





A creator of Purpose

Purpose was the driving force behind **Joseph Jimenez's** work during his time as CEO of Novartis, influencing his decision-making and steering the company's strategy.

BY JOSEPH GUINTO

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Novartis'

purpose is to discover new ways to improve and extend people's lives.

This reason for being was Joseph Jimenez's North Star during his eight-year tenure as CEO of the health care giant. It shaped organizational strategy, motivated change, drove decision-making and influenced spending. "We were willing to put our money where our science is," Mr. Jimenez says.

That **purpose** also catalyzed Mr. Jimenez's efforts to drive an industrywide transformation.

"I've been a big proponent of shifting away from a transactional approach in pricing to an outcomes approach," Mr. Jimenez says. "Research estimates that about 25 percent of all [health care] spending is wasted because a positive patient outcome is not granted. People go into the hospital when they don't need to or they are given a drug that genetically they're not going to respond to."

Shifting the pricing structure to focus on outcomes—where all parties responsible for delivering care, from drugmakers to hospitals to mental health workers get paid only when a treatment works—will both reduce patients' expenses and also improve the industry's sustainability. According to a report released by the World Economic Forum in April 2017, health care costs are growing at roughly twice the rate

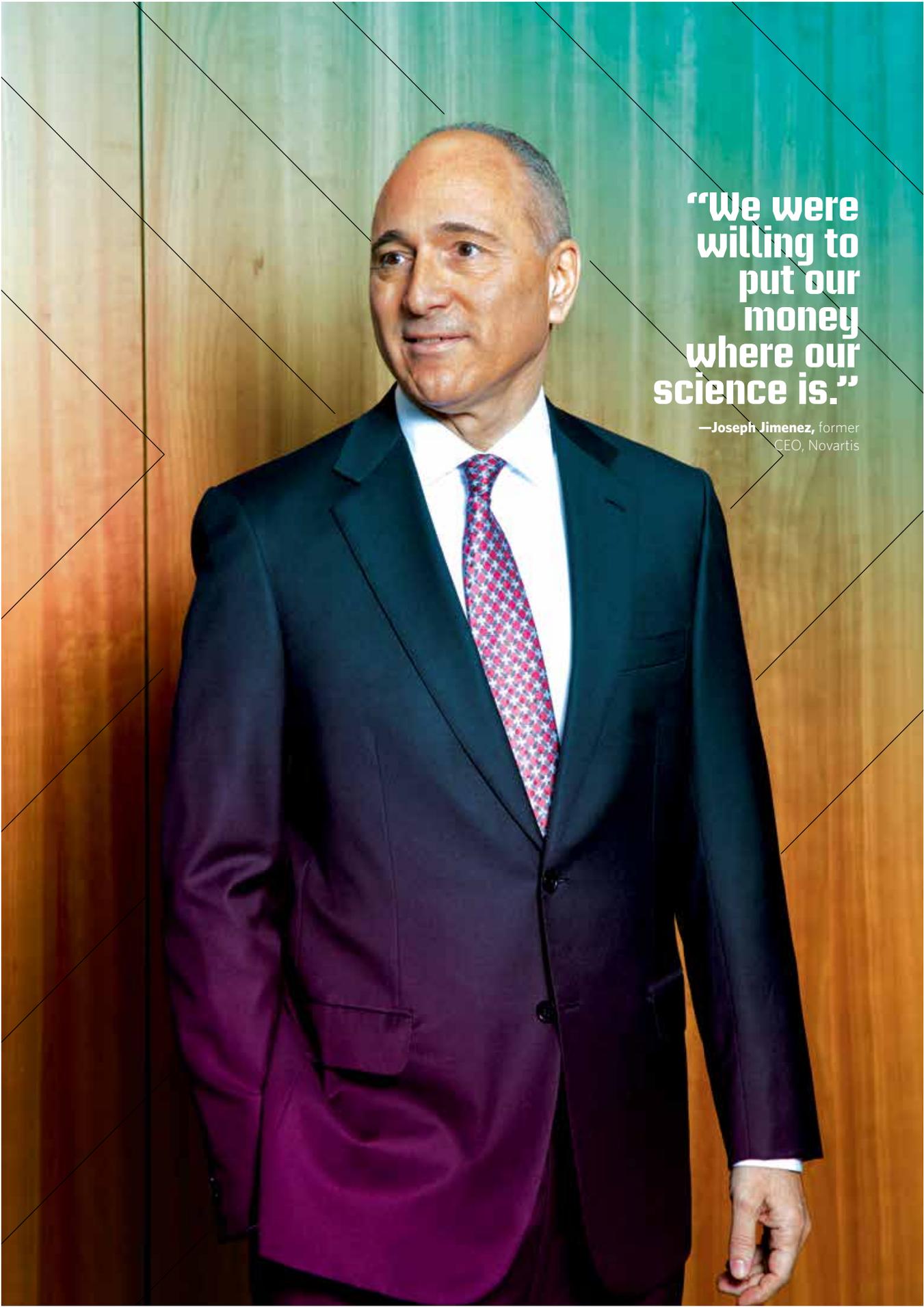
of the gross domestic product, putting severe pressures on health care budgets and constraining research and development (R&D).

The shift toward outcomes has been slow to catch on globally, however. But a revolutionary new treatment with a controversial price tag recently brought the conversation into the mainstream in a major way.

Last August, just five months before Mr. Jimenez stepped down from his post at the Basel, Switzerland-based company, the U.S. Food and Drug Administration approved its first gene therapy drug, Kymriah. Developed by Novartis, the drug treats pediatric and young adult patients living with acute lymphoblastic leukemia (ALL). Each dose is customized using the individual's own T-cells, which are collected and modified to include a new gene that directs the T-cells to target and kill leukemia cells with a specific antigen. The genetically modified cells are then infused back into the patient to kill the cancer cells.

