

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Virtual Signature Event

Alex Gorsky

Speaker

Alex Gorsky
Chairman of the Board and Chief Executive Officer
Johnson & Johnson

Moderator

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ANNOUNCER: Please welcome David Rubenstein, president of The Economic Club of Washington, D.C.

DAVID RUBENSTEIN: Good morning, everyone. Thank you very much for tuning in today. This is our 10th Virtual Signature Event of our 35th season.

Alex Gorsky has a very interesting background. He's from the Midwest. He went to West Point. Graduated there and then served in the military, rising to be a captain after six years of military service. He then left and joined a health care subsidiary of Johnson & Johnson in the marketing area, worked there for a number of years, and then ultimately worked his way up to become the chairman and chief executive officer in the year 2012. So he's now in his eighth year as chairman and CEO.

And I should point out that – how large this company is. It has a market value of about \$395 billion, which would make it – I believe – the 10th-largest company in the United States in terms of market value. And it's the health – it's the largest health care company not only in the United States, but in the world. And in the time that Alex has been the CEO, in these eight years, its market cap has gone up by 122 percent and its stock has gone up by 130-some percent. So my big regret is I didn't buy this stock when Alex became the CEO. But I, you know, hope to correct that in the future sometime. So Alex's company has 130,000 employees.

So, Alex, thank you very much for doing this. And I, you know, appreciate your giving us time. I know everybody under the sun wants your time these days because of a little thing called COVID-19. So thanks for agreeing to do this time with us.

ALEX GORSKY: Well, hey, David. It's a real pleasure to be with you here this morning. And I really look forward to the conversation. Thank you.

MR. RUBENSTEIN: OK. What I haven't said – and Alex is being very polite – in other forums I've interviewed him a few times recently. And so he is polite to not pointing out that I'm probably going to be asking him some of the same questions he's heard before. But he will act so surprised by these questions that he will act like he's never heard them before, right?

MR. GORSKY: Absolutely, David. [Laughs.]

MR. RUBENSTEIN: OK. So are you concerned about the virus resurgence? And do you think that the virus resurgence puts us in a position where we are in risk of having a worse situation than we've had already? And do you think we're better prepared for this situation than we were six months ago?

MR. GORSKY: Well, David, yes I am concerned about this virus resurgence. And I think all of us should be. And while we – many experts in the field had predicted that we would see a spread and a surge as we entered the fall months, we're clearly seeing that manifesting itself in a very significant way. And in fact, just yesterday – I think it's important for all of us to – as we go through the statistics, and the figures, and the other big issues, this is very personal. And I

actually lost a good friend yesterday that, you know, had been an influence in my life in Michigan, you know, due to COVID-19.

So you know, while I think a lot of progress has been made since the March and April timeframe, and I think we're in a different situation as it relates to our understanding of the virus, the number of testing procedures that are being done, the protocols, the processes that are being used in hospitals. You know, I think the doctors, the nurses, the hospital workers are frankly doing just a tremendous job in ensuring that, you know, patients have a much better outcome now than they would have seven or eight months ago. I think the numbers themselves demonstrate that this is a very pernicious, this is a very virulent kind of virus. And as people have gone back indoors in some cases – as we've just suffered some fatigue from, you know, being sequestered in small bubbles, you might say, that it has started to spread.

And look, the – I guess the positive news is that in terms of the correlation that we're seeing directly with mortality and fatalities, it has not manifested itself at quite the same level. But I think it's, you know, very – it's way too early to read too much into that because I think the next three to four to five months are going to be challenging. We're going to have to navigate our way through. We're going to have to, again, use all the things that we know, like such as masking, social distancing, contact tracing, and do everything we can to control the virus until, you know, we're able to get more therapeutics and some of these vaccines out and widely available to get to the other side.

MR. RUBENSTEIN: So, Alex, do you get asked every 15 minutes or is it every 30 minutes when the vaccine is going to be available?

MR. GORSKY: It's about every 30 seconds or every five minutes, at the very least, David.

MR. RUBENSTEIN: And what is the answer?

MR. GORSKY: Well, the short answer would be not soon enough. But look, I am incredibly proud of the work that not only the scientists, the researchers, our engineers, and employees at Johnson & Johnson – and, by the way, over the last nine months, while we've got about 140,000 employees, approximately 40,000 of them have been going to work every day. And those are the people in the manufacturing facilities, in the research laboratories, making sure that we can get work done not only around COVID-19 but around all of our other products as well.

