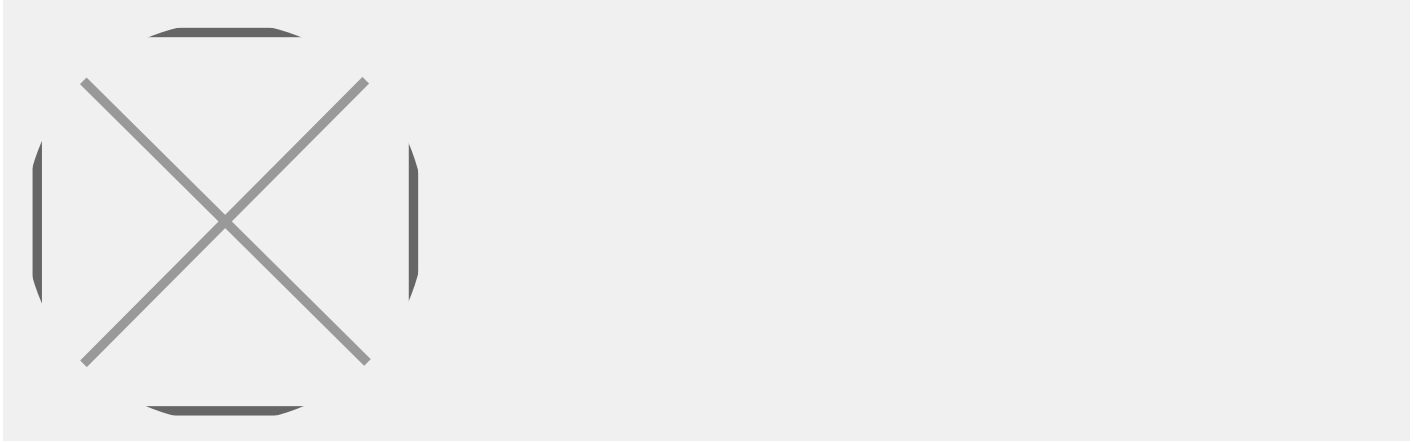
Interview with Colin Edwards, General Manager, Boehringer Ingelheim Ireland



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Dr. Edwards, you have been both a lecturer and a researcher. What made you 'come over to the dark side' and become a manager?

I do not find it to be the dark side!

Products in this industry are based on strong science. All drugs try to achieve the same goals, which are to improve quality or length of life, and to treat disease. Therefore, there is no dark side. I started my career as a professional researcher working in healthcare-related sciences, and I saw the industry as a good place to go. I wanted to learn about business and to apply science to business. This industry has the resources to do great things—in research, in disease mitigation, even in finding cures. For me it is a very interesting and logical transition, having spent several years as a fundamental research scientist.

Even though I am no longer personally engaged in research, we are constantly doing it as a company. At Boehringer Ingelheim, we are constantly looking at new areas and trying to help people in innovative ways. In a sense, everyone in the company is involved in the research effort—including the people on the commercial side. We provide the organization with the capital to conduct R&D.

You first joined Boehringer Ingelheim as a pharmaceutical advisor in 1987. Through these decades, you have outlasted several company chairmen and witnessed the birth and development of the corporate vision "Value through Innovation." How have you seen

Boehringer Ingelheim evolve in your years with the company?

I think that before the “Value through Innovation” vision was rolled out, the company was somewhat decentralized. It was, in effect, a series of companies that behaved quite independently in the different markets.

I think the key element of “Value through Innovation” was the creation of a very global focus and global way of thinking in our organization. We really strengthened the connections between different parts of the company, across job functions and across geographies. Even working in a small country like Ireland, we certainly felt much more connected to the whole of Boehringer Ingelheim.

Value through Innovation ushered in a globalization of Boehringer Ingelheim. It allowed us to take the best of our global approaches and tailor them to what we needed to do at the local level.

Importantly, our executive management also called for in-country teams at the subsidiaries to communicate their needs back to headquarters, so we could give feedback into the global approach. I think this was a big change. It was a change from a decentralized company to one that was truly interconnected.

“Value through Innovation” also coincided with important developments in communications. It coincided with the development of the Internet, which became the preferred model for communication, both for business and for people. I do not think the initiative would have been successful without these parallel developments in technology.

How has the company’s position in Ireland developed? What has the changing environment meant for you?

