People, Culture, and Execution

Fred Hassan

EDITORS' NOTE *Fred Hassan joined Warburg Pincus in 2011. He is the non-executive Chairman of Bausch + Lomb, as well as a board member of Time Warner. Hassan is the former Chairman of the Board and Chief Executive Officer of Schering-Plough Corporation. Prior to joining Schering-Plough in April 2003, he was Chairman and Chief Executive Officer of Pharmacia Corporation. Hassan joined Pharmacia & Upjohn as CEO in 1997. Previously, Hassan was Executive Vice President of Wyeth. He was elected to Wyeth's board of directors in 1995. Earlier in his career, he spent 17 years with Sandoz Pharmaceuticals (now Novartis) and headed its U.S. pharmaceuticals business. Hassan has chaired three significant pharmaceutical industry organizations: Pharmaceutical Research and Manufacturers of America, the International Federation of Pharmaceutical Manufacturers & Associations, and the HealthCare Institute of New Jersey. He is also a member of The Business Council. Hassan received a B.S. degree in chemical engineering from the Imperial College of Science and Technology at the University of London and an M.B.A. from Harvard Business School.*

COMPANY BRIEF *Warburg Pincus (www.warburgpincus.com) is a leading global private equity firm focused on growth investing. The firm has more than $30 billion in assets under management. Its active portfolio of more than 125 companies is highly diversified by stage, sector, and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 13 private equity funds, which have invested more than $40 billion in over 650 companies in more than 30 countries. The firm is headquartered in New York with offices in Amsterdam, Beijing, Frankfurt, Hong Kong, London, Luxembourg, Mauritius, Mumbai, San Francisco, Sao Paulo, and Shanghai.*

An Interview with Fred Hassan,
Managing Director – Healthcare, Warburg Pincus

You recently published a book, *Reinvent: A Leader's Playbook for Serial Success*. Why did you feel this was the right time?

I have had an unusual career in that I have worked with six different organizations where I was able to engineer turnarounds and transformations, so I could build a pattern of activity to show how things work. I was also getting a lot of advice from friends so this book was like a social duty – I had to do it so people could learn. I also concluded this was a way for me to give back.

What lessons are you looking to share from those six experiences?

The underlying theme is that most CEOs are very successful because they have business acumen and pride.

This book's theory is focused on leveraging what I call the three legs of the stool: people, culture, and execution.

If you can build a team of level 2 and level 3 employees who are aligned with your vision, work well with each other, are good at what they do, and are inspirational leaders of their own people, then you're on your way to creating a strong culture.

Then you have to develop culture change. You have to show people the way but also create a mandate for change. You can demand culture change but that isn't good enough; you have to engage with people, show them what culture change looks like, and tell them why it would be good to be part of the new culture.

Finally, a lot of CEOs are good with strategy but fall short on execution – it's the toughest part, so it's the third focus. It requires role-modeling, leading from the top, and being there, as well as knowing the way, showing the way, and going the way. You have to create energy and vibrancy for people to build up a culture of ownership and accountability. Once that happens, people start to have a lot of fun and become a winning team.

This does not just apply to turnarounds but also to creating any transformation you want to set in place. It takes a journey of more than six or eight years to really change a company. The initial turnaround gives you the license to keep surviving during a tough situation.

By nature, people are averse to change. Is it possible to make cultural changes without bringing in new people?

It's very difficult. Previous managements will have already reacted to the stress and put programs in place to try to address it. The organization will probably be suffering from initiative fatigue – they won't like hearing about new programs because they have heard about them before and they haven't gone anywhere.

However, if you can build an interpersonal contract with the people you're going to lead in the first 12 months, it's likely you will succeed.

My approach is to listen to the people and plan to do less in the first 200 days than in the next 200 days. I encourage people to identify the problems, but also to describe how they would solve those problems. With the senior people, I discuss it in front of their peers to force some sense of ownership and accountability within the culture. You do this by role-modeling it yourself. At some point, the people in the organization recognize that this change process is real and that it can happen. It occurs in a quiet manner at the individual level.

Once you get the mandate for change, people embrace it and things become easier.

Have boards become more effective and independent today?

We're living in an era of accountability, which is no different than the culture of ownership and accountability that I talk about being necessary for the whole company.

There is much more shareholder activism and accountability today, so boards have to be active in their posture with the CEO.

Also, boards have to exercise situational leadership just like CEOs do. Their role used to be oversight; now, there are times when the board has to be a catalyst and play an advisory role to the CEO; when the board has to be a judge of the CEO or the organization's culture, and there are times when the board should be interactive and conversational with the level 2s and 3s. In the old days, the CEO was the primary funnel for the board.

Boards do need to improve on knowing how to shift gears at different times.

Is it tough to innovate when a company reachs a certain size and scale?

The kind of intense focus that you will get at a start-up is tough to achieve in a large organization.

However, if you're large, you have an advantage in terms of financial power, which gives you sustainability – the ability to test your ideas on a large scale. You also have know-how that comes from expertise and experience.

It comes back to people and culture, and following through relentlessly.

Innovation is harder than invention, but you can't have one without the other. ●

