Interview with Erik Lommerde, General Manager, Novo Nordisk BV

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Coincidentally, our meeting today comes two days after World Diabetes Day. How was this day commemorated in the Netherlands and how does it attest to the acceptance and awareness of diabetes in this country?

What you see in the Netherlands now are various stakeholders trying to get a “piece of the pie.” Whereas World Diabetes Day was normally driven by Novo Nordisk and some of the larger pharmaceutical companies in the diabetes field, it is now being driven on a local level with general practitioners (GPs) and pharmacies organizing local activities. We mainly organize events within the company to make sure that everyone is motivated and aware of the greater purpose of being here in this office. For us, everyday is World Diabetes Day and we continuously support local initiatives. But in general, awareness and initiatives have more broadly moved from the national to the local level, which reflect a lot of the changes in the pharmaceutical environment nowadays.

You have worked abroad for Novo Nordisk in some of the company’s larger markets, such as the UK. Having that large market experience and now heading this Dutch affiliate, what role does the Netherlands play within the global framework of Novo Nordisk?

We are the tenth largest Novo Nordisk affiliate, so our absolute contribution to the Group’s performance is significant. Generally speaking, we are typically ahead of the game in the Netherlands with a lot of new initiatives taking place here. For example, you see generics entering

the market much faster than they did in the past and there are changing roles for various stakeholders in the healthcare and pharmaceutical industry given recent reforms. Healthcare reforms happen in every country, of course, and are not specific to the Netherlands, but because we are smaller and industry players know each other a little bit better, some initiatives are very well organized and take place a bit faster here. For that reason I think that a good way for a company to get acquainted with new initiatives is to roll them out first in the Netherlands. It is also a cultural element of the Netherlands – we are eager to try new things and are not afraid to fail sometimes.

GPs are well organized which has resulted in different roles for them and a different set of diabetes care than in other countries. For example, we see GPs initiating much more insulin therapy than in our neighboring countries. While they still face the same number of patients per practice as any GP and encounter the same diseases, they must also deal with diabetes care at the same time. Insurance companies coördinate the finances of health care. They strike deals with primary care trusts. This forces GPs to become more result and finance driven. It reduces customer access for the pharmaceutical industry. It forces Novo Nordisk to be creative and the pharmaceutical industry as a whole to act very quickly – either proactively or reactively – to make sure that we do not lose out on market opportunities.

Other uniquely Dutch cultural elements that we often come across are the low willingness to pay for medicines, a resistance to self-treatment, and infrequent visits to primary care physicians in the Netherlands. Conversely, the diagnosis rate in France amongst diabetes patients is 85% – well above the European average of 60% – which is perhaps linked to mandatory doctor visits for French employees on an annual basis. Do you think that this natural Dutch resistance to self-managed healthcare makes it more difficult to diagnose and treat diabetes in the Netherlands?

Yes, Dutch people can be very stubborn at times and self-managed health care is not something that directly relates to our culture. However, I do not think that there is a direct cultural link to diabetes care. Self-management should be much higher in the Netherlands, but you should also consider internet penetration and the fact that more than approximately 70% of people above the age of 60 use the internet in the Netherlands. They are searching for information and are not afraid to move away from the doctor in search of it.

People take responsibility of the disease but a hurdle that they face is that they do not have all necessary information because the pharmaceutical industry cannot communicate directly with patients. The patients look for information but cannot manage themselves because of this asymmetry of information; however, they are still very reactive to industry developments and

doctors’ prescriptions.

However, what is indeed a cultural specific of the Netherlands is that the Dutch are very organized in small regional clusters – whether through their churches, sports group, etc. – and are not normally tightly controlled by the government. That is not necessarily the cultural setup in the Netherlands compared to France, for example, which is characterized by a strong government. Having said that, the exception is with healthcare which makes things extremely difficult. Our government wants the market to naturally decide how the industry is organized, but it has become such a financial burden that the government ultimately takes control.

