

Leadership decisions that shaped the destiny of Genzyme

Lessons from 30 years of Entrepreneurial Leadership: critical decisions for growth

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This article is based on an interview of Marianne van der Steen with Henri Termeer-the long time CEO of Genzyme. Within Europe, Genzyme's state-of-the-art cell culture production facility for therapeutic proteins is located in Geel, Belgium, and is among the largest bio-manufacturing sites in Europe. This month, the company announced that it will build an additional manufacturing plant in Geel.

The topic of the interview was growth decisions from biotech start-up to a fully integrated biopharma company. Henri Termeer, CEO, President and Chairman of Genzyme, looked back at 30 years of experience building a biopharma company. Henri talked about leadership decisions at the critical junctures of building a biopharma company. What are the lessons for European biotech entrepreneurs? How to breed European Gazelles?

Becoming an entrepreneur..

Forty years ago, Dutchman, Henri Termeer followed the footsteps of his Dutch ancestors to pursue his American dream. After earning his MBA at the University of Virginia Darden School of Business, he started his career at Baxter International, a healthcare supply company .The company is known for its entrepreneurial career imprint; placing young and relatively inexperienced employees in positions with responsibility. The "Swim or Drown" mentality proved to be a breeding ground for later biotech captains of industry. After just two years, Termeer became responsible for the German part of Baxter's business and learned his business lessons quickly on the job. His background as a 'Baxter Boy' evidently influenced his leadership style at Genzyme .

With his move to Genzyme, Henri Termeer took the risk in joining a start-up company with a promising, yet an uncertain future. Instead of the usual technology-push approach in biotech start-ups, Termeer made Genzyme into a business early on based on the demands and needs of patients. Instead of focusing on research, Genzyme deliberately stayed independent, selling products and offering their services in numerous markets. In its first years, the company barely survived. Genzyme's breakthrough eventually took 10 years. What began with NIH research in placentas

resulted in the Cerezyme drug: a treatment for Gaucher's disease, a rare disease affecting fewer than 10,000 people worldwide.

Today, Henri Termeer is known for creating the market for Orphan drugs. Orphan diseases are rare medical conditions. Genzyme has grown into a global leader focusing on rare genetic diseases, known as lysosomal storage disorders (LSDs) which covers a group of approximately 50 rare metabolic disorders. In 1991, the company introduced its first drug to the market against Gaucher's disease which affects only about 10,000 people worldwide. At that time, NIH scientists were involved in research for a treatment against this disease that no company within the industry would focus on. Gaucher's disease had always been ignored before Termeer decided to get involved. Since these treatments would always have a very small customer base, a company could never earn back the millions of dollars research costs.

Another more recent, act of innovation was Genzyme's focus on neglected diseases such as Malaria and African sleeping disease affecting hundreds of millions of people in poor and developing countries. During the last decades, as a true entrepreneurial leader, he guided his company through incredible growth into one of the world's largest biopharma companies. The success of Genzyme was acknowledged with the incredible buyout in March of this year by the global pharmaceutical giant Sanofi-aventis. Sealing the deal, worth \$20.1 billion, represented the second largest biotech deal ever. Listen to this entrepreneurial leader who walks the talk.

Question 1. A critical juncture in the start-up phase of Genzyme was your decision –against all odds- to continue the investments in a treatment for Gaucher's disease. What does this 'leap of faith' tell about you as a leader?

The purpose of the company was crystal clear, even in such an early phase. The approach in finding a treatment for Gaucher's disease actually made no sense. The treatment to extract enzymes from placentas meant we needed 20,000 placentas to treat one patient. You cannot have 20,000 placentas. At that time, I got a great deal of advice that this would never be successful, including from my scientific advice report. Then again, if it is obvious you should stop doing it, it has probably been done before. The enzyme had been tried and hadn't really worked in a therapeutic setting.

We changed the basis and tried it on a three-year old boy. His mother pleaded to give her child our very first product. We drove a car around the hospital to collect placentas and locked these up somewhere in the red light district of Boston. We gave this boy two infusions, two weeks apart. The result was a miracle for me seeing the boy improving week by week. When I saw this child and the people surrounding him, and what the effect of our drug was, I was determined to continue.

With the next eight patients on whom our drug didn't work, doubt further accelerated leaving a doctor, the mother and me the only ones who still believed. I was not limited by knowledge and being pretty naïve; I neglected the 'naysayers'.

Finally, the problem proved to be the doses. When this was altered, our drug worked and we took it to the FDA. The benefit of the treatment was so strong; this allowed me to overcome all the hurdles and skepticism. The moment our treatment proved to work, it became a responsibility. Do not focus on the root of your products but on the results when your products become available.

