

WE NEED A NEW CORPORATE CULTURE – THIS IS THE ONLY WAY TO ATTRACT AND RETAIN THE BEST PEOPLE

As the successful founder of MorphoSys and a pioneer of the Munich Biotech Cluster, Dr. Simon Moroney was involved from the very beginning: Under his leadership, MorphoSys has developed into one of the most important companies in the biopharmaceutical industry with a broad pipeline of drug candidates. In this interview, Dr. Simon Moroney offers us an insight into his role in the success story of MorphoSys, the importance of the Munich cluster, and what he thinks a modern corporate culture should look like.

DR. SIMON MORONEY

Founder and former
CEO of MorphoSys



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Bio^M: Mr. Moroney, under your leadership, the Munich-based biotech company MorphoSys has evolved into one of the leading companies in the development of therapeutic antibodies. Can you tell us your recipe for success?

Dr. Moroney: Firstly, this certainly includes the technology that we introduced and have used to develop promising drug candidates. Secondly, you can't do this work all by yourself of course. We worked with several partners, pharmaceutical companies, and other biotech companies. A crucial aspect was that we established a great team with which we worked closely and successfully. Not only to establish this technology, but also to commercialize it, was certainly one of the key factors in the success of the company.

Have you developed a nose for recruiting? Or did you have that from the beginning?

Yes, fortunately we were able to attract some excellent, qualified scientists at the beginning. As a small company back then, it wasn't so easy to attract people from other companies. But over the years, we did increasingly better. These people were so committed and really wanted to be involved, to the point that they stayed for the longer term. As a result, we had a very low turnover. That surely also has to do with the company culture. Maybe we can dive a little deeper into that later. The fact that this team, this crew, went on to work together so successfully was no doubt a major factor in our success as a company.

Were you able to recruit many employees from Munich, or from Bavaria, or did you have to source skilled staff from further afield?

The people we hired came predominantly from other countries, but also from all over Germany. Naturally, several came from Bavaria, but we recruited people from all over the country.

You co-founded MorphoSys in 1992 and headed the company until 2019. You are regarded as the longest-serving CEO in the biotech industry and are now considered both a veteran and a pioneer in

the industry. How do you see yourself in this story?

That's a good question. I think I've been lucky enough to work with great people. Without those colleagues, I wouldn't be here today, and we wouldn't have had the success we've had. This industry is so complex...What does it take to be successful in a company like this? You can't do something like this alone, of course. It has been a joy and a pleasure for me to work with such great people and build the company and ultimately make it successful.

Do you regard the term "Urgestein" as more of an honor, as a distinction?

Yes, it is an honor. I mean, it could have turned out differently. There are a lot of disappointments in this industry. There's a lot of risk. We were fortunate that a lot of things went right for us.

In 2017, the psoriasis drug Tremfya[®], developed by the U.S. company Johnson and Johnson, was the first product based on MorphoSys's technology to receive regulatory approval. What emotions and memories does this milestone in the history of MorphoSys evoke? What was the journey toward this first approval like?

That was indeed an exciting story. Tremfya[®] is a fantastic product. Last year, sales were over USD 2 billion. That's a very, very big product. It took a long time to develop, as with all drug developments. I think we made the antibody in 2005, if I recall correctly. It took about twelve years from first creating the antibody to final approval. That's a long way. But I was particularly happy for those who worked towards this goal: the scientists and researchers in the lab. It's common in this industry that many who work with a particular product candidate do not get to see the product reach the market. The chances of success – as we all know – are pretty low. For those who have worked on it, of course, it's been a fantastic experience. I don't know how many thousands of patients have been helped over the years with this product and will be helped in the future. The fact that we played a decisive role in the development of this product makes us proud.

You didn't see yourself as a visionary, a pioneer, at the beginning, did you? You were just doing your job.

Not at the beginning. As it is with small companies: you have a certain idea how to develop a technology or a product and you pursue this idea. Of course, you never know at the beginning whether you will be successful, especially if it is something completely new. There is always a risk involved. All you can do is focus on the project and put all your energy into making it a successful venture. But I never thought of myself as a visionary. We just focused and worked on something and ended up being successful.

The list of your partnerships reads like a Who's Who of the pharmaceutical industry: Bayer, Novartis, Janssen, Roche, Pfizer, Merck, GSK. Which partners and companions have particularly influenced you on this already long road?

