Klaus D. Pannes, Chairman & Managing Director – B. Braun Milano



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11.08.2022

Tags: Italy, Europe, B. Braun, medtech, hospital care, Aesculap, Avitum, Grifols, BiMind

Chairman & Managing Director of B. Braun Milano, Klaus D. Pannes, shares the importance of the German medtech's Italian affiliate, one of its top ten by third-party sales, which is celebrating its 100 year anniversary this year. He also describes how B. Braun is working to overcome the challenges of rising raw materials prices and supply issues and discusses the industry trends Italy plans to build on, including home care and a broader use of technology.

In a few words, what is B. Braun?

B. Braun is the largest family-owned medtech company in the world with more than 60,000 employees worldwide. This makes a big difference in how we approach things as we follow a long-term vision for the company and we feel a special obligation to patients, customers, and, last but not least, our employees.

B. Braun offers a broad range of products, services and solutions mainly for the hospital sector, but also for the dynamically developing ambulatory as well as the home care sector. The company is structured in three divisions. Hospital Care covers infusion therapy, nutrition therapy, pain therapy, solutions for intensive care units and other therapeutic areas. Our second division, Aesculap, deals with products and solutions for all fields and applications of surgery. Lastly, we have Avitum, which is related to the ambulatory sector and focused on Renal Care and chronic diseases.

The company’s revenues went from around EUR 25 million only forty years ago to multi-billions today. Besides the stellar growth, does the company do things differently?

B. Braun is looking for sustainable, organic growth. The last big acquisitions were Aesculap more than 40 years ago and McGaw in the US some 25 years ago. Of course, B. Braun is on the lookout to acquire or partner with dynamic, innovative companies adding value to our company especially in terms of technology and digitalization, but we want to grow by our own resources in order to ensure our independence in the long term. If you look back at our history, B. Braun has always been at the forefront of change and new approaches. As an example, a couple of decades ago B. Braun bet on internationalization, a risk at the time but very visionary. In fact Italy was the first foreign subsidiary already 100 years ago and we are very happy to celebrate our centenary this year.

The company has a strong focus on sustainability. What are some of B. Braun’s current sustainability initiatives?

Sustainability is one of our key values, it has been an essential part of our corporate strategy for decades and it is certainly also one of the main themes of our new strategy. Today more than ever it is very clear that without a sustainable approach there is no future. For us is it not only about the protection of the environment. It is also about social responsibility, and we commit ourselves to support our communities, drawing inspiration from the principles of “corporate citizenship”. And, of course, economic sustainability, a long-term perspective of continuity and economic independence that ensures we will be able to make a real difference to our customers and to patients as well as for our people. At B. Braun we have targets for environmental protection like the reduction of Co2 emissions globally by 50 percent by 2030. We are also committed to having 80 percent of our suppliers assessed by sustainability standards. Our reuse rate already reached 88 percent and in Italy we are remodelling supply chains in order to contribute to our global goals. Plus, as part of our activities for our 100-year anniversary, we are growing 300 trees over the year on our company premises in order to plant them in November and to create the B. Braun Urban Forest as a contribution to a more sustainable environment in our hometown, Milan.

As a family-owned company, B. Braun has core values that go hand in hand with social responsibility, which is why we have a large initiative called B. Braun for Children through which we supported more than 80,000 children and of course we localised it also for Italy in collaboration with a non-profit organization.

Europe is a key strategical geography for the company, in this context what is the importance of the Italian affiliate today?

Our Italian companies are very important for the B. Braun Group, since Italy is one of the top ten countries by third-party sales in the group and we also have a substantial production and R&D footprint here, making it more than a “marketing and sales office” for B. Braun, but rather an important place of business. I like to call us a true Italian company, because we create value and employ around 800 people in Italy. There are three main locations and also legal entities, which are lead by a common management team for Italy. In Milan (B. Braun Milano) we have our main office, mainly for Marketing & Sales in Italy. In Mirandola (B. Braun Avitum Italy) we have an R&D and production facility focused on dialysis, apheresis and parenteral nutrition. Finally, we have B-Pack in Novara, developing and producing primary as well as secondary packaging for the medical and food sectors. B-Pack was a vertical integration some 2,5 years ago. Besides that, we also run joint ventures for technical service and for dialysis centers.

You have been the Managing Director of B. Braun Italy for almost two years. What have been your priorities so far and what issues have you found when implementing them?

My fist impression was with respect to the fantastic and very experienced team we have here in Italy. We are happy to have a lot of colleagues who have already been with the company for a long time and who have great relationships with our customers that have been built over the years.

Nevertheless, the market is more and more dynamic, and since I have been here, we have essentially been in crisis mode, especially with the pandemic and current global affairs. Obviously, our company is also affected by heavily increasing raw material prices, supply issues, and of course the war in Ukraine. In the B. Braun Group, we do a lot to compensate for the impact. However, as it is true for many other industries, it will not be possible to sustain the business without price increases.

