Interview: Liana Maksyoutova – Country Manager of Polpharma, Ukraine



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Liana Maksyoutova, country manager of Polpharma Ukraine, provides insights into the impressive transformation of the Ukrainian affiliate that she has fostered since inheriting its reins in 2012 and how she has been able to leverage her previous experiences in the Fast-Moving Consumer Goods (FMCG) sector to turn around the affiliate. She also documents her approach to cope with the deep crisis that has recently hit Ukraine as well as the affiliate's new "20.20.20" growth vision for the upcoming years, at the moment Ukraine's pharmaceutical market is now picking up again.

After having honed a substantial experience in the FMCG field, including the position of General Manager at Nutricia Ukraine, you joined the pharmaceutical industry and Polpharma Ukraine in 2012. What were your first impressions of the pharmaceutical industry at that time?

It was for me like transshipping from a high-speed boat to a rowing boat. I was surprised to see that pharmaceutical companies' operations are moving at a significantly slower pace than in the FMCG industry – in almost all operational aspects. This assessment notably encompasses new product launches, strategy design and implementation, operational corrections and adoption of changes, as well as internal and external communication, among many other areas. In this regard, I still consider that the pharmaceutical sector in general lags behind many other B2C industries – and not only FMCG companies, which have been quicker in embracing new, innovative commercial and operational approaches.

Furthermore, the pharmaceutical sector is also characterized by higher profit margins than the FMCG industry, which somehow translates into a less stringent focus on profitability and performance optimization than what I was used to when working for FMCG companies.

In this context, when I took over the helm of Polpharma affiliate in 2012, my first assessment of our operations was that the Ukrainian affiliate was significantly underperforming – especially given the great quality of Polpharma's products and our ten-year presence on the growing Ukrainian market. In this regard, my fundamental objective was to step up the pace and the efficiency of our operations in order to make our Ukrainian business more dynamic and profitable and maximize the value of Polpharma's products in the country.

Coming from the FMCG sector, I then leveraged the skills and management approach honed in this industry and translated it into the requirements of the pharmaceutical area. Five years after my arrival, I am glad to say that Polpharma Ukraine has truly evolved from a slow to a fast moving organization, while never compromising the patient-centric approach that truly distinguishes our company from the competition.

How did you come to the conclusion that the affiliate was underperforming?

The affiliate's results were not dramatic and its sales were growing in value terms – mainly driven by price increases. However, our market share in volume terms was decreasing in a context of strong industry growth, so we were not gaining new patients, thus not developing our business at the pace expected by the company's headquarters.

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During the first six months of my tenure, I truly favored a bottom up approach and spent a substantial amount of time on the field alongside my sales representatives. This experience allowed me to personally meet a significant number of customers, including doctors, nurses, KOLs, retailers, governmental officials across the entire country, as well as to attend in-depth interviews that were conducted with consumers. My objective was to get a deep overview of our local and regional operations while strengthening my understanding of the pharmaceutical business and identify how I could best leverage my previous experiences from the FMCG field.

After several months on the field, my assessment was that many employees – some of them working at Polpharma Ukraine for a decade – were not challenged enough in their daily operations and through their individual objectives. This critical lack of effectiveness largely fell to the Representative Office's management, which had failed to establish an effective and workable

system of performance management with the right set of KPIs and their measurement tools to motivate our team to deliver expected business results. Another obvious issue and weakness was the outdated and static product portfolio, which was not renewed for years and therefore got dry and thirsty for new launches. In this context, no wonder that we were lagging behind the majority of our competitors, especially taking into account the overall performance of the market.

Operating such a mindset change is no easy task. From a managerial standpoint, what has been your approach and areas of focus to fulfill this objective?

My first focus was then to start from the basis and set up the strategic tools we were lacking of. At this point, there was no long-term business plan or strategic vision clearly formulated, and our teams could only rely on a twelve-month plan to evaluate their performance and gear their efforts. I then defined a strategic vision for the affiliate and rapidly implemented an efficient set of KPIs, which involved all layers of our organization. In the meantime, we communicated our strategy, as well as our new operational approach to the whole organization, while establishing a more precise and reliable management information system. Furthermore, a daily sales reporting replaced the quarterly sales results previously available, providing our sales force and the affiliate's management with a very accurate assessment of our commercial performance and rooms for improvement.

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One cannot hold the ambition to turn around an affiliate without expecting that some employees will not be ready to embrace this deep transformation. In this regard, our turnover was relatively high when we triggered this transition period, which is absolutely normal. At the end of the day, Polpharma Ukraine's renewed staff is now perfectly aligned with our heightened ambitions, while the employees that have stayed with us through these changes are the ones that were displaying the highest level of commitment and loyalty to the company.

You initiated this deep transformation process upon your arrival in 2012, but 2014 however marked the triggering of a deep geopolitical and economic crisis in Ukraine. How did you adapt to this very challenging environment?

First and foremost, our close monitoring of the external environment and of the market allowed us to identify the first signs of its stagnation and subsequent negative growth trends as soon as they started materializing. Our close monitoring of the situation also enabled us to rapidly understand that the Ukrainian market had been structurally transformed and that we needed to adapt our strategy.

In this regard, market monitoring only stands as a powerful decision tools if one is ready to face the new market reality that is emerging before his eyes, which is easier said than done when such a dramatic crisis occurs. As country manager, it could be challenging to acknowledge that the market context has completely changed – for worse – and to adapt the affiliate's operations accordingly through tough decisions.

