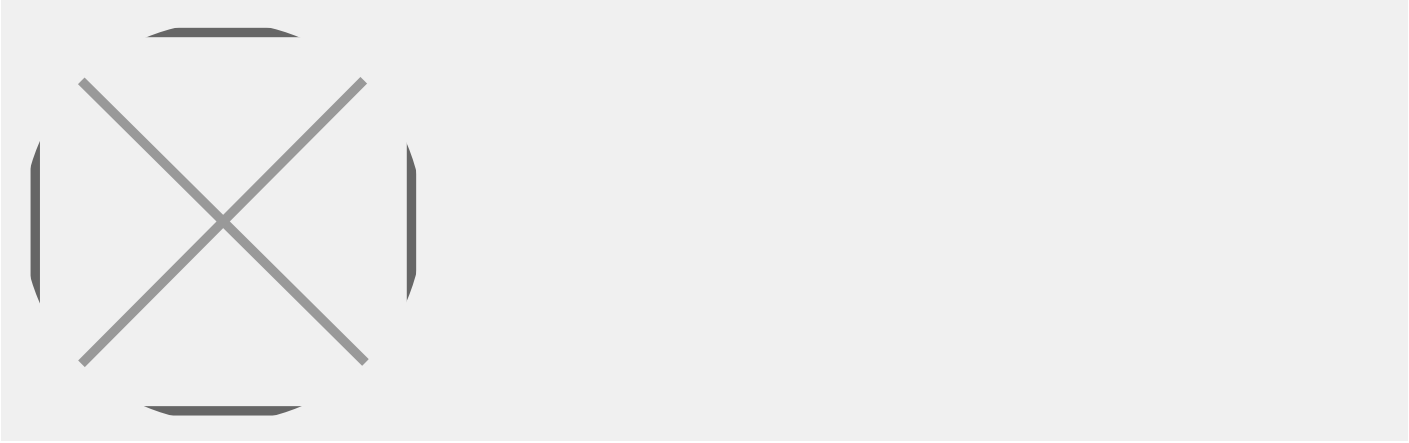
Interview with Philippe Chêne, General Manager, Baxter France



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Baxter is approaching 40 years in France, what have been the major milestones of the group during this period and what is the importance of France to the group?

During the time we have been present in France there have been key transformations for the company as a whole. Historically, Baxter was heavily focused on medical devices but over the years through acquisitions and spin-offs the overall perimeter of activity has changed. Today, a majority of our turnover comes from drugs. However, we remain a diversified healthcare company that manufacturers and distributes devices, medicines and biotechnology products.

Baxter is not a typical big pharmaceutical company as we mainly focus on treating patients with chronic and critical diseases at the hospital level even if some of our proposed treatments can be self-administered at home. Very few of our products are found in a pharmacy which means that most of our customers our reached in hospitals, like physicians and nurses.

In regard to France, our commercial operations have been established in the same region for a number of years but we also had two production facilities up until recently. We opted to sell our transfusion business – which included one of our largest plants in the world – to a private equity fund. The other plant was manufacturing parenteral nutrition products which close as a result of concentrating our operations for this product in Belgium where we have a much bigger facility.

Consolidation for these products was driven by the increased pressure on prices to meet healthcare costs. Our original intent was to find another company to take over this plant; however,

this was not a possibility at the time so we have instead transferred the plant to a French company who will use this same plant to manufacture food products. Through negotiations with both the local authorities and the acquiring company, they have committed to recreating the same number of jobs in the coming three years. Sustainability is important in all aspects, not just the environment and business but also your employees and the community around your installations.

As a result of this recent restructuring, biosciences have become a large part of the Baxter portfolio here in France. What does this segment represent in the long-term for you? Will this remain a considerable portion or are their aims to reorient the business?

Bioscience will remain our biggest division moving forward. In regard to balancing the portfolio, I do not want to decrease our focus on this segment but rather increase it in our other businesses, namely our hospital and renal division. There is a lot of potential for both of these segments, so the focus and challenge if you will, is to move from a pure product approach to a customer approach.

