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In this episode, Taren Grom, editor-in-chief of PharmaVOICE magazine, meets with Melinda Richter, the Global Head of JLABS at Johnson & Johnson.

Taren: Melinda, welcome to the PharmaVOICE WoW podcast program.

Melinda: Thanks for having me, Taren.

Taren: Melinda, your story of how you entered into the life sciences industry is pretty powerful. Can you share how your journey from patient to innovation champion shaped you to become one of the most influential women in the life sciences industry?

Melinda: I was at a pivotal time in my life, sometimes things just happen to you and it completely takes you off on an unexpected journey. So when I was 26 years old I found myself in Beijing, I was working with a global telecoms company there. I'd been recruited into a fast track program where you rotate in different roles, in different business units, in different geographies with expressed intent to become a president one day. So there I was, I thought I had the world by the tail. I had an amazing career trajectory. I was seeing the world and I was making in my humble opinion a lot of money and that was all really important to me at the time because I had a very humble upbringing. And then one day it all changed.

I was walking through the woods there in Beijing and I suddenly got bit by a bug and within 24 hours I found myself in the international health clinic. I'll never forget that moment, that moment a doctor comes in and tells you that there's nothing more they can do for you. And that set off a two-month journey where every night I would go to sleep not knowing whether I was going to wake up the next day and it's quite a conversation that happens in your head in the deep dark of night. And for me, I knew that if I got the chance to stay here that I had to try to change this experience that I was going through.

The irony of it was that I was in Beijing with a telecoms company. We were working on trying to figure out how to order sodas from the vending machines with our cell phones and yet you cannot take a blood test and figure out what I have; how is it possible that we as a society to be spending all this press and money and talent on something that now seems so frivolous when some pretty basic human health care gaps existed and how could I have been working on this, now my life depended on this other thing that just wasn't there. And so I vowed to myself that if I got the chance to stay here on this planet that I would come back and I would try to change that system to make the healthcare system

much more innovative, much more productive, more advanced, much sexier for the best talent and the best investors to get into and so that changed my life. I made it obviously, I'm here today, but I quit my job. Everybody in my company thought I was absolutely crazy. I said I wasn't crazy, I was compelled.

And I'm new to the home of biotech in the Bay Area and I vowed to get started on how to change innovation. And really at the end of the day I didn't think I was going to make a big system change. I just wanted to start a little bit at a time. I started by asking questions, by bringing entrepreneurs in the biotech space together with executives from companies like Genentech and pulling them together and learning the process of innovation in life sciences. And by learning that, I started to build a model just a little brick at a time and that has turned in to JLABS, part of Johnson & Johnson innovation. So it's really humbling to see where I've landed in that journey. It certainly wasn't where I intended to go but I'm so glad this is where I got to.

Taren: First of all, terrifying; secondly, wow; and third, holy cow, that is quite a journey. And it was really just because they couldn't get you a blood test.

Melinda: Yeah. They couldn't figure out what I had. And I'm sure for many people out there, you don't know what something is or how it works until you land in the system and I didn't realize how the healthcare system worked out. I hadn't really ever been sick; I was very lucky. And then you land in this hospital system and granted this was China '95 or '96 so it was challenging to say the least in and of itself, but I don't think we as an industry, probably for many of us who are working in the industry, have been patients.

A lot of people are in this industry because we have been patients or somebody close to them has been a patient, but a lot of people have not experienced it; until you do, until you walked in a patient's shoes, you don't realize how challenging it is. First of all, you're getting this terrifying news and the way the system is set up it's very sterile. You're dealing with some pretty rampant emotions and all of this is very technical information coming at you and we don't have a lot of systems and processes set up the way like the tech industry does like I can pick up my phone in the morning and I can see my email, I can see how I slept last night, I can see pictures of my family and all of this stuff is at my fingertips. The tech has really, really thought about the user experience and we haven't done that in the healthcare system to the degree that we should have and now I think we've progressed a whole lot over the last couple of years but we need to ramp that up big time to really hit that inflection point where people can really take care of their health and prevent themselves from being a patient in the first place. I mean sometimes you just can't help it, your genetic code is what it is, and so as a matter of intercepting it if you can or an accident happens or whatever, but if we can give everybody the tools to prevent them from being in that health care system let's figure that out. And if we land in the healthcare system, let's make it work for us in a way that we can really take care of ourselves so we're empowered to make decisions and work and experience the system that makes us feel good, takes the stress out of it, makes us feel

like we're in a warm and embracing environment. There's just such a long way for us to go and part of it is having that experience.