The drug costs \$475,000 per one-time dose, a price tag that has some critics calling foul. In a letter to Mr. Jimenez, David Mitchell, president and co-founder of the advocacy group Patients For Affordable Drugs, argued that "the price should be fair and take into account the contribution that American citizens already made to the basic and translational science behind [the drug]." The group points out that much of the early research on the drug was done at the University of Pennsylvania while the U.S. National Institutes of Health provided funding for that work.

Mr. Jimenez, an American himself, stood by the cost, citing one major caveat: If Kymriah does not work to treat ALL after 30 days, the patient and his or her insurer will not be charged. The move raised some eyebrows, to



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say the least. “It was a huge internal debate,” he says. “You could tell that people—not just at Novartis, but people in this industry—scratched their heads and said, ‘You’re taking on risks. It is much better if you just have a transactional approach because then you are certain to get paid.’”

But Mr. Jimenez believes this risk assessment is too shortsighted. In the long term, he sees the current economic model as a threat to global health care systems—the systems pharmaceutical companies rely on.

“Those systems have to reimburse our innovation,” he says. “So if we don’t help create sustainability in the health care system, someday our products are not going to get reimbursed.”

Changing the system is a crucial yet slow-moving step toward advancing Novartis’ **purpose**. But ultimately it is worth the effort. According to Mr. Jimenez, **purpose** drives better employee engagement and improves product development. And it is what continues to help Novartis stay afloat in the choppy waters health care companies must navigate today.

But he says organizations do not have to be in the business of life and death to benefit from a well-defined **purpose**.

“Novartis is lucky to be able to be in an industry where we have a significant impact on mankind in extending life and improving the quality of life,” he says. “But I think that whether you make medicine or tortilla chips, every company can and should have a **purpose** that is important.”

Find the Rallying Point

When he was the senior captain of Stanford University’s swim team in 1982, Mr. Jimenez used to motivate his tired teammates by reminding them on an individual basis that the only way out is through. When he was a young executive at Clorox and, later, ConAgra Foods,

Novartis by the Numbers

Novartis’ third-party sales and net income during Joseph Jimenez’s tenure (in billions):

2010



2011



2012



2013



2014



2015



2016



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Joseph Jimenez, then-CEO of Novartis, speaks at a 2014 news conference in Basel, Switzerland.

he would motivate teams with pep talks in small huddles. But as head of a global company with 120,000 employees worldwide, Mr. Jimenez no longer could have that kind of personal contact.

That distance was especially troubling for him when hard decisions had to be made in his early days as Novartis' CEO. In 2010, during his first months on the job, he was tasked with finalizing a \$51.6 billion acquisition of eye care company Alcon. A few months after that, he had to start a plan for the loss of patent protection on two of Novartis' most important medications—Femara, a cancer fighting drug, and Diovan, a market-leading high blood pressure medication. Both patents were due to expire in 2012.

It was a critical moment. When drug patents expire, sales of the name-brand market leaders often drop by half or more as cheaper generics flood the market. And, at Novartis, Diovan sales in 2012 accounted for \$4.4 billion of the company's then \$56.7 billion in annual sales.

Contraction of some kind was imminent. To rally Novartis' 120,000 employees, Mr. Jimenez put the focus on **purpose**. By engaging employees with **purpose**, they were reconnected with the organization and more passionate about what they were doing—and why.

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efited from Novartis products into meetings—management meetings, manufacturing site-level meetings, all types of meetings,” he says. “We’d start the meetings with a patient story that was either about how a Novartis product changed that patient’s life or how it changed one of their family members’ lives.”

The move resonated, he says. It reminded employees that their work at Novartis mattered, regardless of how the bottom line fluctuated.

But it was only the first step.

Going Viral

The way Mr. Jimenez saw it, fulfilling the mission of discovering new ways to extend and improve lives required Novartis to spend



“I told people and that our because that”

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posted pictures and shared 400 video stories.

“It became viral,” Mr. Jimenez says. “It became personal. People were connecting, electronically, all over the world. They were telling stories about the noble cause we were engaged in. Then, when we did our annual employee engagement survey, we were quickly able to see that engagement levels had gone way up. I really believe that was because we connected our people to the **purpose** of the company in a meaningful way.”

Long Live Life had started as a project—something intended to run for only a few years as the company dealt with significant changes in its business.

“But it turned into a movement,” Mr. Jimenez says. “It took off by itself, and it’s still going. It’s not a glossy program today; it’s really an organic movement.”

less money pushing its products and more on developing better products. That meant increasing investment in R&D and the creation of efficient manufacturing facilities.

Reinvention, Mr. Jimenez knew, only would work if a majority of employees embraced the new focus on **purpose**. To build buy-in, Mr. Jimenez launched a program called Long Live Life in 2012. Through this program, the company asked associates to share photos, stories and ideas about friends, family or anyone else who had benefited from a Novartis product.

“Even though we have 120,000 employees, Long Live Life showed me that it really wasn’t that hard to reach people because we’re all so connected online,” he says.

In the voluntary program’s first year, 80 percent of all employees or associates visited the internal Long Live Life website. Some 64 percent of these participants, in 95 countries,

Be Ready to Act

The only way for a drugmaker like Novartis to discover new ways to improve and extend people’s lives is to go out in search of those discoveries. In Mr. Jimenez’s view, that means having a robust, continually developing pipeline of products.

For instance, just as Novartis’ leukemia treatment Gleevec lost its patent protection, Novartis introduced a new cancer drug (Afinitor) and a multiple sclerosis drug (Gilenya), the latter of which reached \$2.5 billion in global sales in 2014. Simultaneously, it had 58 other products in development for potential launch by 2019.