Interview with Louis Hodossy, General Manager, Roche Hungary

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Tags: Roche Hungary

Hungary has been recognized as one of the largest pharmaceutical and healthcare markets in Central and Eastern Europe, and can obviously not be ignored by Roche. First of all, can you give our readers an idea of the importance of the diagnostics unit, both for the global as well as the local operations?

Within the larger perspective, diagnostics is a key element of the Roche strategy, which is centered around personalized healthcare. We aim to develop drugs that are more targeted than those that are currently brought to market. Because of many different reasons, drugs are currently effective for 50 to 75% of the population, a figure we would ideally like to see increasing to 100% of course. As a key element for such drug development, the right bio-markers need to be developed in parallel.

The only way to correctly target the patients is through molecular diagnostics, in particular through DNA-related markers. With the right biomarkers in place, we can screen the population and identify the patient groups where the drugs will be 100% effective.

We now have a strategic plan in place for the next 5 years. The most important aspect of this plan is that we aim to develop the biomarker and the drug in parallel. I see it as a huge advantage that Roche can engage in such development within the company itself. As we do not require cooperation with other players at this level, our R&D staff from different departments can easily and smoothly work together.

Within the next 5 years, Roche aims for 15 to 20 new molecules to be developed, which will each have a specified biomarker.

For Hungary in particular, the diagnostics market amounts to roughly 10% of the drug market. However, as the latter will be cut dramatically due to the Szell Kalman plan, a new opportunity for diagnostics may also arise. That is because diagnostics play a crucial role in reducing the ineffective use of drugs in society.

Fortunately for diagnostics, no cuts have been announced by the Hungarian government as of yet. Moreover, the government's mindset seems to be well aligned with 2 key trends in the global diagnostics market. First, there is a trend towards automation and centralization. In the US, for example, a lot of samples from Alaska are being measured near the airport of Los Angeles. This is because, from an economic perspective, it is more effective to transport samples to a bigger center, and measure them there. Technology, obviously, has an increasing role within such set-up. Another great example is a laboratory near Saõ Paulo's airport in Brazil. This laboratory has the capacity to work for more than 20 hospitals, and has been fully equipped by Roche.

The second main trend for global diagnostics is in bedside monitoring. In particular in intensive care and emergency rooms, getting quick results within a short decision-making window is crucial. In this area, a key focus now goes to data handling and quality control. The latter relates to the people that work with the instruments, whether they have the right education, if they are allowed to handle the equipment, whether all instruments are working properly, and so on. To a large extent, the solution for these questions lies in the use of information technology (IT). Naturally, the quality managers need to implement processes to educate the staff, in particular as the fluctuation in intensive care units is quite high.

You already mentioned that the government does not plan any cuts on the diagnostics part of the market, giving this niche a renewed opportunity. Do you feel that the importance of diagnostics is recognized by the government in Hungary?

While the recognition is certainly there, it is rather the budget that remains questionable. Today, it is certainly good news that there will probably be no budget cuts in our niche, especially since the opposite has been true for the last 5 to 6 years.

Why do you think that vision changed?

A significant number of conferences and discussions about the economic perspectives of healthcare in Hungary have been taking place recently. People, active in this niche, have been lobbying for the importance of diagnostics. Diagnostics is not an expensive niche. The laboratory budget in Hungary is roughly HUF 20 billion now, while the total healthcare expenditure roughly amounts to HUF 1,900 billion. With other words, while diagnostics only represents around 1% of

total expenditure, it is an area that defines and affects a significant share of the remaining level of healthcare expenditure in the country. The current Secretary of State for Health is also very well acquainted with the diagnostics area, and recognizes the simple fact that such an inexpensive area can significantly influence the total health budget of the nation.

What have been some of the key developments and achievements, since you joined Roche diagnostics in 2007?

