

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

### Dean's Executive Leadership Series - 2009-2010

#### Transcript of Interview with John Figueroa, President of U.S. Pharmaceuticals for McKesson Corporation

**About DELS:** The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen or subscribe](#) to the podcasts to hear their views and insight on the current challenges and opportunities facing the business community.

#### Start ####

**Announcer:** The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their views on the real world of business.

**Rick Gibson:** Hello and welcome. My name is Rick Gibson. I'm the Associate Vice President for Public Affairs here at Pepperdine University and I'm joined today by Doctor Dean Linda Livingstone, who's the Dean of the Graziadio School of Business and Management. Welcome Linda.

**Dean Linda Livingstone:** Well it's good to be here today, Rick.

**Rick Gibson:** Well it's hard to believe but we're at the end of this season. It has been a tremendous Dean's Executive Leadership series.

**Dean Linda Livingstone:** It has been and all the way from starting with Caroline Nahas to ending with John Figueroa we have had an amazing line up of speakers, a lot of diversity in thought, and certainly diversity of industries represented so a great year.

**Rick Gibson:** Certainly. Certainly. Well tell us about your guest today.

- 1 -

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

**Dean Linda Livingstone:** Well we have John Figueroa with us who is President of U.S. Pharmaceuticals for McKesson Corporation. McKesson is the leading pharmaceutical distributor in the country, and the second largest company based in California, and to add to that John is an alum and we honored him as a distinguished alum a few graduations ago, so it's a fascinating conversation.

**Rick Gibson:** Well we really look forward to your conversation with John Figueroa.

<theme music fades in and out>

**Dean Linda Livingstone:** Well today for our Dean's Executive Leadership Series we have with us John Figueroa who is the President of McKesson Pharmaceuticals. And John, we're glad to have you with us, you're an alum, and so it's a treat to have one of our alums doing our Dean's Executive Leadership Series.

**John Figueroa:** Well thank you for allowing me to do it. I'm certainly honored and excited to be here today.

**Dean Linda Livingstone:** Why don't we start by having you give our audience a little bit of your background and maybe tell a little bit of your story about how you got to where you are at McKesson and maybe how your experience in our MBA program kind of influenced that path.

**John Figueroa:** Well, I'm a Southern California native and, as such, I did my undergraduate work at UCLA and was a liberal arts major in political science and English literature. After I received my degree, I went into the military as an officer and I served for four years on active duty, and after coming back home, I took a job with Baxter Health Care, where I worked for seven years in a number of roles in sales and operations and, at that point, that's when I decided to go to graduate school and hone in on my business skills. I had a great liberal arts education but certainly the fundamentals of business was key to I think future success and that's when I chose Pepperdine and received my MBA and since then, joined McKesson and have been with McKesson for about 13 years now in a number of positions and currently the president of the largest division within McKesson corporation.

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

**Dean Linda Livingstone:** So given what you're doing and that division is about \$89 billion of...

**John Figueroa:** About \$90 billion.

**Dean Linda Livingstone:** Ninety billion dollars. Moving up, that's good in this economy to have that happen. Clearly you do a lot of strategic work in that position, but what really takes the most of your time in the work that you're doing at McKesson.

**John Figueroa:** Yeah I think it's anticipating the change of the industry. I mean I think when you look at health care it's a dynamic industry and changes rapidly and it's not just internal change but certainly there's a lot of external influence when you look at what's gone on over the last 18 months with the federal government debating everything about health care, it certainly changes because of public policy, technology, there are a number of innovations that take place that you have to react to. I personally like to spend my time figuring out how to set the trend. And have other people react to whatever it is that McKesson is doing. I think that's been the key to our success and certainly how you keep your competition at bay. If you can continue to innovate, do things differently and delight your customers in ways that nobody else has done in the past. Health care is also a very cost-oriented business. So you have to have a great cost advantage but I think what I have looked for in our business and again what I like to spend time doing is determining what the value-add proposition is. And if I can provide value to a customer, then we don't have to talk about price any more. We can begin to talk about the total value of our relationship or partnership and that's what I like to focus on. That is the fun part. Obviously the other part of running a large business is the leadership aspect of it, and managing thousands of employees and keeping them motivated and working towards the goal that we all need to achieve to be successful.

**Dean Linda Livingstone:** So you mentioned innovations. Give an example of something that you've done at McKesson that you really think did sort of set the stage and caused everybody else to have to follow. Something innovative and new that has been significant in that industry?

