

# Interview with Patrick Aghanian, General Manager, Sanofi Russia

---



04.07.2011

Tags: [Sanofi Russia](#)

---

**There has been quite a bit of dynamism in the domestic pharmaceutical market since Focus Reports last look at the Russian market in 2006/2007. What have been the main changes you have witnessed throughout these five years?**

There have been several major developments in this market. The most important has been the increasing role of the state in the pharmaceutical industry. When I look back at the state's involvement in this sphere before 2005—prior to the launch of the DLO—it was mostly restricted to regulation and registration of products, issuing orders on storage and warehousing, and etc. The authorities have since moved from basic oversight to actually shaping healthcare policy, and trying to introduce elements of a pharmaceutical strategy. From 2005 onwards, we have seen this manner of involvement more and more, and it has especially accelerated since 2007.

We see, of course, the government's document Pharma 2020, and Healthcare 2020 as well. Those are just outward manifestations of a general drive that we have witnessed over the past five years.

The second big change that I have seen is that there is not one company today that is looking at emerging markets, and particularly Russia, as regions that they can afford to ignore. There was a period of time—again, in 2004 or 2005—when companies approached Russia with a 'wait-and-see' strategy. That is not the case anymore, and strong evidence of the shift in attitude is the fact that when there are new compounds under development, almost all large pharmaceutical organizations make sure that those compounds are patent-protected in markets such as Russia. I believe this is a very good indicator of a renewed, serious approach.

The third biggest change is the extent of market growth. We are all now managing businesses that are significantly larger than they were a few years back. This is creating new challenges, because we are all becoming increasingly important to our headquarters. For example, in Sanofi's annual report, Russia is always mentioned separately. A few years ago, there was no such special attention given to this market.

**It is immediately striking that Sanofi is the leading company on this market—according to the IMS, in 2010, Sanofi controlled 5.7% of market share, relative to second-ranked Novartis' 4.1%. Furthermore, the company grew 21% over 2009. What are the specificities of the strategy that have given Sanofi such a commanding lead in this marketplace?**

I think the first element is that, historically speaking, Sanofi has always been committed to emerging markets—long before it became 'fashionable.' Relative to the other Big Pharma companies, this has been a core differentiator for our organization. This commitment, of course, has a cumulative effect, because a company that is consistently present in a marketplace learns how to properly do business in that environment, how to attract colleagues, how to develop people, and etc.

A second aspect of our success is that Sanofi has a portfolio that is well-suited to a market such as Russia. Since our new CEO, Chris Viehbacher, took over at the end of 2008, we have put more emphasis into not only developing that portfolio, but also diversifying it. Mr. Viehbacher is constantly speaking of diversifying Sanofi into different therapeutic areas and different market segments. I always like to say that Sanofi Russia today is what Sanofi worldwide will be tomorrow—because in terms of diversification, we are present in almost all market segments that you can think of. We are present in generics, in consumer healthcare/OTC, in original prescription medicines, in specialist medicines, and in vaccines. We have a very strong footprint today!

When you look at the composition of Sanofi Russia sales versus Sanofi global, you will see that the OTC business globally accounts for 5-6% of total sales; in Russia, according to IMS, it accounts for 41%. The same is true of generics: globally, generics account for 2-3% of revenue; in Russia, 17% of our turnover comes from generic sales. This gives you an idea of what makes us different—we have all of the elements of a diversified strategy in place.

A final component of our success is that we have taken very opportunistic bets, especially during the financial crisis in 2009 when some of our competitors were pulling back. At that time, we actually increased our level of investment, and I believe this decision was paramount in further establishing our positioning.

**In April of 2010, Sanofi acquired a controlling interest in Bioton Wostok, giving it access to an insulin production facility in Orel. What was the strategy behind this acquisition, and why did you decide to refurbish existing infrastructure rather than build a Greenfield plant?**

First of all, our strategy with the acquisition of this factory is in line with Sanofi's global strategy, as outlined by our CEO. We have several pillars, one of which is diabetes. Diabetes is a global pandemic that is expanding quite rapidly, and Russia is no exception in this context. According to official estimates, there are 3,1 million diabetes patients in Russia; unofficially, according to experts the number is probably three times higher. This is a disease that is very impactful socially, and hence it is very important for decision makers.

