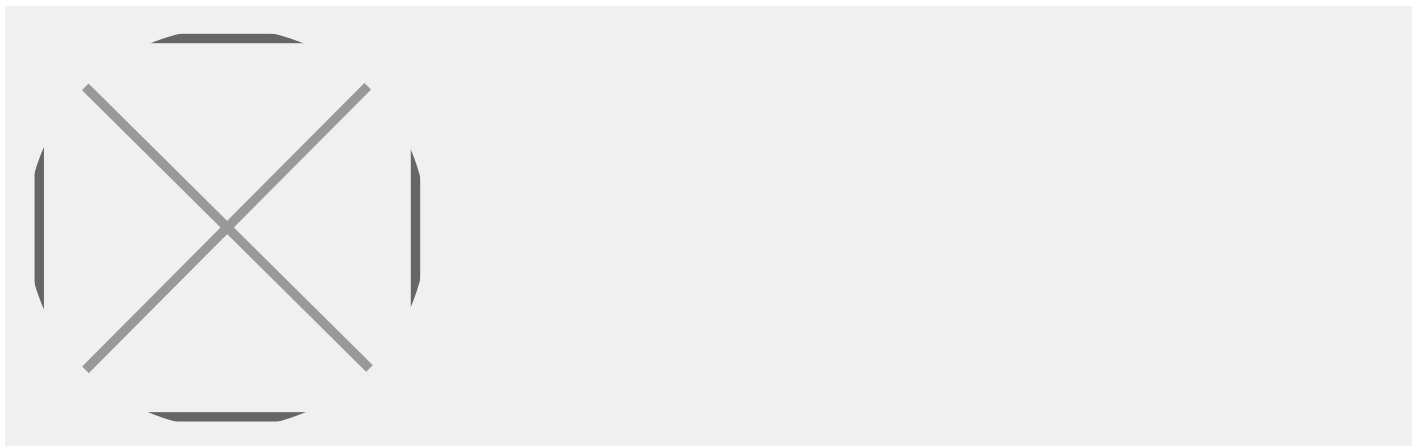


Interview: José Albino Mendes, General Manager, Servier Portugal



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Servier Portugal's general manager José Albino Mendes discusses how Portugal's economic crisis provides real opportunities for growth, the potential for attracting talent in innovative research, and the affiliate's recently opened international center for research.

You have managed Servier Portugal for ten years. From your perspective, could you describe the evolution of the industry?

At the beginning of the decade, a number of synergistic measures were implemented to deal with Portugal's looming economic woes. 2006 and 2007 were the pinnacle years, as the industry saw the support of generics, restrictions on prescriptions, pricing cuts of six percent twice as an administrative measure, and a constantly evolving reference pricing system. These economic measures created a loss of value in price and medicines. In parallel, the commercial chain entered into financial difficulties due to decreased consumption. In the last four years, these measures were reinforced with even more measures, such as international nonproprietary name (INN) prescriptions controlling commercial brands. In parallel this created prescription control. Simultaneously, many incentives were implemented at the pharmacy level to switch to generics, which were very important to create switch dynamics in pharmacies. There is more transparency too; we are obliged now to communicate all our promotional activities and sponsors to doctors and INFARMED. In the last two years, all of this was reinforced through a protocol signed between industry and the Health Ministry in order to reduce expenses. The pharmaceutical industry has thus

reduced health expenses during the last four years by about seventeen percent. A significant part of this expense reduction came through price policy.

What measures did you personally take to adapt to these changes?

In our company culture, we do not prioritize downsizing despite its easiness. Instead, I tried to rationalize the best measures to reduce other expenses. Promotional activities were more focused, the company redefined targets and regions where we could maintain a solid level of activity, and we redistributed our sales force according to its potential. As an independent, private company, adjustments can be made more easily.

How has the Portuguese government's push to adopt generics affected this affiliate's strategy?

