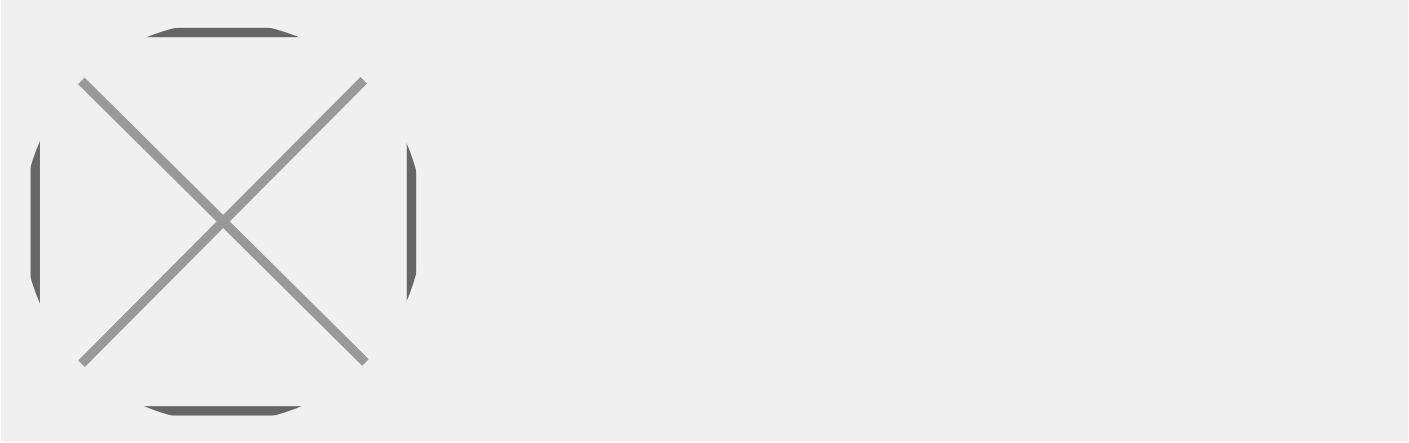
Interview with Christian Schilling, CEO, Boehringer Ingelheim Austria



09.11.2012

Tags: Boehringer Ingelheim Austria

Austria has always been a strategic market for the group: it has played a key role in Boehringer Ingelheim's success story, as this is where the company established its first foreign subsidiary in 1948. Can you give our readers a snapshot of the strategic importance Austria has today for the group's revenue and operations in the region?

As you said, the association between Boehringer Ingelheim and Austria has a certain flavour, because Austria was the company's first foreign establishment more than 60 years ago. Historically, Austria has always been used as the door to enter Central and Eastern European markets. Especially in the Cold War times, many companies used Austria as a gateway to the rest of Europe.

The small pharmacy that Boehringer Ingelheim bought in 1948 has since then developed into a significant operation called the Regional Center Vienna. The centre has both a sizeable region from a pure pharma perspective, but from a corporation perspective, additional aspects are important to mention.

Firstly, since 2000 Austria has been the centre for the group's research in oncology, and has been one of the most productive research sites within the corporation over the last few years. We keep our fingers crossed that the first compound out of the Austrian research will soon be available for patients . It's an excellent sign and booster for the local research organization.

Secondly, since the 1980s, Austria is one of the Centres of Excellence for biopharmaceutical production, research and development. Boehringer Ingelheim currently has a sizeable contract manufacturing business in biopharmaceuticals. Hence most of the Austrian activities in biopharmaceuticals are for third parties but we are constantly growing our captive use portion as well. We have three sites around the world, and Austria is a Centre of Excellence for mirco-biological expression systems.

Thirdly, similarly to our approach to the human pharma business, Boehringer Ingelheim runs a very large clinical research operation out of Vienna for Central and Eastern Europe, but also some countries in Asia and Africa, such as Turkey, South Africa, Israel. In fact, approximately 25% to 30% of clinical research done by Boehringer Ingelheim is overseen from the Regional Centre Vienna.

