

# Personal interview with Klaus Moosmayer

Klaus Moosmayer has now been employed at Novartis for over a year as the Chief Ethics, Risk & Compliance Officer. He kindly agreed to answer our specific questions about his work, the job's challenges, but also his personal ambitions and what he would change if he had a magic wand.



## About you

### **How would you describe yourself?**

**KLAUS MOOSMAYER:** First of all, thank you very much for giving me the opportunity to take part in this interview, I'm very glad that we are having this conversation.

As for me, I'm a family man, proud of our German-Spanish family and that my wife Marina and I, with our three now adult children Elisa, Manuel and Pablo, always make a good and supportive team, even though we spend time together increasingly infrequently. Obviously my work dominates my life, but I try to find the necessary balance through sport and meditation. That's why I'm very pleased that Novartis is encouraging this as part of the cultural change in the company.

### **What are your personal objectives?**

I want to make my contribution to ensuring that business is recognized as part of society, but that it also lives up to its responsibilities. And also, however serious and sometimes difficult our task may be, I try to make working on it enjoyable for my team and anyone else I'm in contact with.

### **What are the values that underpin your day-to-day actions and decisions?**

One of the main reasons why I moved to Novartis after 18 years with a fantastic different company was that I was very impressed by the focus on values here. Ensuring that what we do is inspiring and has a lasting impact, being curious and always learning, "unbossed leadership" – these are cultural drivers that I can identify with and I try to live by such values every day, which is actually a continuous learning process in itself. Self-reflection and humility are essential. And for me, mutual respect is the basis on which people should live and work together. Unfortunately, this principle is being eroded in our society nowadays, especially on social media...

### **How do you deal with criticism?**

The honest answer is that I still find it difficult, but I'm working on it, together with my team, my coach and, of course, my family. I was brought up as a manager never to admit to having made a mistake and I still can't get used to showing any personal vulnerability. Here Vas sets a good example to us all in his willingness to speak openly about mistakes and his own experiences. If the CEO can do it, there's no reason not to allow yourself to do it, too.

### **What has been your biggest failure and how did you deal with it?**

When I was a young lawyer in the year 2000 and I left the law to enter industry, it almost made me ill. I felt isolated, there was hardly any induction process and it was a year before I emerged from a very dark place. I swore then that, if I was ever responsible for people in a company, I would try to do better. Everything depends on being made to feel welcome and having good induction training.

## General questions

### **You have now been the Chief Ethics, Risk & Compliance Officer at Novartis for over a year. Which of those aspects of your work presents the biggest challenges?**

I think it's the ethical issues. As a highly innovative pharmaceutical company, we can't avoid these questions and – unfortunately – there are often no easy answers. We see this in all areas, whether it's the research and development for a new drug or access to patients. The social debate about our groundbreaking new drug Zolgensma demonstrates this very clearly.

### **Where have you already been able to exert a positive influence and what has been successfully implemented?**

Firstly, I hope that my colleagues at Novartis accept that I have the utmost respect for their work and that I am willing to learn, and that they will support me for the long term. In the end, that's what it all comes down to. I am very proud that, after just one year, we as a team have introduced an innovative new risk management system, that we are well on the way to producing our new Code of Ethics, written in partnership with the employees, and also that, when we published our "Charter" on 1 February, we positioned the whole "Ethics, Risk & Compliance (ERC)" organization exactly right. For that, I'm very grateful to my colleagues Shannon Klinger (General Counsel) and Natacha



Theytaz (Head NBAA), because they did the groundwork in 2018.

**What made you decide to apply for this job at Novartis and set yourself this challenge?**

I made my “career breakthrough” at Siemens when they had to cope with the big corruption crisis that emerged at the end of 2006 and I worked with a fantastic team to get the company out of the doldrums and make it a respected part of the corporation again. Those were long but fulfilling years. Novartis now is far from being a company in crisis, but in my opinion it’s the most exciting place in business to be, because it’s a question of bringing about a fundamental change of culture and creating an ethical framework. And what’s more, despite all the criticism that is levelled at the pharmaceutical industry and at our company, here at Novartis we never have to worry about the “reason for our existence”: we are re-thinking medicine, to help people to lead longer and better lives. That motivates me even on the gray or bad days that we all experience.