Generics are certainly a reality in Portugal. We can use them as an open door to innovation if implemented properly. Generic drugs are welcome as part of a strategic integration of Portugal's health policy. However, I think there is an imbalance between generic policy and support for innovation. It is not easy to implement innovation if generics are communicated as the priority for everyone. Innovation and generics need equal attention and support; otherwise only old products not adapted to new challenges will be available to the ageing population. The industry needs to identify what patients will need for future challenges in new health problems that correspond to the evolution of disease.

What do you see as the potential of that innovation in Portugal?

Portugal has attracted exceptional talent worldwide for new innovation in many therapeutic areas. The country's medical training is first class. Now, Portugal needs to continue to provide solid incentives for people to stay here not only for innovation and research but also in clinical practice. The quality of Portugal's healthcare system also allows the country to mix economic problems with technical and medical capacity. In other words, rather than look for a tree, Portugal needs to look at the entire forest. While it is a small country, Portugal is a good place to invest in research and high quality talent and has the capacity for very innovative work, providing investment opportunities for international companies.

How is Servier's portfolio represented in Portugal?

Servier is a leader in a number of cardiovascular prescriptions in Portugal. The organization is strongly recognized in this indication in Portugal, such as coronary artery disease, heart failure, hypertension, and vascular diseases. Servier is also a market leader for sulfonylurea, and has more

than 50 percent market share in chronic venous disease. The company also has a strong focus on antidepressants, osteoporosis, and is beginning research in oncology. Additionally, while Servier does have old products mixed with generics, the company is compensating for loss of exclusivity with a number of new, innovative products in Portugal.

Servier invests 25 percent of its turnover in R&D, higher than the industry average.

How is that investment reflected in Portugal?

During the throes of Portugal's economic crisis, this subsidiary actually created an international center for research. Servier has about ten individuals working in this center, conducting several studies across Portugal for old and new products. This was an important step, to include the subsidiary in the passage to research. This research center was created as a symbol and a demonstration to doctors, authorities and internal collaborators that the company is truly investing in Portugal, and is here to stay not just to sell medicines but to also be a strategic partner. Servier is ahead of the curve for R&D in the pharma industry. As an independent company, Servier has a high level of investment in R&D (about 25 percent) because of our independence from stakeholders.

What is the strategic importance of Servier Portugal in relation to the entire organization?

Six years ago, this subsidiary was ranked the fourth most important in the entire Servier network. This was quite an achievement given the size of Portugal. Servier was also the only company in Portugal with three products among the top ten in the total pharmaceutical market. This subsidiary therefore has a strong responsibility to the group not only in terms of volume of commercial business, but also as a symbol of being able to launch our products in a strategic manner in a small market with difficult conditions. We have to maintain that symbol. For three consecutive years (between 2005 and 2007) we were the Best Pharmaceutical Company in Portugal. This affiliate is like a school for entrepreneurship, and demonstrates the potential of Portugal for all stakeholders. The quality of our work in the industry could provide a way to create and export ideas.

What would you like to achieve in the next five years?

Today, Servier is ranked sixth in Portugal. We were ranked third five years ago, and the first among European companies. I think we deserve to regain this position among the top five. I know this affiliate can do better, and some newly launched products will help to make it to the top three again. Our research center can be much more important in projects, especially with the arrival of new oncology products, and can help to gain a new dimension for research in this country.

What advice would you give to other general managers in the midst of a crisis?

I have crisis experience from working in Brazil, Argentina, and now Portugal. All these crises are simply cycles. The pharmaceutical market and companies must stay in their countries, adapting their conditions to these cycles. If you leave a country, you lose capital, and it is much more difficult to recover and restart. These crises teach you how to do better with fewer resources, how to focus on priorities, deal with adversity, find new ways of working, and motivate teams in difficult conditions. It is very interesting for management and international companies because they can not only succeed in difficult conditions but also be part of what I call the “exporting experience”: sharing their learning about new ideas of working with others in the industry. I am optimistic because these difficulties provide opportunities to create innovative solutions. As in Chinese, the word crisis also means opportunity.

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