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# J&J CEO On Stereotypes, Innovation Secret Sauce And Kenvue

by Anju Ghangurde

J&J chairman and CEO Joaquin Duato shares striking glimpses of his own life journey at a recent summit as he underscores the value of diversity, equity and inclusion. He also discusses the company's formulae for innovation and the Kenvue spin out.

*Johnson & Johnson* chairman and CEO Joaquin Duato kept the audience enthralled at a recent conclave as he peppered his responses around important issues ranging from diversity, equity and inclusion (DEI) to the company's "sophisticated system" of onboarding innovation with vignettes from his own life journey and corporate learnings.



There were other gems too, put across with understated wit and elegance. Duato revealed that after he finished graduate school in the US, he interviewed for J&J and didn't make it to the second round.

"That tells you that the interview is not a perfect act. If you don't get hired after an interview, be resilient," Duato said at the USA-India Chamber of Commerce (USAIC) Annual Biopharma and Healthcare Summit.

The separation of J&J's consumer health business, *Kenvue Inc.*, which began trading on the New York Stock Exchange on 4 May, was another key topic he touched upon. (See side box) (Also see "*Finance Watch: Kenvue, Acelyrin Launch Biggest Biopharma IPOs Of 2023*" - Scrip, 5 May, 2023.)

*Kenvue, Acelyrin Launch Biggest Biopharma IPOs Of 2023* - Scrip, 5 May, 2023.)

## Big Life Lesson

Born in Spain, Duato who moved to the US over two decades ago, recounted that in the early years having a Hispanic accent meant being subject to certain stereotypes in his normal life, outside the walls of the company.

“I got a glimpse of what it meant to be different, and what it meant to have biases. That was a big life lesson for me and it taught me something important, which is empathy,” said the CEO, a dual citizen of Spain and the US.

Those experiences shaped Duato’s wider outlook towards understanding the “power of diversity”, he indicated in the fireside chat with Kenneth Frazier, former CEO of [Merck & Co., Inc.](#).

“Since then I always have considered DEI as a core component of how I live and now as CEO of Johnson and Johnson, as a core component of our culture,” Duato declared.

### We Are ‘Doing Well’ On DEI

DEI is one of the key elements that attracts people to a “multi-generational” company like J&J, he underscored, highlighting significant progress made in those areas.

“We have a goal of having 50% female representation in management positions and above - we are very close to that already,” Duato stated.

The company has about 49% of female representation in management and above, while some regions like EMEA [Europe,

### Kenvue Spin Out

J&J chairman and CEO Joaquin Duato outlined the wider rationale around the spin out of the just listed consumer healthcare arm, Kenvue; J&J will hereon focus on the most challenging diseases via the remaining pharmaceutical and medtech businesses.

With an aspiration to create “multi-generational success”, the spin out, the CEO said, is a sign of “evolution”, one that creates distinct companies - Kenvue focused on the consumer and J&J on the patient.

‘It’s very difficult for a company to be able to compete in beauty with L’Oreal and at the same time to be able to compete in robotic assisted surgery with [Intuitive](#), or then in pharmaceuticals with Merck. It’s very different skill sets that you need,” he pointed out.

“By being more focused/specialized/targeted, we’re going to be able to better serve our constituencies”.

Barclays Equity Research noted that consumer health assets have for long been divisions within larger (usually pharmaceutical) companies, and there has not been an easy way for investors to gain direct exposure to the category. The category, it believes, had been “somewhat neglected” both by companies (for whom consumer health has for the most part not been their primary focus) and investors (consumer health divisions have tended not to be pivotal to the investment

the Middle East and Africa] and Latin America are ahead of that. J&J's executive committee has 50% representation of females.

"So, we are doing well in that compartment," the CEO said.

In the US specifically, the company has a goal of having 35% ethnic/racial diversity in all its management ranks, and was "doing really well in that", while for Black and African Americans employees, the goal is to increase their absolute numbers in management positions in the US by 50%.

"We put that goal in 2021 to accomplish that in 2025 and we are already almost there in 2023," Duato pointed out.

Every manager in the company that has responsibility over people has diversity and inclusion goals in their goals and objectives for the year "because you achieve what you measure. So, we are very focused on doing that," he added.

Similar efforts and progress were seen in the area of equity. For instance, in the US the company has pledged \$100m to foster healthcare professionals in underserved communities as part of its Race to Health Equity program.

"It has created a lot of participation, good partnerships," Duato noted.

Studies have long indicated that firms with diverse leadership and inclusive cultures tend to deliver superior results

case of the wider company).

"However, this now looks to be changing," Barclays said in a 3 May note, a day prior to Kenvue's trading on the NYSE on 4 May.

It referred to the spin out of [Haleon plc](#) from [GSK](#) last year, the fact that [Sanofi](#) is now publishing stand-alone consumer health financials, how activists have called for "[Bayer](#) to consider its strategic options (Bayer has, though, rejected this)" and the [*at the time*] imminent Kenvue IPO. (Also see "[Bayer's Incoming CEO Faces Consumer Health Decision](#)" - HBW Insight, 10 Feb, 2023.)

Barclays said that an analysis of the emerging consumer health industry gives it confidence that "mid-single-digit topline growth is eminently achievable", especially as newly independent consumer health businesses continue the consumerization of the space. "We continue to like Haleon, due to its combination of leading global market share, pure-play focus on consumer health and strong track record of execution since spin [out]".

While Duato expects Kenvue, the world's largest pure-play consumer health company by revenue, to be a "tremendous" company, he is convinced that it's going to be "fantastic" for the remaining J&J as well being focused on medtech and pharmaceuticals, given the convergence of the two segments.

