

Interview with Tomas Bordonaba, Managing Director, Grünenthal Mexico



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Grünenthal first started operations in Mexico back in 1998, we then interviewed Mr. Klaus Kuchen in 2005, but we want to know what's happened since. Please can you give us a brief rundown of Grünenthal's main opportunities and challenges over the last 5 years in the Mexican market?

A lot has happened in Grünenthal in the last years, both at the global and local level. In Mexico, the focus has been on strengthening our portfolio through licenses and new products, and consolidating key brands.

Globally, a significant change started three years ago when the family owners decided to step aside from the day to day business and named a new CEO. This means that now we are catching up with best practices, key processes and talent management; as well as strengthening our commercial presence and investing in the development of new molecules.

For historical reasons, Grünenthal only has a direct presence in Europe and Latin America, and since the European markets are not growing very much, Latin America is in the spotlight and we are expecting substantial growth from this region. With that in mind, a new responsible for Latin America was appointed a couple of years ago and the whole change process started here as well.

There are two main focuses for the region: the first one is to establish a presence in Brazil, and the second is to have a much stronger market presence in Mexico. We are currently the 38th largest company in Mexico with a 0.7% market share, whereas in Latin America we have an average of 1.2%, including up to 3% in Ecuador.

So today Mexico is clearly a priority for Grünenthal, which is why the next 5 years will be very exciting.

Of Grünenthal's \$947mn Euro revenue in 2011, the Latin American region made up over 17%. How will you push Mexico into increasing this percentage, and getting this 1.2% market share that is the regional average for Grünenthal?

We have defined three growth strategies, as well as support strategies to achieve our goal of \$100mn USD in 2015.

The first growth strategy is to strengthen our current portfolio: at the moment 60% of Grünenthal's sales come from moderate to severe pain treatment, and there are still a lot of opportunities in that market. The same applies to our immune-stimulant line; category penetration is low with high medical needs in children and the elderly. The institutional market can also be further explored: three years ago it made up less than 10% of our revenue, last year it was 15%, and today it is 20%, growing more than 40%.

In summary, due to the combination of opportunity and the implementation of improved processes, we can really increase market share with our current brands.

The second growth strategy lies in launching new products. We have quite a few products launched elsewhere in the world, but not yet in Latin America, and Palexia is one of them (known as Nucynta in the USA). In the United States alone it is estimated to reach \$2bn USD and in Europe more than half a billion USD.

The third growth strategy is business development. The current portfolio together with our upcoming launches means we can grow double digits in the next 3 to 5 years. While this is good, it is not enough to reach our target of \$100mn USD revenue in 2015. We need to complement it with other business opportunities, and that is what Grünenthal is working on at the global, regional and local levels.

On a global level they are looking for acquisitions, and on a local level we are working on potential opportunities through licensed products and co-promotions. In terms of partnerships, it is clear that in Latin America and Mexico we will need to expand our presence in areas outside of pain in order to strengthen our position in the market.

But the three growth strategies cannot be successful without our support strategies: to have the right people, and to have effective and efficient processes in place.

How do you explain such a low usage of opioids in the management of pain across Latin America?

I believe it can be put down to a mix of cultural factors ranging from the stoic nature of the Mexican patients and the view that pain is something you have to endure, to the physicians who might not be properly trained or educated in moderate to severe pain management. At Grünenthal we believe we have a very important role to play in increasing awareness of pain and its correct management.

Palexia is very interesting because it has a novel and unique mechanism of action and is the first new molecule in the analgesics market in 25 years. We believe this is a chance to change the perception of opioids both in Mexico, and across Latin America.

Seguro Popular now covers 50 million Mexicans and you said you have dedicated resources for institutional sales. Have you seen greater opportunity in this area of the institutional market? What kind of challenges have you faced?

The institutional market represents a big opportunity for Grünenthal, since pain is under-diagnosed and under-treated through the whole country, and the majority of the population uses the state's health services. But it has additional complexity, since you have to demonstrate the value of your product and interact with different organizations.

Within that context, Seguro Popular is even more challenging because every state manages its own budget and has its own priorities. You have to create an individual strategy for every state.

But in general, the awareness of the importance of correct pain management strategies is growing in the different institutions, and Grünenthal is playing a key role.

As I understand you have a new corporate CEO and these targets seem very aggressive, such as double digit growth and \$100mn USD in sales. How aligned do you think the Mexican division is today in comparison with the rest of the company, not just in terms of portfolio and strategy, but with the whole system, in order to keep on growing?

We are very much aligned: Grünenthal as a corporation is aiming for a \$1.5bn Euro target, Latin America \$500mn USD and Mexico \$100mn USD; so from the top it is clear to everyone that we have very aggressive growth ambitions, and for each geographical area there are different drivers behind reaching those goals.

For Mexico, leadership and communication has been a key element in establishing our goals, objectives and action plans. Everyone in the company knows about our \$100mn USD sales target, and they also know that to get there we first need to strengthen our current portfolio, then launch new products, focus on business expansion and also strengthen our talent and key processes.

We have managed to achieve this alignment because of our focus on strong communication, and the way we cascade our objectives through the organization.

You mentioned having the right people. How easy is it to recruit the right talent for Grünenthal- people who can fight for the same goal in such an aggressive growth environment?

Our objective is to have the best talent in the organization, both from inside and outside.

I look for people who really love a challenge and who like to build something new: people with an entrepreneurial spirit. Fortunately there is a lot of talent in Mexico that really makes a difference. We are going through a unique time with the company, one in which we can shift and mould the new culture, and because of this we have been able to build a very strong team.

The key message that we send to potential candidates is that here in Grünenthal you can make a difference, with the responsibility that comes with it. You cannot find that everywhere.

It seemed that Grünenthal was really at a crossroads as to how they were going to go forward in Mexico, and they really needed a change agent to take over the operations. Why do you think they chose you?

I think the main reason was because it was clear that I like challenges. The opportunity to shape a company's culture and take it to the next performance level was a unique professional challenge for me. Also, I really identified with the leadership style of the people who interviewed me.

It was the right decision for me because I have had the resources and freedom to strengthen Grünenthal and prepare it to win in the Mexican market.

So you like a challenge. What do you see in the next five years for Grünenthal here in Mexico aside from a lot of work!

The most important milestone for us is to reach the \$100mn USD target. In any large market you need critical mass, and we want to have a stronger foothold here.

But more than that, in the next five years we want to significantly contribute to changing how pain is treated in Mexico.

As we discussed before, moderate to severe pain is under-diagnosed and under-treated. Millions of people live with pain, and sadly some of them die with pain.

I think we can really help physicians and patients to change that, which is why our company vision is to become the most patient-centric pharmaceutical company in Mexico, to change how pain is treated.

That is our commitment.

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