NEW YORK

A BioPharma Strategy

The BioPharma strategy

An Interview with James M. Cornelius, Chairman and Chief Executive Officer, Bristol-Myers Squibb Company

EDITORS' NOTE *Jim Cornelius was elected Chairman of the Board of Bristol-Myers Squibb in February 2008 and was named CEO in September 2006. Prior to joining Bristol-Myers Squibb, Cornelius served as Chairman Emeritus of the Guidant Corporation board of directors upon completion of its merger into Boston Scientific in April 2006. He had previously served as Chairman and CEO during the merger process and was responsible for the company's initial public offering and subsequent split from Eli Lilly and Company.*

Cornelius was a member of the board of directors of Eli Lilly, a member of its executive committee, and Chief Financial Officer from 1983 to 1995. From 1980 to 1982, he served as President and CEO of IVAC Corporation, previously a Lilly subsidiary. He currently serves on the boards of Given Imaging Ltd. and DIRECTV Group. Cornelius is President of the Cornelius Family Foundation and has served the United Way of Central Indiana in several leadership positions. He holds a bachelor's degree (magna cum laude) in accounting and an MBA, both from Michigan State University.

James M. Cornelius

COMPANY BRIEF *New York-based Bristol-Myers Squibb (www.bms.com) is a global biopharmaceutical leader whose mission is to extend and enhance human life. With roots that go back 150 years, Bristol-Myers Squibb now has about 37,000 employees working to help patients prevail against serious diseases, such as cancer, heart disease, diabetes, HIV/AIDS, rheumatoid arthritis, hepatitis B, and psychiatric disorders. The company counts among its leading products the heart disease medicine Plavix, Avapro (for hypertension), and the antipsychotic medication, Abilify.*

You have instituted a new strategy around BioPharma. Can you highlight the main points of that strategy and explain why you felt it was key to the future of Bristol-Myers Squibb?

Two years ago, the company was somewhat demoralized, because we had taken so many hits, particularly in the press. And we had a couple of our major products coming up for patent expiration.

We decided that we were better off concentrating on seriously ill patients and the pharma and BioPharma space than we were continuing as a quasi-diversified company. So we took a somewhat contrasting route to many of our competitors: We put all of our eggs back in the BioPharma basket. It took a year to map out the complete strategy. During these past six months or so, we've been executing that strategy and monetizing all the businesses except for Mead Johnson, which is headed toward an IPO. We've pumped a heck of a lot more into R&D. We're carrying out R&D in support of the 10 serious disease areas we're already in and purchasing licenses to some technologies, to add to that. So it has been a busy two years, creating and executing our BioPharma strategy.

R&D takes so long in this industry. Is it possible to speed up the process?

No, you can't speed it up; it always takes 10 years, give or take. However, we are speeding up the enrollment time in our clinical trials and using technology to do some processes faster. In our world, we talk about "indications," meaning the area in which the product can be used and approved. We've tried to expand the indications of our products, to make sure that we're growing in Europe, China, and the U.S. all at once. We're now reporting growth in every one of our therapeutic categories and all of our geographies, except for Japan, where we happened to run into a patent expiration issue. You could say that out of eight cylinders, we have seven and a half clicking at the moment. When that happens, we don't grow at 10 percent; it's more like 15 percent.

In addition, we do have a very good pipeline. Most analysts would say that our pipeline is one of the best in the industry. So while we're looking 10 years out on some of our brand-new products, we've got products that are at phase two and phase three that should be here in less time.

Partnering has always been a major component of pharmaceutical R&D. Is that critical to your development?

Yes. There seems to be a new realization that companies have to work together, the way they did when I first joined Eli Lilly in 1970. As a result, you have CEOs talking to CEOs about how they would like to partner on a diabetes drug, for example. There have been a series of deals done in the past couple of years, and we've probably been the leader in this area. I don't take any credit for this, because two big partnerships were underway when I got here. In these relationships, we give up a little upside, but we mitigate the risk of going it alone, because we've got a partner who helps to pay for it. It's a bit like in the oil industry, where companies don't drill all by themselves – they get partners to drill with them.

Is this industry still attracting the top talent?

I wouldn't have come here if there wasn't such a promising pipeline. That was one consideration in taking the job. As an independent board member, I also saw that there was a pretty experienced and capable management team. They were not necessarily working together the way I would have wanted them to work together, but I think we've improved that.

Generally, people have seen what's going on here – how our work is patient centered and the record bonuses that were given last year – and have said, "Hey, I'd like to be a part of that." So we've not had any difficulty attracting the kind of talent we need.

Public perception of this industry does not always reflect the good work that pharmaceutical companies do for society. Is there a way to get the good news out?

People forget that 4,000 or 5,000 of our employees are wearing white coats and conducting cutting-edge research. What they see is our salespeople trying to get 15 minutes of a doctor's time on a busy day to talk about a new drug. It's more perception than reality but, unfortunately up until now, we haven't been very successful in helping people understand the reality. In addition, there's the phenomenon of free pricing, of which the U.S. is the last bastion. Everywhere else in the world, governments set the price of drugs. As a result, prices are generally higher in the U.S. than they are in other countries. In the future, the U.S. government could become a single buyer of pharmaceuticals through Medicare, which would result in downward pressure on pricing. If that happened, the first thing cut would be R&D. Then innovation would eventually dry up. It would take years for that to happen, from a public policy standpoint, but it could happen, and that wouldn't be good for our children and grandkids. ●