In Hungary, there is one private laboratory chain, representing roughly 20% of the market by volume. In 2008, we successfully converted this chain from our competitor to Roche. Thanks to my people working in the service area and all my technical staff, we successfully completed this conversion. I am very grateful for their intense efforts, performing 24/7 for 4 to 5 months in a row. From a technical perspective, this was a big challenge for us.

How could you facilitate the conversion as a manager?

While the business decision was taken at a higher level in the headquarters, it was our job to ensure smooth implementation. The key element in that was to allocate the right resources and maintain the highest possible levels of motivation among our people. The staff needed to be made aware of the importance of this additional business for the company.

Can you elaborate on some of the key particularities of the diagnostics market in Hungary?

Much like the global scene, the diagnostics market in Hungary is very segregated. There are 5 big players, including Roche, Abbott, Siemens, Johnson & Johnson and Beckman Coulter. There are also a lot of local smaller companies that concentrate on 1 or 2 parameters, as well as the refurbishments of old equipment. The price pressure is of course immense, although I think this is the case anywhere in the world. Parallel with the start of the Greek crisis in 2009, poor financing has also increased our outstandings from day to day. Today, this has become a focus area that requires careful management.

What makes Roche stand out in the market, compared to your 4 biggest competitors here?

The fact that we are operating in Hungary as a 100% Roche-owned affiliate, give us a great edge over the competition. Many other players, such as Abbott and Johnson & Johnson, mostly use distributors here. The ownership allows us to focus more on quality and customer satisfaction.

In my view, distributors need to focus on margins and generally only commit to contracts for shorter terms. I therefore think that a company like Roche is better positioned to focus on the longer term. If you would ask our customers, you would hear them saying that, while Roche is surely not the cheapest, our company offers the best quality and service in the market. Our distribution and service background is the best on the market.

For diagnostics equipment worldwide, we know that most growth will be taking place in the emerging markets such as India and China. Yet, the global market is still set to grow at a positive 4%. What are going to be the key growth drivers here in Hungary?

Today, our key drivers are the new markers, and the molecular business in particular. Because of an increase in European tenders, we also see that applied science is becoming a growing market. While it is only partly related to diagnostics, diabetes care is also set to become an important area of growth. Measuring blood glucose from the serum for example, is very easy to do. The only question is the price. But NT-proBNP and BNP, for example, are biomarkers for heart failure management, and can have a key impact on the strategic decision-making of medical doctors. Wherever you can present the medical value of the parameter, there will be a willingness to pay from the customer side.

In terms of people, a high number of well educated scientists are said to be available in Hungary. What is your view on the market situation?

In Hungary, the main problem is that laboratory staff all over the country has become of considerable age. The younger people are now attracted by more rewarding positions in Western countries. Yet, this is rather a problem for the healthcare sector in general, and not only in Hungary, as similar trends are taking place in surrounding countries such as Poland for example. Overall, many of the young professionals have shifted from the healthcare sector to the private sector in Hungary, or to pursue more attractive opportunities abroad.

How have you managed to attract and retain the best talent?

While our offer is fair and attractive, the biggest challenge is to find the right people. There is always sufficient interest in our vacancies, and the recruitment process is rather thorough. Even after recruitment, we spend significant resources on training our people, not only on the “hardware” such as scientific and technical information on the equipment, but also on the “software”, which includes communication and presentation skills.

I strongly believe that people can only be the main competitive advantage today, and defines which company can be successful, and which cannot. In general, many of the leading companies have grown to similar levels of technical and marketing expertise, which implies that the difference today can only lie in the people within the organization.

How do you then define your personal management style?

While my staff will be better positioned to answer this question, I generally like to talk with the different people of our organization. To do so, I have an open-door policy and value transparency very highly. This means that I say what I think, and I do what I say. This is what really creates a certain sense of accountability.

Do you have a final message on behalf of Roche diagnostics, to the readers of Pharmaceutical Executive worldwide?

The next 1 to 2 years will be another challenging period for us. While, in a way, this may be regarded as a crisis, every crisis consists of two parts: threat and opportunity. It is my aim to focus on the latter and try to find ways to become a more effective organization.

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