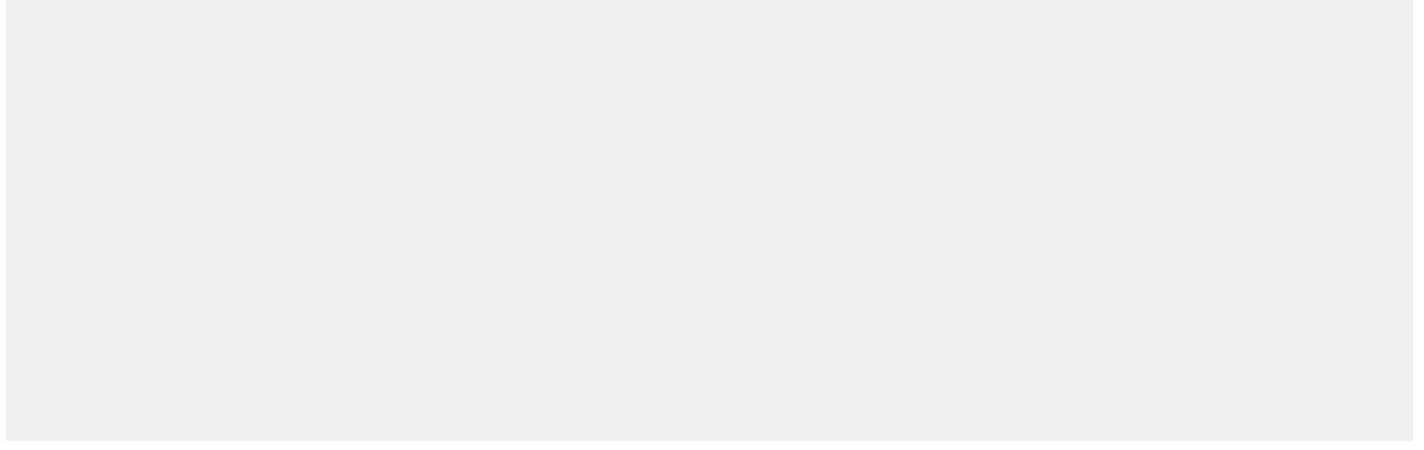


Interview with Jerzy Toczyski, President of the Board & General Manager, GlaxoSmithKline Pharmaceuticals S.A.



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In the pharma world, managers change frequently from one company to another, and this phenomenon has been accelerated with the consolidation of the market, however you chose to dedicate your entire professional career to GlaxoSmithKline (GSK), that you joined in 1992. What has kept you within the group, what has driven and encouraged this absolute loyalty?

As you said, it is good to go from one company to another every few years during your professional career, which I absolutely agree with, unless the company itself is changing every few years. This is the case of GSK. Since I joined the group I have been offered new development opportunities every two years including a foreign assignment in GSK's headquarters in London. The merger between Glaxo Wellcome and SmithKline Beecham resulted in creating a completely new company, and it made me feel like I would start a brand new job. I had an opportunity to be at the very creation of this merged company in Poland. I was involved in strategic marketing and business development. Since then I have moved across the whole portfolio: I have successfully managed positions in Sales and Marketing. As GSK is a large company, it takes time to get through managing all of the company operations. I have had an opportunity a few times to join other companies but every time my company could offer me something exciting and highly challenging that made me stay. I have been working for GSK nearly nineteen years now, but I do not feel like I have been with the same

company for so long. I have been in many different environments throughout this career.

Looking back at your history and career, you spent only two years on the field as a medical representative before being promoted to the corporate HQ in London. I guess it was at the time very challenging and a complete cultural shock for the young Polish manager you were to arrive in London. How did you overcome this challenge?

