

LEADERSHIP IN THE FIELD: Interviews With Global Leaders

By Russell Reynolds Associates
with Roger O. Crockett

AstraZeneca CEO David Brennan provides insight on the value of communication, the need for collaboration and the importance of diversity to growing amid shifting industry dynamics.

David Brennan on Growth Strategy

An Edited Transcript

- Roger Crockett:** We are in London at the global headquarters of AstraZeneca, visiting with David Brennan, AstraZeneca's Chief Executive Officer. Our theme: Leadership amidst shifting industry dynamics. David, this turbulent economy is causing all sorts of change across a variety of industries. What essential steps can a leader take to ensure that his organization adapts, and can stay ahead of the game?
- David Brennan:** Well, I agree with you the macroeconomic forces are significantly influencing a lot of things, and it includes healthcare. I think from a leadership perspective it's really important to be consistent in what I say, and the messages I deliver to the organization about what we're trying to accomplish. So while the forces externally are shifting and maybe changing, it doesn't necessarily change what we're trying to accomplish.
- Roger Crockett:** Right. Were there any specific things that you do as a leader in order to make sure that the team remains focused?
- David Brennan:** What I personally do is I spend more time trying to meet with people internally, and communicate with them. So I'll visit our sites, I go to our marketing companies, I go to our research facilities, our manufacturing facilities. And when I do that I always have face-to-face meetings—town hall meetings with hundreds of people. And I invite them ahead of time to send some questions in so people sitting there know that I'm aware of the issues that they're dealing with, and you make them discussable.
- Roger Crockett:** What about shifts in strategy? You've spoken about staying focused on your strategy, but as the environment changes around you how do you go about changing the strategy if that's needed?
- David Brennan:** Well, it's a very good question and I think the way we approach strategy, is very deliberately. So, each year my executive team spends several months working on strategy in preparation for a board meeting, which we have in September. And it's a full day's session with our board on strategy. We do it every year. And the board's expectation is that we have explored what else we could be doing in the context of our current strategy. And I think the discipline of approaching it the way we do, which is just head-on—"let's talk about diversification, let's talk about mergers and acquisitions, let's talk about what else we could be doing"—allows us to just assess those things to ultimately make a decision. "Okay, here's what we choose to do." Because strategy's about choice. You've got resources to spend, what are you gonna spend them on? We've chosen research and development, we've chosen human health pharmaceuticals, we've chosen innovation. So, we stay focused on those things.
- Roger Crockett:** So, let's talk a little bit about collaboration. How important in your mind is collaboration to remain competitive?
- David Brennan:** I think there's an internal component to how people within the company work together that very much reflects the culture of the company. And the culture of the company is one of being collaborative, of being consensual, to try to get agreement on what we're trying to do. So it's widely accepted within the company that we have team meetings, and we have groups of people who work on projects, and that's an approach that we take. And so there're certain behaviors required for collaboration, that's my point. External collaborations are very different because from a research and development perspective it's easy for companies to think we've got all the

science here. To say, “We don’t need to know what everybody else is doing.” And it’s very, very important to recognize that’s just not the case at all. We do 1% of the research and 99% of it is done outside, and we have to make sure that we’re in touch with what’s going on. And that’s done at a number of different levels. In companies it’s done at a company level. It’s done at a scientific level between scientists and the laboratories, who know each other and work together. It’s done between the large companies and small companies, or between our company and academia, or our company and the government. So, there are a number of different ways to do it, but externally we do a lot more now than we were doing five or six years ago. Our product pipeline is now up from 5% about six years ago to close to 40% from external technology. And that’s a big, big shift.

Roger Crockett: **As emerging markets across the globe have risen in importance, how does a CEO go about helping the organization prepare to do business in unfamiliar territories?**

David Brennan: I think the longer I’m in this job the more I recognize how hard it is to really understand cultures and emerging markets so that you can make sure you’re making the right moves. One of the most important things we do is that the leadership that we select in those markets really need to understand the market for us. You’ve got to have people who have their feet on the ground, who understand “the market,” and when I say “the market” I mean the healthcare system, the reimbursement system, the system for access to healthcare and the infrastructure, as well as the process for getting drugs approved, or getting them paid for, or getting them distributed. You go to different markets and you find very different distribution systems, very different payment schemes, very different regulatory regimes, which cause you to have to do some things very differently. Another element for me is then trying to get the rest of the organization that’s not there, to recognize how important that market can be in the future. So, China’s a great example. It’s probably the fastest growing, or among the fastest growing pharmaceutical markets in the world. It’s moving quickly up the league table from fifteenth to twelfth, to tenth. Probably by 2015 it’s got the potential to be the third or fourth largest pharmaceutical market in the world. So, I think one of my roles as the CEO is to make sure that we’re doing things now to prepare so that when that happens we’re kind of ahead. So some of that is about bringing some people from Asia or from Mexico or Russia or Brazil—places where we’re investing—into our developed world so they see how we do stuff. But it’s also getting some people from our developed world into those markets, so they see how things are done there.

