



GIC MEETS

Sandi Peterson – A Global Leader in Healthcare and Technology

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In this article, we talk to Sandi Peterson, former Johnson & Johnson Group Worldwide Chair, who helped reinvent the 132-year-old company as a cutting-edge science and technology company.

Sandi is currently Operating Partner at Clayton Dubilier & Rice.

Tell us about your career journey

I never thought in a million years I would work in business, much less have a decades-long career like the one I've had. In college, I studied political economy and the role of technology in transforming economies and societies. I planned to get a PhD and be a professor, but **flukes of life can change your world dramatically**, and rather than pursue graduate school at the London School of Economics, I ended up in New York City looking for a job.

I spent a year working on the American Stock Exchange for a Specialists — and was literally the only woman on the exchange. **Being a five foot two, blond-haired, blue-eyed young girl, I was the brunt of jokes, and had to learn how to assert myself and not be bowled over by men.** The experience taught me a lot about myself and the industry. I began to understand market dynamics and herd mentality, but I realized, when you close the books at the end of the day, the day is done and that just wasn't enough for me.

I was in the evenings working for the Council on Foreign Relations and spent some years working in political risk consulting before pursuing graduate school at Princeton, where I helped create their Science, Technology and Public Policy program. After my first year at Princeton, I spent a year in Germany working at the Federation of German Industry and the Finance Ministry, as a Robert Bosch Fellow. It was fascinating, but I soon realized I neither wanted to work in government nor as an academic — things happened too slowly and there were just too many meetings.

So, how did you get your start in business?

I was very fortunate — I was among the first 12 non-MBAs that McKinsey hired. **They realized that their candidate pool would be much larger if they found smart, talented people with diverse educational backgrounds and trained them.** Interestingly, they found that the non-MBAs were either wildly more successful than the average MBA or realized within a

year that it wasn't a good fit. It clicked for me, and that's how I got my start in business.

While there, I gained hugely valuable exposure to many projects across different industries with very senior partners and CEOs. I worked on everything from jet engines to mainframe computers, cookies, crackers, telecoms and automotives. Ironically, I didn't work on financial services or healthcare, but I've spent the last 20 years in healthcare.

Like many consultants, I realized after a number of years that I didn't want to tell other people how to do something — I wanted to do it myself.

How has your career evolved through different industries?

I've worked deeply in at least six or more industries, which is very unusual. I found that super valuable because you're constantly learning, and you take that (the experience) to new industries and help them grow, too. **You're never the expert, and that's good, because you surround yourself with people who are, and it's your job to get the best out of them.**

I was at Whirlpool and Nabisco for a while, and got started in healthcare when I joined Medco, which was then owned by Merck. It was my first experience at a super high-growth company, which I ultimately helped take public. Around the time of the Medco IPO, my husband was diagnosed with cancer and I took a break to care for him. I stayed on a few boards, but my focus was on him and our kids. I told everyone that I wasn't returning to work, but I kept getting calls from friends who knew people at Bayer. After a while, I wound up agreeing to a conversation with Bayer's Healthcare CEO, but made it clear there should be zero expectations. They were undergoing a major restructuring and given I had lived in Germany and knew something about healthcare from my time at Medco, I was interesting to them. So I took the meeting and ended up getting on with the CEO like a house on fire — 2.5 hours later, his assistant was basically dragging him to his next appointment.

Later that night, my husband said, **“You need to take this job. It will be fun, and if I get well, I don’t want you hanging around the house — you’ll drive us all crazy. And, if I don’t, you need another reason to get up every morning.”** I started at Bayer that May and unfortunately my husband passed away that fall. But he was right. It was good that I was working, and the company was unbelievably kind during that difficult period of my life.

After five years at Bayer Healthcare, the overall CEO of Bayer asked me to take over the struggling crop science business. I agreed, but all I could think was, I’m not a chemist, I am not an expert in agriculture and there isn’t one other woman in that business. Still, in less than two years, I turned it around — we were growing market share, generating significant free cash flow, and despite market volatility, we built a business where you can stay within some set metrics and get results. **On top of that, we got rid of compounds with a bad toxicity profile and I just said — it’s worth it. We lost money in the short term, but it was better for us in the long run.**

It was the most fun job I’ve ever had — the customers were farmers all over the world and I was being groomed to take over Bayer, but I really didn’t want to spend the rest of my life in Germany. When Johnson and Johnson called, they needed somebody who deeply understood global businesses as well as consumer and medical devices and who had turned companies around — it also didn’t hurt that I was a woman. I love challenges and I was excited by the massive turnaround; it also brought me back to New York, to my family and friends, which was priceless.