Baxter has long recognized the importance of more than a drug but a whole delivery system, is this something you plan to leverage in the future?

There are several levels, including ancillary products that support the main products in addition to clinical services that can help healthcare professionals as well as patients learn best practices for our drugs. This provides understanding of the right product, quantity, time and method of administering. Baxter's large number of drugs is unique in that we do not have pills but injectable medicines so we are differentiated not only by the molecule but the way in which it is given to a patient. Education has always been an area of focus for us, which is evident through number of clinical coordinators in our divisions. This number is actually being increased in order to strengthen our clinical sales approach in all of our given specialties.

Today, we need to make sure we are providing these technologies and therapies at a cost that is affordable for the community. In the past we focused on physicians but now we re-balance our approach by concentrating also on hospital pharmacists, financial directors and logistics as the healthcare system becomes more involved. We have to examine the impact of our value proposition on the outside world. Our new slogan for Baxter France is ensure we have a vision responsable au service de la santé which means examining – before everything we do – what the impact will be on all the stakeholders, including physicians, patients, professionals, pharmacists and payers. In this way we can ensure we reorganize the subsidiary in a positive way and create a sustainable value proposition.

On top of your duties here at Baxter you are also active with SNITEM the organization for the medical technology industry here in France. How would you say the association has been able to help voice Baxter's opinion on the marketplace? Do you believe the reforms of the past year have been a result of associations pushing for change?

The associations, whether it is the Leem for pharmaceuticals or SNITEM for medical devices, are confronting the same issues and need to educate their members. These groups play a role in gathering information about the market so that every member can understand the changes to the environment and potential consequences, constraints and opportunities presented by these developments. From this knowledge we need to develop a platform that represents the needs of each company, which is not always easy because there can be differences in our strategies and approaches.

It is very important to use these associations to influence the external environment on the key elements that impact our business. For instance, I have innovative products as do my competitors so we have common needs in detailing the benefits of quick access to the French market. Of course, when it comes down to specific dossiers and products, this is the job of the individual companies.

On the topic of working together, can you speak to the importance of partnership with local companies in the French landscape?

It’s probably very important and it’s my job to first identify the opportunities for local partnerships. I have some ideas for long-term, strategic partnerships on the horizon, which I obviously cannot disclose at the moment.

Once I have identified the best opportunities I have to educate my corporation so that they understand that France is indeed a very attractive country to conduct a partnership in. We have to enlighten our colleagues in the group about what France really is like because the country has an image of labor complications, poor productivity and complex tax systems. In reality, the productivity level of our subsidiary versus the rest of the world is one of the highest in the organization. Moreover, while the tax system may be complex it’s highly attractive for research which is why I have worked with my finance director to draft a position paper to communicate the opportunities of France to our external colleagues.

I think in the past some in France have made the mistake of presenting the country as too difficult in order to convince external management that they needed the French to run it. As a result, many have strengthened the image of a difficult country. Some years ago I began to change the way in which we communicate about France in the hopes of showing that the glass is half full rather than half empty. Provided you understand the needs of a country and its administration – specifically why they do things the way that they do – you can determine the value proposition.

What would you say is the value proposition Baxter France brings to potential collaborators?

Baxter's main responsibility as a healthcare company is to provide products and therapies at an affordable cost to the community. Of course, signing local partnerships and benefitting from tax advantages is of interest for both the government, if we create jobs, and the company, if we have good financial deals. However, the way in which the healthcare system is managed at the moment, makes me fear that maybe these two parties are mixing too much. For instance, investing in R&D or production in France can lead to better reimbursement prices which I don't believe is the way to go forward.

Reimbursement should be fixed depending on the overall performance, delivery and clinical outcomes of a product. After these requirements, local collaboration should lead to an additional benefit via the tax system, which is nice to have. Our industry is not in the business of financial investment, we are healthcare professionals who should be focused on delivering the best care to patients. It's great if these two benefits can come together but one shouldn't interfere with the other.

