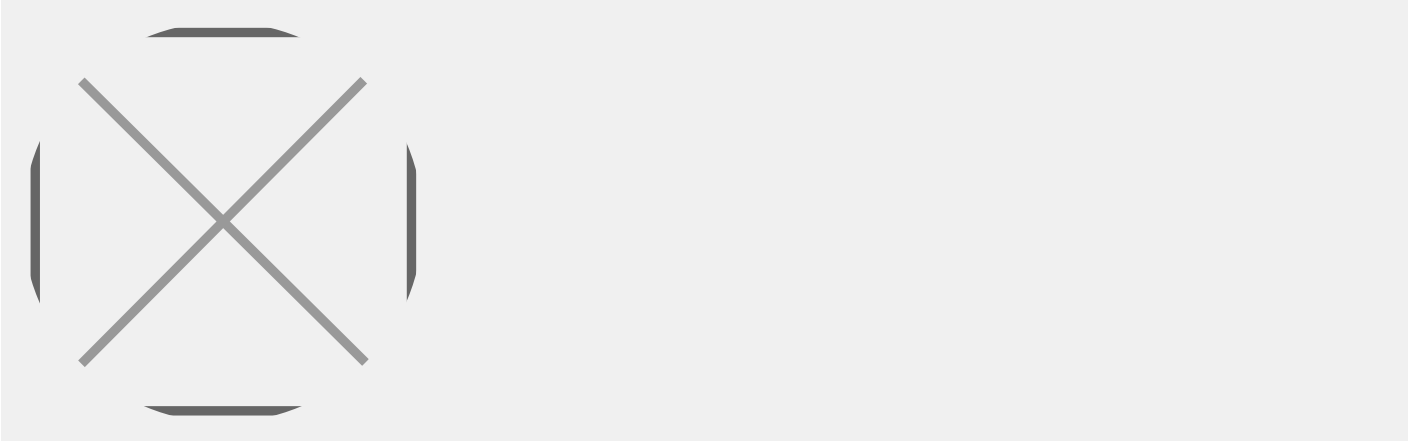
Interview with Jim Harold, CPO Head and Country President, Novartis Argentina



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When we met with Javier Lombar at IMS Argentina, he was explaining how a lot of multinational companies are using Argentina as a regional base of operations. Novartis is a prime example of this. Could you explain how Novartis operates in a Latin American context, and what role the Argentinean operation plays in Novartis worldwide?

Our regional office is in Miami, which contains our financial offices, HR department, and has the usual regional office structure. Argentina is ranked by Novartis as our fourth largest operation in Latin America, after Brazil, Mexico, and Venezuela. In some countries, Novartis is experimenting with a model where we have all our different divisions under the same head. The model is called Growth Emerging Markets (GEM). For Latin America, it applies to Uruguay, Paraguay, Bolivia, and the company has recently incorporated Ecuador and the whole Central American group. The theory is that in most of those countries, there's not really any single division that has enough critical mass to be able to make its presence felt. If all divisions operate as one, they should be able to exploit synergies and acting as one company should give Novartis greater negotiating power in those regions. Novartis has tested the model in a few other places around the world with very good results.

In Argentina, the Novartis Group has two legal entities; Novartis Argentina SA and Sandoz. Within the Novartis Argentina SA entity we have Novartis Pharma, our OTC group and an animal health unit, which are small, and CIBA Vision for for lenses and solutions. At the beginning of 2009 we incorporated our Vaccines and Diagnostics division.

Within Novartis Pharma we are divided into General Medicines and Oncology. Our Oncology business unit operates as if it were a separate independent company, and reports directly back to the USA. However, they still have to follow the policies of the local affiliate. Vaccines and Diagnostics operates in a similar way.

Our other legal entity, Sandoz, is our generics group, which has its own separate management structure reporting to a regional office in Miami, which in turn reports to headquarters in Germany. As well as General Manager of Novartis Pharma, I am also Country President for the Novartis group of companies. This entails certain legal and corporate responsibilities. In these respects, I have some jurisdiction over all the entities I have mentioned, but have no interference in the day-to-day running or management of those separate divisions and companies.

