



Stanford eCorner

Genentech's Business Model

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Joe McCracken, Vice President of Business Development at Genentech, describes Genentech's business model where commercialization takes a back seat to science. He differentiates this from other typical pharmaceutical companies and shows how this affects the culture at Genentech. He credits this approach for the successful innovation of several hugely profitable drugs.



Transcript

Genentech's considered a leader in manufacturing this high molecular weight proteins or therapeutic proteins under the kinds of conditions that are required by the Food & Drug Administration and other regulatory agencies around the world. In fact, the capacity that Genentech controls for manufacturing therapeutic proteins is about equal to the capacity of all the other companies in the rest of the world today. But more important, I think, probably the most important distinguishing feature of Genentech is really its commitment to developing innovative therapeutics for life threatening, life-altering diseases. Someone asked me just a few minutes ago. They said so, what is it that makes Genentech unique? If Genentech is successful, why would you think Genentech has been so successful? I'd say two things: hiring the best people, and a unique biology-driven business model where we follow the science as opposed to trying to get the science to give us something that we want. And I have a little more to say about that. So, we are not the largest biotechnology company. There is another company that is larger than we are. I don't think that bothers anyone at Genentech. What's important to us is that we are really leading the industry in developing innovative products, so truly noble products that address life threatening and life altering diseases.

And if you look at our portfolio of products, our company has been fairly true to that mission. So it doesn't matter to us where the innovation comes from. All we care is, is it good science and is it likely to lead to a new treatment for a serious or a life-threatening human disease and that's what motivates everyone at Genentech. So, I put this slide together to really try to illustrate what I think is unique about Genentech versus some of the traditional pharmaceutical companies. So, the traditional pharmaceutical companies are all great companies and I don't need to be critical at them at all, but they are different. They have traditional commercially driven business models, where the commercial organizations of these companies, the CEOs of these companies are typically of sales and marketing, finance, background. They have the best offices. They are the Grand Poobah's. They make all the decisions. They pick up the phone and they call Research and they say, I have a cardiovascular sales force with 3,000 sales reps and the products that they are talking about or about to go off patent.

So, can you please give me a product, a new product that has the following specifications and would you super size it? Almost as if they're going through McDonald's, so that they can continue to fund their vested interests in this major sales force. That's what I mean by commercially driven business model. Genentech's business model is really driven by science and particularly by biology. So the commercial folks at Genentech aren't they Grand Poobahs. It's actually the scientists who have the best offices, the best space and who focus on basically three areas of biology. So among all...