These partnerships were different. We just talked about Tremfya[®], which is a Janssen product. Janssen has benefited directly from it. Our biggest partnership was with Novartis, which we started in 2004. That ran until 2017, so a total of 13 years. We collaborated on a great many projects. That Novartis relationship was particularly important to the company because of its size and the duration. The companies are all different in terms of working methods and style, etc. We worked particularly well with Roche. One product candidate from this collaboration is still in clinical development: an antibody called gantenerumab for Alzheimer's disease. We are expecting phase 3 results at the end of the year. This has always been a very good partnership. Roche is a good example of how these partnerships between big companies and small companies are best managed. But we have benefited from all the partnerships, and I think in most cases the partners have benefited as well.

But you develop a special knack for the somewhat smaller, the medium-sized, and the larger ones, don't you? Or do the philosophies not differ at all?

Of course, there are differences. It doesn't have so much to do with the size of the

company, but with the nature of the partners. There are differences, and maybe cultural differences sometimes, between American companies and companies from Switzerland, Germany, the UK and so on. You have to figure out how best to work with them. Ultimately, it's a bit of trial and error.

So, you must respond to the mentality of the protagonists?

Yes, it is completely different. At least that was our experience.

With 27 years at the helm of the Bavarian biotech company MorphoSys, you personify the origins and the success story of MorphoSys and the biotechnology scene in Munich like no other. Which events do you remember fondly and which less fondly? And which developments have had a decisive influence on the direction of the company?

Yes, that was an interesting time. There were better times and worse times. Maybe we'll start with the worst ones: We went public in 1999. Everything went very well at the beginning. Then, in the early 2000s, times were very difficult – for the stock markets in general. That had a very negative impact on us. The share price went down, which in itself is not a big problem unless you need new, fresh capital. And getting fresh investments was extremely difficult for us at that time. Then, of course, you think: Can the company survive? You can't rule out the possibility of having to close the doors. Of course, that was a very difficult time. But there were also many very good times, especially when you close certain deals with the pharma partners that we've previously discussed, bringing in more security, more chances to develop products together, and you can celebrate these things together. Within the company, those were really great times. And when we re-financed the company through capital increases on the stock market, for example, that generally makes things a little easier for everybody because you think, okay, now the life expectancy of the company is longer. There have been a lot of nice moments like that. Especially the deals that we've done. Any collaboration with

a pharmaceutical company, for example, brings some validation for the technology, and of course the company brings money, usually through research grants or upfront payments. Those have been particularly important for us. I mentioned our long-term collaboration with Novartis. That partnership was critical, not only for our funding, but for convincing investors that the company was on the right track. These collaborations and partnerships were probably crucial to our success.

For 25 years, the Munich Biotech Cluster has provided a home to scientists as well as emerging and established entrepreneurs. What makes this cluster and this environment special for you and how do you regard its future? How will it continue?

I am very optimistic, I have to say. The cluster really has an optimal concentration of know-how. You basically have so many companies with amazing ideas, fantastic technologies and product ideas. You have a certain concentration of academic institutions. Having so much expertise in a small region is highly beneficial. It's easier for employees to change companies. I see that as a positive. Diversity helps. Having so much expertise in a small area makes the region strong. Without question. And that's why I believe we can look to the future with optimism that this cluster will continue to be successful.

The universities being concentrated here locally is also important?

Absolutely. The companies are examples for young scientists in these academic institutions. The academic institutions are sources of ideas and projects and collaborations with companies. This means – how is it called: cross-fertilization, which can be very productive for both sides.

At the moment, BioNtech in Mainz and the US mRNA manufacturer Moderna, which has just joined the Munich Biotech Cluster, are the companies mainly making headlines with their vaccine candidates against COVID-19. What about breakthroughs with new compounds and markets in the region surrounding the

incubator? What developments are you seeing there? Are there any hot candidates there?

I don't want to name specific companies. What I think we all have to remember is that everything we do in this industry is based on research. You can't always predict which research is going to be successful and which is not. Three or four years ago, nobody would have thought that mRNA-based vaccines would save us. But thankfully we have BioNtech and Moderna, who have pursued this technology and made these fantastic vaccines. Who would have expected that three, four years ago? In general, I would say it is important that new technologies, new innovations are pursued and that these methods, these innovations are given the chance to become the basis for new products. We can't say right now which of these will be successful and which will not. But without this research, we will not have a strong pharmaceutical industry in the future.