Within General Medicines, Novartis is very strong in cardiovascular, CNS, and we have traditionally been and are still very strong in transplant, in which I was involved in my last position in the USA when I was Head of the Transplant Business Unit. I've had some kind of relationship with transplant all the way through my career. At one stage I was a sales rep in the transplant team in the UK.

Other areas over the last two or three years that we have started to build up are ophthalmology, osteoporosis and respiratory. We have a very promising respiratory franchise to launch over the next few years.

What's your positioning today in the Argentinean market and what have been the main growth drivers?

That depends on how you measure positioning. If you take IMS, we don't come out as high as we feel we actually are: around 12th or 13th. In Argentina, IMS does not give you the almost complete market census which it gives you in other countries. For example, a significant percentage of our business is not captured. Our IMS ranking reflects very little of Novartis' transplant, speciality and oncology franchises. I'm confident that if you put that together and added up the sales, Novartis Argentina would have a similar ranking to the one the company has in the rest of the world.

These would be figures that the local companies might not want to see.

The local companies have done a great job. You've got some really excellent companies within that group. In what IMS captures, they are the major players. You just have to take a look at the IMS rankings, and you have to go a long way down to find a multinational company.

Going back to your therapeutic areas, you mentioned that Novartis Argentina is strong in cardiovascular, CNS and transplant, and is developing lines in bone, respiratory and ophthalmology. How do you choose these products, and select them for the marketplace?

Firstly, new launches are dictated by Novartis' global portfolio. In the last three to four years we've launched around twelve new brands into the market, including in oncology. There are these products, which are the result of global R&D, but then also mature legacy products, which have done well in the past in Argentina, such as Reliveran and Voltaren. Many people may not be familiar with the name Novartis, but they will almost all know these two brands. Outside of the niche markets, Argentina is very much a market of brands and branded copies, and mature brands will do very well if you can maintain some kind of support for them. Most of our important older brands have copies in the market place, so maintaining the branded presence is especially important here.

That's part of the balancing trick we have do: we have to balance mass market products, with niche products and continue to pay attention to these mature legacy products. Clearly, the new core corporate brands are top priority because they the future. Novartis Argentina needs innovative products to generate growth and rejuvenate our portfolio.

How does the structure work in terms the smaller Latin America countries and production? Are they producing on their own or are you helping with exports?

Novartis Argentina sold its plant at the end of 2002 to Phoenix, who manufactures for us. The majority of what we bring into the country passes through Phoenix in one form or another, be it total manufacture or simply new packaging. There is some exportation to other countries, but that's not Novartis Argentina's main focus. Where exportation is more of a focus is at Sandoz, where we have a state-of-the-art plant for oncology products. Argentina is the worldwide production site for some of Sandoz's key oncology products. Three years ago, the plant was the first to be approved by the FDA for the exportation of oncology products to the USA. As a group, we're very proud of that.

How do you see your exports from Argentina developing in the future, with Sandoz already positioned as a key export partner, and the GEM project within the Novartis group grouping together the smaller Latin American countries?

From Novartis Argentina, I don't see the proportion increasing. From Sandoz, it's already important, and that could possibly increase.

Talking about national companies, there's a very unusual situation here in Argentina where they have a dominant position in the market. How does Novartis Argentina compensate for this? Do you have different strategies than you would worldwide in order to be competitive here?

Where Novartis Argentina has slight differences to Novartis Worldwide is the way we relate to the national companies. We currently have a number of marketing agreements with different national companies. These range from exclusive marketing deals to co-marketing. For example, we have a

co-marketing agreement with Montpellier, a division of Bagó, for Galvus, Novartis' oral diabetic that was launched at the end of 2008. This means that we have two brands of the same drug in the market, and gives us an additional voice in the market that only a national company can provide. Montpellier is already the clear leader in the in the oral diabetics segment in Argentina with their own portfolio. We see this as an important element of brand strategy in a country like Argentina, where, because of the number of branded copies in the market, partnering with a big national company is an important element to be considered in the overall brand strategy. We're not alone: others have done it and are quite active in that area.