Roger Crockett: **Sometimes you can’t always do it yourself, so you need a merger or an acquisition. Can you talk a little bit about the importance of M&A in generating growth, or even in generating innovation for your company or for a company?**

David Brennan: Well I think it’s important for me to say upfront that in our industry, in pharmaceuticals, I am not a fan of large-scale merger and acquisition activity.

Roger Crockett: **Even though there’ve been a lot of them in your industry especially?**

David Brennan: I think that’s absolutely true. I think if you go back and take a look at the performance of those companies, post the large scale activities that they did, I don’t think you see much of an increment at all. You probably see a decline in the overall value of the company, because back to the original part of your question, I don’t think scale in and of itself drives innovation. So, being bigger does not necessarily mean you will become more innovative and I’m sure people watching this would argue, “Mmm, being bigger probably means you’re gonna have more bureaucracy and you’re gonna be less innovative.” So we look for opportunities where we can add value because of the way we operate, and then we try to figure out if we can come up with a deal to make that work. But that’s a billion dollar decision, it’s not a forty billion dollar decision. So, that’s the difference for me. It’s not a linear correlation between what you spend, how innovative you are and whether or not you get new drugs.

Roger Crockett: **Well, as industries and companies mature the growth pipeline tends to slow a bit. How does a CEO then manage that situation, and manage it with shareholders who have expectations for continued growth?**

David Brennan: I think as the CEO, as a leader, it’s important to that you call the moment the way you see it. Because people will relate to that and understand. So, as a leader I believe I get more credibility with people internally when I tell them I see the same world they see relative to how we’re doing. With shareholders you can’t hide. I mean they know what’s going on, and so you have to go in and say, “We haven’t been as productive as we wanted to be. We’ve made changes. We believe

that the changes we made are the right ones, and that it's going to improve our overall capacity over the course of the next several years." But you can't guarantee it, and you can't indemnify them and say, "You're gonna be fine, don't worry we're a great share to own." You have to do demonstrate through performance what it is that you can deliver to them.

Roger Crockett: **Well, your company as you've pointed out depends on innovation, and we know research shows that diversity is one of those things that really drives innovation—diversity of thought and experience, and so many more things. In your mind how relevant is diversity in the management ranks, at the board, on through the organization?**

David Brennan: Well, diversity is an important consideration for us as we develop the management of the company. And a very important part of that process is to access the diversity of candidate. So in our senior levels of management we look at gender diversity, we look at racial diversity, we look at country diversity. So, we were talking about Asia before. How many Asians do we have in our most senior ranks to give us input from an area that Westerners don't understand? And we recognize we don't have many and we need to get more. So, we've been actively recruiting to try to get more Asians into senior management positions in Asia so that we get a different set of inputs. So, I think diversity is very important. Our board has good gender diversity. We've got three or four women out of eight to ten directors on our board. So, I think people would look at us in the FTSE 50 companies and say, "That's one of the most gender diverse boards that we see." And we have geographic diversity as well—from the US, from Europe, from down under. So, I think it's a good mix. But sometimes people from different cultures engage differently than Western cultures. So, it's important from a leadership perspective to try to create an environment where people feel that they can make a contribution, or they can bring up a point, or they can suggest something to be done in their way of doing it and not have a group of people reacting negatively because that's not the way a bunch of Western white guys would do it.

I think if you want to influence that kind of an issue in a big company it has to start at the top, it absolutely does. I chair, and have for a year, a group of people that have been looking at the progression of women in our organization from entry level jobs up through management. And we did a survey of several hundred people (including men) in the company to try to understand why it is that more than 50% to 52% of our entry level jobs is female, but by the time you get up to management ranks—and I mean senior management ranks—it's in single digits. What happens to women that causes them to not select, or to not be selected, to move into these other areas? It's taken a while, but we've learned. And we're about to go communicate it to the entire organization. And when I do that it makes it discussable. People will say, "You know what? I'm a woman, you're my boss, I wanna talk to you about this."

Roger Crockett: **David, thank you so much for your insights and your time. We appreciate it.**



David Brennan has served as Chief Executive Officer of AstraZeneca since January 2006. As CEO, he has led the company's emergence in several global markets and orchestrated key strategic partnerships and mergers to help spark growth through innovation. A respected leader in the field, Brennan is also president of the International Federation of Pharmaceutical Manufacturers and Associations and past chairman of the Board of the Pharmaceutical Research and Manufacturers of America.



Roger O. Crockett is a veteran business writer, thought leader and speaker. He is the former Chicago Deputy Bureau Chief for *BusinessWeek* magazine and a contributor to *Harvard Business Review*. His perspectives on business, leadership and diversity are trusted by many of the world's top executives and entrepreneurs.