Lastly, we are also engaged in basic research through our Institute of Molecular Pathology (IMP). The IMP originated from our corporation with Genentech more than 20 years ago, and Boehringer Ingelheim took over 100% of the shares two years later. There, around 250 scientists work on various basic biologic research projects, and have a corporation the Institute of Molecular Biotechnology (IMBA) a basic research institute of the Austrian Academy of Science. The two institutes work together in a very open door approach, well connected, and have developed into world-renown institutions. From theses institutes spin-offs have developed and to date form a biotech cluster, and which has high visibility in Austria. and all over the world. We in Boehringer Ingelheim are proud to have contributed to this development..

Together with only a few other pharma companies , Boehringer Ingelheim is one of the very few fully integrated pharma companies in Austria, present with research, production, marketing, sales and distribution. Boehringer Ingelheim is also one of the largest investor in life sciences. In Austria, we spend more on R&D than we earn locally in turnover.

Why are Austria and Innovation such a good match?

It is something that has been built over time and in contrast to other companies like Novartis and Roche, who downsized or closed research facilities in Austria it has always worked for us. While my colleagues will explain better what drove their decisions the Austrian environment with its attractive infrastructure and incentives for research investments help us to keep and even increase our engagement in this country..

On the other hand, one other reason for us to develop activities in Austria weasthe opportunities to enter and develop our business in Central and Eastern Europe from Vienna and with rising turnovers from these markets we were able to invest in research. Other companies in other industries such as Siemens or the banking sector illustrate this phenomenon as well. Austrian headquarters or large headquarter-like subsidiaries managing Eastern European attract brain

power and technology into the country.

Lastly as, I already mentioned, Austria has had in the past, a good climate for research investment due to funding, tax benefits and other advantages.

Does Austria still have what it takes today to compete against emerging R&D hubs around the world such as Singapore or South Korea for instance?

Austria has lost ground versus other countries and companies have options. However, I'm confident that the government has understood the significance of an attractive environment for research driven companies for the overall future of the country and will regain ground over the coming years.
We continuously talk to our stakeholders in Austria and try to make them aware that over the last couple of years, there have been other countries taking some bold moves to attract investment in life sciences research in general. This is why the advantages that Austria has from a pure financial perspective are getting smaller and smaller.

In this context it is understood that for every country, it is a balancing act because of the pressure of the financial crisis , which also affected Austria. They are intense discussions that we are having these days. The government knows that not only pharma companies, but also R&D companies in other sectors that have been investing in Austria, have more and more options around the world. Relocating a facility to another country is obviously one option but it would also be detrimental for the country if future R&D investment in Austria is being reduced and instead is steered more and more to other markets . In the end it is also clear that financial incentives are only one argument for such strategic decsions.

While 'big pharma' companies are struggling in most of the European markets, the Regional Center Vienna for Boehringer Ingelheim is the engine for growth. What have been the key markets in your portfolio in 2012 that have allowed you to show such strong growth figures?

The Boehringer Ingelheim group has over many years been one of the fastest growing companies among the Top 20 pharma companies and we here in the Regional Center have been part of this.

On a regional level, one can see that the growth of the local Austrian pharma market has been more or less flat over the last couple of years. Having said that, our Austrian team demonstrated how to be successful even in such a market environment, . As a result, Boehringer Ingelheim Austria increased market share and today enjoys a 2.8% share of the total pharma market, which is above of the group's market share world-wide, that is around 2%.

Our growth in the local market is certainly not the main growth driver for the significant top line growth of our Regional Centre. The growth is mostly driven by the Eastern European markets of

our region. For example, in market such as the Russian market which currently is growing by 15% annually; Boehringer Ingelheim grows by more than 20%; and considering the size of this market, it has a significant impact on our regional revenue and performance.

The second reason for our growth is our attractive product portfolio, which allowed us to outgrow the market year by year. . In essence, Boehringer Ingelheim grows thanks to its overall attractive portfolio, launches of new innovative medicines, and our continuous effort to establish ourselves better and better in the emerging markets in Central and Eastern Europe.