So that's what that did for me. It made me realize that as a healthcare system we just didn't value innovation and part of that is making sure that innovation gets paid for. So for example in the healthcare industry, there's this debate about whether it's a privilege or whether it's right. At the end of the day we've got to think about this as like how do we provide care and figure out which they wanted to be. So I think there's a long way that we have to go here. I think we've come along within the last couple of years, don't get me wrong, but I think until you experience it and understand how it feels to be on the end of a patient, it's really hard to understand what needs to be changed to make it better.

Taren: I couldn't agree with you more. You're correct on whether it's a privilege or a right. When you're sick it doesn't matter, how do you navigate that system.

Melinda: That's right. That's right. And how does the system have that kind of care that we should expect to have and it shouldn't necessarily be expensive care. I mean a lot of the stuff that we can do to help engage ourselves in our own health is not very expensive actually and that's part of the problem. Back to what I was saying before which is there needs to be a return on investment for people to get into the space, to invest in the space, and so that's where we have to think about the model. And that's what I'm looking forward to in 2019 and 2020. I do think we need to evaluate the business models. I do think we need to look at pricing but in a way that's really open. What does the system need to have and work like to make it a really high functioning system for everybody?

Taren: Who do you think those players are that needed to come to the table to have those serious discussions? Because as we know healthcare is complicated. It's a big multi-matrix system with a lot of different stakeholders.

Melinda: It depends on which system you're in. And I see some really amazing things happen in various systems around the world. So if you look at what's going on in China with systems like WeDoctor, that's super exciting. It's a fully connected healthcare system and I think there's about 170 million patients that are in this system and it's all at their fingertips. And not only that but you can see population health priorities and issues very dynamically across the country. And that's a really exciting system to go to and other closed systems like that like Finland or Korea are doing really interesting things and I think here in the US because it's such a fragmented system it becomes really difficult to understand where the cause and where the savings are. We often hear about how drugs are too expensive and again I think we have to look at it all on a case by case basis, but at the end of the day if you get somebody a drug that prevents them from going into the hospital where most of the costs in the healthcare system are, well that's really valuable. But we can't see that benefit because the whole system is not connected in that way where we can say okay this causes this, but it stayed this on the back end, and therefore

there's a benefit to somebody to invest in that drug if it saves the healthcare system money because all the players are not connected and so you can't realize that benefit and that becomes a challenge.

So I think someone's going to have to think about how the system ideally all look like, create an architectural map of how the system might look like and then bring all the different players to the table to engage in a conversation to say how can we plug into this. And so you need healthcare providers, you need payers, you need innovators, you need patient groups, you need different kinds of organizations that do system design or user-centered design, and you need regulators. It is a very big complex fragmented system here in the US and so that makes it in one sense both beautiful because there's so much innovation going on across all these different segments but also very challenging to put it all together and make sure that the patient is in the center.

Taren: Well said, and at some point we're going to have to get the government understand what it all means.

Melinda: Yes. And there is that. I fundamentally believe that everybody's coming to the table with the best of intents. I think everybody wants to do the right thing. And I think everybody has different hurdles that are challenging. And I think we have to question some of the notions and values that we've had in the past. One of the things that has been interesting coming into J&J as an entrepreneur especially coming from the tech industry and J&J was not unique in this and that. Everybody has this very conservative view of risk. Every decision gets painted with the same brush of risk as patient safety and we need to put patient safety on a pedestal, no question.

