Interview with Ralf Vayntrub, Founder & President, Invar

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Tags: Invar

The following is joint interview of Mr. Vayntrub and Regina Karymova, General Manager of Invar

Mr. Vayntrub, you founded Invar in 1991, and began to capitalize on foreign investment in Russia immediately after the fall of the Soviet Union. This company began as a regional investment & consulting business—why did you choose to go into pharmaceuticals? What challenges did you face in entering this field?

Ralf Vayntrub: I actually founded my first company in 1989, when the USSR still existed. It was high-technology collaboration with a German company. Two years of work showed that alliances, on the Russian market, have little chance of survival—because there are no instruments for attracting investment.

It was then that I formed an investment and consulting company, which would provide these resources. By that time, I had studied in Germany under a famous program called ‘Gorbachev-Kohl.’ We began to offer services in the frame of attracting investment and technology to Russia.

Our work was with any kind of high-technology project; for example, we worked with Japanese partners on the modernization of bridge technology. We worked in construction, automobile manufacturing, etc.

In 1993, a Spanish pharmaceutical enterprise approached us, seeking our services. They sought to bring a drug to the Russian market, and were looking for a partner. I then remembered that, by my first profession, I am a physical chemist and a physical biologist! We subsequently partnered with this company: we registered their product, and were charged, simply, with selling it. However, by this time, our Spanish partner had grown close with us, and asked us whether we would like to keep this project within our company.

This was the birth of Invar Pharmaceuticals—a new business appeared in Russia.

We then registered another product owned by the same partner, and we successfully lived through the 1998 financial crisis, when Russia defaulted. By this time, having successfully made a place for ourselves on the market, we began to think about strategy. We formulated a business concept, which has developed successfully to this day.

Regina Karymova: The foundation of our business is strategic alliance. Our first experience of working with a Spanish pharmaceutical player showed that we could form such alliances well, and we subsequently began to multiply them.

With time, these alliances took on a certain form. At first, we developed alliances with relatively small pharma companies. We were, then, small ourselves, and had limited resources to offer for product promotion. As we grew, our capabilities and our experience in the field grew, and, consequently, we began to form alliances with companies of medium size.

To speak of the external environment—in parallel with our own development, interest in the Russian pharmaceutical market grew. Accordingly, more and more companies wished to enter their products into Russia. This gave us great opportunity to optimize our portfolio, and to only focus on the products that were most interesting for us. Since 2006, we decided that we would only work with innovative, original drugs. Today, our capabilities have reached such a level that we can offer our services in collaborating with Big Pharma. How does this work? Many multinationals are currently optimizing their portfolios, and each of these companies inevitably has products that do not fall into this optimized selection. They are then ready to offer this product to another company, by way of strategic alliance.

Additionally, we have now expanded our services to offer not only alliances in promoting single products or a cluster of products, but to partner with big or medium companies that have not yet penetrated this market, and help them to promote their entire portfolio, as well as future pipeline.

Are there truly any big companies that have not yet entered the Russian market?

Regina Karymova: Certainly. Here I'm not just talking about pharmaceutical companies but biopharmaceutical ones, as well, that have not yet come to Russia and whose era is just evolving. There are a number of options for them. First, they can establish a representative office—but this takes quite a long time, and due to a lack of transparency on the market, and a lack of Russian experience on the part of the company, the return is to be awaited in long term. They can enter into an exclusive distribution agreement, but this option leaves them with no control. Invar can offer them something in between: they buy share of a company, and begin to participate in the operational management. They get a ready business, with expertise and personnel, and combine their portfolio with ours. They get immediate revenues, and we begin to work together on the market.

Ralf Vayntrub: The market in which we specialize—that of innovative, original products—is growing very fast. Over the last ten years, the demand for premium innovative products, in particular, has grown especially fast.

This market is very interesting. It also happens to be our profession! We chose this direction correctly years ago. All of our competencies are geared towards this market.

Can you describe, in a few words, the principles of successful alliance that you have developed at the company?

Ralf Vayntrub: In March of this year, there was a pharmaceutical conference for European players held under the Adam Smith banner in Basel. Myself, along with our general manager Regina Karymova, prepared some materials for this conference, and spoke at the main session. We presented, to the gathering, seven main principles of building successful alliances in Russia.

Regina Karymova: Each of the principles of alliance relies, first of all, on equality amongst partners. We do not approach collaborations with a mindset of one partner being greater than the other. It is very important to find a good match in the different aspects of the partnership. Hence, our seven principles are seven 'matching' principles. The first principle hinges on a strong match in certain basic criteria: e.g., companies should agree on contractual requirements, financial obligations, and etc. If companies cannot agree on such basics, then they should part ways. The second principle is a match in business models. When a potential partner is oriented towards international expansion via partnering network, and the local company is focused on formation of portfolio on the basis of in-licensed products or products under distribution, there is a match for further negotiations.

For Invar our entire business model centers on partnership. We have experienced 15 strategic alliances thus far, and pursued over 100 negotiations, but we have also worked with a number of

companies that had no experience in working with partners—and this caused serious complications for the collaboration.

The third principle is a match in organizational structure. Availability of corresponding departments capable to solve key questions in an effective and prompt manner is a guarantee for productive outcomes. If there is harmony in this sphere, then the partners can successfully establish an organizational workflow.

