Interview with Cormac Callaghan, Managing Director, Primecore Ireland

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Mr. Callaghan, you have had quite a long and prestigious career in the pharmaceutical industry, with experience overseeing manufacturing programs for giants such as Amgen, BMS and Merck. Can you give us an overview of your career path?

My background is in chemical engineering—I am a process engineer. When I first left college, I conducted industry focused research in the UK and Ireland for a number of years. Then, seemingly out of the blue, I became aware of an available position in GSK.. From there, I began to work for private industry.

At GSK, I was involved in the delivery of process engineering projects including new product introductions and transfers. Progressively, I became involved in larger and larger projects, and ultimately helped implement programs elsewhere as my career progressed.

Did your growing responsibility reflect your own rising seniority within the company, or did it reflect increased investment in the market by pharma multinationals?

It was a matter of both. In the early 1990s, biotechnology had little presence in Ireland. The country was essentially a hub for chemical synthesis—a location for ‘the old pharma.’ I was given the opportunity to go to the UK for a few years, and became involved in several biopharma projects and operations there. I spent three years in the country, and learned quite a lot.

From my recollections of Ireland in the late 1980s and early 1990s, there was steady but not spectacular growth in the pharmaceutical industry. However, from the mid-90s, significant growth

got underway: companies began to make truly major investments in this country. Prior to that escalation of activity, a large, exciting project may have been worth £10million—subsequently, the price tag began to approach hundreds of millions.

As I developed my competencies and became more familiar with the challenges of larger projects, I was invited to join Merck (MSD) in its endeavor to construct a large new factory next to its existing plant in Clonmel, Ireland. At the time, the company did not have resources in Europe who were experienced in executing a project of that size and importance. I was approached with the intention of strengthening their European organization. I led the project for the new factory – an investment of greater than $200 millionin the mid-90s. Shortly after I took on the role, I observeda good deal of MSD's counterparts in the industry made investments of similar scale in Ireland. It was a period of great excitement!

What do you believe drove the ramp-up in investment?

Ireland became more established, and it became considered a reliable location for significant business investment. A number of Irish executives were ascending to global decision-making levels within a number of pharma companies, and became standard-bearers for the potential of Irish talent. Ireland was a politically stable, English-speaking country with a well-educated workforce. Confidence in the market grew.

Another trend is that local engineers such as myself became conversant with a broader set of competencies—namely, we became capable in biopharmaceutical manufacturing. Within a relatively short period of time, we started to see significant bio investments in Ireland as well. For about a decade, the market enjoyed investment after investment in greenfield plants as well as significant brownfield expansion programs. The population of pharma companies and sites in Ireland ballooned.

Where did your career lead you after your experience with MSD's greenfield investment in Ireland?

The MSD project went very well, and became known at the time, anecdotally, as a model project. Everyone has a model project at some point in his or her career—this one was mine. A certain set of ingredients came together in an ideal fashion. Merck committed to a very prestigious investment in Boston shortly after the development of the expanded Irish facility. As recognition of our success in Ireland, I was asked to oversee the new R&D program for a new location in Boston.

An interesting illustration of Ireland's emergence as a truly high-level player in the pharma industry—engineering expertise was exported not from the U.S. to Ireland, but rather from Ireland to the U.S.

Indeed, we could think of it that way. I would like to believe that we have some unique experiences to offer our colleagues across the ocean! Unfortunately, I was not able to stay on until the end of this program, because I had to return to Ireland for personal reasons—but I left the team with a strong foundation, wherein the initiative could be seamlessly transitioned to another program director.

What were the differences that you noticed between the Irish market and the U.S. market in terms of the biotech ecosystem?

There are major differences between Ireland and the U.S. In Ireland, pharma is a relatively small community, and it is very difficult to cover up a poorly executed program or project. There is no such thing as a secret in this market! That tight-knit culture can of course be a great benefit, if you can take advantage of it. There is a lot of knowledge sharing in Ireland, both informal and formal. There is a natural disposition towards helping each other.