And I think it's also a great reflection, however, on the entire pharmaceutical industry and the biopharmaceutical industry in seeing the number of really novel approaches. I think there's more than 200 different vaccines, for example, in development, 300 therapeutics. I think 10 of those are in late-stage development. You've heard the news recently, of course, out of Pfizer and Moderna that's very encouraging and certainly suggestive that when we attack the corona – or, the COVID-19 virus with, you know, the right kind of approach that neutralizing antibodies are produced, and that this virus is susceptible to the body's immune response. Now, we still have a lot more to learn, a lot more data. But we're encouraged by what we've seen thus far.

MR. RUBENSTEIN: Now, the vaccine that you have been developing was seen as a one-shot vaccine. In other words, the others have a booster shot; you have to get them twice. Now, you also announced recently, I believe, that you're doing a booster shot as well as an alternative. So which do you think will come to market first, the one-shot one or the two-shot one, for Johnson & Johnson?

MR. GORSKY: Well, we're going to have to find out more through some of the testing. Now, look, when we've used this in the past we've used it both formats, one and two shots. And we're going to have to find more information. The early data that we were able to generate – both preclinically as well as in the clinic in our phase one trials – suggested that we do have a robust response that is, again, how the body responds in producing neutralizing antibodies, with one shot. We're testing that dose as we speak now in a very large clinical phase three trial that will involve up to 60,000 patients.

And in parallel, we're also looking at a two-dose approach, where you would get a second booster shot. And we're trying to determine, you know, what would – where would we be able to identify the best balance of efficacy, safety. And of course, it also has an impact on the number of vaccine shots that would be available, particularly during the course of 2021. So those are the different things that are being evaluated. And we think ultimately it would have a very significant impact on compliance and just the administrative challenge of vaccinating so many people with a single dose versus two doses.

MR. RUBENSTEIN: So let's talk about the administrative challenge of actually getting these out to, let's say initially, 330 million Americans, not counting all the other people around the world that you also want to help. So who is going to distribute these vaccines? Who's going to actually, you know, give the injection? How are you going to do that?

MR. GORSKY: Well, David, you know, you're right. While the biology, the chemistry, the engineering required to discover and to develop the vaccines is certainly complex, we've never vaccinated 330 million people in the United States, as you just pointed out, let alone over 7 billion around the world. So the logistic, the administrative, the distribution challenge associated with that is no small feat. And we've also been working with government officials, with health care officials around the world to do everything we can to coordinate and simplify this process.

And here too, I'm proud of the way that the industry has worked collectively in a pro-competitive way, but, you know, trying to make sure that we could adopt similar processes, for example, to work with the United States government. Many of the viewers here on this program may have seen the "60 Minutes" show a few weeks ago that, you know, talked about Operation Warp Speed and what's been put in place here in the United States.

I think what – from our perspective, what we're seeing is good collaboration between the federal government, between the existing private distribution system that's in place with other vaccines and other therapeutics, and the coordination with local governments, local health care systems, and perhaps even community groups to ultimately ensure that we get, you know, broad-based access and distribution for these. And I'm encouraged by a lot of the work that I'm seeing,

David. There's still more work, clearly, that needs to be done, particularly on the kind of timeline and the scale that we're talking about.

MR. RUBENSTEIN: Is it the U.S. government or the vaccine manufacturers who will decide who gets it first? Presumably health care workers, people who are older, or people that are – have health care conditions. But who's actually going to decide: You get it first, or you can't get it now?

MR. GORSKY: Well, those will be – those will be decisions made by the CDC and other governmental agencies. And fundamentally we'll make sure the vaccines are ready for distribution, and then utilizing an ethical framework. You know, for example, considering health care workers, first responders, other people directly in harm's way to the virus will likely be prioritized. It could also be age-related, because we know, for example, that people above the age 60-65 have a much more significant probability of being severely impacted by this virus than younger patients. And so those guidelines will be determined ultimately, you know, by those agencies in the government. And then we use the, again, a public-private partnership between the private distribution system and some of the people – for example, the U.S. military – who will be helping to coordinate all that.

MR. RUBENSTEIN: What about people over 65 who are in the private equity world? Will they be getting special treatment?

MR. GORSKY: I think they're last in line, based upon what I just recently heard, David.

MR. RUBENSTEIN: All right. So the CEOs of major pharmaceutical manufacturers are caught between a difficult situation now, where the transition from one administration to the other seems to be going, let's say, slowly, to use a nice word. Is that causing any problems for you or any of the other manufacturers that you can talk about?

MR. GORSKY: I haven't seen signs of that so far. You know, look, throughout this process I know those of us at Johnson & Johnson, but I also believe many of my colleagues as well, you know, we've been talking with both administrations. We've been working closely and emphasizing that it's absolutely critical that we maintain consistency, continuity through this period, particularly when you think about this transition that's going to be taking place.

