Interview with Jean De Szolnok, President, Boehringer Ingelheim France

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There is a lot of change occurring in the French pharmaceutical industry at the moment and this is no different for Boehringer Ingelheim. Just last September you moved into these new facilities here at Paris Biopark. What does this express about the moves Boehringer Ingelheim is taking in France and your strategy for the future?

For the past 30 years we have had our main installations in Reims where we traditionally have conducted operations in production, R&D from phase I-IV as well as some chemical activities in addition to marketing and distribution. In the last two years of assessment we have acknowledged that the area of Paris is indisputably the key region for public private research cooperation with both institutes and universities as well as relationships with hospitals, specifically the Hopitaux Parisiens (HP). Moreover, this location aids us in our discussion with authorities and our partners like Pfizer and Lilly. The world for collaboration has become much more open in France but to access all of these possibilities you have to be in Paris.

One also has to take into account that most of the job market is in the Paris area so if you want to progress in the French market, which is our objective, then you need to find the best people who are predominantly here. We want to double our market share because we perceive ourselves as slightly behind our colleagues in Europe due to delays in product launches, such as Spiriva and Sifrol. In order to do this we need to have the best possible employees so we need to be in Paris.

As to why the 13th arrondissement when we previously had offices near Trocadero is simple: we are in a completely renovated and specialized business center. The facilities are up to date and the

scientific Université Diderot is located nearby with the Ministry of Economy not far away either. The Biopark contains biotech, start-up and larger pharma companies so we believe this is the area where the science and knowledge based industry will be growing in the years to come.

You have mentioned the importance of public private partnerships which have become a hot topic in France. Of course, Boehringer Ingelheim has been know for their cardiology and pneumology focus but has extended recently into the nervous system and oncology areas among others. Is there a possibility for collaborations with French programs like 'Plan Alzheimer's', 'Plan Cancer' or other projects?

We participated in a meeting with the Laboratoires Internationaux de Recherche (LIR) in June that brought together labs and government institutions to discuss collaborative research on the central nervous system in France. This is a major initiative because even though there are a lot of public based institutions they have historically not communicated with the external world.

Currently, due to the belief of authorities that scientific knowledge is central to the future of the industry as well as society, this black box of partnership with public research has begun to open.

At this point in time we have two major endeavours, the first being that we are among the 8 to 10 companies who have invested within the strategic biotechnology fund which was one of the major announcements from the October CSIS meeting. Secondly, Boehringer Ingelheim is one of the few big pharma companies who have a decentralized R&D philosophy which is evident through our clinical trials. Last year we conducted 47 studies in France between phases I – IV, seven of which had international lead in the organization. Of course this is quite a rare fact because the typical model for a company is to conduct the lead research in their domestic market.

Clinical trials have always been a big aspect of Boehringer Ingelheim's operations in France. However, some organizations claim it is cheaper and more effective to do these trials in other regions despite the fact that France has historically been a very popular destination. What about the French market remains attractive for your operations in this field?

The French market is very attractive because it contains some of the best universities, hospitals, and infrastructure in the world for trials. What was missing up until now was a cluster philosophy which meant the capacity to link the Inserm with hospitals and multinationals like Boehringer Ingelheim was deficient. It is important to create alliances in order to build up these new clusters which are why the CSIS is promoting the Alliance Nationale pour les Sciences de la Vie while the LEEM is working to create an agency to facilitate the link between the public and private spheres.

There may be advantages of speed and cost productivity if one were to move trials to locations like Maghreb or Asia. However, you would not find the unified presence of universities, institutes,

hospitals and knowledge in any one country. If the French government is successful in demonstrating to the industry that it has changed its mindset then France will be enormously attractive. On top of this factor, there is also the tax advantages allotted for the pharmaceutical industry. Therefore, I am quite positive that something is changing in France and it's not the infrastructure, as this would take years, but rather it's the mindset that is progressing.

Things are changing not only for France but for Boehringer Ingelheim within France as well. Could you elaborate on the changes within the organization?

From a wider perspective, we are moving from a regional to functional focus on a worldwide basis so our governing system is adapting in order to focus on emerging markets and new therapeutic areas. Boehringer Ingelheim is one of the few companies which will have five major products to launch within the next three years. There is Pradaxa, a new anticoagulant; Twynsta which is part of Micardis' lifecycle management; two oncology products for lung cancer as well as Flibanserin for hypoactive sexual desire disorder (HSDD). This future activity has trigged additional investment in France and our movement to the center of Paris. Moreover, this has altered our mindset to ensure we raise our market share to the appropriate level which requires doubling turnover in the next five years.

Last year you grew by 9% to reach €430 million, how was 2009 in this regard and how are you adapting the organization towards your objectives?

