Johnson & Johnson Spain – Enrique Álvarez, President

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Enrique Álvarez, President of Johnson & Johnson Spain, discusses how the affiliate has taken the necessary measures to adapt to the country's newfound realities while still delivering only the best in innovation for the Spanish population.

Prior to J&J, you worked in a variety of other roles with companies like P&G and Gillette. What have you been able to bring from those experiences to your current position?

Firstly, we have to ensure that we place customers at the center of what we do; every part of our company must look at the needs of our clients, not just the sales or commercial departments. While this is very evident in consumer product companies, perhaps it is historically less so in pharmaceutical or medtech companies. I also try to bring an approach that simplifies processes. J&J has many competitive strong points, but also has a complexity because of its large size and many divisions. Therefore, we must ensure a clear path for decision-making that gives us the speed and agility that the market requires nowadays.

The medical device industry has been no exception to the effects of the crisis. What steps have you taken to maintain a strong market positioning while ensuring company morale?

We understand that we are part of the healthcare system and play an important role in it. Therefore, J&J also has an obligation to help find solutions to ensure that the overall healthcare system is sustainable moving forward. One of the trends in countries like Spain is the ageing

population, which creates a huge demand and need for healthcare, and this also creates challenges for constraints in public budget and need for government to create deficit. At J&J, we aim at being part of the solution through innovative technologies that provide an improved benefit for the patients and physicians while delivering a lower cost for the society.

Secondly, we have significantly changed the business model. We recognize that there has been an increasing importance in the role of nonclinical stakeholders such as payers and providers. In that regard, we had to change our approach to the business to ensure positive and effective interaction with all stakeholders. We had to build new competencies, attract new talent, and change the shape of the organization so that different departments could work together to provide innovative solutions. Simultaneously, we also had to adjust prices in some areas and segments which required our own internal adjustments, to reduce the operational costs. But as in any crisis, it is crucial to believe that we are coming out of the crisis stronger than when we entered it. That process is putting us in a very competitive situation moving forward, and we can take advantage of everything we learnt in the process for the years to come.

Did you personally evolve, in terms of crisis management?

It is not the first time I have experienced a crisis while being in a leadership position. I spent seven years in Latin America, and I arrived to Mexico right after the big devaluation in December 1994. In these situations, what makes J&J different is its ability to compensate the downsides in some businesses with upsides in other ones. As in any crisis, it is the agility in adapting to the new conditions of the environment that creates a significant difference in the final outcome. Helping to craft a vision for the future and maintaining the focus behind a clear strategy are critical components of managing in this circumstance.

In recent years, new management concession systems established in some hospitals have allowed private companies to offer their services to the public sector. How does that affect the strategy of a company like J&J?

It depends on whether those companies are adding value to the system, in which case we believe we can work with them. The new rules of the game imply that if you want to be innovative, you have to be able to respond to the needs of the more complex environment and complex stakeholder panel that we have. We foresee there is an opportunity to better integrate the public and private sectors to bring efficiency and save costs, and we are ready to work in that space as a trusted partner.

90 percent of medical equipment companies based in Spain are SMEs, and eight percent comprise 60 percent of production value. Is this balance a healthy one, or is there room for improvement for smaller companies to grow?

There are still a number of companies in this sector that are playing in the field and while the crisis may have affected some of them, their ability to export has increased significantly. FENIN has played a key role in supporting this kind of increased approach to exports and reaching more markets outside. Maintaining the government support to R&D initiatives is critical to maintain the innovation and competitiveness of the smaller business.

How active is J&J in participating in the innovative procurement process?

We are very active as we must ensure that the right technology gets to the right patients. That requires finding innovative methods to compete in the purchasing process. Given the decentralization of the healthcare system, there is not one single purchasing process emerging, but a wide variety of them. For us, we have to make sure that every solution contemplates all aspects. This is not just about a cost reduction measure, but rather we are ensuring access to the right number of patients. This provides savings and efficiency to the healthcare system and helps to introduce new technologies. Decisions cannot be based only on price; you must consider patient benefits and efficiency for the system.

Indeed, pharmacoeconomic value is more important now than it ever was in the past. How do you demonstrate value over cost?

J&J is taking great strides in this area. We are putting many initiatives in place in a variety of areas. In the medtech space, we are focusing our strategy in treating critical diseases like obesity, oncology and cardiology. For each, we are providing studies to prove that with the right treatment, we create benefits for the patients and for the system. For obesity, J&J is creating technology to perform bariatric surgery that will not only reduce the weight of the patient but will also eliminate some co-morbidities, like type-2 diabetes. That creates efficiency for the healthcare system itself and for society at large. Our studies demonstrate that there is a cost benefit in providing the right treatment at an earlier stage for most of the patients. We are starting to use this strategy more often, but there is still room for improvement in terms of how it impacts the evaluation of technologies and purchasing decisions today in the marketplace.

How is J&J’s portfolio represented in Spain, and what are the biggest drivers of growth today?

100 percent of J&J's worldwide portfolio is represented in Spain. Our key growth drivers are related to innovation in our major strategic areas, like staplers, energy, atrial fibrillation and selected orthopedics, where we deliver growth up to double digit rates.

What is the strategic importance of Spain to the J&J network?

Spain is the fifth largest market in Europe for J&J, and plays an important role precisely because the crisis was more acute here than it was in other places. We can share many learnings from the changes that we made in our business model to elevate ourselves out of the crisis. It is not just about innovation R&D; rather, technology innovation, commercial innovation, the way we are modeling our organizations, and the solutions that we develop for customers. In that sense, Spain is a good business case for the company to build a different business model in a relatively short period of time.

In what areas can Spain improve to be innovating competitively at the European level?

Over the last few years, there has been a serious effort to attract talent, particularly local talent. One key element will be able the ability for Spain to retain that talent while continuing to develop new generation of scientists and innovators. That will be critical to sustain our innovation and growth effort. This country already has great innovation centers and excellent universities, but our ability to retain talent will be a key element.

What would you say to companies or individuals to convince them to invest in Spain?

Spain is already a relevant market with a strong potential that will further increase its attractiveness as the economy improves. One area of advancement is the collaboration between business and innovation centers where the situation will certainly improve. We have an opportunity to really build those sorts of partnerships while accelerating the innovation pathway in Spain. That will probably add new opportunities for young people to have practical experience to bring innovation to the business world.

How do you want J&J to be perceived in the future? What are your goals?

J&J will continue to be an active player in bringing new solutions to the market, with differentiated technologies, a clear partner for our customers, either hospitals and physicians, with excellent programs in professional education and other type of initiatives and, at the same time, will continue to be part of the evolution of the healthcare system's transformation. We are very active with European and local authorities, and in that regard we will continue to work with them to find a sustainable model. We will also continue to drive innovation to ensure that patients have access to

the latest technology.

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