While we're likely looking – the FDA could be reviewing an emergency use authorization for several of these vaccines while this distribution infrastructure is being put into place, and while we're facing, you know, a very challenging period regarding the virus. And actually, one additional factor is when there could be a more limited availability just based upon the production rate that these things can be produced at. And so, you know, having that be as seamless as it can be is going to be important.

MR. RUBENSTEIN: Let's talk about testing for a moment. Many people would say that we don't have enough testing equipment, we don't have enough testing available to people. Do you think that that is fair criticism, that we haven't had enough tests for people, and do you see any

way to improve testing? And I think, if I have it right, you're not in the testing business so much as other companies, or am I wrong?

MR. GORSKY: Correct. We're not directly in the testing business. But of course, you know, we work with a lot of health care systems regarding those tests. We use those tests with our own employees, for example, in certain areas. Look, I think that we've seen dramatic improvement. I mean, to go from, what, several thousand tests per day that we saw at the very beginning to over a million per day is I think a great achievement. However, clearly we have more work to do, particularly as, you know, we learn – as you see greater and greater spread geographically. The number of tests that is being required has increased quite dramatically. The timing of the tests remains a challenge because it's not only when you get your test, but it's what you do with that information, and how soon can you get it. How do you know when to quarantine, when to not quarantine?

You know, there are tremendous consequences, for example, not only of having a positive test, certainly, in your behavior, but also if you have a false positive and the impact that that can have not only on you but on your family. So I still think there's clearly work that needs to be done in that area.

MR. RUBENSTEIN: So I've had a couple COVID tests – all negative so far. And they put a kind of cotton swab up my nose, all the way to my brain it seemed like. And if you're the head of Johnson & Johnson can you get something that's less painful than that?

MR. GORSKY: No, I got the same one, David. I've had multiple tests myself, and fortunately they've been negative. I've had different variants. As you said, I've had the nasal swab. I've had the pinprick. And look, I think one of the things that we're finding is that just as with the virus there's no silver bullet. Even with testing it's going to take multiple approaches. I mean, we're going to have to have – you know, some of them can be done on the very large basis. Hopefully, some that we can have done in our homes in the not-too-distant future. And I think that it will take a combination of all these ultimately to help us really get our hands around it.

MR. RUBENSTEIN: At the beginning of the pandemic hospitals seemed to be unable to deal with the problem of the surge of patients that came in, in part because they didn't have adequate PPE. And it turns out we're very dependent on China for that. Do you think that we're now in better shape, at least the hospitals have adequate supplies? And are you involved in the production of some of those supplies for the hospitals?

MR. GORSKY: Yeah, I think hospitals are in a much better place than they were previously. And look, I think an overall theme – because I know economists are always interested in themes supported by data – that we've learned through this is, you know, the maniacal focus that we've had not only in business but in even in our health care systems on efficiency and effectiveness – clearly we're going to have to transition that more to what I believe around resiliency, sustainability and being able to manage through these kind of surges. And I think, you know, today – whether it's PPE, gloves, masks, gowns – hospitals by and large are in a much better position than they were originally.

I think the sources for those we've had a lot of conversation about. And I think it has started a different conversation. And while, you know, many aspects of commerce, of business in our country and around the world have benefited from integrated supply – global supply chains, clearly if 95 percent of a certain good that's absolutely critical, you know, for example, in treating patients, is sourced from, you know, one particular location, that's an issue that we're going to have to relook. And so I think it's going to fundamentally require all of us – not only in the health care system but more broadly along business – to think how do we build in better business continuity? How do we build in the right level of redundancy to ensure that we're never ever caught on the short end of something like this, you know, as we were back in January and February?

MR. RUBENSTEIN: So among the products that you make that consumers know are Band-Aids, Q-Tips, Tylenol. But you can't sell enough Q-Tips, Band-Aids, and Tylenol to be \$400 billion of revenue. So where does your revenue come from? What are your biggest products?

MR. GORSKY: Well, you're right. People know us mostly for our consumer brand names that you just mentioned – Listerine, Neutrogena for example. But in fact, that makes up about 20 percent of Johnson & Johnson's global sales. About 55 percent of our sales come from our pharmaceutical division. And there we're the largest pharmaceutical company in the United States, among the top three or four in the world. We've got products in infectious disease, things for HIV, in addition to the vaccines. But also immunology, areas such as oncology for prostate cancer, for lymphoma, and cardiovascular disease. And then of course we also have a very large and successful medical device division. We make everything from sutures, to endo cutters, to energy instruments, to hemostats that help stop bleeding intraoperatively. Contact lenses, of course, as well as hips, knees, shoulders, and other orthopedic instruments.

MR. RUBENSTEIN: OK. So let's suppose you go to somebody's house and you cut yourself, and they bring out something to put on it and it's not a Band-Aid, it's some other kind of product, it's some other manufacturer. Do you not wear the Band-Aid if it's not from Johnson & Johnson? How do you deal with those problems?