I have mentioned our partnering with Phoenix for local manufacturing. We also have a relatively unique situation where we are part owners of Farmanet, a distribution company. Our partners in this venture are Boehringer Ingelheim, a multinational, and two important national companies: Gador and Casasco.

Ernesto Felicio at CAEMe was stressing to us the employment benefits of multinationals doing R&D in Argentina, whilst Rodrigo San Martin of Janssen-Cilag believed the main benefit for a country in which R&D is conducted is improved access to the latest innovative medicines. What do you believe are the benefits of doing R&D in Argentina, for both the company and the population, and how active have you been in this regard?

Argentina is a very important country for Novartis in terms of clinical studies. Currently, we are investing around $10 million a year, which has grown over the last four to five years. Recently it's grown because of the additional activity generated by Novartis Vaccines, and increased activity in oncology. We have around 60 protocols ongoing, 7,000 patients, and 350 investigators: it's a very large area. We also have a department of 58 professionals working in the area. Argentina is within the top ten countries for clinical study activity for Novartis, and we're consistently ranked in the top two or three by our own internal benchmarks of efficiency, productivity and quality. That's a reflection on the quality of our staff, but also on the quality and talent that is available in Argentina, which has some fantastic physicians, investigators and centres, which run extremely high quality studies.

I see the benefits as a mixture of all things mentioned by my colleagues: it gives access to patients to newer innovative therapies; we're helping to develop and train local experts, and advance their knowledge and understanding of medicine; we're developing our own internal expertise and clearly we are providing employment and investment in the country.

What do you think about Argentina's potential to become a regional hub for clinical studies?

For Novartis, it already is: 50% of patients participating in studies in Latin America are in Argentina. I firmly believe that this is an area where Novartis Argentina can continue to grow. If I look at our

portfolio coming down the line, Novartis Worldwide is going to need more and more clinical studies, and we can do them.

It's very important for Novartis Argentina to maintain their good ranking in our internal surveys, because we have to compete with subsidiaries worldwide. There is a myth that multinational companies conduct trials in emerging markets because the rules are more lax: that simply isn't true. To participate in a study you have to meet international criteria. Then, whether or not a particular country office attracts the clinical trials depends on how good they are. That's why we pay a lot of attention to those areas.

You employ a lot of people here in Argentina, and have been voted many times one of the best places to work in the country. What do you think attracts industry professionals here, and what makes Novartis Argentina such a great place to work?

First and foremost, people are attracted by the Novartis brand: they know it's an innovative, very successful organisation and people understand that our portfolio is one of the most interesting in the pharma world. Also, they know that we take people development and career planning very seriously. They know that we are willing provide real and interesting opportunities to those people who show the right mix of ability and desire to progress. When I talk to new people coming to the company from outside, they talk about the human relationships: that everyone is treated with respect. They also talk about the level of professionalism, and that people can speak up without fear. We have a few initiatives that might also help in terms of work-life balance. The most obvious is that we let people take Friday afternoons off if they manage to get their work done in time, but this is just one of a number of options.

The other comment that people make is that Novartis are a very demanding company to work for. I've been with Sandoz and Novartis all my life, so for me that is just the way it has always been: Novartis sets high standards for all their employees.

Novartis Argentina's record of Corporate Social Responsibility is excellent. Can you tell our readers a little about the projects you have ongoing at the moment, and why you think CSR for multinationals is important?