Behind us is a strong period of growth that was in the double digits for the past four years, with this year looking more or less similar to 2008. Our current situation is rather lucky as while the big pharma companies have been decreasing promotional intensity and announcing changes to their model, we are continuing with the same approach. As the competition declines we are maintaining our course so our success is not necessarily based on increasing investments but improving out position relative to market performance.

Boehringer is also adapting to a therapeutic approach and investigating new areas for example we have created a unit in oncology while improving our cardiology and respiratory franchise. In the end we are focused on developing on our focused tracks as we believe innovation is not a question of size, financial power or merged growth but one of mindset. The common logic that has led to the number of mergers and acquisitions in the pharmaceutical industry is spurred from financial committees, not innovators. If you implement a mindset of innovation within your people first and then your research, then you will continue to have a successful pipeline.

Nevertheless, in regard to production you have made a major decision to close your Reims facility and have moved to contract manufacturing with the French firm Delpharm. Does this reflect upon the image of France and the misconception that France is not an attractive area to produce due to red tape and social issues?

I am proud about our decisions in production as I believe it is a strong sign of innovation. At the moment due to the generic erosion in France, which is comparable to any other country, we will lose nearly all volume on products that go off patent in six months and no one can adapt a production process in such a short period. However, if you examine what is happening you will see that the innovator is losing approximately 90% of their volume in this period while the volume alone is stable. Therefore, the only solution for an innovator who owns a facility is either to close or to find a partner to utilize the remaining production capacity. What we have done is found a specialized generic producer to take control of the plant who can continue to grow in volume while committing to us our necessary volume. In the end we have not divested from France, instead we have done quite the contrary and created an opportunity for production to continue. This approach is something no one else has done at this point of time.

As a matter of fact we have increased our volume in France because the complete [production unit for respiratory products has gone to UNITHER] a third-party manufacturer who is making our products worldwide which accounts for another €20 million indirect investment.

Are there any hopes of BI returning to France for production investment?

This an open possibility, at the moment we have two strategic centers including Germany and the United States but this is not a fixed decision and will certainly depend on where the volume is. Biotechnologies are the second factor as Boehringer Ingelheim is the world leader for third-party bioproduction. This is an integral point to make because production is one of the key barriers to entry in the biotechnology field unlike the pharmaceutical market where the central barrier is innovation. Our site in Biberach, Germany is one of the only multi-license production sites in the world which we see as the entry point to the commercialisation of biotech products.

As a manager you have experienced a lot of different locations including Germany, Canada and Belgium. Apart from regulatory framework what are the major differences you encounter working in France compared to other locations? What are the specificities a manager sent to France should know before entering this market?

One of the biggest differences with in the French mentality is that employees want to see a sense in what they do beyond just business which I found to be less important in the Anglo-Saxon world. You need to have business strategy behind the decisions you make in France but beyond that you have to give people a reason behind their work because they are more holistically motivated. This can be catastrophic if there is no significance but also incredibly productive should it exist because it becomes transversal across the organization. People like to think with an outside of the box mentality which allows for employees to liaise with topics outside of their individual business.

Boehringer is one of the few top 20 family owned pharmaceutical companies which allow it to form a steady strategy despite what financial markets might think. How is the fact that

you are a family company help give sense to the operations and how does the German culture fit into the French context?

The cooperation between our two cultures is something that has been upheld for the past 50 years and if you witnessed Angela Merkel together with Nicolas Sarkozy at l'Arc de Triomphe then you have the impression that something productive is happening in this cooperation. Having said this however, there are major differences in the way both cultures do business. In general, the Germans don't like surprise and they anticipate in an astonishing manner while being second to none in their ability to adapt and innovate. The French don't anticipate as well as the Germans and are usually unprepared but they produce innovation through a much more atmospheric approach. If we are able to take what is good out of each culture then it is possible to do incredible things.
I think that this French-German partnership has a brighter future than a pure Anglo-Saxon culture whose pharmaceutical companies have driven growth with a financial perspective for 20 years. The history of mergers as well as value creation on the stock market has failed at producing pharmaceutical innovation despite being able to produce returns for shareholders. Boehringer Ingelheim produces innovation based on long-term investment in research while maintaining the belief that human capital is creating this innovation.

For many pharmaceutical companies France is their number one pharmaceutical market in Europe. When is France going to be the number one European market for Boehringer Ingelheim?

The 1990s was a decade of less successful marketing in primary care while the 2000s was a decade of building infrastructure and reorienting strategy. The next phase will employ our new releases in the next decade and will return the French market to prominence; perhaps in co-leadership with Germany as we would not want to overshadow the shareholder's market.

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