MR. GORSKY: Well, I always try to carry my Johnson & Johnson first aid kit with me, it's not too far away, so that I'm prepared for that. But of course I always try to use our products. And I have had some issues. Once in a biking accident where I cut myself where I had to ensure they were putting in our Ethicon sutures, for example, to get just the right effect.

MR. RUBENSTEIN: OK. So let's talk about how Johnson & Johnson did this. When was Johnson & Johnson started? And what enabled it to grow to be such a large company, relative to all the other health care companies in the world?

MR. GORSKY: Well, it's got a great tradition and a great history. And I think it's really representative more broadly of technology, of innovation, and frankly of grit in the way businesses have been built in our country. And the start of it goes back, actually, to the 1880s, David. There were three brothers going to school up in Wilkes-Barre, Pennsylvania. A couple of them were pharmacists. And they basically opened up a journal one day and saw that the

World's Fair was going to be taking place down in Philadelphia, and that a surgeon by the name of Lister was going to be doing a presentation on aseptic procedures for surgery.

And again, if you go back to the 1880s and you think about the way surgery was done at that time, it was a pretty gruesome process, where there wasn't nearly the appreciation for, you know, germs and how disease and infections were actually spread. If you think back to the Civil War, most of those deaths were caused by infections versus the wounds themselves. And so this Dr. Lister came up with an idea and a philosophy based upon his research that said: Well, if we keep the surgical field sterile, if we can keep out germs then we will have a better outcome.

And so the brothers went down to Philadelphia, saw this, and thought: Well, what if we actually, you know, came up with a way to sterilize gauze? And so then they worked on several processes. And surgical gauze became in fact the very first Johnson & Johnson product. And from there, they found – in fact, one of the wives of one of the brothers who cut herself in the kitchen, as you had mentioned with me, said: Well, what if I put a piece of tape on that? And the next thing you know you have a Band-Aid.

And so it started there, and then grew through the years. And was predominantly a consumer and medical device company until the 1950s and '60s. And then it got into the pharmaceutical field. And it's continued to evolve. And, look, our fundamental philosophy is we try to go where there's unmet medical need, where we can innovate and apply technology, great clinical development, and then commercialize it on a global basis. And as a result of that, David, today we approximate that we touch about a billion – 1.2 billion people every day use our products. And we have more than \$25 billion platforms across the Johnson & Johnson portfolio.

MR. RUBENSTEIN: So how come it's not Johnson & Johnson & Johnson? There were three brothers, did one of them get left out or something?

MR. GORSKY: Well, as you know with a lot of family businesses, they rarely succeed the way ours have. But one of the brothers did decide to take a different direction. So that's why it's Johnson & Johnson.

MR. RUBENSTEIN: Let's talk about your own background. As I pointed out in the introduction you have, I would say, an unusual background for somebody who's heading a major pharmaceutical medical company. Nothing wrong with it, but you went to West Point. You do have an MBA from Wharton. I should have mentioned. But how did you – let's talk about your growing up. Where did you grow up?

MR. GORSKY: Well, David, originally I grew up in Kansas City, Kansas. My grandparents were all immigrants from Eastern Europe. And they came to this country with the hope for a better life. And on one side of my family they opened up grocery stores. On the other side they went to work in meat packing factories. And that's how the family got started here.

MR. RUBENSTEIN: So you were born and grew up in Kansas City, Kansas. That's pretty American. Did you ultimately move to Michigan? Is that where you moved to?

MR. GORSKY: Yes. You know, my father was – he quit college, and he enlisted in the Army during the Korean War. Ended up becoming an officer, served his country there. And my mother did not want him to stay in, so he decided to get out. And he ended up joining Gerber Products and started a career with them, first of all as a sales representative. And then we later moved to Michigan. So, the family moved to Michigan when I was about 12 years old, to a very small, rural community outside of Grand Rapids and Muskegon. And that's where I finished school and graduated from high school.

MR. RUBENSTEIN: So when you graduated from high school, or you were in high school, you said: I want to go to the military academy? Or did your parents encourage you to go? Or what prompted you to go to West Point? Nothing wrong with it, but why did you decide to do that?

MR. GORSKY: Well, it actually started when I was in about sixth grade. And, you know, I was very fortunate to be in a family where – I guess I thought it was normal that every parent would put their Army uniform on one weekend a month and go off to, you know, serve their country in the Reserves. And so the example that my father set, being both in the Army Reserve as well as having, you know, his civilian job, was a pretty high bar and expectation. And so I always had a bit of a line of sight to what was going on in the military and the Army. And that intrigued me.