In the early 1990s, it was the time when the pharmaceutical market and the innovative industry both really started. Out of a sudden, big companies in the pharmaceutical industry came to Poland. They were recruiting heavily, being hungry of new people. They had vacancies across the whole structure and no one to meet the demand. Many medical representatives were being hired and offered fast-track careers. It was a fast moving time for people joining the industry, and one could become a General Manager within five or six years only. As for me, my proposal to GSK was to become a business development manager for Central Europe because there were very few people working for Central Europe at GSK at this time. Poland was the biggest market in this region therefore I had the chance to be exposed to high-level management operations. Looking back, at that time I was still a very young manager from Poland, it was a fantastic experience.

As a Business Development Manager for Central and Eastern European Region you kept in touch with the Polish market, but as a Polish national, what surprised you most when you came back to Poland in 1996? What did you find that you did not expect?

The environment really started to evolve at the beginning of 2000. In the 1990s, Poland was an open market, with few regulations: getting reimbursement was a difficult task and nobody really knew what the budget for pharmaceuticals should look like. The country was going through a completely new experience, including a new political system. The 1990s was a period of a fast market development – Poland had a lot to catch up with,, given the hitherto poor level of innovation – to the extent that the expenses started to escalate. As a consequence, the government had to implement some control measures. In 2000, the market started to shape with the Pharmaceutical Act, a milestone legal act in place to strengthen significantly the market regulation. The pharmaceuticals reimbursement became an issue in the beginning of 2000s. The list of products pending for reimbursement was getting longer and longer. Yet, the decision-makers decided to wait for new solutions on the pharmaceuticals public funding to be worked out and hence they became very reluctant to take any decision in regards to making new products available to patients.

GSK is ranked fourth in the world in terms of revenue but is leading the Polish market. What are the historical and strategic factors that explain this difference?

There are three companies in Poland that take the lead in the rankings: Sanofi-Aventis, GSK and Novartis. In terms of the sales of Rx medicines, GSK is the biggest one. Such a high rank taken by GSK in Poland is owed to the company's portfolio: GSK has got its retail products massively used. This includes effective respiratory products, products used in Central Nervous System disorders (CNS), vaccines, and so on. GSK bought the leading local drug producer Polfa Poznan about twelve years ago. This acquisition gave GSK Poland an additional critical mass, because of the huge pipeline of OTC drugs produced in this factory that got incorporated into the product portfolio of the company. Since the merger, GSK has continuously been placed at the top of the ranking.

Can you tell us more about GSK's \$ 417,500,000 investment for the purchase and modernization of this factory in Poznan, today one of the most strategic plant for GSK in Europe?

The Poznan factory is indeed one of the leading in Europe in terms of cost effectiveness. Obviously in the pharma world, the number of manufacturing sites is being constantly reviewed, as there are synergy-dependant cost savings being looked for. In this landscape, Poznan is definitely emerging as one of the sites that we have been continuously investing in. We have been moving production lines from other sites that got closed in other markets to a few selected places in Europe, one of them being Poznan. In that respect, Poznan is definitely one of the key sites in the region where GSK continues to invest.

To what extent does GSK Poland want to develop Poland as an export center? What is the strategic importance of the Poznan factory for your operations?

In terms of manufacturing, there is a major project being kicked off at GSK: the global production of one of our innovative products is currently being moved to Poznan. At the same time, Poznan manufacturing is not the only investment arena in Poland. GSK Poland tries to capitalize on the very good location of this site, in the middle of Poland. Poznan is very well connected, and offers good access to qualified workforce. This is why GSK Poland makes new investments in Poznan in logistics operations. Poznan is one of the four European multi-market warehouses, where we keep the stocks of our products to be distributed to the regional markets. Secondly, since we have such a good access to qualified personnel, one of GSK's global Information Technology (IT) hubs is located in Poznan. Indeed, more than 200 highly qualified IT experts work there to support GSK's global network. So, apart from regular business operations such as marketing and sales activities, there are three other major areas of investment for the company: production, logistics and IT.

Today, we see that many pharmaceutical companies are switching their production facilities to emerging markets. What is in your opinion Poland's potential to resist from rising competition from India and China?