I believe that there is a conflict in this healthcare set up. Our culture naturally leads us to take responsibility for ourselves, yet there are strict limitations imposed by the government which may be more financially driven than care driven.

Where do you believe diabetes care falls on the priority list for the government and the payer bodies here?

For the government and the payer bodies it is a high priority and one of the first things that they look at, simply because there are so many people afflicted with the disease. Consequently, it has so far been one of the best organized diseases from a treatment perspective. For instance, the first national guidelines for GPs were diabetes guidelines. Diabetes patient organizations have been very well set up here and are great examples for other disease areas.

Prior to 2006 the Netherlands had a completely different set up of its healthcare system. In 2006 the government privatized the insurance system using diabetes guidelines and organizations as their example for regional approaches. There are currently more than 100 GP groups who use diabetes as their pilot example for treatment.

On that note, are diabetes medications and treatments reflected favorably in pharma-ceutical and healthcare reimbursement schemes?

They should be, but the reimbursement system does not relate in any way to the treatment set up that we have in the country. We have a relatively high level of diagnoses in the Netherland and doctors are relatively well trained. GPs cannot, however, be trained in everything yet they are still tasked with the large responsibility of diabetes treatment. This can be a lot for the average GP. Our government approaches diabetes care like they do any other product – from a financial perspective. Reimbursement has nothing to do with the financial set up; it might in the near future if agreements are reached on the regional level and go beyond what has been agreed on the

national level. However, there will still be guidelines from the European Medical Association (EMA) followed by subsequent reimbursement approvals. Furthermore, insurance companies are free to put their own restrictions on top of any agreements set at the European and national level.

Amidst all these restrictions and this limited box that are working in to market your products, what are the main inroads that you see for being an effective advocate for diabetes treatment?

I do not want to compare Novo Nordisk with the rest of the industry since many companies just want to sell products. Novo Nordisk, on the other hand, wants to change diabetes with products being just a part of the process. If you want to be involved in diabetes care, the only right way forward is to become a complete stakeholder in the treatment process. We are a pharmaceutical company that truly makes an effort to change diabetes care and improve quality of life. This is where we differ from other pharmaceutical companies who carry negative reputations in the market. It is also why we have been changing our organizational set up in ways that are probably not ideal for short-term commercial interests, but are ways that what we believe are necessary in order to be a long-term partner in diabetes care on a local and regional level.

Such as how?

Such as setting up account managers with no commercial objectives. We have the ambition to incentivize our representatives on HBA1C indicators – purely based on improvements in quality of care, not on how many products they sell.

Commercially speaking, this small country and small market affiliate plays a large role in Novo Nordisk’s overall European performance in absolute terms. What are its main growth drivers and how has 2010 turned out so far?

We have several drivers. First, we are driven by overall market growth, which, at 3-5%, is in line with our expectations for the year. A second driver has been the introduction of Victoza®, which has surpassed our expectations for the Netherlands but nevertheless has faced severe restrictions which have prevented it from having the same impact as in other countries. In absolute numbers Victoza® is a main driver for our growth but unfortunately, there are still people in this country with diabetes who do not have access to it.

You had mentioned earlier that Novo Nordisk needs to be creative in the way that it responds to diabetes care in the Dutch market. What are some examples of this creativity?

We are sitting at the same table with stakeholders – insurance companies, pharmacies, nurses, and doctors – and collectively asking how we can improve diabetes care. In some cases it is a screening

program and other times it involves coordinating work with other companies in order to improve care. It is not necessarily being creative in the traditional sense, but believing that you can change diabetes. Changing diabetes should come from the inside the organization. Any person who we recruit must believe in this mission. We want people working for Novo Nordisk who are willing to help out voluntarily on at a local diabetes organization on a Saturday because of their desire to add something to the culture of care. That definitely makes us different and it makes it a lot easier for the other stakeholders at the table to believe us and not think that we are just there to sell our products.

We discovered insulin, the numbers of people affected by diabetes is increasing, we have an increasing market share, and our products are the best. Of course we will grow. But you can only justify that if you want to make an effort to improve and change diabetes care.