And then when I was in about sixth grade I remember visiting a family friend who had a son that went to West Point and opening up the yearbook. And I was immediately captivated by the entire ethos of the academy, of duty, honor, country, of being challenged not only academically but physically, from a leadership perspective. And I basically knew from sixth grade that that's where I wanted to go to school. And I wrote a journal entry at that date. And fortunately things worked out the way that they did.

MR. RUBENSTEIN: And so you went – when you got to West Point did you say: I made a mistake? They're cutting my hair off. It's a lot more work than I thought. Or did you say: This is exactly what I wanted?

MR. GORSKY: Well, you know, it was very different then than it is today. My first day stepping foot on West Point was the day that I actually, you know, joined the academy as a freshman, as a plebe. You didn't get a chance to do near as much, you know, work. But I had done my study. I had tried to prepare myself as much as possible. But, you know, I must say that when I went there it was – it was bigger than life. Where a kid from, you know, that time – again, early on Kansas City, rural Michigan – everything about it. The history, when you saw the statues of people like Eisenhower, like MacArthur.

When you – when you had chance to experience all the challenges that were being thrown at you it was something that actually was incredibly motivating to me. And, while, look, there were some days that were incredibly long and really hard, and where I wasn't sure if I was going to be able to make it, I knew deep down that it is the right place for me and, you know, one that would make me so much better as a person and as a leader, and prepare for the future.

MR. RUBENSTEIN: OK. So you were in the military, you rose up to be a captain. Why didn't you say: I want to wait and become a general? Why did you decide to leave?

MR. GORSKY: Well, I loved my time in the Army. You know, I can remember graduating at 22. Here I was, I got a chance to, you know, go to a very remote nuclear detachment in northern Greece where I was directly responsible for U.S. soldiers, for Greek soldiers. Where else can you get that kind of leadership experience? And not only were you responsible for their training and the weapon systems that we had, but you had to handle the life situations that just came up. And to be – to be put into that situation at such an early age, I think, was probably the best laboratory for leadership that I could have ever imagined.

You know, I then came back to the United States and I served in the 7th Infantry Division, the light division. We were a rapid deployment force. Got a chance to travel many different places around the world. And, again, have some pretty significant responsibility. And so I was at a point where I was either going to have to go onto another assignment, which likely would have been back to graduate school and then even back to the academy to be an instructor, or to some other assignment that would have incurred an additional commitment.

And so that's when I started thinking, well, do I really – do I want to stay in the military for another what could be 10 years or 15 years? Or do I want to make a transition out now? And after thinking it through – and, by the way, it was very difficult because I love the Army. I built – I felt a good reputation and worked hard. But I decided to make the transition then.

MR. RUBENSTEIN: So you left the Army, and you decided not to go into private equity. I don't know why you decided not to do that, but we certainly would have welcomed you into the industry. But what led you into Johnson & Johnson – or, a subsidiary of Johnson & Johnson?

MR. GORSKY: Well, look, I – there were a number of things. I was always interested in health care. I had thought, you know, growing up at different times, you know, should I go to medical school? Would that be something – you know, a passion I would want to pursue? I had a number of family friends that were involved. My wife was a nurse. I had other family members that were actually in health care. I saw it clearly as an area that was a nice mix of not only being able to help people and actually, you know, make a difference for the world, but also involved a lot of high technology. You know, both I think areas that, you know, I found very motivating, especially when I was thinking about a career.

And then, of course, at a company like Johnson & Johnson just the culture there, too. A very credo-based culture was something that attracted me, especially having, you know, worked in the military only prior to that time where, you know, issues around honesty, and integrity, and duty, honor, country, were very important. Being able to transfer that over into, you know, a company that shared similar values was really important to me.

MR. RUBENSTEIN: So did you say – you were in your late 20s, I guess, at the time you joined. Did you say, you know what? I can be the CEO of Johnson & Johnson. It won't take that long. Or did you have that aspiration, or that wasn't on your radar screen then?

MR. GORSKY: It was beyond my wildest dreams, David. I mean, I started as a sales representative. It was part of a development program. But what I would say is, you know, that

time being with customers was so important, really understanding what health care – made the health care system operate, how doctors, how nurses made different decisions, and you just can't do that vicariously. You know, being there every day, you know, working with them, you know, trying to support them and help them was a great education and really a foundation for the rest of my career. And, you know, then after that I had different positions in sales management, in marketing, in marketing management. But wasn't until much, much later that I ever thought that this kind of a dream could be a possibility for somebody like me.

MR. RUBENSTEIN: So your father, did he tell you to join Johnson & Johnson? What did he say when you were leaving the military?