"I can see the intersection between medtech

across a range of metrics, including profitability, innovation and other business outcomes.

An analysis by McKinsey in 2019 found that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile—up from 21% in 2017 and 15% in 2014. The study was based on a data set that encompassed 15 countries and over 1,000 large companies across sectors.

## Innovation Engine

Duato, a J&J long-timer who has held leadership positions across multiple business sectors, geographies and functions, also elucidated the key elements that kept the company both vibrant and innovative.

Yet, at the core of it all was the need to remain “humble” and recognize that most of the innovation is not going to occur within the walls of Johnson and Johnson, the CEO said in response to queries from Frazier, currently chairman of General Catalyst’s Health Assurance Initiatives.

“We have to be externally focused on being able to partner with multiple companies, most of the times smaller companies than us, and being able to add value with our own capabilities, which are more in areas of bringing scale in clinical development/manufacturing and commercialization,” Duato explained.

An estimated 70% of the products in the company’s pipeline, come from external sources, though the CEO clarified that at times the company partners for pre-clinical assets that could sometimes take 10-15 years to get to the market.

and pharmaceuticals - the same diseases, the same hospitals, the same payers and the future will bring interventions where the system will combine as it happens today in cancer or in cardiovascular, surgery and pharmaceuticals,” he explained.

“I see a great combination of skills - having this ability to have capabilities both in biopharmaceuticals and in the area of medical technology.”

## ***J&J's Gorsky Puts Spotlight On Big Picture Potential Of Asia, New Technologies***

By **Anju Ghangurde**

07 Mar 2022

Keep your eyes on Asia, both for groundbreaking innovation and huge market opportunities, says Alex Gorsky, executive chairman of Johnson & Johnson. He also outlines exciting possibilities as biology and chemistry are being “fundamentally digitized.”

[Read the full article here](#)

Outgoing J&J chairman, Alex Gorsky, had last year highlighted the potential of Asia, noting that some of the most exciting ideas and innovations in healthcare were coming from the region. (see *side bar*)

Earlier this month [\*Janssen Biotech Inc.\*](#) firmed up a global collaboration and license deal with [\*Cellular Biomedicine Group, Inc.\*](#) (CBMG) to develop, manufacture and commercialize next-generation chimeric antigen receptor (CAR) T-cell therapies for the treatment of B-cell malignancies. The deal gives J&J ex-China rights to develop and commercialize CBMG's investigational CD20-targeted CAR-Ts, C-CAR066 and C-CAR039 (a bispecific CAR-T candidate against CD19 and CD20). (Also see "[\*Janssen Gives Next-Gen CAR-Ts Another Shot After Fate Deal's Collapse\*](#)" - Scrip, 2 May, 2023.)

Duato also outlined how the company had developed a very sophisticated system of onboarding innovation – what he termed as J&J's "secret sauce". It entails a three-pronged approach.

First up, are J&J's innovation centers in the key innovation hubs – four in all at Shanghai, San Francisco, Boston, and London- with scientific scouts there connecting with the innovation ecosystem in the area.

There is also the system of incubators, where J&J boasts 21 incubators around the world that host a whopping 900 startups.

"We provide them space, the laboratories – it's a no-strings-attached model. We also provide guidance on how to move things into the regulatory space, how to get capital," Duato added.

Strikingly, about 100 investors have approached these facilities over the years and about 48 companies of those hosted in the incubators have become public.

"That's another way that we have to be able to view innovation and new talent," the CEO remarked.

Finally, there is the Johnson and Johnson Development Corporation, that takes equity in different companies.

"That's the system of onboarding innovation that we have. I think that's crucial for a healthcare company - to be able to be open to the ecosystem overall".

## Partnerships With India

Duato also had some words of advice for India as it seeks to broaden access and availability of new drugs alongside ambitious plans to move up the innovation value chain for which a string of policy initiatives are expected. (Also see "[\*What Pharma CEOs, PEs Want To Move The Innovation\*](#)"

[Needle In India](#)" - Scrip, 27 Mar, 2023.) (Also see "[BioAsia 2023: Leaders from Novartis, Apple Talk Innovation, Tech, Data Privacy](#)" - Scrip, 28 Feb, 2023.)

J&J's CEO highlighted the crucial role of partnerships with the government to bolster access but also emphasized the need for "the right regulatory/intellectual property and legal framework" for companies to be able to operate in an "effective way".

J&J currently partners with the Indian government to create the "right protocols/education" to treat and diagnose multidrug-resistant TB.

"We would like to continue to advance those conversations to get into all the sides of our portfolio that are not addressing just diseases which are endemic in certain countries, but which are basically more chronic diseases or diseases like cancer, that are also significant in India," Duato stated.

With India currently holding the presidency of the Group of Twenty (G20), strengthening co-operation in the pharmaceutical sector with a focus on access to and availability of safe, effective, quality and affordable medical countermeasures (therapeutics, vaccines and diagnostics) is among the key priorities. The G-20 is an intergovernmental forum comprising 19 countries including Australia, Brazil, China, Germany, Japan, Russia, Saudi Arabia, South Africa, the UK, the EU and the US. (Also see "[G20 Meets Fresh Wave Of COVID With 'Be Prepared' Motto, Digital Focus](#)" - Scrip, 21 Apr, 2023.)

### ***The Next Frontier: How India Could Up Its Game In Biopharma Innovation***

By [Anju Ghangurde](#)

22 Nov 2021

Industry leaders and experts, including executives from McKinsey, Eight Roads Ventures and Novartis, share global best practices, insights and expectations around how India could accelerate its journey towards becoming a biopharma innovation hub.

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