Additionally, technology and digitalization keep advancing and substantially impacting how we work. It is a challenge to keep up with all these developments but with change comes opportunity. My role is to ensure a strategic view and guide change. I believe it is important to increase collaboration as it makes everyone involved faster and better, dismantle hierarchy and share accountability. This is not only giving our employees more interesting tasks, but it will also make us

faster, which is absolutely needed in order to master the increasing speed of change. And change will never be as slow as today. As a result, we also need to learn not to be afraid to fail sometimes. Making mistakes is part of trying something new. But we must identify wrong paths early and learn from failure. In this way we will be able to provide progressive solutions creating more value for our customers and patients in the future.

For B. Braun, as key suppliers to hospitals, how did COVID-19 affect relationships with stakeholders and consumers? Was there a before and after?

The pandemic had a huge impact on how we do things. Parts of our portfolio became extremely essential to saving people's lives but at the same time surgical interventions went down. However, due to our broad portfolio we were able to balance the effects and to create an over proportional sales increase in Italy – and to avoid laying off people or to use the "governmental supplement pay".

Overall, I am convinced the pandemic was a key experience for B. Braun. For example, we produce and sell two narcotics, Midazolam and Propofol, that are needed for severely affected COVID patients in the ICU, because without anaesthesia they cannot be ventilated. The high demand for the product at the height of the pandemic made it dangerously scarce. With a lot of effort and support of both the Italian and the German governments, we were able to deliver Midazolam originally produced for Australia (with all the packaging and labels) within 48 hours to Italian hospitals. As these are extremely regulated drugs, under normal circumstances, this would have been more than unthinkable – but the pandemic showed it was possible. It was an enlightening experience for all involved to show what becomes possible if everyone works together with the same goal and with full power.

To be successful in the future, our mission in Italy is to bring healthcare to the next level. This means to use the possibilities of new technologies and digitalization to create more value for our customers and patients and therefore better outcomes, less effort for healthcare professionals etc. This also makes it necessary to work together more as partners than as supplier and buyer. Only together will we be able to create superior solutions and finally make sure that healthcare stays affordable.

This intensive collaboration is a crucial part of our local strategy. Consequently, we redesigned our marketing and sales organization in the beginning of this year. Now we are structured in three channels – hospital, ambulatory and renal care – enabling us to develop and provide effective

solutions, driven by a team with the customers' or patients' perspective.

Is there room to grow for the B. Braun in the Italian market? If so, what are the market trends that would make that possible?

There certainly is room to grow and I see mainly three opportunities: deeper partnerships, ambulatization and home care, and technologies. As I said, I am convinced we can create more value if we further move from being a simple supplier to being a partner that provides solutions, enabling our customers to work much more efficiently while creating better outcomes for patients. A good example already in place is our Surgical Asset Management. We take over the whole process of surgical instrument management including the setup of optimal kits up to repairs. As a result, we guarantee our customers they will always have the right instruments in the perfect quality at the right point in time. In addition, they do not have to invest in the assets but pay a service fee that they can re-finance with the operations they have done. This is a good example ofa solution where we can solve issues in an environment with a lot of room for mistakes. And we can do this well because of our years of experience in instruments and in hospital processes. Plus, medical devices do not account for the highest portion of a hospital's costs, personnel costs do – and in addition, highly qualified personnel are becoming increasingly scarce. That is why we need solutions that unburden hospitals and their staff, and at the same time achieve better results for patients.

We are also convinced the ambulatory sector will substantially grow in upcoming years, because it is also necessary to unburden the healthcare system from the high costs caused by providing patient care mainly in hospitals. Furthermore, because we live in an aging society, there will be increasing demand for the care chronic diseases in a home-care setting. Therefore, we want to transfer our strengths in the hospital sector to the ambulatory sector to contribute to this change and to increase the quality of patients' lives.

Lastly, it does not come as a surprise that digitalization, technologies, robotics and other tech-related innovations are impacting healthcare with an increasing speed. These types of innovations also help patients to have a better quality of life and to increase the efficiency of delivering healthcare. To illustrate my point, B. Braun partnered with two companies, Grifols and BiMind, to offer a solution for the entire chemotherapy process, covering the full physical process of prescription, admixture – by a robot – and admission by our intelligent infusion pump Space+ as well as the digital process to exclude mistakes and to document the procedure automatically. In

this way we can reduce the health risks for healthcare professionals that are in contact with toxins and any medication error, but we also reduce the paperwork for the documentation. If we use technologies like this, we can make a big impact to healthcare. But however far development goes, there will always be a human aspect that will make a difference, now and in the future.

In Italy there is a lot of potential, it is the third biggest economy in the EU, there is a substantial healthcare and life science industry and substantial government incentives with the PNRR recovery plan. Nonetheless, these are very difficult times, putting a lot of weight on the shoulders of our employees, our customers, the patients and society – and this is true for the business and in private life. However, I am convinced, we will be able to find solutions, if we bundle our strengths and share our expertise. Looking back, for me challenging times were always also the most rewarding times because they bring out the best inpeople and it is an incomparable feeling to master seemingly unsolvable problems together.

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