In your opinion then, have the reforms of the past year in France been headed in the right direction?

I think it's headed in the right direction but we still have to be vigilante as we have seen more complications in regard to price determination such as instances where pharmacoeconomic factors have not been taken into account. Baxter is not just involved in manufacturing products; we have to consider the commercial side as well. As I noted before when we promote our products we need to educate the population and ensure safety of treatments through pharmacovigilance systems. Clearly, there are all sorts of costs associated to this overall strategy of delivering quality treatment that need to be taken into account.

Historically, when we have won a national tender for one of our products, we have educated each one of the new customers which is a huge cost fiscally and in terms of time and effort. For instance, if you look at the vaccines business, we are coming up on a recommendation for vaccination of people ranging between six months and 24 years old. In the French system this will go through paediatricians and general practitioners, of which there are likely 6,000 and 60,000 respectively in France. As part of the system, we as the provider have to go to nearly every one of these physicians to educate each one on our product but on the need which has been identified by the Haut Conseil de la santé publique (HCSP) to promote vaccination. This is completely different from other countries, such as the UK, where a similar recommendation was made and the vaccinations were managed by the authorities.

While the French system has shown itself to work very well, it has this added cost of doing business that must be considered both when comparing prices and setting prices in France. For business, the worry is that the French authorities will seek the lowest possible European price –

which used to be the case – without looking at the different conditions between EU countries.

Baxter France has been here for quite sometime and you have been at the head of it for a number of these years. Could you elaborate on what this experience has taught you about management and what your recommendations would be to a young person rising to a management position in France?

Officially, I have been in this position for ten years however, the organizational structure of Baxter changed in 2004 when Bob Parkinson became Chairman. In the past, we had a global organizational structure involving a local, continental and global level for each business unit which meant we had four country managers, four European managers and four global heads. This translated into little power for the local manager within the commercial organization and would act predominantly as a coordinator for a business unit.

When you focus on solely on the physician and pathologies rather than the customer, hospital and authorities, this type of global business model is sufficient. It especially works when your company has a blockbuster drug because if you have something everyone wants it's not necessary to have every manager in the world thinking about how to position it in the local market. Today, the industry is turning towards more individualized treatments that better meet patients needs and it's increasingly clear that the value proposition differs from country to country which is why a locally geared focus can out perform a global structure.

Therefore, even if I had the title of General Manager before 2004, I only became a true country head in the past five years.

I have been with Baxter for a number of years now because I love the company and its focus on chronic pathologies and critical diseases which gives me the feeling that we are making a difference. Moreover, we work on certain diseases where there are a small number of patients and as a result are in close contact with their representative groups so we can understand their needs and help them. For instance, we helped a man who is currently on peritoneal dialysis to plan his solo transatlantic sail from the Canary Islands to Martinique which allows him to dialyze himself four times a day. Therefore, due to the specialized care of Baxter, he will be able to make this trip in his sixties across the ocean. This kind of immediate example is really rewarding as a manager.

As to what I would say to someone younger, general managers are responsible for delivering financial numbers but these are only the consequence of right and wrong decisions. Of course, there may be some external factors like reimbursement-cuts where you are not directly responsible but these things happen. Overall, young managers shouldn't focus on the numbers, they should pay attention to the people within the organization and the needs of customers as well as the impact of every action taken – or not taken – on the external environment.

Baxter measures employee engagement on a two year basis which is a very important metric to me; in our last survey 84% of our employees were engaged. These factors for engagement may change from country to country but in France the most important were confidence in senior management, image in the community and opportunities for career progression. I would recommend new managers to focus on these factors and the numbers will come.

Lastly, I would note that France is a centralized country so you have to consider the impact of this structure on healthcare authorities. It helps to take the time to understand how it works and to empathize with the position of key stakeholders at the governmental level. Ask yourself why they behave the way that they do and make certain choices. Rather complaining about each decision that is made, try to work with authorities to find a compromise.

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