The second critical step was to share this information with our headquarters in a very proactive and agile way. Together with my local Management Team we performed a 360 degree situation analysis and based on that worked-out several alternative scenarios of Polpharma's future development in Ukraine. Then my Finance Director and I attended a high level meeting with the company's top management to present our analysis and proposals. We first discussed the actions already implemented to mitigate our heightened risk exposure since the war broke out in the east of the country, while presenting them three different scenarios to cope with the economic crisis: first, increasing our investments in Ukraine in order to seize countercyclical opportunities; second, maintaining our previous strategy and market approach (status quo) and wait for the crisis to end; and, third, leaving the Ukrainian market and continue selling our products through local distributors.

Which scenario did you actually choose?

We decided to see the crisis as a unique opportunity to further develop our operations and to increase our market share. This bold approach therefore prompted us to continue investing in the country, but with a heightened focus on improving our affiliate's cost efficiency. In this regard, we also leveraged these difficult times to further optimizing our processes and streamlining our operations. This strategy has already paid off: according to Morion [*one of Ukraine's leading data providers for the pharmaceutical industry, e.d.],* Polpharma was among those international companies that were showing the highest increase of their market shares during the crisis.

On the other hand, we swiftly adapted our strategy (again) as soon as Ukraine's pharmaceutical market started showing first signs of recovery, in August 2016, after two and a half years marked by a very deep crisis. As a reminder, between 2014 and 2016, Ukraine's pharmaceutical market lost around 50 percent of its value (in US dollars), mostly as a consequence of currency devaluation *[the exchange rate of the Ukrainian hryvnia versus the US dollar decreased more than threefold between the beginning of 2014 and mid-May 2017, ed.].* Although we have managed to increase our market share during this period, Polpharma was not spared by the tremendous drop of the market sales value expressed in USD terms, like all international companies operating in Ukraine.

In this context, our headquarters were not fully convinced by these early signs of market growth: we really had to demonstrate the significance of these new dynamics and explain why we were convinced that they prefigured the dawning of a completely different market context. Our headquarters ultimately trusted our analysis and let us implement the strategy we have prepared for Ukraine's new era of growth, which has now been gaining in momentum.

What is the strategy that you will follow in the upcoming years, and how do you plan to leverage the operational transformation that you instilled before and during the crisis?

Our main objective is to strengthen our market position through profitable growth to become a prominent player on the Ukrainian pharmaceutical market This is summarized by our "20.20.20" vision, which means that we want to grow our sales at a CAGR of 20 percent in order to integrate the top 20 international players by 2020.

In this regard, I want to establish Polpharma as a frontrunner in a number of selected areas, in order to fully benefit from Ukraine's recent market recovery *[depending on the sources, Ukraine's pharmaceutical market is set to grow between 12 and 17 percent in 2017 in US value, e.d.]*. The first dimension relates to our organizational capability to efficiently operate in a rapidly changing digital environment and to provide value to our customers by employing a multi-channel communicational approach in our daily interactions with them. The Ukrainian pharmaceutical industry and their executives have been rather slow in embracing these new marketing and communication channels It makes no sense to deny the obvious and to naively hope that the digitalization will pass by Pharma. No doubt that in the upcoming years pharmaceutical companies in Ukraine will have to accept the change and to start adapting their age-old model of interactions with doctors to that implying a broad use of digital communication tools to effectively engage the customers. In this objective, a first step forward for me as a country manager will be to bolster a true mindset change among the management of our affiliate, as these managers will then be entrusted with the mission to implement the new approach across the entire organization.

Another important aspect of our new growth strategy relates to our relationship with retailers, especially pharmacy chains. In this context, we strive to operate as a leader in change and to help them improve their operations and processes, particularly with regards to category management. In this area, I consider that the pharmaceutical industry lags far behind FMCG sector's standards, but that the two sectors will eventually follow a similar development model. I however believe that the implementation pace in the pharmaceutical field will be much faster than in the FMCG sector, and our affiliate' s objective is to support Ukrainian retailers through this transition.

Finally, we will continue to further develop our product portfolio and launch new, innovative products in order to bring more value to our patient., doctors and retailers

What is your vision for Ukraine's pharmaceutical sector and the positioning of Polpharma within Ukraine's "New Era"?

In Ukraine, 85 percent of medicine supply comes as out-of-pocket spending. Although a reimbursement program covering 21 INNs was recently established, it only covers one percent of the total market value. We deeply hope that this coverage will be expanded year on year; in the meantime, we need to acknowledge that Ukraine will remain a market mainly driven by private spending in the foreseeable future. As a result, its growth will essentially depend on the recovery of our country's economy and the pace at which the purchasing power of the population will be increasing. In this regard, Ukraine's GDP is set to grow between two and four percent a year from 2017 to 2020, before growing above the four percent mark from 2020 onwards.

Over the first six months of 2017, we have increased our Sales-Out (from pharmacies to the patients) by 25 percent year on year, which is perfectly aligned with our "20.20.20" vision. In this context, our objective is clear: we want to continue outperforming the Ukrainian market and to visibly improve our market position.

Along with the strengthening our local performance we will re-enforce Polpharma's positioning as a reliable provider of safe, first in class products targeting unmet medical needs in Ukraine. In this regard, we will remain committed to the guidance expressed by our company's owner: we should not tailor Polpharma's portfolio to local needs, but – on the contrary – build our local portfolio from the needs expressed by our patients and doctors.

In the grand scheme of things, Polpharma will continue investing in Ukraine and our objective is to build new enriching, long-lasting relationships with our local customers, partners, stakeholders. Our approach always goes beyond just low-hanging fruits and quick wins: Polpharma is about people helping people.

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