**John Figueroa:** Yeah, about four years ago we started to see our independent pharmacy segment decline very rapidly while the large chains were continuing to grow. The Walgreen's of the world continued to build very, very quickly and the independent mom and pop store was beginning to decline. They were either closing their door because they couldn't compete or they were selling off to the large chains, the net result was it was very difficult for them to stay in business. When I looked at that segment, and I looked at the health of that segment, to my business, we knew we had to do something different. So we started a franchise program where we would start a franchise by the name of Health Mart, and we

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

would brand this with the independent, so for example if it was Linda's Pharmacy, we would change it to Linda's Health Mart Pharmacy. And so you fast forward four years, and we have over 2,600 franchisees who are using the Health Mart brand. In fact, we recently had a commercial in the Super Bowl.

**Dean Linda Livingstone:** Oh!

**John Figueroa:** So, McKesson's 177-year history as a corporation and that's the very first commercial we have ever done. It was very well received and very good. But what we did was we basically took all the back office operations at McKesson. We negotiated the price points for them; we negotiate and determined what type of generic pharmaceuticals they should purchase from us to sell to consumers. A front store merchandise, over-the-counter merchandise, we buy all that stuff for them, we do the formulary for them, we do the computer systems for them, so basically we are the back office operation, which allows them to compete with large chains and, as a result, what we have seen is actually an increase at McKesson of independent pharmacies who began to utilize our services and the health of the independent is extremely strong today compared to what it was four years ago. So I think that's an aspect of the leadership of this team that figured out that there was a problem. It was a problem that was bad for the customer and certainly bad for us and we led the way in changing how business was done, and I'm pretty proud of the success we've had there.

**Dean Linda Livingstone:** So McKesson's a huge corporation and yet you try to maintain an innovative approach to doing things and it sometimes seems that that can be easier in a smaller company, where there's not as much that has to be changed to bring about new innovations. So how do you, in a company this large and that's a worldwide company, continue to innovate and be able to do it in a timely fashion in an industry that is changing very rapidly?

**John Figueroa:** I think there's a couple of things. I think you have to recruit the best in the business and I think when I look at all the different departments or businesses at McKesson, I wouldn't trade any of the leaders of those businesses for anybody else in the industry. Who they compete with in a day-to-day basis, and I know everybody in the industry and I'm always asking myself, "Who is the best?" And if somebody else is better than the person I have running the business, then I know that there has to be an extensive development plan for that person to get to the level that he needs to be or she needs to be to be successful. So first and foremost I think it's making sure that we have that type of talent. When you have that type of talent, I think the second piece which is difficult for a lot of leaders to do is to give them the autonomy to run their business. And I've always said that you can run your business, you can do what you need to do to be successful, doesn't mean I'm not going to inspect and I'm not going to look to make

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

sure that things are being done the way I want them to be done or the right way. So there's a lot of communication between me and the other business leaders and we're always looking for how we can be better.

**Dean Linda Livingstone:** So you've mentioned a couple of times in our conversation about how important the people are, and how important creating the right environment is for those people for the organization to be successful. Talk a little bit about maybe formative experiences in your development that have helped form you as a leader, that sort of influence who you are and how you think about how you lead the people that work with you now.

**John Figueroa:** I think there are a couple of things. I think I learned an awful lot about leadership when I was in the military. I think there are some core concepts in the military that apply to business very, very well and I think the one that I rely on all the time is to always lead by example. Being an officer in the military or a senior manager or executive in a business—all eyes are on you and you set the tone on what you do day in and day out and how you conduct your business and if you lead by example, you know my experience has been that 90 percent of the time your team will emulate what you're doing and I think that's extremely important. And I think the second piece of that which is why I chose Pepperdine as the school that I wanted to attend for my graduate degree is you have to be values-based. I mean, I think integrity always comes to mind. I mean, the minute you lose integrity with your people your customers, or anybody that you know, it's something that you can never get back. It's something that I try to tell my employees as well as my kids. I mean, I think that's something that you have to strive to do and you have to live by as a leader. And when others break that line you have to deal with it. And I think that's perhaps the third thing as a leader that you have to do, which isn't always easy, you have to confront issues. You have to confront the problems that are presented on a regular basis. And you have to deal with them quickly and fairly. I think you know leaders that I have seen fail or not achieve full potential are sometimes those leaders who are reluctant to deal with those issues. So I think you know those are the things that I've learned in my career and I think things that everybody should look at pretty closely.

**Dean Linda Livingstone:** So you mentioned our MBA program and the values component that you mentioned integrity as one of those values that is core to who you are. Are there others that really inform the choices you make in the organization every day and how you lead other values beyond integrity that you think are critical?