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How does D&I drive long-term business outcomes?

For a long time, I was always the only woman in the room and early on, I never talked about my kids or had pictures of them in my office. I felt like I couldn’t discuss my personal life, and that’s a pretty awful, stressful place to be. I put on my armor and went to work.

It’s important that we don’t just talk about it — we must hold leaders accountable for increasing diversity on their

teams. Don't let anyone say, "It's impossible." You may not do it all in one year, but it's about positive progress and bringing all types of diversity to teams. It's hiring for gender and different experiences that helps you connect the dots; it's ethnic, international, and religious diversity and so on. **By bringing in different voices, you solve problems with fresh ideas and you're not going to get stuck in a rut.**

The other way to drive true diversity is to ensure you have the numbers. In the early days of boards, the sole woman on a board would stick out like a sore thumb, it's isolating. But, once you get two or three members who are different, it makes a big difference and you'll start to see more diversity of thought.

How do you mandate D&I from the top down?

The question is how do we diversify the front end of our funnel? Because smart people are smart people. Every firm needs to train people anyway, so let's seek talent with good analytical skills, who can think horizontally — they could be physics, biology or biochemistry undergraduates. The tech industry laments that it lacks women and Black talent, and this problem cannot be fixed, but that is not true. **We need STEM courses from the earliest ages to teach and excite our youth, that's how you start to build that funnel.**

What do you believe will drive innovation over the next 5, 10, 20 years?

I believe in the next decade, we will have a tech solution to fix the dysfunction in the healthcare provider payer world. It's remarkable that in today's society one needs a degree in medical diagnosis coding to help get people reimbursed. In the US, 30% of the cost of care is administrative — the highest globally. **Tech will enable the data buried in all these systems to be unlocked and cleaned up, massively reducing costs in the US healthcare system and unleashing productivity.**

Also, at a macro level, **this is the decade of biology** — we're still in the early innings of using technology to learn incredible

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things about this space. **There has been a massive renaissance in the world of diagnostics due to technology, which is enabling us to consider therapeutics in a radically different way** — today we’re thinking about pathways, not just genes. A decade ago, no one would have believed you could get a flu swab and an accurate test result in 10 minutes. There are so many other layers here, and we’re seeing tech-enabled breakthroughs year after year.

One example is in oncology. We are looking at how chromosomal instability causes cancers to metastasize, which still leads to over 80% of cancer deaths. Today technology is helping us identify and diagnose this instability in the first place and ultimately it will allow us to create therapeutics to target and stop it. Without image processing, analytics and machine learning, we could never figure this out.

The “last frontier” is how technology will enable us to start understanding the brain and neuroscience, where there are so many unknowns. We’re in the early stages, like where we were 20 years ago with oncology. In the next decade, with all the technological breakthroughs, we should be able to solve most of the biggest challenges involving the brain.

Also, on material science, I’m a big believer that there are ways of creating materials without carbon bonds which will really change the face of the earth in a positive way.

How do you judge the trade-off between risk and reward and the impact on culture?

What’s interesting to me is that often when companies become wildly successful, they get wedded to how they do things — they’re scared to death of changing — but you must break that logjam. Time is money, and if you’re making a decision that doesn’t take the house down, you’re better off making that decision and course-correcting quickly if it’s not right, rather than waiting.

It’s also important to teach people there’s no such thing as failure, except when you don’t learn from your mistakes. You need to ask three questions: what did we learn

from this, what will we take away that will make us smarter on the next project, and what should we not waste our time on again? It is a very big deal to teach this, because in most companies, cultures and leadership teams, people are afraid to bring bad news forward. They're afraid to decide or they will keep a project going longer than they should, because they don't want to be viewed as a failure.

How do you think about implementing incentives in an organization?

You must set up an incentive structure that has both longer term and short-term incentives. You get the payout on the longer-term incentives by making decisions that may not look great for your profitability in the short term but will over time. Don't let the bottom-line number be weighted three times as much as meeting the top line, because that is really backwards and happens too frequently.

It's also important to think about how an organization can be incentivized to collectively deliver performance, not just individually. I always tell leadership teams, if your colleague is drowning, you'd better help them, because if they fail, you do too. It's about incentivizing good behaviors and not just the numbers.

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GIC's motto is “Purpose - Built.” what does this mean in your work?

It's clear that people want to have affinity and engagement in their work. People want to work somewhere they're proud of and where there's alignment with their values. It's important that leaders look beyond just delivering financial performance. Companies should have an obligation to the communities they work in. This will attract more engaged and motivated employees and drive long-term business outcomes. Ultimately, shareholders and employees expect a much more well-rounded approach to business performance.



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