**If you had a magic wand, what would you most like to change?**

To be honest, less silo thinking and more “ONE Novartis”, because then everything would happen faster and less bureaucratically and people would enjoy their work more.

**Were you in a similar position in your previous post?**

As Chief Compliance Officer at Siemens, I did also have company-wide responsibilities, but I was not a member of the Board and I wasn’t responsible for the company’s risk management. The responsibility that I have at Novartis is enormous, and I really respect that, but it’s a unique opportunity to play a direct role in the change process.

**If you were in a similar position before, what specific differences are there between the two enterprises in relation to compliance, risk and ethics?**

So far as I can see, and this has been confirmed to me by external experts, we are breaking new ground at Novartis by combining ethics, risk management and compliance in one organization. Other companies have split those functions into different organizational structures, though some may have kept ethics and compliance together. But as I say, for me, keeping all three together is crucial, because ethical issues provide the framework for our risk management and that in turn forms the basis for practicable compliance regulations.

## Ethics

**Ethics are changing all the time, so that what was regarded as a taboo yesterday is today regarded as “entirely normal”. The parameters of science, politics and business define ethics nowadays. Since those parameters are changing all the time, the question arises as to how Novartis can remain up to date in terms of ethics?**

It can only be done by maintaining a continuous dialogue in which it is permissible to question things. That’s why certain elements of behavioral science are so important in the forthcoming new Code of Ethics that we are working on in partnership with the employees.

People are far more influenced by the context, by the environment in which they act, than they like to admit to themselves. That’s why we don’t want to impose an ethical doctrine but rather offer guidelines on how to fulfill our obligations – for example not to offer bribes – in practice, even in a tricky situation.

***How can it be guaranteed that third-party companies will match our ethical standards and follow our guidelines?***

Third-party companies that are commissioned by Novartis have to sign up to the Code for Third Parties, which sets out the relevant ethical standards – at least, that’s the theory. In practice, of course, the situation is far more complicated, because of the number of third parties and the practical impossibility of monitoring their business activities round the clock. That’s why we have set up a risk-based central system that we call the “Third Party Risk Management” system. Gradually over the next few years, this will ensure that all third parties are assessed for risk, using the same criteria, before any contract is signed, and are then subject to a monitoring and auditing process. And that has to be based on risk as well. We are still in the implementation phase, and not everything is running smoothly yet, but we’re on the right track by taking this integrated approach.

***And conversely, ensuring that we maintain these same standards ourselves in relation to third-party companies: what measures are there to do that?***

In addition to the measures that I’ve already talked about, I would also like to mention our common industry approach that is derived from the Pharmaceutical Supply Chain Initiative (PSCI). We work with numerous other pharmaceutical companies – in compliance with competition law – to develop and implement common ethical standards for suppliers. Novartis has played a leading role in the initiative since it was first founded. It’s only by acting together as an industry that we will manage to bring about higher standards in the supply chain. We are even working with partners in the industry to test out modern technologies like blockchain as a way of making suppliers subject to the same consistent, verifiable standards.

***How would you explain your areas of responsibility – ethics, risk and compliance – to a non-expert?***

What we are trying to do is help our company to address ethical issues raised by society, identify risks to Novartis and its employees at an early stage and prepare ourselves as best we can so that we always behave in accordance with the law. Our objective is to gain society’s trust.

***How will the statement that our values should be placed ahead of financial performance, and that we should make ourselves and others responsible for upholding those values, be implemented?***

It should begin with us, the company’s management, constantly and repeatedly conveying the message that this is “non-negotiable”. It mustn’t be said with a wink. Then there’s the practical test: How will the message be received in the company by the employees? Will situations where a dilemma arises be addressed openly and will the team concerned try to find an acceptable solution? I’m hearing and observing a lot that is encouraging from the company, but also still a lot of questions along the lines of: “Do you really mean that?” That’s when leadership is called for. This process is part of our cultural change to become a company where employees are encouraged to express their opinion and managers think about it and consider it in the interests of the wider responsibilities of the team. I also firmly believe that our efforts on diversity and inclusion will have a positive effect in creating a more open working environment in which our colleagues regard it as entirely natural to raise problems of this nature, with a view to finding an ethically acceptable solution.