Starting already in the mid 80ies, it is our strategic approach to make our portfolio of product accessible to ore and more patients in the region and thereby to grow faster than the market.

Europe has some of the best health systems in the world; but recently the financial pressure in the European Health structure has significantly increased, forcing governments to find meaningful savings in healthcare. What have been the critical success factors of the Vienna Regional Centre in this increasingly price sensitive environment?

Boehringer Ingelheim has had a very consistent and stable management approach from a regional perspective. . In order to be successful in these markets, you need to really know the market well. Therefore, frequent restructurings in country responsibilities are not helpful and we have abstained from such. Secondly, in Vienna we benefit from the combination of colleagues, who grew up in the region and therefore know the markets well with expats that come from all over the world, be it China, Australia, Canada or the US. We believe in this diversity, not only in research, but also in Marketing and Sales. Thirdly, we try to serve every market to its needs. This can drive complexity and sometimes also requires a different local adaptation of our global strategy, but pays off in the end. Our approach to markets such as Czech Republic or Hungary is different from e.g. Ukraine and Kazaksthan.

On top of that , it is intention to to adapt our approach, not only to different market environments, but also to the fluctuations of each market. Our organizations need to keep a good level of flexibility. In the last five years, there have only been a few countries which have continuously grown. The majority of CEE markets have had up and down turns. Those fluctuations require a long- term view and commitment but also flexibility as an organization about how to deal with a certain market situation.

At Boehringer Ingelheim, also because of our ownership structure, we have this long term view , and consequently steer our business not so much by quarterly results but our ability to provide long-term profitable growth.

As a result , Boehringer Ingelheim is one of the few organizations that continuously grew its presence and kept them where at all possible even under difficult market situations . For instance,

despite the Rouble crisis which stroke Russia in 1998, we have stayed in this market for over twenty years.

Boehringer Ingelheim plays a significant role in Austria's economy for being an attractive employer, investor, and service provider. Does Boehringer Ingelheim's presence in Austria today reflect the objectives you had set for this company when starting your tenure?

The company, its organizational and management set-up was well established by my predecessors and I tried to help to continue this pathway. Obviously, we set ourselves ambitious targets for also for the future.

In terms of investment, in Austria, we do quite a lot. In fact, we always ask ourselves: should it be at this level also in the next five to ten years? At this point in time, we are happy with the decisions that we took, and with continued success we will be able to also grow the size of the local organization, but modestly. We have growth objectives for our biopharmaceutical operations ; we certainly grew our investment in Oncology research not only by higher number of scientists in Vienna but also by more and more external partnerships which are managed from here.

We also grew our clinical research organization in line with a growing number of high quality clinical sites in the region but also driven by regulatory requirements in the non EU markets of the region

In general, the healthcare environment in Central and Eastern Europe is becoming more difficult year by year. Governments reduce healthcare spent to achieve their budget targets. Mandatory price cuts, claw backs and delays in the reimbursement of innovative medicines are of the consequences. Still I believe that the region present a significant opportunities in the mid to long term. Healthcare standards including access to innovative medicines and technologies are still lacking behind in many countries, and our industry can provide significant value to these markets This is why we believe our strategic approach still holds; but again, we need to understand the market need well.

You dedicated a large part of your career to Boehringer Ingelheim. What explains this loyalty to the company?

Boehringer Ingelheim has always treated me well and has provided me over the years with opportunities to grow; I joined as a physician , and I have had exposure to many areas of the pharmaceutical industry, always with the opportunity to see new are areas of the pharmaceutical value chain and get to know different markets.

In addition, Boehringer Ingelheim has a very special culture and vision that attracts people as it attracts me. Our dedication to research – we invest of over 20% of our global turnover – to bring value through innovation is obviously very appealing especially to a physician. The last four years

have been a fascinating learning experience. It is always good to work in markets where there are growth opportunities, and where you get a quick response on your actions.

And Austria has always been a special market for Boehringer Ingelheim.

See more interviews