Something that we aim to bring forward in this report are the comparative advantages of the research infrastructure here in the Netherlands, what it offers to the larger pharmaceutical community, and how it aligns with multinational companies' interests. How has Novo Nordisk been able to leverage the strong local resources in accordance with its corporate objectives?

We are very well positioned within the Novo Nordisk environment to conduct many early phase clinical trials. Our structure allows us to deliver patients in fast way. One of the challenges that we face is that patients with Type 2 diabetes (normally the elderly) are treated by a specialist in most countries. However, in the UK and the Netherlands, those patients are treated by a GP which does not help us with clinical research because there are very few patients per center who can be included in clinical trials. In the early phases we use this infrastructure while in later phase studies we are more confronted with the natural culture of the Netherlands to always be first, always experiment, and always have the GP in the lead for diabetes care. It is difficult since they do not have time, they lack our same organizational setup, and there are too few patients. Our treatment services are very good so the inclusion criterion for diabetes treatment normally asks for patients with HBA1C above 7.5%. Most patients in the Netherlands are better treated than that.

In general it is great that we have diabetes patients treated in primary care. But I cannot support it from an insulin perspective since the absence of those patients makes it difficult to run clinical trials. Regardless of those limitations we still contribute with a high number of patients for international trials; but we could contribute so much more if it were more centralized.

If you could strip away the roadblocks and barriers that prevent you from running the business the way that you optimally would like to, what would they be?

I would like this to be a much more patient-driven, market access process. Let me be clear: I fully understand that the cost of healthcare is a burden. But if you simplify it, around 10% of our GDP is spent on healthcare; 10% of healthcare expenditures go to diabetes; and only 10% of diabetes care is spent on medication; 75% is spent on treating late complications. If you get new innovative products on the market quicker, then more patients could benefit and there would be less expenditure on late stage complications.

You see the benefits of good care within the one year time frame that insurance companies use to calculate return on investment. But most of the impact that you will see will be down the line with late complications. The system, however, is not built in a way that encourages insurance companies to invest now and enjoy returns later on. Patients switch from one insurance company to another at the end of year so the insurance providers do not see the return. The whole reimbursement and market access system does not support better treatment for patients with diabetes even though it is just a very small percentage of total expenditures.

If a company shows that a product works and it is approved by the EMA for its efficacy and safety, then the easiest solution is to get it on the market, reimburse it for 1-2 years, get the results, and based on those results, determine if further reimbursement is appropriate for later on. That way, at the very least, you signal to society that you care about quality of life while forcing pharmaceutical companies to show that the results in clinical trials can be reproduced in a normal diabetes or healthcare society.

It is upsetting for a company to know that it has the best treatment for diabetes and that it can make a difference, but is incapable of making that difference due to financial restrictions. I think it is a shame. I fully understand that money is an issue; but the government should sit down with pharmaceutical and insurance companies to discuss how to solve this issue.

There are some insurance companies who are looking into this and who strongly agree with us. They want to spend money on prevention, better treatment, and innovative products, but refrain from spending because of their predictions that 10% of their customers will switch providers by year’s end – double the rate from last year with the possibility of rising to as much as 20%. That 20% is holding them back, which does not necessarily make sense. If 20% of customers switch providers, then every customer that leaves will be back in five years which is exactly when late complications show up and drive up insurance costs.

A lot of money is being spent on late stage treatment. If we look, from a clinical perspective, at what can prevent such unnecessary spending, do you see the Novo Nordisk pipeline shifting to a

focus on prevention and cure rather than just treatment?

As a company we believe that ultimately we will eradicate diabetes. Only with this you will do whatever you can to find the solution. On your way to find the ultimate solution you will find ones that are better than what is currently available. I am fairly certain that the way we treat diabetes will change in the next decade. There will be better insulins that are more predictable with less fluctuation in blood sugar, and fewer hyperglycemia events. Those will certainly show up in the next few years and we are currently working on different ways to administer insulin differently just to improve the quality of care even more. In the end, the solution to eradicate diabetes will be found. Looking at our R&D program, there is no other company that even comes close in regard to our pipeline. While it may sound silly, in the end, we should make sure that we have no job to do in the field of diabetes, that it is eradicated.