MR. GORSKY: He probably would have preferred for me to stay in the military. [Laughs.] You know, several of my brothers – I have five brothers and sisters, six children in all. And two of my other brothers also served their country as officers. And my father, I don't think what I relayed earlier, that once he got out of the Army he did stay in the Reserves and rose to the rank of two-star general. So, while he was doing his job at Gerber, he also was very successful in the Reserves. And he found it to be just a great challenge, and a great other venue for him to perform, to give back. And so that was very appealing to him. And certainly that, you know, was translated to me. But he was also very supportive when I made my decision to leave and to join Johnson & Johnson, particularly a company like we are.

MR. RUBENSTEIN: So he was a two-star general. Did he tell you what to do, as a two-star general, or you were only a captain. Or did you say: Look, I don't have to listen to you anymore?

MR. GORSKY: Well, you know, one of the best parts of my job, in addition to being able to help patients and consumers and do some of the things we do, is that my – I was able to share it in some ways with my father. Unfortunately, he passed away earlier this year – just before COVID-19. But every year he would come to our annual shareholder meeting. And 30 minutes before it started he'd be in one of the front rows reading through the proxy statement. And as soon as I was done with the meeting he would come over and say: You know, Alex, you did a great job, but here's a couple of things you could have done better.

MR. RUBENSTEIN: OK. So if you're the CEO of a health care company I assume you got to be in reasonable shape, because you can't be overweight and be the CEO of a health care company, or something like that. That'd be my assumption. So have you always been interested in fitness? And do you spend a lot of time now particularly trying to be fit, because you're the CEO of Johnson & Johnson?

MR. GORSKY: Well, you're right, I have always been interested in fitness. And look, some of that started even before I went to West Point, but certainly when I was there, my time in the military. But look, I think there's a lot of different ways to be successful. But, you know, as the world's largest, most diverse health care company in the world we also have an aspiration to be the healthiest company in the world. And I'm very fortunate, that several of my predecessors really put a stake in the ground long before, you know, the kind of wellness and health programs

were broadly offered by industry. And they made that a real responsibility and commitment at Johnson & Johnson.

And so we have tried to accelerate that significantly. We fundamentally believe that, look, when you're in your best health – and that's not only – that doesn't mean everyone's got to run a marathon, or a triathlon, or something like that. But take care of yourself. When you eat the right way, when you sleep the right way, when you can better manage your stress, you can better manage the travel schedule that's associated. And fundamentally, you can be a better employee, you can be a better leader. And so we do – we have extensive programs around the company that really help employees to be their best. And I think as a result of that, when we think about the engagement that we have, our health care costs are actually lower, and our outcomes are better. And frankly, we think it sets a great example particularly in the health care industry, let alone all of industry, about the importance of health and its direct relationship to what we do every day.

MR. RUBENSTEIN: I've seen pictures of you in triathlons. And so, when you're doing a triathlon and there are, let's say, Johnson & Johnson employees, do they try to beat you or do they kind of let you get ahead of them?

MR. GORSKY: No, they – we've got some great triathletes at Johnson & Johnson. But I love – in fact, when I travel I will frequently take time to do a workout class with some of our employees. And I think it also hopefully brings a level of approachability, brings a level of humanity that, hey, we are all working together towards a common cause, whether it's at a spin class in the morning or whether it's on a research and development project in the afternoon. So yeah, it's something we have a lot of fun with, in the company.

MR. RUBENSTEIN: You've publicly said before that you have an artificial hip, I think. Is that's right?

MR. GORSKY: I do.

MR. RUBENSTEIN: OK. So you make artificial hips at Johnson & Johnson through your subsidiary – is it Smith & Nephew?

MR. GORSKY: No, it's Synthes – DePuy Synthes.

MR. RUBENSTEIN: All right. OK. So you have that. When they were going to give you that operation, do you tell them you have to use your artificial hip, or you said you can use the competitor's artificial hip, or you didn't care?

MR. GORSKY: Well, of course, in this case, I was going to have our artificial hip. And, you know, look it, I was blessed not only to have a great hip, but I had a great surgeon and I had a great outcome. And I attribute all that – I mean, think back about 15 years ago, David. When you'd go in for a hip replacement you might be in the hospital for three or four days. It might take you several weeks. I mean, even previous to that people would be in traction. When I went in for my hip surgery, I literally was walking in the recovery room within an hour. And I was

discharged within 24 hours. And on day three I was able to walk a mile with a cane and my wife. And within about a week to 10 days, I was pretty much back to my, you know, regular regime.

MR. RUBENSTEIN: I'm not sure I can walk a mile even now, but OK. So let me ask you, let's supposed President-elect Biden is watching this. And he says: This is a man who's a military leader, the CEO of Johnson & Johnson. This man needs to come into my Cabinet. I need to have him be in the – in the government again. So what would you say to the president-elect about serving in the government?

