Interview with Juan Craveri, President and CEO, Craveri

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Tags: Craveri

Craveri has one of the most distinguished histories of any of the Argentine pharmaceutical companies, with over 120 years of history. Three generations after it’s foundation, do you feel you are still following the pioneering spirit of Dr. Giovanni Craveri?

First of all, even though I am the third generation, I should really be the fourth: my father was old enough to be my grandfather. I came from his second marriage. I started working for Craveri in 1986 when I finished high school, and I attended college, getting a degree in business, followed by an MBA. I did it here in Buenos Aires because my father passed away and I took over the company, making it impossible to go abroad for an MBA. I inherited a company with a lot of history, but that history was really more of a weight than an advantage. My mission was to transform the company, and take it from being an antique company to an experienced company. I’m still working on that today.

When I took charge of Craveri, a lot of the workforce still had years left to work and were used to working in a certain way. I sent many of them back to school again, which was very successful. Next I started on the facilities. After that, we started working with marketing people, trying to make the company more competitive. In 1996 we announced a new strategic position for the company. At that time the exchange rate between the peso and the dollar was 1 to 1, and a lot of international companies were returning to the country. Argentina’s economy swings like a pendulum every ten years or so. In the 1980s, many multinational companies sold their facilities, and then in the 1990s they returned, and now they are leaving again.

We were a very small company in a very big industry, and we had to make these changes in order to compete: change the people, change the facilities, and have more products. It was very important for us to correctly define ourselves. So as we positioned to stay in the market, we began these processes, and we also started doing R&D. From as far back as 1864, everything was patentable in Argentina except pharmaceuticals. This law was changed in 1995, and nowadays you can patent a drug here as you could in any other country. We are a small company, and the investment needed for creating new drugs is huge, and many companies merged their pipelines. According to our budget, the only thing we were able to do was work in bioengineering. We had a doctor, a biologist who had experience in this, so we started with a small project outside the company, which we moved our facilities once it was clear it would be a success. We are now working on several projects. Two years ago, we received approval for the first bioengineering clinical trials in Latin America, and we are now about to apply for our second one. For the time being, bioengineering is a spending machine, but we are about to see light at the end of the tunnel.

How do you think the changes you have made since joining the company and taking it over have affected the positioning that Craveri has in the market today?

We are changing the minds of our competitors and doctors. Before, they perceived the company as stuck in time, so we had to change that, and we are succeeding. Nowadays, they look on Craveri as a company that is working hard, launching new products, investing in technology and people, and that makes a huge difference. As you see, we are still a fairly small company, but we are starting to be considered as medium-sized, rather than small. Our aim is to be in the top fifteen companies in the rankings over the next few years. During the last five years we have moved twelve places in the rankings – the idea is to keep this rate of growth.

What would you say has been Craveri’s most exciting recent achievement?

Two days ago, we launched a product competing with one of Servier’s products, and it will be the most important launch in the Argentinean market in the last two years.

Your name and reputation are well-established in Argentina, and you’ve obviously built on that since taking over. How does this translate to your export market? How important is the export market to the company, and what kind of percentages do you export?

In 1996 I made my first business trip to Japan, and I have been every year since, trying to negotiate bioengineering licenses. With companies in the UK and the US, one business trip might be enough, with the Japanese it’s nice for them to have an appointment with a company that has existed for 120 years, but this is not enough: you have to build up your reputation and presence there over

the long-term.

Craveri’s key areas are the pharmaceutical business, and our contract manufacturing business. During the crisis in Argentina in 2001, we had very little work for our employees. We started offering our services to other companies, and nowadays it accounts for almost 30% of our turnover. We work with around 40 companies, both locals and multinationals, and we also export these contract-manufacturing services. Two of our plants are certified to produce for the Colombian market, so we export our services there, and to Peru, Bolivia, Uruguay and Brazil among others. Our exports are mainly contract manufacturing: more so than our own products. We are working on that by registering our products in the main countries in Latin America, but selling pharmaceuticals is not as simple as selling tennis shoes. First a company has to register a product, then find a partner that is willing to invest money in your trademark and not his. It’s medium to long-term project.

The Craveri name means something here in Argentina, but it’s not the same in other countries. There, we have to start from scratch. It’s easier today for the bigger Argentinean companies, who did a great job in the 1970s opening and buying companies throughout Latin America.

This industry isn’t only capital intensive, but human resource intensive. You have six manufacturing plants: that’s a lot of people. What do you think attracts people to come and work for Craveri?

Although we have a lot of plants, they are boutique plants, tailored to one specific use such as bioengineering, and as such do not require huge amounts of staff. I think we attract pharmaceutical professionals because of the history of the company, and the image that we present. I try to say exactly what we are going to do, and not invent. One of the problems in Argentina is that people say a lot, but do very little. At Craveri, we try to be sincere and realistic in our aims, so that we do not fall into this trap.