You also advise numerous biotech companies on a freelance basis, primarily on financing issues and corporate development. What is your advice to young biotech entrepreneurs?

Indeed, many aspects are critical to the success of small companies. I mean – as I said at the beginning – it's important that the technology is established, works, does what it should do. We briefly talked about corporate culture. I'm convinced that corporate culture is also critical to the success of a company. Especially for companies that are founded by scientists or have a strong scientific base, it's very important to look into the future and ask yourself: what might my product look like when it's ready for the market? How can I commercialize this product or technology? And that may not be until five or seven or ten years from now. You have to look into that future and think carefully about how you're going to position the technology or the product. It's not always that easy for scientists. This is a commercial reality that needs to be planned and considered thoroughly. You just can't focus enough time on that aspect, because at the end of the day it has to work out and it has to work out well. That's very clear. But it's never too

early to focus on those commercial aspects: How will this technology be used or how can I sell the technology? Ultimately, the question is: What does the customer need and how can I convince this customer of my technology? How much profit can I make with my technology or product? These are all very important aspects on which you should spend sufficient time early on in order to position yourself. On the one hand, you need people within the company who are strong on the scientific side, but you also need others who are strong on the marketing side. This is too often forgotten. Unfortunately, the technology will not sell itself.

With which business model could you imagine becoming a business angel yourself and investing your own money?

Well, I'm not an investor. I'm not a venture capitalist. I'm happy to see young companies emerging. I'm perfectly willing to help them informally if I can, through advice or through various discussions or contacts and so on. And I am already doing that in many cases. But I am not an investor in this field.

Through a mandate on the Board of Directors at the pharmaceutical company Novartis, you have been working on a cultural revolution termed "Unboss the Company" since leaving MorphoSys. What is the trend now emerging, which you have already experienced at MorphoSys, or where do you see the advantages of such a trend?

Well, first, to be clear: I'm not working on it myself. I'm on the board of directors in Switzerland. It's a Novartis management initiative to change the culture of the company. That was one reason for me to agree and join the Supervisory Board, because I am absolutely convinced that this culture change is the right thing to do. This is exactly what we pursued at MorphoSys. There is a saying: "culture drives performance." At MorphoSys, we were always convinced of that. We worked hard to establish and pursue the right corporate culture. Now Novartis wants to go in that direction as well. I am personally convinced that this is the right thing to do. We are seeing the

first signs of success at Novartis. It will take a while for a company with 100,000 employees. But I am absolutely convinced that they are on the right track and that the companies of the future will have to offer such a culture if they want to attract and retain the best people. And that's why this is the right way to go.

What does that now mean in practical terms? Can you give us one or two examples?

Yes, that old-fashioned culture where there's a boss who says "we do it like this" and there's no discussion, it just has to be done that way. I believe that's a thing of the past. If we want to attract and engage smart people, we must give them the freedom to contribute their ideas and listen to their suggestions. That's the only way to get the best input for a particular project. Young people, especially, expect that. They don't expect to come into a company and just do what they are told. They want to contribute their own ideas, and the company benefits from that.

So, it's like the chat corners we are already seeing in many companies.

There are various ideas on how to do this in practice. But above all, there is a term in English that I think is very important: psychological safety. Meaning that everyone can safely say what he or she thinks. If you don't have that safety and you're afraid to speak up, the company ends up missing out on valuable input, and that's a big loss. You must establish a culture where everyone has the freedom to express an opinion.

Have you also considered that it is possible to make a mistake? Keyword: Make your mistake. Can you explain that again? What happens when things don't work out?

If you expect people to bring in new ideas, fresh ideas, then you must give them a certain amount of freedom to pursue those ideas. That can lead to mistakes now and then. If you're not willing to accept those mistakes, it's extremely demotivating. That's why "mistakes are accepted" was part of the credo at MorphoSys. The most

important thing, of course, is to learn from mistakes. If you forbid mistakes, then you will not make progress, in my opinion. Then the ideas that can lead to progress and breakthroughs will be lacking.