I think the environment has changed significantly since late 2008/2009. Previously, Ireland was a fast-growing market—particularly in the last decade. A lot of new products came onboard.

The reimbursement process in those years was relatively straightforward. However, quite rightly, there arose a need for economic evaluation of products prior to their being reimbursed.

The financial crisis really hit the country very hard. The change in the environment became obvious from about the middle of 2008 onwards. There were a lot of questions asked by government about where they could identify savings in spending. Healthcare is a very big proportion of government spending in any country.

It seems that the medicines budget, specifically, is always hit first.

The medicines budget is perhaps politically easy to hit, because medicines are produced by commercial enterprises.Governments always look to identify savings in such cases. We faced significant price reductions in early 2010 and in early 2011.

Another factor with a major impact was an effective freeze on reimbursement of new prodcuts. In 2009, for perhaps nine or ten months, it appeared that no new products across the industry were reimbursed. If you had a product in the reimbursement process at the time, you would see that it was stalled or delayed.

Technically, not reimbursing new products was in breach of an existing agreement with industry, which had been ratified in mid-2006.

We did not notice the situation ourselves straightaway, because we had no new products in the reimbursement phase. However, we were on the verge of launching a novel oral anticoagulant, which had the potential to require a significant increase on medicine spend in its therapeutic area—even though we knew from our economic evaluations that, overall, this novel product was going to save the healthcare system money.

The industry realised what was happening, and challenged the payer authority, noting that their reluctance to reimburse new products was in breach of our agreement. The authorities responded by saying that they could simply not afford extra costs, and that they would be unable to reimburse new products until we either agreed to additional savings or came up with a solution to offset costs.

Here, as a company, we became very focused on health economic issues and we developed good economic arguments for our products. Health economics had always been built into our product development approach, but we never had to emphasize this factor in the past.

We had a several meetings with agencies such as the National Center for Pharmacoeconomics. We worked well together and engaged in a very robust and open dialog. In Ireland, this agency is adept at working with companies and relaying what type of information they need to reach a decision.

We also haddiscussions with the payer regarding affordability. These were challenging discussions, but we always had the impression that the payer was truly trying to find a solution. We are now in a position where our novel oral anticoagulant is reimbursed, although there are some limitations. In all, we have got to a much better place than we were this time last year.

The pharma industry in Ireland really came to learn the difference between drugs being economically valuable, and being affordable. That is because, for the payer, affordability became the critical issue.

The state and IPHA now have a new three-year agreement, and the great thing about this agreement is that we now have a much more transparent process for reimbursement of new products, complete with concrete timelines. But the proof will be in the pudding. In the next three years, as new products come on-stream, they ought to be reimbursed in a reasonable timeframe if they are economically viable and affordable. We trust that the state will hold up their part of the bargain.

I think we have moved into a very modern era. I do not think Ireland was as quick as other European countries to adopt strict health economics guidelines—partly because there were resource issues, and partly because of a lack of attention from the state. Now we will engage in the same sort of assessments that big markets conduct, but the state bodies will have to further develop their expertise in health economic assessments.

Some decisions made in the middle of a crisis can have very far-reaching consequences. If a government decides to reimburse a product today, they are going to be buying that product at that price for approximately the next ten years—until it goes generic. So the authorities have to think hard about what they commit to. It is not surprising that they are tough negotiators.

How is your bottom line faring in this environment?

It has been difficult to grow. In 2004, if I looked ahead to 2012, I would have projected significantly more growth than we have actually experienced today. As we entered the financial crisis, we realized that not contracting—much less experiencing growth—was actually an achievement.

Today we are selling more products than we did in the past, but we get less money for them. As a result, our business is growing—modestly. Perhaps patients need more of our types of medicines in these troubled times.

I do not think the challenges are over. The next few years are crucial for the country and for our business. If Ireland is successful in getting back to the bond markets in the next year or two, that will make the state feel confident that they can invest in the future.

I think one of the difficulties is that the state has been trying to cut spending and increase taxes, and of course taxation is depressing people's discretionary spending. For the last few years, the state has sought to take cost out of the system, rather than invest in new developments in healthcare. In this country, sometimes medicine is a discretionary spend, because there is a lot of private spending on medical treatment.

