

Interview with Doina Ionescu, Managing Director, Merck Romania SRL



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With a history dating back to 1668, Merck is obviously well established as the oldest pharmaceutical and chemical company in the world. Of course, we are interested in knowing how this legacy played out in Romania. Can you therefore give our readers a better understanding of the key milestones and achievements since you took over the reins as managing director?

I took over as managing director in 2006. At that time, Merck was still present in Romania through importers and distributors primarily. On April 1st 2007, we established Merck's first legal entity in Romania, and became a fully fledged commercial company, largely focused on specialty chemicals. It was the start of the limited company we have in place today.

At that moment in time, we had three importers for the chemicals business, which owned 100% of the sales. Four years down the line, we are roughly responsible for 65% direct sales in the chemicals industry.

As for the pharmaceutical business, following the Serono acquisition, Merck has been present in Romania through 2 major importers. On one hand, we had Chimimportexport Plurimex, which was importing and distributing the Merck legacy products. On the other hand, we had Geneva Rompharm to import and distribute the Serono legacy products. At the same time, consumer health care division of Merck had also been represented by Chimimportexport in earlier days.

In 2010, Merck decided to cease its collaboration with the importer in the CH area and instead leverage the subsidiary's knowledge to have direct presence in the Romanian market. While we

inherited insignificant sales at first, today we have achieved a 25% share in the prenatal vitamins market segment and the CH business is developing according to expectations.

2010 had also brought the Serono-legacy products (neurology and fertility) within our portfolio. The strategy to directly access our customers and start having an important role in distribution has been paying off ever since.

Looking back at 2007, what justified the increased commitment to the Romanian market?

The vision we have in Romania is to still be around in 343 years. Merck is such a strong and sustainable brand, that we want to replicate this offer of sustainability in the Romanian market. The business model we have put in place is based on having the core competences in-house. This relates to safeguarding the key marketing and key promotion skills, while we also improve availability of our products to better serve the patient needs. For the latter, we have rented a warehouse and engaged in a managed services agreement with a logistics service provider. This model applies to both our pharmaceutical and chemicals businesses. We believe that direct customer contact and direct service to customers, is the most sustainable solution we can offer .

All in all, the first years seem to have been very entrepreneurial for you. What have you found challenging in that context?

The most challenging aspect has been to change the culture of the local organization. Obviously, the key performance indicators (KPIs) are very different in a representative office than in a fully-fledged company. In the latter, you need to control all the parameters that make an organization sustainable in terms of P&L, balance sheets, customer centric approaches, employees empowerment and accountability.

When we met your colleague Laura Gonzalez in Spain, she was saying how the Serono acquisition was a chance for her to shape a new company. What did last year's Millipore acquisition bring you in that sense?

Millipore was first represented in Romania through a distributor. At the very beginning after the acquisition, we conducted a number of meetings with this distributor. We wanted to leverage our knowledge with our existing customer base and recognized the potential to offer both Merck and Millipore products at the same time. Among the countries where there is one subsidiary and one distributor, which is neither an emerging nor a major Western market, Romania was first to receive approval for the go-to-market approach. As of December 1st 2010, we therefore integrated the core competences in-house. Having a similar customer base has been the main synergy that we have achieved here.

How did you ensure a smooth integration of these core competences?

From an operational perspective, we already had all the business systems and –processes in-house, making the addition to our portfolio rather smooth. Furthermore, we have managed to employ the right people while keeping motivation levels very high. We enforced a strong team spirit, and reinforced presence at the customer as a key success factor. We have brought in the messages and values that Merck has always lived, such as providing solutions to the customers, being brand-driven, going all the way from products to solutions and after-sales service, being a family business, a reliable partner, with a coherent and comprehensive offer and behaviour.

The 70% ownership of the Merck family, do you feel this is really something that sets Merck apart from other players?

It definitely does. Overall, we can see a lot of globalization related influence in the company, in terms of standardization of processes and the unifying of systems. I see Merck as an organic company which acts like a family. It is a company culture where you easily feel that you belong. The human interface is very important, and has been something I have not yet found to the same extent in the previous companies I have worked for.

You clearly serve a broad set of customers, from the food sector to pharma and biotech companies. How do you manage such diversity?

If we talk about chemicals, we have a strong sales and promotion orientation in the market place. The marketing and sales team, together with the customer service team, is highly customer oriented. In terms of sales and promotion, we have a clear assignment of responsibilities. On the one hand, we target the key accounts, which are primarily in the pharmaceutical, chemical or food & beverage industry. On the other hand, we also have a regional approach for the small to medium-sized customers which have different requirements. We also use a network of distributors accounting for roughly 35% of our business. This network has a local presence which we feel is very important for the smaller customers. With the challenges of the Romanian infrastructure, such presence would obviously be hard to achieve on our own.