***But surely that's difficult while employees are operating in an environment that is focused on targets?***

Well, everyone needs targets and it's only by being profitable that we can invest 9.4 million USD in research and development for the benefit of our patients and of society, as we do at present. But let's talk specifically about the system of targets and remuneration. There probably is no "perfect" system that takes account of all these aspects, even though we have already achieved quite a lot by integrating our values into the pay system. But we're working all the time on developing our performance evaluation system. In 8 countries, involving 16,000 employees, we have started an experiment where the significance of the work of the team as a whole is rewarded, instead of assessing individual performance, and this is combined with regular feedback to the members of the team. The experience that we gain here will be very valuable for the future development of the pay system.

## Compliance

***Non-compliance causes the industry enormous losses, both financial and reputational, every year. Are pharmaceutical companies particularly exposed?***

Sure, we are more exposed because we are regulated by the authorities in very particular ways. But it would be wrong to complain about that. After all, we are working directly on something that affects us all very personally and is of the utmost importance, namely people's health. So we have to be prepared to subject ourselves to official oversight and lots of questions. What's important is that compliance doesn't ultimately result in total bureaucratization. The rules that we need to implement must be understandable. That is the "art" of good compliance regulations. Anybody can make them complicated but making them simple(r) yet still effective is difficult and calls for a lot of experience drawn from different perspectives. That's why I'm glad that our Ethics, Risk & Compliance department is increasingly reflecting the diversity that we have in the company. We are receiving more and more applications from other departments and business units and we want to boost that trend and are hoping for your support in doing so.

***The Novartis brochure on "Personal Integrity" mentions that people who have shown a lack of moral integrity suffer from the following consequences: they become withdrawn, irritable or defensive and have difficulty concentrating, their work colleagues complain about them, they are absent more frequently, and suffer from disturbed sleep and headaches.***

***The same symptoms are identified in patients with mental health issues.***

***Mental health issues affect how people feel, think and behave and their ability to do their work or to do it correctly.***

***Have there been any studies on the connection between employees with mental health issues and subsequent compliance-related behavior?***

Thank you for raising this important aspect in our discussion,

one which unfortunately is still all too often a taboo in our society. I am firmly convinced that mental health and well-being are crucial for a good corporate culture and therefore also for compliance, even though I don't know of any specific studies on this yet. I'm a big fan of our "Energized for Life" program and we made it a high priority at our first global ERC&Friends Forum last November to include group sessions on exercise, inner mindset and relaxation, and they went down very well. However, in addition to the services provided by the company such as our excellent arrangements for parents' working hours, it's incumbent on all of us to be observant in our dealings with our colleagues and offer them a chance to talk if we see the signs that something is going out of kilter. And of course, the same applies to ourselves. I deliberately make an effort to "unwind" for at least 10–15 minutes every day and reduce my stress levels with a few moments of quiet or meditation. That does me good.

***Employees' cultural backgrounds play a role in ethical issues and compliance behavior. With over 150 different nationalities, that poses a big challenge for Novartis. You can't change people's culture with e-learning courses. What do you see as the biggest challenge here and how is our company dealing with it?***

First of all, I see the diversity of cultures at Novartis as a big opportunity. We can learn huge amounts from each other. We can see this at the moment in the project I mentioned earlier to produce a new Code of Ethics, in which we have involved and surveyed thousands of colleagues from all over the world. E-learning courses and surveys are important for sharing knowledge widely and for gathering data, but I agree that they aren't enough to bring about cultural change. Face-to-face conversations have to be at the heart of it all. Take, for example, our "One Voice" barometer that we use to measure team culture. The survey provides us with the data, but the important part happens later in the teams when we discuss the results and talk about how we can work better together as a team in future – taking account of our different cultural backgrounds, but also in the spirit of "ONE Novartis".

## Last but not least

***Why, in your opinion, is an internal employees' association important?***

Nothing ever succeeds without dialogue. An internal association is a very important partner in that and can and should constantly put forward its experience, perspective and suggestions. We regard the social partnership dialogue at Novartis as very important and we are constantly strengthening it by talking to our social partners. Like the whole of the Novartis management, I'm very happy to make my contribution to that.

***A big thank you to Klaus Moosmayer for being so open in this interview – it's much appreciated!***

***Andrea Fedriga-Haegeli and Davide Lauditi***