**John Figueroa:** Well, I think you can define any value and it will come back to integrity in my opinion. I think there are a lot of characteristics, such as hard work. It's the concept of doing what's right. You know

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

no matter what it is, or what the task is, you know the old saying, it's really easy to do the right thing when people are looking at you; it's extremely difficult and tells a lot about your character and what you do when you're all by yourself. And in business, there are certainly a number of opportunities where you're looking at grey areas. You know it isn't specifically in the contract, but you knew exactly what the customer intended when he signed that contract. Now when things aren't going as well between the two partners, you could always go back and say this is what was in the contract, but integrity to me means walking to that customer's office and explaining what the situation is and coming to resolution based on what you both intended to accomplish. I think an example like that is something that people, there are no shortcuts. And the minute you take a shortcut, you'll lose in the end, but you know ultimately I think every characteristic comes down to integrity. I think there's an ethical requirement as a leader not only expected from the government, because of all the rules and regulations, but certainly peers and family members and everybody that you interact with. It's pretty easy to get up in the morning when you know you've done your best and you've tried to do everything right. I think it's difficult to go to bed at night if you're not conducting business that way.

**Dean Linda Livingstone:** Health care is one of the areas in the economy right now that continues to hire and there is certainly the sense that it will continue to grow in importance, even though it may look different in the years ahead, so I would certainly anticipate that some of the folks listening to this podcast might have interest in transitioning into health care at some point, so given your experience, are there key qualities or key skills they would need to develop that might be unique to what's going on in health care beyond other industries? What kind of advice might you give someone that wants to transition into the health care industry?

**John Figueroa:** Well first I would say that health care is a great industry to go into and certainly one that, if you're excited about helping people, it's the right industry. And you know we like to say at McKesson that no matter where you're at in health care, you have the potential to save lives or the exact opposite of that. And in our business, it's extremely important to us that we get the right medication to the right patient at the right time. And if you don't do that, it could be devastating. And when you do, you actually can have some impact in health care. So I think that one of the things that I would look for—number one. I think it's wonderful to come into health care because of economics; all of you have taken your economics class at Pepperdine, you'll know exactly what I'm talking about, and it's the basic supply and demand. And within health care, the demand is heavy and will continue to be heavy. And with all the changes that have recently taken place with our government, demand is going to increase, so if there's a demand for your product and your services then you're going to have to come up with the supply and if you can do that, your business is going to be good. so it is the right industry to go into, the supply and the demand is large, but I would tell you, you need to come in with a sense of compassion. It's an industry that can get you pretty excited when you understand exactly how you impact health care and if you have that compassion,

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

you have that excitement about helping others, it is a very fun industry to be in. You have to be innovative. I mean, I talked earlier about the fact that if you're not a couple of steps ahead of your competitor you're going to lose and it moves very, very quickly. I mean the patents that happen in this industry—you come up with a great idea and you check the patent office and three people have already come up with it before you did; you have to be innovative, you have to constantly be thinking. It is a global industry. What is going on in other places certainly affects us. We buy a number of our generic pharmaceuticals today from India, and China is becoming a very large market. So you have to not only think strategically and innovatively about what's happening in the United States, but it is a global industry as well.

**Dean Linda Livingstone:** As you think about what's going to happen in the years ahead in health care, particularly as some of these changes come into play from the legislation that was passed recently. Are there any particular segments in health care that are going to be more interesting for people coming out of business school, or is it just going to be an across the board, whether you're in insurance or pharmaceuticals, or in a hospital? I mean, do you see particular buckets where there might be more opportunity than others?

**John Figueroa:** Yeah that's actually a great question and one that I haven't thought of too often other than probably areas that I am concerned about, so I'll start there and I'll look to other areas that I think are opportunities. I am extremely concerned about the need for medical doctors. I think we have a shortage today, and I believe that with the demand that will be placed on our country over the next couple of years...

**Dean Linda Livingstone:** Certainly, if everybody who doesn't get medical care now can get it has access to some sort of insurance, then there certainly will increase the demand dramatically.

**John Figueroa:** Exactly. And you look at the compensation for doctors today and it continues to decline year over year and I think it's going to continue. So I'm concerned about the health care provider. Now when you look at those types of things, there's some opportunity to that, so if we're not going to have enough MDs to take care of our population, then you have to change the delivery of care; you need to do some things differently. Nurse Practitioners for example are getting more and more responsibility. Pharmacists, we are giving them the technology and the ability to do more than they've ever done before. Vaccinations, for example—you can get that at a pharmacy today. Five years ago that was unheard of. So the delivery of care is changing as you look at that. The second thing that I'm concerned about is the reimbursement schedules that are changing. There are a number of folks, and you know the government