MR. GORSKY: Well, look, I think there's no higher calling. And I would hope that, you know, President-elect Biden is watching this today. It's a very distinguished panel and a great group of leaders and people. And, look, I think that times like these have demonstrated that we all need to understand health care probably a little bit better. And in fact, I think a big change out of all this is the way we think about health care is going to be different. And how we think about certainly global public health care policy is going to be critical. We think about the impact that health care can have on our economy. When we think about even the impact that it can have on national security and other areas.

So I think there are few areas in our – in our society, in our government that aren't touched in some way. I even find it interesting now, you know, more and more CEOs are thinking, I'm going to have to get a chief medical officer put into place as I think about running my business forward. So whether it's at a – you know, at a kind of a high strategic level or at a very personal level, health care is going to touch all of us at one point in our life or another. And I certainly look forward to working, you know, with the new administration on ways to make it even better.

MR. RUBENSTEIN: OK. Suppose he said, all right, I understand you don't want to go into government. You've got a pretty good job. You're doing a good thing for the country now. But how can I improve the Affordable Care Act? Can I make it better? What would you tell him he could do, one or two things, that might make it better?

MR. GORSKY: Sure. Well, look, I think the Affordable Care Act has done some good things. The fact that it covers preexisting conditions was certainly very, very – a very important step. But as with anything, I think there are still tweaks we could make. So one thing that I would do is we still have to continue to ensure that we move to an outcomes-based reimbursement system, one that's not only predicated on what particular procedure you've got at any given time, but what was the outcome like associated with that procedure? Now, that's not easy. It can be challenging. But I think when we move to that it will cause more integration overall and a more holistic focus on that outcome versus just the various components, you know, of trying to get there. So I think that's number one.

Two, I think it's about how do we – how do we better combine and utilize data and information in making day-to-day health care decisions? One of the things that we found from this pandemic, David, is, you know, compared to 1918 and the Spanish flu, we would never know exactly where we are without the ability to quickly aggregate data, analyze it, and then use

that to adjust course, make changes. The way we've been able to develop a vaccine so quickly. So, I think that's another area where data utilization can be a very important step not only of improving outcomes, improving experiences for patients, but also ensuring that we create the best value for each dollar that we're investing in health care along the way.

MR. RUBENSTEIN: So, I meant to ask you about the situation with respect to leadership. You have been a leader in the military now. You rose up to be the CEO. What do you think are the qualities that it takes to be a good leader? Is it hard work, intelligence, persuading people to follow you? What would you say is responsible for your rise up, with all modesty aside? What enabled you to be a leader and rise up to this leadership position?

MR. GORSKY: Well, you know, David, what I always look for in leaders is it starts first with character. And I think that's the sine qua non of leadership. And certainly needs to be so for business, but government, anywhere. So, whether it's honesty, integrity, in everything that we're going, especially given the expectations that all of us have, and that frankly should be expected of us. I think another critical component today is the ability to learn and to constantly reinvent and regenerate your education.

If you just look at back at when you and I graduated from school, the half-life of our degree was probably, what, 20 years, let's say? Not much was going to change of an engineering degree. And so force was going to equal mass times acceleration for a long time. But you think about how quickly technology is changing that curve, today I think your education is more license to learn. And so the ability to quickly adapt, to learn, to be curious and, you know, constantly in that kind of learning mode.

And then, look, the third thing for me is grit. It's resiliency. It's the ability to make a decision, to fail at times, to be able to pick yourself up, to move ahead, to overcome odds, to, you know, some weeks make it to Friday, other times inspire people to lead others, to accomplish things that they couldn't maybe do on their own. So I think certainly those are the kind of qualities that I look for in leaders.

MR. RUBENSTEIN: So talk about COVID for a moment, in the sense of how you ran this gigantic company when COVID hit. Were you working remotely from home? Were your employees? And do you think your employees will come back to their offices in the way that they used to, five days a week?

MR. GORSKY: Well, at first the number-one thing we needed to do when we found out that, look, we were heading towards a serious situation, was to take care of the safety of our employees. And especially as the world's largest health care company, we needed to take the right steps. And so we immediately worked with our infectious disease experts who, you know, looked at the guidelines that were being put out around the world. And in our case, as I mentioned earlier, of 140,000 employees, about 100,000 have worked remotely while 40,000, you know, we put very solid protocols in place, protective equipment to help them continuing to produce the products – you know, products, services, and other things that we're delivering, as well as in our laboratories. The others, we had to support them to be able to work from home.