The emerging markets are of course very attractive in terms of production capabilities for many reasons. However, a pharmaceutical company cannot move all its production to those markets. Shifting production to the East comes with a certain risk, often related to access and geographical distance. Off-shoring is a good way to go, but new-shoring appears to GSK as a better strategy. Not only are the countries in Central Europe close both culturally and geographically to GSK's most targeted markets, but they also offer advantages in terms of costs and access to labor. Poland shows up as a very good compromise: it is not the cheapest market in the world, but the country offers other benefits that come with new-shoring.

Nonetheless, Poland is not really the leading site for pharmaceutical markets. It occupies only just above one percent of the whole European production, which is nothing compared to its potential. Part of the explanation of this situation is rooted in the history: there was not too much legacy in pharmaceutical production apart from state-owned generic compounds, which have now mainly been sold out. Today Poland has got a chance to emerge as a country with increasing production, because there is still some space for development. If only some better conditions were offered by the decision makers in order to promote investments, there could open new opportunities.

Just like in many pharmaceutical markets, regulations in Poland are often seen or described as having negative impact for Multinationals. We interviewed your counterpart Cameron Marshall last year in Germany, where he said that "GSK has to accept its responsibility - and our first axiom is "quit complaining". Is it possible to stop complaining about regulations in Poland?

Poland is one of the toughest environments in terms of regulations and legislation impacting innovative companies in Europe. The country has the highest generic penetration, the lowest possible prices offered by manufacturers and yet the highest patient co-pay in Europe. Complaining brings absolutely nothing in these circumstances; GSK just needs to find a way to cope with it.

In Poland, comparing to other markets, there is a great willingness and ability for the patient to pay for the medicines. Indeed, Polish patients fund medicines and vaccines for their kids on their own. As only basic vaccines are reimbursed in the vaccination schemes, the private market for vaccines is one of the fastest growing in Europe. Polish patients, including parents, are aware of the fact that if they want modern medicines, they have to pay for them, because only very few medicines are provided by the Payor. This opens a lot of business opportunities for the industry.

On the other hand GSK has been continuously trying to open a dialogue with the government up in

order to create an environment, where innovation can get all the way to the patient. GSK has been on a very fast track for twenty years. In fact, the only moments of freedom were at the very beginning, when there were very few regulations. Then, the past twelve years have then been really tough for the company. There is a constant discrepancy between the theoretical attractiveness of the market and the tough reality of the environment for the industry. Poles earn more and more, the economy and the standard of living are growing, the expectations of the society expand, and the geographical position offers a good visibility to other market,. All these arguments speak in favor of an increasing attractiveness of the market. Nonetheless, looking at the Polish market size, where forty million people live, which is comparable to Spain, and so the current development is much below the country's potential. Although the government tries to control the expenses, it would be beneficial to open a wider window for innovative products.

GSK has a long history in the Polish market both in terms of market leadership and as one of the largest manufacturers. Does this leadership come with special responsibilities? What has been the broader impact of GSK in the Polish pharma industry?

Of course, the bigger you are, the more attention you draw. GSK bears a lot of responsibility for its actions. On one hand, the size of the company offers a lot of opportunities, but on the other hand when it comes to some kind of crisis, the company is the first one to get hit. GSK Poland is extremely focused on ethical stands. We have absolutely zero tolerance to anything that do not comply to the law. Moreover, we have implemented a restrictive code of conduct that goes beyond legal requirements.

As a market leader, GSK Poland puts much attention to running its business in a sustainable manner, respecting the needs and expectations of our stakeholders. So we are heavily engaged in many corporate responsibility activities. We educate the youngsters and adults on different diseases prevention, which we have expertise on, and these initiatives are being well-recognized. As a big employer, we care about our employees by providing them with good working conditions and development opportunities. Through cooperation with different environments, such as patient advocacy groups, medical and academic communities, we support the efforts to increase an access to innovative medicines to Polish patients.