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

has gone from being a payer of 20 percent of our medical costs to, most recently with Medicare Part D, 50-60 percent of our country's medical costs, and then with the new law, very soon that's going to grow potentially to be 100 percent at some point. When you have the government taking on such a responsibility, one of the first reactions is to evaluate all reimbursements throughout the supply chain. So I mentioned the fact that doctor's salaries may be coming down. I get very concerned about potential reimbursement changes around medication, especially in areas like long-term care and nursing homes, where the margins are already so low, that potentially that could change and again affect the quality of health care that we have in our country today. So those are some of the things that I worry about. Fast forward to where I think there is tremendous opportunity—I do think nursing and nursing management will be an opportunity in the future. I think pharmacists who have been in such high demand over the last couple of years, we're opening up pharmacy schools in this country, faster I think than any other school in academia and it's warranted because I think pharmacists are changing their role rapidly from counting pills behind the counter to actually administering health care to patients as they walk into their store. So I think there's tremendous opportunity there. From a business perspective, I think the medical device industry is an industry that is growing so rapidly; I've been introduced to a number of imaging technologies since McKesson bought an imaging company a few years ago and the technology is unbelievable. I mean, you could be a specialist today, a brain surgeon for example, and if you are on vacation in Tahiti, you can pull up a hand-held device, they can send you the x-ray and you can actually hone in on your hand held device to find the exact spot that the technology tells you where something is wrong and you can confirm that thousands of miles away on your hand-held device. And that type of technology in any area of technology within health care, I think, is extremely exciting and will have tremendous opportunity. Because as the government reduces costs, they also are looking for solutions that will increase quality and lower costs, and that is going to come through with technology so anybody who is getting into the field who has a technology of information system background, I think you have a tremendous upside in this industry.

**Dean Linda Livingstone:** That is insightful and it's good to know there are some industries where there's going to be growth and lots of opportunities for folks that have an interest in that and have the right kind of background and training, so, not happening in all of the industries right now for sure. <laughs>.

**John Figueroa:** No, it's true.

**Dean Linda Livingstone:** Let me close with this question: As you sort of reflect on, and you've got many more years of your career ahead of you, but, at some point when you get to the end of that career and you look back, what would you like for your legacy to be as a leader of the organizations that you've been a part of?



# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

**John Figueroa:** Wow, another great question. I guess I look at that every day somewhat. I do appreciate that you're giving me many more years in business. I'm excited about that, but I like to come to the office every day and think, "Hey, today could be my last day, and if today is my last day, what would I look back and say, I've accomplished or I'm excited about?" I think first and foremost, and it actually was an executive leadership speech that I heard many years ago and it was the CEO of Johnson & Johnson as a matter of fact, and he got up on stage and they asked him that same question. And his answer, which is the right answer is, "I have developed more leaders and more people in my industry and business than I ever imagined I would when I started this." And that's my legacy—when I pick up the paper, when I look at how companies are doing or people that have worked with me and how successful they have become, because of that interaction, there's no greater gift to give if you're going to call yourself a leader. And I would hope that, if it ended tomorrow, or if it ended next year, that people that I had worked with would say, "I learned an awful lot when I was with John and I owe a lot to him based on some of those learnings and interactions that I had." If that happened, I would be extremely excited.

**Dean Linda Livingstone:** And you should be. Well John, thank you so much for joining us. We are quite proud of you as an alum of Pepperdine and the Graziadio School and we wish you great success in those many more years that you have ahead of you.

**John Figueroa:** <laughs> Well, thank you so much.

<music fades in and out>

**Rick Gibson:** Well Linda that was a great interview with John and a lot for Pepperdine to be proud of.

**Dean Linda Livingstone:** We are very proud of John and what he's doing. He's a wonderful representative of the university and is certainly doing amazing things at McKesson as they sort of deal with all that's going on in the health care industry and the pharmaceutical industry.

**Rick Gibson:** Well congratulations on putting together just a tremendous series and we look forward to what next year's Dean's Executive Leadership Series will bring. Let me invite our listeners to visit us online at [bschool.pepperdine.edu/dels](http://bschool.pepperdine.edu/dels) to learn more about the Dean's Executive Leadership Series, not just this year but years past, and to look forward to what's coming ahead. You can also find us online at iTunesU or on YouTube. Until next year, thanks for listening.

**Announcer:** In a tough economy, investing in yourself is one of the best investments you can make. And an education is something that can never be repossessed, foreclosed upon, or lose its value. That's why now is the perfect time to earn your Master's in Business from Pepperdine University. Because Pepperdine's exceptional MBA programs are built around real world curriculum, not just theory. So you'll

# PEPPERDINE UNIVERSITY

## Graziadio School of Business and Management

gain knowledge that can be applied immediately on the job, increasing your value in the work place. During the past century, our country has survived over a dozen recessions. The economy will eventually turn around, and when it does, you'll be ahead with a degree from Pepperdine. You'll also have access to Pepperdine's extensive alumni network, career development opportunities, and employment resources. Visit [bschool.pepperdine.edu](http://bschool.pepperdine.edu) today. Pepperdine University's prestigious Graziadio School of Business and Management.