I remember going to New Jersey for staff meetings, and knowing more, as an employee based thousands of miles away, about what was going on in my American colleagues' own backyard than they did. Because of the connectivity between pharma professionals in f Ireland, I was relatively well aware of industry wide activities and plans.

In Ireland, we also see a greater degree of talent rotation. When companies enter the market, they almost inevitably have to poach people from other operations. If you are building a facility from scratch, you cannot bring in a bunch of graduates—you must cover the whole spectrum of experience, all the way up to site head. The other solution of bringing expats from headquarters is an expensive thing to do.

In the U.S., people are more likely to remain with a particular company for the duration of their career. Their network outside of that company is often very limited. In Ireland, people often get the chance to work for three or four different organizations, and hence are able to build much more expansive networks.

I want to be clear that people in this market most often move for positive reasons—certainly, this was the case with my own career trajectory. People do not tend to switch companies with purely 'mercenary' motives, such as a pay bump. They are usually looking for a bigger challenge, or greater long-term prospects. There is loyalty in Ireland, but there is movement.

What new challenge did you take on when you returned to the country?

I returned to Ireland with MSD, and the company essentially developed a new role for me—but while that role was considerably challenging, other opportunities presented themselves. As I was considering my options, I was approached by an executive search consultant for BMS, a company that had just launched a very large greenfield program in Dublin. My team's responsibility was to

oversee the development from ‘cradle to grave’ bringing the plant all the way through operational qualification and full working functionality.

The project had started before I arrived and had some significant challenges.. I was sought out to steady the program and help the company overcome certain challenges associated with the development of the facility. Eventually, the program was successful, and the BMS organisation was much relieved..

Subsequently, the same question was raised to me that had been raised at MSD: would I like to lead a biologics facility program in the U.S.? However, it was not meant to be: as I was packing the family to move, Amgen decided to commit to a major investment in Cork. I had been with BMS for six years at that point; an executive recruiter called me to offer something even bigger, and in my own backyard. The investment value was to be approximately double what BMS was investing in Massachusetts. After some months of discussion, I accepted, and we got to work in 2006.

I had an interesting experience on the Amgen program. I was the joint first employee in Ireland for the organization. However, I wound up being their last Irish employee, as well. Unfortunately, the program had a very short history: at the end of two years, I was essentially turning the lock in the door. Amgen had had some difficulties with an existing product in the U.S. that received a black-box warning that reduced market demand considerably. The business case for Irish investment was severely impacted.

You might say that Amgen’s was an investment gone wrong. Personally, however, I believe that it was an investment gone right. Perhaps we dragged it out a little too long, but of course hindsight is a wonderful thing. The bottom line is that it was a smart, and very brave, decision to bring the program to an end. The company could have easily pouredmore money in than it did. There have been many examples in the industry of companies not having the courage or strength of conviction to reverse course, and building white elephants.

At Amgen, I took a severance package rather than the possibility of a job in California although that did have many attractions. I planned to take some time off to think things through. However, I quickly received a number of additional offers. At the time—January 2008—the Irish economy was still relatively buoyant. It would become a different world after August.

I entered the consulting sector and joined a company called Lafferty Project Management. It was a chance, for a short while, to enjoy a bit of diversification, as the company did not serve the pharma industry but rather the large scale property development industry such as developing new town centres. They were looking for someone with a background in a more mature program management sector, who could help bring greater consistency to their teams and help them to replicate and standardize performance across their operations.

Unfortunately, in August of 2008, due to the global credit crunch,funding for property development dried up. I then decided, after my recent program experiences in Ireland as well as my participation in the tail end of the property bubble, that I wanted to take my destiny into my own hands.

And here Primecore was born.

Exactly.

What need did you see in the market for a consultancy of this type?