If we would now ask your customers how they perceive Merck, what would their answer be?

The best feedback we get from our customers is in fact the lack of complaints. They clearly value our input and knowledge, and see Merck as a preferred partner in the market. This is also how we want to position ourselves, and I believe that we have successfully managed to do so. Our employees are responsible for setting this perception. They are loyal, believe in what they do, and live by the values that are being promoted by Merck. A reliable partner in the market place, this is really how we are being perceived by our customers.

Another thing that sets Merck Romania apart, is the fact that – in chemicals – we are the only company subsidiary. All the other major players go through preferred distributors, which in turn

have different criteria for success.

How do you explain that the others did not go down the same road?

For a large part, it is the entrepreneurial spirit that is being encouraged within Merck. In addition to that, Merck's key to success is the way it treats every market in an individual way.

An individual way also means a local portfolio. Can you elaborate on the Romanian portfolio?

We believe that we do best what we know best. In chemicals, we sell about 95% of the Merck Millipore portfolio amongst our wholesales. The remaining 5% are complementary products from other brands that strategically fit within our own portfolio.

Overall, Merck's performance has been strong in the past year and the first half of 2011. The chemical divisions in particular have been doing well. Has this been the same in Romania?

Merck's performance in Romania has been well above plan for the first half of 2011. The chemical business is our reliable business that is well in line with the ambitious targets we have set out. It is a reliable business because it targets production, which in turn is an area that receives a different kind of attention from the government. On the pharmaceutical side, we are again ahead of planning. The underlying reason is related to the termination of our contract with Geneva Rompharm last year, and the subsequent integration of the Serono legacy products within our portfolio. For the first half of this year, this division's performance has been outstanding.

In my general experience with Romania, the situation in this country is worse when the world economy is performing poorly. However, once the world economy is healthy, Romania is "flying". It remains an important market with a lot of potential.

As you mentioned, you have good people and a good portfolio, while the market offers a lot of potential. How are you setting your own priorities to realize a continuous growth path in the future?

There is a philosophy that states "companies exist, only when customers exist". Obviously, a strong customer focus will remain essential. Then again, a company only exists when it has good people behind it. We therefore also strongly focus on fostering the best employees in the company. The Group gives us a strong backup, a good portfolio, adequate business processes, as well as the right support when you want to have entrepreneurial activity. Historically, Merck has always been a company that tolerates risk, saying "it is better to risk and fail, than not to risk at all". This is something that sets Merck apart, and which I hope to see continue. In sum, we have the right company, the right people, and a strong focus on the customers, which enables us to be well positioned for the future.

The industry is very competitive. How do you manage to recruit and retain the best talent?

Obviously, the packages for the right skills and the right job content have to match. Overall, we have seen a growth in staff numbers from 5 to 32 people in the last 4 years. The flexibility of working at Merck, together with the way people are being credited and valued, goes a long way to retain our staff. In my position, I provide the guidance and support, and retain a critical view on the projects deployed by our staff. As Merck Romania is a growing company, it is essential to allow room for creativity. In terms of people, I always focus on the strengths rather than the weaknesses.

What are you most proud of, of what has been achieved in your 5 years here?

We have come a long way in Romania, and we have reached our current position through team achievement. I have tried to make this a sustainable place to work, that can ensure a future for people where they can contribute and be of value.

How do you now see the future role for the Romanian operations within the Merck Group worldwide?

As an organization, Merck Romania is currently a platform for growth. We will further capitalize on opportunities in the market place and identify the right niches to focus on. We will continue the work we have been doing in the past few years.

How did you adapt your management style to deal with these different work cultures?

To give some background, I first started with Merck in the UK, as a researcher in the liquid crystal division. Having completed a company-supported MBA in the UK, I was given the chance to switch to Germany and work in the M&A environment. I am a physicist and generally have a holistic view on the way I see things. Personally, I love to see where I am heading and remain focused to an extreme. Having had this M&A experience, I returned to the UK to work in Business Development. This was again a very different environment with a lot of customer interface. All in all, by the time I arrived in Romania, I had become a British person working in a German company. I had become very structured, organized and unemotional. It was hard for me, in the beginning, to be faced with the emotional aspect of people in Romania. This has been quite a challenge for me. Yet while I am Romanian deep inside, I aim to keep control of my emotions professionally, in order to ensure a predictable and stable environment.

What is your final message about the commitment of Merck to Romania?

Both in the pharmaceutical and chemical industries, I see Merck Romania as a trendsetter. I would like to see Merck Romania as a recognized brand in these 2 sectors as well. This company should be valued by its people, partners and patients. And last but not least, we need to be an organization that employees come and love to work for.

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