How difficult was it to change the culture of the people in your company?

It was difficult. Imagine people with thirty years in the company, who had worked all that time in a certain way, and now had to change. Some of them adapted to the new situation. Others, unfortunately, did not.

What would you define as your management style?

At the end of 2001 we ended a conflict of interest within the family. You can try to run a family business as a professional businessman, but on the other side you always have family. Family and

business are not always the best mix, but you have to deal with it. We had a conflict of family stockholders, with three main groups: my father's family from his first marriage, from his second marriage, and the heads of the cousins. After my father passed away, things started changing and we had a conflict that lasted for two years. Finally, we bought out the problem, and now it is solved.

The idea today is to run the company as professionally as possible. If a member of the family wants to work for the company, they have to be as good as everybody else. It's interesting when talking about what we can offer to potential employees. Any manager, not now, but in 5-10 years, will be able to apply for top-level positions, and not finish their career as an area manager, but potentially as CEO, in order to make the company as profitable as possible. I try to delegate as much as possible. Gaining my MBA in 1996 was very important for me. It opened my mind to strategic planning, family issues and so on.

The decision to move into biotech was a very forward-thinking one when you compare it to the way the industry is moving in Argentina today. What made you want to look specifically at the replacement tissue market?

Within the new strategical positioning, we realised that we could not depend forever on expired patents and licensing, because with licensing, there is always the risk that even though the company has given Craveri a licence, they could ask for the licence back at any time. We wanted to produce something of our own.

We have excellent grey matter and human resources in Argentina, but we need the promises of infrastructure from the state to become a reality. When Argentinean scientists go abroad, they succeed, and when they come back, they face a lot of problems. The most important scientific development for the human race was the wheel, but the second was the stick that tangles the wheel. Here in Argentina, we have too many sticks on the wheel. As a pharmaceutical company you have to deal with the state, with ANMAT, and with many others. I always say that if my grandfather had taken the boat to New York instead of Argentina, things would have been different. However, I like Argentina, I like to live here, but the only thing is that there are always sticks on the wheel, and it's hard work.

ANMAT was a very important turning point for the industry when it was created 15 or 16 years ago, because before ANMAT, product registrations and applications were going badly. With ANMAT, things started to settle down, and there was a visible improvement. There was a decree passed, which allowed certain product registrations and applications to be fast-tracked, and many other

decisions made that helped both local and multinational companies.

We started our biotechnology department many years ahead of the latest wave of companies, and it was funny at our first meeting with ANMAT, to show them what we were doing, jaws dropped. Instead of receiving answers, we received questions, so we had to educate them, and eventually helped them to shape policy. We were afraid of unfair competition within the biotechnology sector, so we worked together with ANMAT to make high barriers for companies trying to enter the sector. If somebody in their backyard starts working on bioengineering, it is not only risky for patients, but also for bioengineering itself. So we worked with ANMAT, trying to make regulations in line with international standards. Finally, after my trips to Japan, we are in touch with a Japanese company that is working in exactly the same area as Craveri, so now we have video conferences with them and we are sharing experiences. So we also use that experience and information from Japan to work with local authorities.

What's your strategy for Craveri's future growth? Are we going to see organic growth, or mergers and acquisitions?

Every day, I receive offers to buy the company. I turn them down, one by one, telling them that I am looking to buy companies, not sell. Of course, if the price of Craveri was 50, and somebody came and offered me 100 for it, I'm not stupid: I would take the Craveri name and start a new company. However, the plan for Craveri is to keep going, and keep launching new products. We have been doing some interesting investment in people – we used to have 75 medical reps, and now we have almost 100. We will also be looking at ways to increase market share, and expand regionally, now that we are registering our products across Latin America. In parallel to this, we will continue to work with Japanese companies for licensing. We have a licence from the Japanese company Mitsubishi Tanabe, another in the pipeline, and with two others in discussion. We will try to create a balance, not putting all our eggs in one basket. Bioengineering will be our third leg. Hopefully in the next 2-3 years we will start to see some money come from that side of the business.

If we came back to see you in five years time, what would you like to have achieved in that period?

We would like to have moved up even further up the rankings. Achieving this is like losing weight: when you begin, you lose the first few kilograms easily, but then as you get closer to your target, more effort is required and the process becomes slower. However, saying this, I was looking at the figures for the last quarter, and we had growth of 37% according to IMS.

What is the final message you want to send to Pharmaceutical Executive readers about Craveri and the Argentinean pharmaceutical market?

Craveri will keep working to achieve what we say we are going to. Even though Argentina is far away from the rest of the world, the pharmaceutical industry proves that we can have a first world industry, despite the odds being stacked against us.

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