In compiling previous country reports and meeting with your managing director counterparts, they all spoke about the “triple bottom line” as a core component of their affiliate. To what extent does it drive your business philosophy here?

Fully. You have to make money, which is not bad, so long as you reinvest it wisely. We spend a huge amount of money on R&D compared to other companies but in a way that we can positively justify it to society.

We have sporting equipment downstairs to encourage people who talk about living a healthy life to put it in practice. More than 60% of our employees are part of our local sports club. More than 75% of our employees are committed to a healthy way of life – be it running a marathon, biking to work, or participating in the local gym. We as managers have to provide the proper environment for them to do it. It could be a small thing, but it speaks to a greater way of thinking. We are also committed investing in education and personal development. Some companies hire sales representatives and provide them with a one week training course before throwing them on the road. At our company we dedicate 6-8 weeks of training to make sure that our representatives can engage at the highest possible level. It is good for our reps so that they are well respected by doctors and in the end it is good for us. If our reps do good jobs, then we treat more patients, we make more money, and we can spend more money on changing diabetes. I truly believe it to be a spiral and if one of those pieces does not work, then everything falls out of place. So far we are doing a good job.

Novo Nordisk consistently ranks as one of the top 25 companies, across all global industries, to work for. What makes this such a great place to work?

Because we really care. You can say a lot of things like many companies do, rightfully so. But we act. Last week I presented our strategy and the key objectives that we have set as a management team to the whole organization. We encourage everyone to contribute their ideas to the larger group objectives. In doing so, everyone in this organization contributes to at least one of our objectives for next year. We are not just about talking, but walking the talk. Whereas people normally have to whisper that they work for a pharmaceutical company because of the reputation that this industry carries, our people are proud to say that they work for Novo Nordisk.

Where do you see this affiliate, this company being positioned 5-7 years from now?

Globally we will probably be a top five company in the world for the simple reason that diabetes continues to grow and we are a leader in our field. All of the pieces are in place for us to maintain our lead: we have the best products; we are investing huge amounts of money in time and people; we have the best people; and we have a strong sense of what is good for society. What might hold us and other companies back, however, is market access. We have to be smart and find the right partners on the regional and local level in order to continuously grow. We very much stand to benefit from that here in the Netherlands: we are a smaller market, we talk faster, and our networks are not as complex as larger markets.

How has your extensive overseas experience, specifically in developing markets, shaped your management style? What are you bringing back home to the Netherlands?

I am much more patient. The Dutch are known for being very direct which I have made huge mistakes with in Asia. Having worked in the UK, I promised myself that I would always be open and direct. People in the UK are very elaborate in their communication which does not always resonate with the Dutch since we are more accustomed to “yes or no.” I have learned about the need and importance of adjusting managerial styles in order to relate to a greater diversity of individuals. Every individual is different and leadership styles need to be flexible and adaptable.

I also believe that you should have a lot of ambition. I played baseball on the Dutch national team and on the Olympic level which has gotten me to realize how difficult it is to perform at such a high level; but once you do the feeling is great. You have to make sure that everyone in your culture feels that. You must constantly set your ambitions high and even beyond your own expectations. That is the attitude that I have tried to instill amongst the management team and throughout the entire organization.

What would be your final message to the readers of Pharmaceutical Executive about Novo Nordisk and its contribution to diabetes care?

Whatever you do for business should not be driven by financial reasons, but instead, by the difference that you believe you can make in society. I have three children who are now getting to the age where they ask me, “Daddy, what do you do?” We live in a world that is very money driven and dictated by short-term, profitable thinking. A lot of people would reply that they make money in order to support the family. I am proud to say to my children that I’m changing diabetes care, which makes my life much more fulfilling.

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