It has also been difficult to plan. When we are developing our strategy, we plan by assuming a fairly stable environment. Of course, if the environment is not stable, it is very difficult to invest in

our business.

Three years is quite a short time to turn around a recession like this. If the economy does not stabilize, I think we are in for a very tough period indeed. It will have been seven years of spending cuts and increased taxes. Where can the government go from there?

To what degree does Boehringer Ingelheim's independence from public shareholders protect you from environmental ups and downs?

It does not protect us from business cycles—like our publically-owned peers, we do seek to run a stable business, making sure we serve our stakeholders, including patients and our employees.

What is really interesting about being a private company is that we can make long-term investments. We do not have the shareholder looking over our shoulder. We have to fulfill the requirements of our private owners, but we do not have to work based on very short term reporting deadlines—which might mean chopping and changing decisions.

We have made some very significant long-term investments over the years, which I think we would not have been able to make if we were a shareholding company. Being in a large private organization allows you to think ahead, make strategic choices, and follow through with commitments despite turbulence.

One significant investment you made in Ireland was in the development of a local clinical research program—an initiative that seems unique among your peers in this market.

I started our local clinical trials program over 20 years ago. If we look back to the Irish environment then, we would see companies with a manufacturing presence or a sales presence, or both. The market was even smaller, and drug spending was limited—but Ireland always tended to have modern medicines.

As a company, we decided we needed to have a presence here that was supplementary to sales, in order to develop more expertise in the environment. We thought a good way to do that was to involve Irish centers in clinical research. We would learn something more about the Irish market, and we would get a chance for some of the opinion leaders in Ireland to learn more about our company. It was a way of building relationships in key areas.

Initiating the clinical research program gave us the opportunity to show people we were a research-based company. We also got the chance to expose some of the leading clinicians in Ireland to new

Boehringer products before they reached the market, so they could get a feel for how they worked. We built on that platform, so that at any given time we always have six or seven clinical trials running in the country.

It is unusual for companies in this country to have an in-house clinical research group. We started with one person, then two, and now we have seven. I now describe the organization as a sales, marketing and research organization in Ireland.

Is the Irish clinical trials program now strategically important for the global organization?

Of course! It is vital to the whole company. Globally, we spend a big proportion of our revenues on research. The clinical research stage is the final decider, and it tends to be the most expensive and difficult phase of the drug development process. I think it is vital that companies have a clinical research footprint in all the countries they are working in.

There is some perception that the industry just takes from the taxpayer, because we market and sell products. However, pharma is a business, and if we cannot make a profit, we cannot invest money in R&D.

A lot of change is incremental and all new products bring something to the table—if nothing else, they bring choice.

Paradoxically, in these difficult economic times, there is a strong interest in clinical research in the medical community. That is because it is a way for them to get some research funding for their own projects. Also, one of the ways they use clinical research is to teach young doctors and scientists how research works, and how to interact with industry.

You have been a general manager for three years. What advice can you offer?

The weird and wonderful always surfaces on your desk. I think a good idea is to talk to other people in the same role because, while we are competitors, we often deal with the same issues. I think we are all interested in healthy competition and a healthy market.

The unexpected seems to happen more frequently these days. That could be due to the situation we are in economically. I have learned to expect the unexpected, more so than before. It is a fact of life, but as a general manager it is a bit more frequent. At the end of the day, you are often the person that has to give advice to other people and help them solve an issue that they have. A big part of your role is helping your colleagues find solutions.

I also try and talk to people outside of our company and even outside of our industry. We could learn a lot from other industries. There is an unsual element about our business in thatwe are not directly selling products to the people who pay for them. We are selling to someone (the doctor) who is acting in the best interests of the people who pay. It is only in the US and New Zealand that our industry can advertise to patients. So we have different sets of relationships, which make the business a bit different from others—and we must keep this in mind.

With this said, it is very interesting how the general problems in business are often the same. They often revolve around whether you have the right people for the situation, and whether they have the right tools and the right resources.

What is your final message?

Ireland is a fabulous place to live and work. Despite the recent economic hardships, we have a great attitude toward life. We are a hard-working country and we are working even harder today. We enjoy what we have—and the weather is not as bad as people say it is!

As a country, I am sure we will overcome our difficulties. We have a good health service that is struggling with financial issues, and I know everyone is trying their best to improve the system. As an industry and a company, we are part of that process.

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