And, look, I'm really proud of the way that we've been able to respond. I mean, you would think a large 140,000-person company is bureaucratic, it's heavy, it's slow. If I look at the speed, the agility that we've been able to demonstrate on Zoom calls, on, you know, maintaining a high emphasis on quality and compliance and things like closing our quarter, but also on product development. But at times being able to eliminate some of the unnecessary bureaucracy or the layers of review and management that we required for before, just sometimes due to rituals or habit.

So I'm encouraged. I don't think we're ever going to go back to exactly the way we worked before. I hope not. That'd be – you know, that'd be a terrible thing. I think it will be a new normal. I do feel working proximately near your employees is important long term for the culture, for the character of an organization and, in our case, for innovation, and for partnering, and for collaboration, where we can have, you know, for example, a pharmaceutical researcher sitting next to a medical device engineer, and come up with a way of, hey, we can develop this next new therapeutic, you know, utilizing an endoluminal approach to the lung, but we're going to apply an immune-oncology agent on the end. That's hard to do vis-à-vis just a Zoom, if you're not there together. So I do think we're still going to have to work together, but it will be in a new way.

MR. RUBENSTEIN: But this is no doubt the toughest year you've had as CEO, I assume, of the eight years you've done. I assume you're looking forward to next year. But how long do you think it will be before you can go back to a more normal kind of work pace and way of living? Is that a year away, you think?

MR. GORSKY: Well, look, I'll give you the economist answer, since we're at The Economic Club. It depends. But I think if I look at all the data right now, as I said at the very beginning, I do think we need to take the next several months very seriously – follow good protocols, and really do everything we can to keep this virus from spreading. I'm hopeful that as we move through the spring of next year that not only warmer weather, where people can move back outdoors for a large part of the country, as we learn more about the virus, as we get more therapeutics approved, more distribution on the vaccines to the middle of next year to the back end of next year, that we'll see a return to a more, what I'd call, new normal way of working together.

MR. RUBENSTEIN: When you go out, do you wear a mask?

MR. GORSKY: I do.

MR. RUBENSTEIN: And you think it's – there's anything wrong with wearing a mask?

MR. GORSKY: No. I would encourage everybody to wear a mask. Look, masks aren't perfect but, you know, we should not let perfect be the enemy of good. We've got to do – be doing everything we can. So whether it's masking, washing our hands, social distancing, look, I think we all have to role model that. And those are the most important steps. While, look, I am very excited about these new technologies, some of these very fundamental things that we do, and

we've got to make sure they're part of our daily rituals, daily habits, can make a huge difference in the – you know, the arc of this virus.

MR. RUBENSTEIN: Alex, I want to thank you very a very interesting conversation. I'm going to go out and buy some Band-Aids and some Q-Tips and some Tylenol just to thank you for the job you're doing, and I think those products are pretty good. So thanks very much for what you're doing. I hope the vaccine will come forward soon. I hope that you'll put private equity people near the front of the line but, if not, an appropriate place. OK?

MR. GORSKY: Well, David, thank you so much. Great conversation, as always.

MR. RUBENSTEIN: Thanks a lot. Bye.

MR. GORSKY: Bye-bye.



Alex Gorsky
Chairman of the Board
Chief Executive Officer
Johnson & Johnson

Alex Gorsky is Chairman of the Board and Chief Executive Officer of Johnson & Johnson, one of just seven leaders who have served in the dual role since the company was listed on the New York Stock Exchange in 1944.

Alex began his Johnson & Johnson career as a sales representative with Janssen Pharmaceutica in 1988. Over the next three decades, he advanced through positions of increasing responsibility in sales, marketing, and management, culminating in being named CEO and Chairman in 2012.

Under Alex's leadership, Johnson & Johnson has both upheld the company's 133-year legacy of delivering solutions to the world's most urgent unmet healthcare needs and continued to redefine expectations when it comes to purpose-driven innovation and sustainable growth on behalf of all stakeholders.

During his tenure, Johnson & Johnson has become a leading global Pharmaceutical company as well as the industry's number one investor in research and development. The Medical Device sector is at the forefront of applying cutting-edge technology to surgery, vision care, orthopedics, and interventional solutions. And the Consumer Health business continues to evolve its portfolio of both iconic heritage brands and innovative standouts in self-care and skin health.

Outside Johnson & Johnson, Alex's influence has shaped both the healthcare landscape and the greater business community through his work as an active member of the Business Council and the Business Roundtable. A longtime advocate of diversity and inclusion and supporter of veterans' issues, Alex currently sits on the board of directors of the Travis Manion Foundation and IBM.

After completing his undergraduate education at the U.S. Military Academy at West Point, NY, Alex served six years in the Army. He earned his MBA from the Wharton School of the University of Pennsylvania in 1996. Alex has been married to his wife, Patricia, for more than 30 years, and they are the parents to one son, Nick.