For Sanofi, it made a lot of sense to make an investment in a facility that is linked to a disease area that, first of all, fits our global strategy; and secondly, fits with the agenda of public stakeholders. In that sense, insulin production was just right.

Why did we decide on this particular facility? I believe that there is no other facility today in Russia that is as advanced as this one when it comes to making pharmaceuticals—especially of the complicated type, such as insulins. I am not speaking of simple tablets or capsules. Whoever has seen the facility has always come away decidedly impressed. This is a tribute to our partner, because they have truly not economized their resources in the building of this site. That is the reason why we decided to go with this plant rather than to construct a plant Greenfield.

We are very proud, because we are the first Big Pharma company to have made such an investment. The history of insulin manufacturing in Russia is quite long. It has been on the agenda for 20 years, and stakeholders have long declared that they are going to produce insulin in this country. We are not only the first Big Pharma company, but also the first company of any kind, to manufacture not only human insulins, but also the most advanced insulins there are in the world, which are analogue insulins. And the quality of this product is no different than you would find in Germany, the U.S., or any other advanced Western country—that, I believe, is very significant.

**Generally speaking, historically, the Russian pharmaceutical sector has been plagued by underinvestment to a point that Mr. Paul Melling at Baker & McKenzie has called “appalling” and “scandalous.” This lack of investment was characterized by both underfunding at the state level and lack of commitment to infrastructure from private sources. Have conditions improved?**

Definitely, conditions have improved. First of all, when you look just at the past few years, the amount of money that the government has spent on the DLO, the Seven Nosology programs, etc. has considerably increased. According to IMS data in 2010 the market was about 70% out-of-pocket, and 30% state-funded. In a market that is worth approximately \$15Bn, this means that the authorities are spending about \$4,5Bn annually on healthcare products—this is not a small amount of money.

Of course, given the need, one could argue that government spending should be further increased. Certainly, the expert consensus is such. However, I do believe that their current level of spending is

much improved relative to what we had a few years back.

I believe also that we, as an industry, have an obligation to invest in this market, and we have done our part. Sanofi has done its part; as I have said, we are the first large corporation to put our money where our mouth is—and again, not in some tableting or capsuling facility, but in very high-technology production.

**Many have said that while the government is calling for localization, they are not providing the incentivized and transparent environment that would make it attractive. But perhaps investors should not expect returns from the government; instead, they should expect returns from the market. Regardless of the environment that the authorities are creating, this is still a market of 140 Million, with a large disease burden and a wealth of opportunity. Would you agree? Is the market itself attractive enough to ignore the regulatory, administrative, and political barriers to investment?**

Certainly our investment shows that. We believe that the market itself is attractive enough to make such an investment. We have four facilities for the manufacturing of insulins worldwide. One is in the United States, the second is in Germany, the third is in China, and the fourth one is here. This is very indicative of our beliefs.

We as an industry operate in a market space where, whether we like it or not, we will have the government playing an increasing role—because, at the end of the day, we deal with health. Any responsible government cannot ignore this issue. We are bound to see increasing government attention and intervention. Do we as a company expect to see any returns? We expect to see returns from the market. We are a privately-held company: we make investments in order to get returns. Will returns be driven by the government or not? I do not know. At the end of the day, there are a variety of factors.

**The authorities have recently spoken of shifting toward a model of medicine that focuses on prevention, puts greater emphasis on non-communicable disease, and increases treatment standards with a high influx of innovative products. Do you truly see Russia approaching a modern medical framework, or are initiatives such as this only a matter of big talk?**

Any analysis of health economics, and healthcare in general, will show that prevention is one of the best things a government can do in order to improve the healthcare of its citizens. No amount of medicines, diagnostics, or treatment can replace prevention. This is a given! I highly encourage this drive by the Russian government, and hope to see it further accelerated. If you go to a doctor, what is the first thing that the doctor will tell you? Go on a diet; do not smoke, etc. These are measures of prevention.

I do believe that we are going to see more government involvement in shaping future healthcare policies and strategies. This, as I have said, is inevitable. In my opinion, this is truly coming, and can only prove beneficial.

