover.



PFIZER HAS AN EYE FOR ASTRAZENECA

A few days after our interview with Pascal Soriot, newspapers announced that AstraZeneca was the target of a takeover bid from Pfizer, the global leader in pharma. Worth more than 106 billion dollars, the offer was declined by AstraZeneca's management, arguing that the amount "substantially undervalued" the company. Interviewed by the Wall Street Journal, Pascal Soriot explained that the pipeline of new drugs in development was "underappreciated". He added that a merger would create disruption and delay the development of anti-cancer drugs, which could ultimately cost lives. Questioned by British Members of Parliament on May 14, Soriot still admitted that AstraZeneca would consider selling out to Pfizer if the price and deal structure were revised. On May 19, Pfizer made a new offer at 117 billion dollars, which was again rejected. The US giant finally gave up on May 26. Under British takeover rules, Pfizer will have to wait 6 months to submit another offer. "We are now moving on. We have no idea whether we'd be interested in AstraZeneca at any point in the future," Pfizer's CEO declared, adding that he wasn't interested in making a hostile bid.