And then we need to be very refined in how we approach all the other risks and then say "Is this the same as risk of patient safety" – no, then we can be more in an embracing of risk and options. And I think in general it's easier just to say no just in case. And so that's why I think we have to get more refined as an industry, what kind of risk is this really and is this acceptable risk. Are there patient safety at risk here or is it just that we're going to be changing something we've always done before. We don't know how it's going to go but the downside is there may be some cost to it outside of patient safety, then maybe that's something we can try and the tech industry is famous for this. It's very iterative. You say let's try this, you learn from it, you take those insights you turn them into new actions, you implement them, learn from them, and then you evolve very quickly as an industry, and that's where I think we're getting to in the healthcare industry but it certainly wasn't where we were at 10-15 years ago.

Taren: Agreed. And I just want to say that I love how you used that transition. You didn't say "but" but you said "and" in terms of patient safety. Excellent. Let's turn to JLABS and your role in making JLABS as one of the premier life sciences incubators and where you are delivering life-enhancing and wellness solutions to people around the

globe; we know you're a globetrotter. What is your mandate as the global head of JLABS?

Melinda: It stems from a philosophy that we have. So our philosophy is that the best science and technology should become the best solutions for patients and consumers all over the world, and if we believe that to be true we also have to be humble enough to say that the best science and technology is just as likely to come from outside the walls of a big company like J&J as inside. But when it's out there, it faces many more hurdles becoming a viable commercial entity that can get their solutions to the people who need them.

So our job at JLABS is to locally embed ourselves in innovation ecosystems around the world with expressed intent to take down those hurdles for those entrepreneurs and help give them the platform they need to test out their ideas in a way that can make it much faster, much cheaper, and much more accessible to get those solutions to the people who need them. And so what we do at JLABS is first of all we'll go into these marketplaces around the world and will catalyze and accelerate entrepreneurs to get started. So we'll do educational programs and funding series and networking events. We express intent to get them going to say "Yes, I have an idea and I can do it too," building up their confidence and their skill sets to be able to try out a life-saving life-enhancing concept. And then once they get certain on something then we'll give them a platform and resources that our internal R&D teams have.

So when we have a site in an ecosystem it's usually around a 40,000 square foot space and half that space is all common research space filled with millions of dollars' worth of equipment that most companies will need to raise money from a venture capitalist to even test out their idea. And we know that to get money from the venture capitalist, you'd have to already have proof of concept – so how can you test out an idea without getting the money? So we're trying to get rid of that catch-22. So build up the space with all of the equipment and services that they need to establish a proof of concept and have a bunch of resources there for them including an operating team to take care of the data activities and business people to help them flush out their business case and really get them to a point where they can fly. And so we create these sites all over the world with that intent to create an army of innovators who are out there fighting for patients.

Taren: Excellent. And how many sites do you currently have?

Melinda: So we're up to 12 sites and we're about to open our next site in Shanghai in June so that's going to be a really exciting place for us to be. There's certainly so much unmet need in China and promising potential with the landscape of innovators there. It's really an incredible fast-paced place to be.

Taren: Can you project how many you'd like to have opened by the end of this year or by 2020?

Melinda: So 12 or 13 I think it is.

Taren: So after Shanghai, where's your next site of operations going to be?

Melinda: We're looking at a variety of opportunities around the world. For us, it's about finding a place that has a high level of innovation and we look at universities that are there, the talents that's there, the clinical prowess of that area. We look and see if there is an infrastructure for innovation there so other kinds of partners to move things forward including funders. So we're constantly looking out across the various ecosystems to see where the right place to be is.

Taren: Excellent. Now let's talk about the companies that come on board. What do you look for when you evaluate entrepreneur pitches?

Melinda: I think we're not unlike anybody else and that the first thing we're looking for is credible science and technology and most importantly we're looking for it to be applied against an unmet medical need, a big unmet medical need. Now when we look at that unmet medical need, sometimes you might say 'well, actually, that science and technology would be better suited for this other need,' so we're a little bit flexible on the unmet need just because there are so many different applications that are out there.