**What is the role of multinationals in helping to shape this environment? When Focus Reports interviewed Mr. Deheqc in France, he called the pharmaceutical industry an epiphenomenon within the much larger healthcare sector. How can a company like Sanofi help to develop a framework that focuses more closely on mechanisms like prevention?**

In the first instance, we have to be good corporate citizens. First and foremost, we are an economic entity operating in a market environment. Good corporate citizenship is a must and a given—in all its manifestations.

I can give you an illustration of our corporate citizenship. We are very active in the area of oncology, and one of the major disease burdens that Russia faces is breast cancer. If breast cancer is diagnosed at an early stage, and treated, the chances of survival are close to 100%. This is certainly true at Phase I, and even at Phase II; of course, as the disease progresses, it becomes worse and worse. There are about 52,000 women in Russia who are diagnosed breast cancer every year; more than 22,000 die of it due to lack of adequate treatment as a result of insufficient state's funding of this type of cancer. Of course, if people are left untreated, the chance of remission is quite high, which could mean that we would have a loss of life, as well as a significant social impact—because women are society's central caregivers. We as a company have launched a program where we go from region to region, and at our own cost, treat about 50% of untreated patients. We call this program "Chance to life."

We believe that this is the least that we can do. It is one thing when you have forms of cancer without a solution. But it is entirely different when you have a disease like breast cancer, and you have a solution, and you do nothing. That, to us, is ethically unacceptable. Of course, one could ask what happens to the other 50% of untreated women. For us, this is an ethical conundrum that we are trying to resolve. We do not have an answer yet, but we will. We are trying to partner with government in this respect: if they treat 50%, and we treat 50%, we can share the burden.

We must also aid in improving, to the extent possible, treatment methodologies and regimens. Medicine is evolving very quickly, and treatment regimens are improving so quickly, that sometimes even the best of us have difficulty keeping up. I do believe that medicine is a process of dialogue—there must constantly be effectual dialogue between industry, research centers, physicians, and etc. Through that dialogue, we gain a better understanding of what is possible, and how we can improve patients' lives. Our second responsibility, therefore, is to facilitate this dialogue.

Third, and perhaps most importantly, we need to make sure that we always do what is right for our patients. We do not operate in a vacuum, and the patient is the most important element of our business—this is in our organization’s corporate mission statement: “striving to make patients’ lives better.”

**When we spoke with you at Novartis, you mentioned the historic and great potential of Russia’s scientific researchers, and the importance of developing Russia’s research base. With the introduction of Pharma 2020, the government has shown a clear inclination to do the same. How will Sanofi lead in this respect, and what opportunities are you providing for Russian scientists?**

My opinion has certainly not changed. Last year, sanofi launched a prize called the Sobolev award. Sobolev was a very famous Russian scientist who lived at the end of the 19th and beginning of the 20th century. He was an endocrinologist and researcher who had a pivotal role in the discovery of insulin; it was said that he deserved the Noble prize but was overlooked. In his honor, we named this prize, which is for journalists working in the sphere of educating the public regarding the difficulties and particularities of severe diseases, such as diabetes. We would like to expand this prize to also include Russian scientists.

**To end on a more commercial note, what do you believe is the fundamental difference between being the leading company on this market, and being second best? Further, how does a company remain the leader?**

I believe the skills and conditions necessary to be number one, and to stay number one, are two different things. To become number one, you of course must have a certain level of preparedness—physically, and in terms of resources. But the most important element you need is hunger.

**Once you become number one, the hunger is, in a way, satiated. How does an organization then remain the leader? That is perhaps the most difficult thing that every leader, be they an individual or an enterprise, faces. I believe that here, there is a combination of factors, but the most important is that you must have a healthy dose of impatience. You must be constantly discontented with where you are and how things are going! The day you become complacent is the day you begin to loose your position in any field. Nonetheless, it is very challenging to maintain a level of impatience; it demands a lot of self-discipline. Impatience itself is difficult, because impatience is something that people often do not like. It is not a quality that people admire; in fact, much to the contrary.**

For a leader, it may be true that strategies and resources are different, and perhaps even people are different. However, it is undeniable that the mindset and the attitude are different. By definition, they cannot be the same.

[See more interviews](#)