INTERVIEW - Celgene CEO mulls succession as company expands

Adapted from: Thomson Reuters News Celgene Corp

* Sol Barer, 62, prepares Celgene for new leadership
* Seeks to preserve entrepreneurial culture
* Would ideally like an internal candidate to take over

By Toni Clarke

NEW YORK, April 8 (Reuters) - If you ask his wife, the 62-year-old chief executive of Celgene Corp, Sol Barer, won't be retiring any time soon. But if his 12 grandchildren have their way, their white-bearded playmate could be retiring sooner rather than later. "My wife doesn't want me around the house all the time, but my grandchildren have more votes," he said in an interview after the company's research and development day in New York. Either way, the question of succession, and how he wants to leave Celgene, which he has helped shape over 25 years into one of the most successful biotech companies in the world, is one that pre-occupies him greatly. "How do we go about preparing the next generation of leaders?" he said. "The statement I always make is that everyone is leaving a legacy for the next generation of leaders." The challenge for Celgene, which makes the cancer drugs Revlimid and Thalomid, is to keep its entrepreneurial culture while growing into a company that he believes could eventually rival today's biggest pharmaceutical companies. "No one has figured out the right design for a huge company to remain entrepreneurial," he said. "That's what I'm working on right now. How do we structure ourselves to grow while retaining the essence of what we've done to get here?"

Celgene, which has a market value of $29 billion, was spun off in 1986 from Celanese Research Corp, a chemicals, fibers, and plastics company. Its original goal was to develop biologic products to clean up hazardous waste. But Barer, a chemist who was in charge of Celgene's research and development, was drawn toward pharmaceuticals, and in the early 1990s, he and David Stirling, Celgene's senior scientist, met with Gilla Kaplan, an immunologist at Rockefeller University, to discuss a potential drug project. What he came away with was a vision for building Celgene around the most notorious and vilified drug in pharmaceutical history: thalidomide.

Thalidomide, first launched in Europe in 1957 as a sedative, was soon available in 46 countries -- though not the United States -- and was widely used to treat morning sickness. Before long, however, reports of birth defects began to emerge. So-called "thalidomide babies" were born with nightmarish deformities, including flipper-like limbs. The drug was taken off the market in 1962. But three years later a physician in Israel found that giving thalidomide to leprosy patients cleared up symptoms of their disease. Years later, Rockefeller University's Kaplan discovered that the drug modulated the immune system, making it a candidate for multiple diseases. But no pharmaceutical company wanted anything to do with it. Barer, on the other hand, believed not only in

thalidomide as a treatment for certain serious conditions, such as cancer and leprosy, but he believed more potent, safer versions could be developed. More importantly, he was not afraid of being associated with it, and was willing to make the case to Celgene's board. "I was very excited by its activity," he said. "I said, 'Let's forget about the PR, let's look at this objectively. Here is a molecule that affects the immune system and could have a role in a variety of diseases. This is less a scientific issue than an emotional and historical issue.'" Barer has gone an enormous way to realizing that vision. In 1998 the U.S. Food and Drug Administration, whose legitimacy and reputation as a safety watchdog were fueled by its original refusal to green light thalidomide, approved the drug as a treatment for leprosy. Celgene sold it as Thalomid. "The decision to bring in thalidomide was obviously one which required a great deal of belief in the future," said John Jackson, who was Celgene's chief executive for a decade until 2006. "But Sol believed thalidomide had potential, and more importantly, that he could improve on thalidomide with a new generation of drugs." It was subsequently approved for myelodysplastic syndromes, a group of blood disorders that can lead to leukemia, and multiple myeloma.

Celgene has also introduced a more potent version of the drug, Revlimid, which generated sales of $1.7 billion in 2009 and the drug is now the company's main growth driver. Celgene has forecast it will generate sales of $2.1 billion to $2.2 billion in 2010. On Thursday, Celgene unveiled a raft of new experimental medications for cancer and inflammatory disease that it believes could, if successful, turn Celgene into one of the biggest drug makers in the world. Barer attributes Celgene's success to its culture, but it is one that colleagues say comes from Barer himself. "He's a very rare combination of somebody who is a superb research and development person and also has extraordinary business acumen," said Jackson. That may not be easy to replicate in a successor, but Barer said the qualities he values in a leader are less to do with expertise in a particular area and more to do with character. "It's the ability to inspire; it's vision; it's making people willing to follow; it's trust." Barer said the company will seek out the best candidate to take over as chief executive, but that he would prefer to identify someone from the inside. "The ideal situation would be someone internal because one thing we try to do is maintain our culture and make sure everyone is exposed to it so much that it's self-perpetuating," he said.

(Reporting by Toni Clarke; Editing by Richard Chang)