That is a great question, and I am glad you asked. The idea stems from investment failures. Throughout my career, I have seen that a great number of programs and projects end up as failures. Some of the statistics are quite frightening: according to surveys , about 50% of project investments deliver little or questionable value. This is a global figure—I cannot provide a number for the pharma sector specifically—but I can tell you that in certain industrial sectors, some would argue that the percentage is even higher. We have all heard of the white elephant syndrome, or the project that was canceled far too late.

These failures were very much on my mind. I had matured from the mentality that I had had as a project manager years ago—that I would drive my project to completion, by god, and no one would stop me, whether the company needed it or not!

As I became involved with projects and programs of greater and greater scale, the timelines became longer. For a relatively simple, $1M upgrade to a plant, the business need is often very obvious, and because the timeline is relatively short, that need is unlikely to change. When we look at major programs that encompass many projects and a great deal of business change, the timeframe for implementation may exceed three or four years.

Within that period, much can change. Firstly, the external environment can change significantly: a competitor may release an unexpected product. Regulations may change. The macroeconomic environment may put pressure on the company. What may have been initially a very robust business case may become a mediocre or poor business case halfway through the execution cycle—and unfortunately, people tend to take a very blinkered approach. Similarly, internal factors can change as well: perhaps, in the middle of implementation, people or capital gets diverted to another program and you find yourself starved of key resources, causing the program to underperform.

We also, of course, find examples where the investment is poorly thought out from the beginning, or is based on a weak business case. This is somewhat unforgivable, when you think about it—but it certainly happens. Ultimately, there are perhaps half a dozen reasons why something you started is not something you could, or should, finish. The industry is not very good at managing such cases. In pharma, people are not rewarded for recognizing failure—even if we mean ‘failure,’ with

inverted commas: a case of intelligently discontinuing a program, as I experienced with Amgen. Stopping a project, and pointing out a failing investment, is not attractive for people.

The mentality is to just get it done, stumble across the finish line, and move on, making it someone else's problem. I have seen a lot of that throughout my career. Over the years, the industry has generally tightened up in terms of competiveness: price and cost. We must be very aware of employing our scarce resources—talent and money—very carefully. Today, something that may have had little impact several years ago, when the industry was under less constraint, may have an absolutely crippling impact.

Hence, for Primecore, I saw that our niche was in helping pharmaceutical companies to: a) act more selectively in the planning stage, and b) become much more aware during the program's lifecycle of factors that may demand a change in approach. Companies need assistance in asking the right questions about the robustness of their business case, in a broad sense: not whether the program is on schedule and on budget, but rather, "Is this something we still need?"

Why not 'poach' an experienced program manager like yourself, and set them to work internally? Would that not produce the outside perspective you are speaking about? Why turn to a third party?

This too is a good question, and I am not saying that pharma companies are not able to acquire those resources— some of the big players clearly need to. Nonetheless, all executives appreciate an independent voice. Think of the internal politics of a large blue-chip multinational. Despite the fact that they may have some brilliant internal managers, they are still in some ways encumbered by 'doing the right thing' politically.

Did you yourself employ consultants when you sat on the other side of the fence?

Not that regularly in this area. But as we have discussed, I worked in the industry under different conditions. It was a different time, and no one asked these kinds of questions—the fact that half of all programs failed did not make a large enough dent in profitability for the industry to reconsider its strategy.

Moreover, while much has been made of the fact that the industry is under great cost pressure today the most constrained resources are the people. When you look at a typical pharma company that works on the global stage, you see that while the vast majority of its people are tasked with day-to-day operations, only 10-15 percent of the workforce is involved in major change programs: Lean programs, manufacturing excellence programs, entering a new market or introducing a new product stream, overseeing a major capital investment, etc.

People involved in change management are highly skilled, because they have to understand the current business, and they have to understand where the company wants to go. They must

become the bridge between the two. If you waste their time on ill thought-out projects and programs, you have wasted what is actually your scarcest resource.

In my experience, any reasonable business case in the industry will get the dollars. You don't have to go to a bank manager: the industry self-funds the majority of projects in the main. If the potential ROI is high, and if the justification is reasonable, the initiative will get the green light. And yet, most projects sit on the shelf, waiting for the right team to execute them.