To list the remaining principles briefly, companies need to be compatible in terms of product portfolio and mutual needs; there must be marketing strategy match to guarantee one-way thinking; and also product development match: both partners must be well aware of the needs and ways of adapting a product for a new market.

The seventh principle finally is to establish a partner ecosystem. It is not only to acquire access to resources, core competencies, and capabilities amongst partners; it is moreover to establish synergy between the collaborators. Any partnership is constantly changing, and it is about building a joint team with its own corporate culture as the basis for successful alliance.

After 20 years of operation, how will you tune your business model to attain further growth? Is there still a bright future in distribution and licensing partnerships, or will you have to diversify upstream?

Ralf Vayntrub: Strategically, this model is one that can be successful not only for many more years, but forever. It is not only successful, but it is organically successful. Its further development will involve alliance with new, diverse partners, and with diverse classes of products. It makes it even more actual in the realm of biotechnology. This year we announced to start the search of new products for our portfolio in the in the area of biopharmaceuticals.

Though apart from this business, three years ago, I made a decision that we would actually develop our own line of biotechnological products. Here, a new Genometrica project was born. This company is a part of the Invar Group, and it develops and manufactures biological diagnostic equipment for genome analysis. These are quite high quality low cost machines. We are developing them in our facilities on Long Island, NY, in collaboration with State University of New York, in Stony Brook.

Next year, we will begin to manufacture and sell them. I cannot yet tell where, because seven manufacturing plants— Israeli, American, and European—are currently participating in a tender to decide that very question.

The future direction of all of medicine will be driven the analysis of the genome. Therefore, our products will be valuable for researchers that are developing new test systems and new medicines; they will also be valuable, with modifications, for practical medicine.

This is a project that is for the whole world—and, of course, for Russia. For this reason, we are concerned about what will happen with biotechnology in this country.

With Pharma 2020 driving for the local manufacture of such equipment on Russian soil, will it be interesting for you to produce them here?

Ralf Vayntrub: This is a good question. We are certainly ready to establish one of our manufacturing sites in Russia—and we have certain negotiations to this effect. Of course, for Pharma 2020, this kind of project is a key direction of development. The foundation of biotechnology is in diagnostics: it is in instruments that analyze the genome. Only after the diagnostic process can we develop medicines, the test systems, and etc.

Regina Karymova: It could not be vice-versa; products could not appear before diagnostic equipment. Diagnostics beget statistics, statistics beget conclusions, and only then can the molecule development process start.

Ralf Vayntrub: My goal is to develop this aspect of our business globally—in America, in Europe, etc. We are building the infrastructure to make this possible.

To develop the business in Russia, we are looking for a partner—and not necessarily a Russian partner. Here biotechnology is in an absolutely embryonic state. To illustrate, we tried to conduct part of the research that we conduct in the U.S., in Russia. We did indeed find some good specialists in the country!

However, to perform our R&D, we need to buy certain ingredients in the West, and bring them to Russia. When we attempted to ship the first batch, we had to wait one month. Moreover, by the time they got here, they were totally ruined—they were not properly stored. The second shipment was also ruined.

In comparison, from the moment we order these ingredients at Stonybrook, until the start of an experiment, we wait a single day. Actually, we bring specialists from Russia to work at our laboratory in New York. Half of the lab speaks Russian.

Russia does currently not have the infrastructure for this kind work—at all. It will not be available tomorrow, either, no matter how much money is spent. We need a gestation period of about ten

years to develop the necessary framework. There needs to be a new generation of researchers, doctors, and biologists in Russia. Today, no university in Russia teaches genome analysis. Where are the specialists? Here, we start from zero, and we have to make very significant strategic investments.

Nonetheless, if some Western partner joins us in developing this business in Russia, that partner will be able to capture the whole market instantaneously. Students will learn with our equipment; doctors will learn with our equipment. Why a Western partner? Because they understand the benefits.

This is the future of Invar in Russia.

You mentioned, early in the interview, the clash of corporate culture in partnerships. What kind of corporate culture does Invar itself have?

Ralf Vayntrub: Invar started as a ‘family’ company. I do not mean to say that relatives worked here; it was just that employees had very familial relationships with one another. This kind of culture pervaded the company for ten years, and gave much to our development. However, a moment came when professionalism, and order, came to the forefront. We looked more closely to our business processes, and our internal education, and etc. To grow to the next step, Invar had to change its corporate culture. Size makes a difference.

Regina Karymova: When we hire people, we find the ‘doers.’ This is because when you work in a very large company you understand that your own input on the promotion of some global product is minimal. The corporate machine is already at work, and will practically promote the product for you.

At Invar, we do not have that luxury. Therefore, we choose people who are driven by seeing the direct results of their labor—people that want to develop marketing strategies from zero for a particular product, promote it, and achieve a turnover of several million dollars per product.These people are difficult to find, but it is possible. You have only to look to our team.

What is your final message to the international readers of Pharmaceutical Executive?

Ralf Vayntrub: In Russia, we are living through a period of intense changes on the pharmaceutical market. The Chinese have a saying: “God, do not let me live through an epoch of change.” In Russia, we have little choice! Nonetheless, the majority of the transformations this industry is undergoing are positive.

But there is still a lack of transparency, lobbyists have too much power, and the playing field is uneven. To capitalize on the growth and transformation of the market, Western players need a partner who understands the local environment. In order to capture a piece of this pie, they need a quality, Russian player to collaborate with. We are very much open to such collaboration.

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