Question 2. Your leadership style- a leader with a mission, courageous, bold and visionary- worked well in the start-up phase. From the start, your leadership style had a strong impact on Genzyme, unique company values characterized by patient-focused, empathy, responsibility in combination with an entrepreneurial attitude- a strong market focus and opportunity driven.

Company Growth.. Yet a better quality problem, imposes new challenges for a biotech start-up. How do you transplant this strong Genzyme value footprint into the growing organization? How did you go about hiring people?

In the growth phase, when the treatments for Gaucher, Pompe and others proved to be successful, we needed marketing capabilities to bring the treatments to the patients. I decided to put a marketing team into place, instead of outsourcing to a pharma company. In line with the Baxter mentality, we decided to stay independent and build-up the marketing capabilities in-house. Hiring the 'right' people that fit within the Genzyme culture... Certain people were attracted, the notion of 'doing right' was important. This notion is universal and very understandable. It is such a human need to do the things that count, some people are better with this than others. The description of the people that were attracted to Genzyme would be passionate, pragmatic dreamers. These are the people that always talk about patients, instead of financials returns. This patient-focused attitude is rather different compared to most pharma companies. We are connected to the patient; not just the product on the shelf.

Question 3. The maturity phase. In the 1990s Genzyme successfully developed several treatments for-orphan diseases. Success in the maturity phase often comes at the price of loss of innovativeness, an entrepreneurial spirit. Instead, you made the decision and showed an innovative act to focus on neglected diseases. Why this decision to take social responsibility?

Since 1999, Genzyme has a program making Cerezyme available to Gaucher disease patients living in developing countries. More than 250 have received it free of charge. In 2006, an initiative was launched to support the development of neglected diseases which affect the lives of one billion people in the developing world. These diseases, a group of tropical infections especially endemic in developing regions, are neglected by media, governments and health organizations. In comparison to attention given to the 'big three', malaria, tuberculosis and HIV/AIDS, neglected diseases are rather invisible to the world. People do not die from neglected diseases per se, and the conditions are found almost exclusively among the poorest people on earth. For pharmaceutical companies, neglected diseases are not profitable. Furthermore, patent issues exist as IP is scattered among companies and hard to access. In line with the Bill & Melinda Gates Foundation, heavily investing in neglected diseases, Genzyme extensively partners with academic and non-profit organizations on focused research collaborations.

The main decision to assist in the field of neglected diseases was the presence of translational skills within the company. The translational activities, turning science into clinical development, are very expensive in that 2-3 years and normally owned by the industry. There is no academic interest in this and we have the skills to translate this very quickly. There is a lot of criticism on the costs of our drugs, saying we are only looking out for ourselves. However, by investing our best resources we can make a substantial contribution. We will donate a certain part of our translational activities; we can really do something in this way. Washington gave us a tax-break on these investments so we can condone this to our shareholders resulting in cash flow neutral. There is enough cloud; the only value in our field is sustainability.

Question 4. What are the timeless values of your leadership that shaped you, the intrinsic values that didn't change during the 30 years at Genzyme?

I grew up in Holland, spent my youth there. The Dutch business environment really appeals to me: it is pragmatic; you earn your own future. This 'Dutch style' shaped my leadership early on. As for my values, focus on patients is of importance. Once you start treating patients, it becomes a responsibility. Your employees react to this, sharing their pride of helping people to their family and friends. They put themselves in a position of responsibility, feeling proud when talking about their jobs. Putting patients first and feeling responsible; these values have never changed in 30 years. It is responsibility first and within this frame of mind, you look for opportunities. But it is exactly in this order: responsibility to patients first, then the opportunities. Together with transparency and patience, these are the most important values in leading the company.

Question 5. How did you grow and change as a leader?

There were a lot of lessons in the growth process of Genzyme, but I didn't really change as a leader. My leadership style was still driven by the same values as I had in the beginning. If you want to grow and to become a long-term sustainable company, you have to have the same attitude as when you started. The only difference is, you have something to lose. You need to have more courage and be willing to share the risk.

Question 6. What are lessons for biotech entrepreneurs?

One important lesson would be that starting is tough, but it is much more difficult to sustain as a company. Unless you find ways which make your company sustainable, there is a high risk. There are many financing vehicles that allow you to start but after that, you are on your own. More than in the start-up phase. Building up the company is very difficult, especially when revenues are not there yet. Again, having the same attitude as when you started is important. Be bold and courageous. To start running a marathon is one thing, putting on your shoes and preparing, but to actually run it is another thing.

Another important lesson is to be very clear in your decision making. I have found so many entrepreneurs that think the words of advisors and VCs count. But actually, in the uncertain biotechnological discovery process, your decisions and your words count. These advisors don't know that much about these discoveries, they will listen precisely to what you have to say, unless you are bold, brave and courageous. These types of decisions give you more power than you realize. You have to follow your dreams and ignore the naysayers.