But the most important thing we look for is the team. So when we look at a team, obviously we want that rock star, tried-and-true scientific founders, had multiple exerts – that's a guarantee of I would place a bet on that kind of a team. But we also look for these young vibrant dynamic rock star teams that are not in a company before but they're so passionate and they have this purpose that they want to achieve and they've got a really good plan and they're very industrious and they've got the right kinds of advisors, and if we can help them move it forward there's actually nothing more rewarding than creating that next generation of leaders for the industry. Those are the kinds of things that we look for.

Taren: Awesome. Can you talk about maybe one of the biggest successes to come out of the JLABS system?

Melinda: Sure. There are so many successes. In fact, we just did another impact report. Each year we do an impact report and last year companies did something like 11.7 billion dollars' worth of financing and strategic partnerships and that means IPOs, acquisitions, major collaborations, major equity financing, and even more exciting than this, Taren, is that when I look at the construct or the fabric of those innovators I would tell you that I'm so proud of the composition of our crew. So first of all, as an industry average, only 1 percent of the CEOs are female. At JLABS there is 26 percent of our CEOs are female and they're doing that kind of results compared to industry average. And industry average also say only 8 percent of CEOs are ethnic minorities. We have 23 percent of our

CEOs are ethnic minority. So we have a diverse selection of talent here and then knocking it out of the park.

So one particular story that is near and dear to my heart is about these two young guys who started a company from scratch back in the beginning days of JLABS. And these two young guys worked at medium-sized biotech company and so they always had wanted to make a big impact for patients but they thought the best way to do that was to start their own biotech but who were they – in their minds they were just ordinary Joes; in fact, the CEO's name is Joe. Then JLABS came to town, they started coming to our educational program so they started building up their confidence. And before long they thought they could do it too so they quit their jobs with just 40,000 dollars saved between the two of them and they applied to JLABS and now they were working on a technology platform that wasn't of strategic interest to J&J and they were going after rare diseases because they're very passionate about it. And again that wasn't something that we were working on at J&J. It wasn't a focus of ours but these two had such a passion for what they wanted to do that we accepted them.

And before long, these two had some viable technology and we were so impressed by it that we did a research collaboration with them and just validate their data so no money, no strings attached. We wanted to validate the data so they could go get financing for it and they did. They got 13 million dollars. They went back into the lab and our team, our biotech center of excellence at J&J, was coaching and mentoring them and before long we realized that actually they had the missing technology we were looking for for hepatitis B. So we ended up doing a multiple hundred million dollar deal with them on hepatitis B but they still wanted to really go after rare diseases, that was their passion, and so our folks helped them figure out where their platform could be really impactful for rare diseases. And by doing that, they got very focused and ended up doing a 1.6 billion dollar deal with Ultragenyx.

And so from the time these two quit their job 'til the time they had done over a couple of billion dollars' worth of deals was two and a half years – two and a half years for two unknown, never done a company before young guys, and that's tech time in life sciences, and that's what we were after. And now they have a public company. They have multiple collaborations. These guys are knocking it out of the park and it's exciting to see that you can take this platform and make the ordinary Joe become extraordinary and that's rewarding.

Taren: Wow, that is a great story. I hadn't heard that before. That's wonderful.

Melinda: It's nice to see all of these young people become the people that they've wanted to become to make their dreams come true especially the young people I see coming through the doors now, they want to make a difference, they want to have an impact for society. This is such a great way to do it and there's such a big need that's still left out there.

Taren: Excellent. You touched on just a minute ago about the statistics regarding the number of women and then ethnic diversity within the organization. We know that gender parity remains a big issue on our space. What leadership advice do you provide or can you share with women who have C-suite ambitions who want to make it to the top? What should they be thinking about?

Melinda: To not limit yourself. When an opportunity comes up even though it scares the crap out of you to say ‘yes, I’ll take it.’ And to surround yourself with people who can help you be successful in that role. And many times that’s a high class problem if somebody comes to you with an opportunity to say yes but that’s hard; it’s hard. I see many people, many women say ‘no, I can’t do that.’ So I want you to say yes – from now on, just say yes and go out and find the support you need to make it work.