A company certainly does not want to find itself in a situation where it is neglecting a strong business case by involving its best people in the implementation of a poor business case. People are really waking up to the fact that they must manage the resources necessary for implementing major change more effectively.

Are there many companies like Primecore in the market?

We always ask ourselves this question. In the other industrial sectors where we operate—which generate 20% of our work today, relative to pharma's 80%—there definitely are a number of consultants serving the market. Similarly, companies like Primecore consult for the pharma sector in the U.S. However, in Irish pharma, we have not yet found any competitors—and we have found few in Europe at large. The whole basis for founding Primecore was to meet an unmet need.

We were not looking to be a 'me too' project management company, and we are not project management consultants. We are portfolio, program management, and business change consultants, who help clients to achieve their ambitions. Very consciously, we have stayed away from the 'commodity' project management market, and entered a more rarified atmosphere—where, for the time being, we find ourselves rather alone.

You struggle to find competitors. Have you, in these last three years since your founding, struggled to find clients?

We have less than ten clients today. However, we work very closely with those clients, and we enjoy a lot of repeat business from them. Our goal is not to put every single pharmaceutical company on our list. We would obviously like to diversify as much as possible, but we are not chasing names. Most of our business comes through referral: for instance, we recently picked up an assignment in the UK via a manager that had left one of our existing clients, and brought us into his work at his new company.

In other words, he saw a need for what we do, and recommended us to his COO. We take a 'soft sell' approach. We do not beat our drums—we do not need great volume to maintain a profitable business. We would like to grow progressively, rather than exponentially.

Pat Gilroy, head of Dalkia in Ireland, told Focus Reports that because his company's offering is so unique, he too does not face true competition in the market. However, he mentioned that the effect is a double-edged sword: when a company has no competitors, it must sell not only itself, but also its concept. Would you agree?

That is absolutely true, and a really good observation by Mr. Gilroy. As Primecore, sometimes we must sell our concept to companies that have a blind spot to their business failures. Often, our first assignment is a 'burning platform,' so to speak—an initiative that is in the midst of failing, that has gone too far and eaten too much money, and is threatening the careers and reputations of the people involved. The company up to that point may not be clear on our concept as a consultancy, but the symptoms of not employing independent resources have become very clear indeed. Perhaps, at that point, they think back to what we offered to them in an introductory meeting some time ago.

Nonetheless, I take Mr. Gilroy's point: in Ireland, portfolio and program management is not a mature concept. Project management is somewhat mature, but project management is all a matter of execution after the flag has been dropped. Conversely, the concept of portfolio and program management is to ensure that the right runners are running towards the finish line. As I have said, that notion is far more mature in the U.S., where we are currently broadening our footprint.

Can you tell our readers more about your international presence?

Outside of Ireland, we have done work in the UK and in Belgium, and we have an office in Cambridge, Boston.

And presumably, you do not venture abroad 'cold'—you build on existing networks. Is that correct?

Precisely. We seldom attempt a cold sale; we prefer either a warm introduction, a client referral, or to take a call when someone has a problem.

Does the company already have a notable reputation in the marketplace?

Actually, as part of the pre-work we've done for a value propositionworkshop, we recently asked our clients to offer their opinions on our service. We asked them to name our competitive advantages, as well as tell us about what challenges they face in the external environment. One question asked, "What do you really like about working with us?" A client answered, "It's all about coaching and coaxing us, without realizing we have been brought along a journey. There is no lecturing us; through lots of perseverance, the trust is built up."

We earlier discussed the fact that our clients might be expected to already have this kind of competency inside their organizations—and somedo. However, it is easy to get caught up in their own trajectory as a company. From us, they receive an independent perspective that they can

trust. We are the ‘Man from Mars:’ we have no vested stake in their program, or their company—we just call it like we see it. Clients find that independent view very, very useful.

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