Apart from being the President of GSK, I am also the president of the local industry association of R&D-based companies - INFARMA. This gives me a great opportunity to build alliances that strengthen the voice of the research-based pharmaceutical industry in the aim of creating constructive dialogue and partnership with stakeholders.

Globally the Pharma industry outlook looks uncertain. The models are changing and there are weekly announcements of layoffs. Do you still recommend young people to embrace this career, and what advice would you give to those who do so?

It is true to say that the industry is going through difficult times. The global economy is changing and the pharma industry is no longer a quiet place to have a career in. But if I had to bet which industry would survive any economic crisis, the pharmaceutical industry has to be one. Never will the health needs be fully satisfied. Especially in markets where most drugs are not reimbursed, we can see a lot of sacrifice from patients, they happen to take loans for getting some treatment or they apply for public aid, because health is just the most important thing for them. Working in the industry that is providing an answer to these challenges is both a privilege and a responsibility.

GSK is the biggest pharma employer in Poland with more than 1700 employees. We obviously know that GSK's name alone attracts talent but how does the company retain the best talent within the company?

I would not say that the size is enough to attract people, not these days. Of course the brand name of the company and the level of recognition that the company can bring to its employees are important but everything can be spoiled by being bureaucratic, slow, and not responding. People look for the environment where they can maximize their potential. This is the biggest challenge for a company like GSK: how can we create the environment for people to grow? One of the focus areas in the management teams is to make sure that people are recognized for their strengths, being moved across, up, or to another market. Within a company, culture is one of the most critical parameters, especially as young people look for a lot of independence, freedom, empowerment, opportunities, and commitments that include their own intentions and needs. We have to develop this regardless of the brand name and the size we have. It implies a very hard work to build and maintain this kind of culture.

Considering GSK Poland's growth, with such a size, every ten percent in sales may be millions of zloty. We have managed to outperform the market in terms of growth, which is a big effort and challenge for the leader, because part of the market is ourselves. The environment, the working conditions and the careers and development opportunities for the personnel are things we really need to focus on, because otherwise we would not be able to fulfill our mission. Without people, strategies are nothing.

You were mentioning that you see a lot of business opportunities in Poland, that you are a fast and adaptive company. If we were to come back in a few years, where would see GSK Poland?

The Polish pharma industry is already highly regulated and there is a huge wave of new regulations coming in, which will determine the way companies will look like in the future. Within five years, we need to find a way to adapt to these regulations, which are extremely restrictive, much tougher than today. Even though the new law on healthcare will offer some opportunities in terms of transparency in the process of reimbursement, it carries a lot of burden for the industry financial and organizational programs. GSK's mission will be to emerge after this change as the company that managed to adapt and build on this new environment, and maintain its leadership. We invested a lot of time to understand how the change may impact us and how we should be looking like after all these changes. 2011 is a critical year for Poland with all this legislation we will be pushed through. Five years from now, we will see who did not last, who did, and to what extent.

Do you have a final message that you would like to send out to the international readers of Pharmaceutical Executive?

We have experienced tough lessons especially for the last two years with the economic crisis and we have become extremely responsive and flexible as a consequence. In a market changing so fast and planning milestone regulations that will determine the shape of the whole environment for pharma industry for years, we would like to apply this responsiveness and be a partner in this process of creation. This market must learn and develop the culture of dialogue, interaction between the industry and the regulator. Poland is really lagging behind in this regard. Even in tough markets, if a measure has to be implemented, if the market is experiencing a crisis, the level of communication, interaction and engagement of stakeholders is always far beyond what we ever experience here. This is something that we definitely need to change in order to build an environment that will make sense for the payer, the patient and the industry. Also, as the audience of this publication is international, it would be interesting to see Poland as a sort of a training ground. We are facing such hard measures that it could be a harbinger for both regulators outside Poland and multinational pharmaceutical companies. The solutions that we are implementing in Poland, as we are facing tough measures, will most certainly emerge in other markets very soon. Look out for Poland, because what happens here may happen elsewhere.

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