And then there’s the more difficult problem which is not being considered in the first place and that’s a challenge. I go back to my days of being one of nine children in my family and that’s when you got to learn to be bold, to and get your elbows out and say “You know what, I could do that too” and put it out there and get a community of people to put it out there with you and for you because at the end of the day we all have to make our fortune in life, our success in life, and that comes from saying I deserve it and I can do this. So I am going to put up my hand and say that this is something I could do. And it’s challenging. I still find it challenging myself. I would say that I’m fortunate enough to have a platform to be able to say I’ve been able to do some things I can do more and I still find it challenging. I would ask everybody to know that they’re not the only ones who feel that way, everyone feels that way, and go out and do it anyway.

Taren: I couldn’t agree with you more that yes is one of the most powerful three letter words there is. You never can know the power of yes until you say it.

Melinda: Yes, absolutely, and it’s a scary thing to do. There’s a great saying I say all the time and I say this to my team always and usually at almost every event we have which is they say life expands or contracts in direct proportion to your courage. So have courage, go after it because you will reap the rewards of it and that’s what it is. We’re all scared so we just have to say that’s table stakes for everybody so just know it, put it on the table and then do it anyway.

Taren: That’s excellent advice. Thank you so much for sharing that. Finally, I want to ask you, do you have a wow moment that you can share from your career?

Melinda: I feel really fortunate to have had many that have been inspiring moments for me. I would say probably there’s been a couple of moments that are similar when we’ve opened up JLABS in a location like when we opened up in New York and Toronto to have all of our partners go up on stage and talk about what it means for them to have JLABS in their community, about how empowering it is for them and how inspired they

are to do something new, and to whether it's starting a company or figuring out how to get funding for companies or how to open up the system for companies, it's amazing to me at that scale. The whole expression I used earlier about helping the ordinary be extraordinary, that's about doing that at scale and that's exciting because I think the industry needs that.

And probably the most kind of a wow moment for me was I met a patient and when she came here to tell her story about her journey through getting CAR-T therapy, her story is just I couldn't help but take me back to the days when I thought I wasn't going to make it and how that makes you feel. And she talked about how she fought through it all and how all the doctors would tell her something and she'd come back and she'd say "No, do this. No, I want to try that" and she never took herself out of the driver's seat. It was just such an incredible story and I went up to say to her afterwards how inspired I was. And she looked at me and she goes, "Are you Melinda Richter," and I'm like "Yes, I am" and she goes "Oh my God, I want to tell you that you're the reason I fought so hard during my whole journey" and I said "Really, how is that?" and she had read my story in a magazine that somebody left on the plane. And she realized that she could fight for herself too that she could do this for herself as a patient and it might change things for other people, and that was a wow moment for me. It's amazing.

Taren: You never know what the footprints you leave behind will lead to, right?

Melinda: Yeah. I mean that's why I think we should realize that everything we do, everything we say, just it matters. One of the things that after being sick I realized that there are two things that really mattered to me: You look at what success looks like – success means working on things that you care about, doing important work where you have an impact, and doing that with people you really care about. Life is short; who knows whether we're going to hear it tomorrow or not and so we need to make every moment count. So working with people that we enjoy and ideating together and celebrating together and commiserating together and bringing our whole selves to the table and just getting rid of that corporate veneer and being who we are because who knows what tomorrow will bring. And that's the way to live.

If it ever happens where you're there on your hospital bed and you don't know whether you're going to wake up the next morning and you have to ask yourself that question and everyone will, have I lived my life? I already know that's the question I'm going to ask the next time it happens to me and I want to be able to answer that with a resounding "Hell, yeah, I did" because I did these things.

Taren: Melinda, I can't thank you enough for sharing your story, being so transparent with us, and for giving us such great insight into the healthcare system as well as your journey. Thank you again.

Melinda: My pleasure. Thank you for having me again, Taren.



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