

A Fireside Chat with Brent Saunders, CEO of Allergan

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By Peter Young

At this year's Pharmaceutical Executive Summit on "Emerging Strategic, Financial and Shareholder Issues" on November 3, Peter Young sat down with Brent Saunders, CEO of Allergan, for a fireside chat about Saunders' early entrepreneurial years, his career in the industry, and some of his business philosophies. The highlights are presented here.

Peter Young (PY): Let's go back a bit in time to when you grew up in South Whiteside Township and went to Parkland High School in Allentown, PA. What was it like growing up close to Allentown with a urologist father and a mother who started and ran a geriatric care agency?

Brent Saunders (BS): I grew up in a fairly rural area where most of the kids worked on farms and everyone valued hard work. I credit my parents for instilling these values in me. We did not get an allowance and had to work to earn any spending money. This was an important part of my upbringing and created a strong work ethic. Having a father who was a doctor and a mother in health care services probably helped me have an early sense of the health care system and how one helps patients.

PY: I understand that you and your brother started a number of businesses from the time you were 6 or 7 years old, including a shampoo business, a moving company, and a lawn mowing/snow plowing business that became S&S Landscaping with 50 clients. Often you can tell a lot about successful people by what they did when they grew up. What drove your desire to be entrepreneurial and run businesses early on?

BS: To be fair, I do not know what drove us to be entrepreneurial early on. Perhaps it was my parents' lessons in work ethic. In addition, my identical brother and I just were more interested in working for ourselves rather than for anyone else. No one really pointed us in that direction, so I guess it was just in our DNA. But it was a great learning experience.

PY: I also understand that your 1975 Chevy Station Wagon with 100,000 miles on the odometer was the company car and that you sold S&S Landscape. Are both of these statements true and was the sale of S&S Landscape your first M&A deal?

BS: My first company car was a 1970 station wagon and it served us well in the business. And yes, when my brother and I went to college we had to figure out what to do with the landscape business and we did sell the business to a company. I guess it was my first M&A deal.

PY: Any lessons learned from that experience that became useful to you later on in life?

BS: There were a lot of lessons learned from that time. Two lessons come to mind. First, we learned that hiring friends did not give us the best results. We learned that it was better to hire people who were hard working and who we could work well with. We also learned that customer intimacy was key to making our business successful and to find additional ways to serve clients that could produce higher margins. These lessons have proven to be useful in my business life.

PY: A university president of my undergraduate college who later became the commissioner of baseball once said that a person's success and impact is not primarily a function of the person's IQ and talent, but more by whether that person has a passion and drive to put in the effort and to stretch themselves to achieve a goal. Those people who know you have said that a defining aspect of Brent Saunders is that he gives it his all. Is this a true characterization and is this a characteristic that you look for in the executives (or your lawn mowing employees)?

BS: That trait is an important trait that I look for in employees. We look for people who have passion and are willing to take prudent risks and champion their ideas. There are lots of very intelligent people who we look at, but passion and the willingness to take prudent risks are important traits that we look for.

PY: Is it true that your first foray into the pharmaceutical industry was in college when you and your brother patented a formula for ingrown toe nails that your grandfather invented and sold your "Nail EZ" product by mail?

BS: Yes it is true. In fact, it was just a combination of salicylic acid and menthol and really worked.

PY: CEOs of pharmaceutical companies come from many different backgrounds. In your case, you started in compliance working for the Thomas Jefferson University Health System and later for PriceWaterhouseCoopers in their compliance advisory services group. How important is compliance when it comes to the knowledge and background that a pharma CEO has to have to be successful, on an absolute and relative basis compared to the other skills such as R&D, marketing and financial?

BS: I took a bit of a risk by starting in the compliance area because there were very few if any compliance officers in the pharma industry. However, it gave me a very good perspective on some very important aspects of the pharma industry and was a great way for me to start out. Of course, compliance has become even more important today.

PY: The first move into the corporate world was when Fred Hassan, then CEO of Schering Plough and who, by the way, was keynote speaker a few years ago at this Pharmaceutical Executive Summit, chose you to be the SVP and Global Head of Compliance and Business Practices in 2003. You then went on to run the consumer health care business of Schering-Plough and manage the integration of Schering-Plough into Merck & Co. Was this phase of your career a defining change in the trajectory of your career or was it when you were chosen to be the CEO of Bausch & Lomb, then owned by Warburg Pincus?

BS: I first met Fred when I was a partner of PWC in compliance consulting and had a very lucrative and comfortable position. When Fred asked me to join Schering Plough it was a big risk for me, but it was a great turning point in my career and gave me a route to running a business.

PY: Later you ended up running Bausch & Lomb which was clearly a turnaround situation, turned it around and sold it to Valeant, and then went on to run Forest Laboratories and merged it with

Actavis. Can you comment on the timing of all of these divestitures. Bausch & Lomb was private equity owned and would be sold in any scenario but Forrest was not. What was the argument for a merger versus you continuing to run Forest as an independent company?

BS: I am proud of what my teams accomplished at both of those companies. In the case of Forest, the combination of Forest with Actavis created a lot of business and shareholder value for all parties, so it made sense to do that deal.

PY: There are many who say that the role of M&A in pharma is too pronounced and that companies are paying too much and are operating in a valuation bubble. There are others who say that M&A has an important role, but one that can vary significantly depending on the circumstances of each company. What is your opinion?

BS: M&A has always played an important role in the progress of the pharma industry and will continue to have an important role. Although the industry has gone through many mergers, it is still very fragmented if you look at the data. Also, it has many inefficiencies that can be solved with scale. In addition, the insurance companies and hospitals are becoming increasingly concentrated as a result of mergers, so that will be one of the drivers of further consolidation of biopharma companies.

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