Novartis Comunidad is a donation programme, aimed at giving access to our medications to patients who just do not have the resources to pay for them themselves. We work in association with two NGOs, Caritas and Tzedaká. This came about after the economic crisis of 2001, when we were inundated with requests for donations. It's very difficult to pass judgement and decide who is most deserving of donations. We didn't feel as if we were sufficiently trained to do this, so we went through what was almost a bidding process, and in the end, with the help of the Universidad Cátolica of Buenos Aires, came up with these two NGOs to help us deal with this issue. We decided on both Caritas and Tzedaká because they impressed us, and also because they have

their own distribution networks for pharmaceuticals already in place across the country.

The way that people qualify for the programme is by calling an 0800 line. They get put through to the NGO, and discuss their situation with them. The NGO will then decide whether they meet the criteria for receiving a donation. If they qualify, they will receive the medication, whilst Caritas or Tzedaká try and find a way of getting the patient into the healthcare system. A significant number of people find a way of getting their healthcare covered through one of the existing systems. So far, we have helped about 600 families with that problem.

We have an international programme called GPAP, which gives access to Glivec for patients who are not in the healthcare systems. We provide the medicine free of charge for as long as it takes for patients to enter into a healthcare system, and we have around 90 patients receiving this help in Argentina.

We have two other interesting initiatives in Argentina. The first is an Argentine initiative and consists of a collaboration with INPI (National Institute of Intellectual Property) and Pompeu Fabra University of Barcelona. We run a diploma in Intellectual Property. It was recognised that there was a need for training in everything relating to patents, trademarks and protection of industrial design. Through our colleagues in Spain we were able to coordinate meetings between the INPI office and Pompeu Fabra, and between them they designed the complete programme. We we ran the first diploma two years ago when Novartis was sole sponsor. The second edition is just finishing.

Another programme came about because we recognised that in the field of reporting on healthcare, medicines, and innovation technology, most journalists in Argentina are self-trained, and have been successful because they have an interest and worked very hard. Formal training on communication in that area doesn't exist, so we again collaborated with Pompeu Fabra, the Clarín group, Instituto Leloir and Fundación Carolina. Together, we created a diploma looking at communication in the area of medicine, science and the environment.

Internally in Novartis Argentina when we talk about CSR we try and sum it up by saying "do the right thing". When you think of it in that way it automatically becomes important. It's clear to me that more and more, society expects companies to play a socially responsible role. We'll reach a stage where there won't be any choice, and companies will have to find a way to be actively socially responsible, otherwise they will lose access to employees, and the community will act against them. This is especially true for multinational companies in what can sometimes be a negative environment: if you look worldwide, the pharmaceutical industry is very commonly used as a whipping boy by most of the media. There are a lot of myths surrounding various activities within the pharmaceutical industry, and so many problems around access to medicines and why these situations exist. Showing that you are a truly socially responsible corporate citizen gives you access to sit down and discuss these myths, and correct some misconceptions that exist in the

community.

How do you expect to see Novartis Argentina growing in the next few years?

We've launched about twelve new brands in the last three to four years. We're just about to launch Rasilez, the first new class of anti-hypertensive in ten years. Next year, we hope to launch our new respiratory franchise. Vaccines and Oncology both have very exciting portfolios to be introduce over the next two to three years. With our cardiovascular franchise we have a number of innovative products to introduce. We have not spoken about patents but gradually the number of products with patent protection is increasing.

We've been in Argentina for a long time: CIBA has been here since 1920, and Sandoz has been here since 1928. We've been through some interesting times, but it shows that Novartis is here in Argentina for the long run, and the future should be very promising.

What is your final message to Pharmaceutical Executive's 40,000 readers about Novartis Argentina, and Novartis' commitment to Argentina?

The fact that we have been in Argentina through thick and thin suggests that we look at the long term. We have a strong current portfolio and exciting new introduction to make in the next few years. Our positioning in the community and our strong commitment to CSR show our commitment to the country, and that we believe in being a valuable partner to the various different stakeholder groups: be it the government, the local communities, or the national companies. Novartis Argentina is recognised as one of the great places to work, we will continue to work on improving that. Everything indicates that Novartis should continue to be a very successful company to in the future.

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