

Interview with Jeffrey Morrod, Managing Director, Watson Pharmaceuticals

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Watson is one of the largest generic players in the US but the international presence of the company is still relatively modest. Watson does not have commercial operations in India but you acquired Sekhsaria Chemicals back in 2006, as well as a formulations plant in Goa from Dr Reddy's. Could you give us an overview of Watson India's operations today and their importance for the group?

For many years, Watson was essentially a US company. In 2009, we acquired Arrow Pharmaceuticals in the UK and that was a big step for Watson towards becoming a global company. Since then, the company has forged a joint venture in Latin America, and of course very recently in Greece acquired Specifar. However, Watson had the India operations growing for the last 5 years, and for a long time, we were considered an extension of the American operations. But our role is today developing into a more international role. Our formulation plant used to focus on supplying the US market with US FDA approval of course. We have MHRA approval which would give us the opportunity to supply European markets - and we'll be seeking other approvals as well. The same trend is noticeable in R&D: we've been focusing our R&D effort here on supporting the US filing of ANDAs - but now we're also working on filing to other countries. Therefore, both on the formulation side and on the R&D side, we are looking at moving from a US focus only to using India as a base to support Watson wherever is needed.

In terms of capabilities, we have now three centers for R&D: one working on API R&D, one on formulations, and a third a BEC. On the manufacturing side, we have an API plant which was part of

the Sekhsaria group, and a formulations plant in Goa which we bought over from Dr Reddy's. As you mentioned, this is actually where we started from: the acquisition of Sekhsaria chemicals, and the acquisition of the plant from DRL. In the last five years, we have been organically growing those operations. For example, the plant in Goa has expanded from a few hundred million tablets a year to 3 bn today and we are in a program of development now that would take it up to 6 billion. We've also acquired additional land in Goa, in order to build a new facility. We don't know which kind of facility it is going to be yet, but we clearly have the intention of expanding our operations. We also had lots of investments in the APi facility. So over the last couple of years, Watson has expanded very rapidly its capabilities and its operational group be it in manufacturing or R&D, and we obviously plan to continue on this path.

In terms of importance of the operations, we had an amazing milestone a couple of days ago: our first product from India, Nabumetone, was approved in the US. This product started in our API R&D center, went through manufacturing, to our formulation R&D center, to our formulations manufacturing plant to our bioequivalence center, we also submitted the ANDA file and it was approved. That's the first product in our portfolio for which we can say this has happened.

Talking about manufacturing, the latest round of investments from pharmaceutical companies has shown a clear preference for setting up facilities in China compared to India. Why did Watson choose India to set up its manufacturing infrastructure?

The Indian operations are now almost six years old and I was not there when that decision was taken, but I think they got it right! It was a great decision to come to India! India is a great place to make pharmaceuticals, and to operate R&D centers as we do. I have worked in the past with companies that chose China above India and I believe India is a great choice. Coming from the West, the advantages of language are real, the local style of doing business can be translated without too much difficulties into the western style business culture of a company like we have here, you've got good legal processes, and what I appreciate here utmost is the tremendously high standard of the people you can find in the country! The group I work with today is extremely well qualified and highly skilled and when we look for people in the market place to recruit we're always very pleased about the standards of the people who want to work for Watson. That's fantastic especially as we are growing quite rapidly. Two days ago we hired our 1000th employee and our plan is to finish this year with 1070 employees - and that's double what we had two years ago. 1000 people was quite a milestone for us.

Most multinational companies who manufacture in India traditionally do so via tie ups with local companies. Why did you decide to buy a plant and set up your own operations?

When we look at what we have, we have a very good formulations facility that we are very proud to show off to any visitor who would like to come. We believe it is among the best formulations facility you can find in the world. We have numerous people who have commented on this. We have an API facility that is small but extremely capable and we are trying to expand the value and the technology we can get from this facility. These facilities are the cornerstone of our operations here and I'm very pleased that we are here on the ground. We also have partnerships and tie ups with domestic companies as others do, we don't try to do everything here. But it was a great decision to also have our own facilities.

The "made in India" brand was not very well recognized a couple of years ago. Obviously on the ground things are changing with success stories like Nabumetone which you just mentioned. In your opinion, has the made in India brand gained momentum in the last years? Before coming to India, what was your perception of the India label?

This is not my first experience in India, so I knew what India had to offer. I was never worried about the Made in India label. I had a feeling for what it was going to be like, especially since I was involved in pharmaceuticals before, so I knew it was going to be ok. I personally believe that India is a great place to do pharmaceuticals and I've felt that for a long time. I had no doubt it was going to be possible and I was almost certain you would succeed in a pharmaceutical venture in India. Coming to India was not daunting; on the contrary, it was a fantastic opportunity.

Moving on to R&D, for a long time, India carried some stigma with concerns over IP and most multinational companies do not do have research activities in the countries. Some companies however do see some potential here. We have met with Nycomed for instance, which has its only R&D center outside of Europe in Mumbai - and you also have decided to set up R&D activities in the country. In your opinion, what are the main strengths of India as a place to innovate?

Well first of all, whether it's R&D or manufacturing, one of the strengths of India is of course the fact that it's a low cost base. More specifically, when it comes to R&D, we have in India tremendous R&D technical skills. It is very easy to find extremely well trained people for R&D labs. This is the main driver for us: a place where you can find good talent at a reasonable cost with an excellent work ethic: people work hard and they deliver their targets.

Can we still say that cost is one of main competitive advantages of the country as competition rises from cheaper Asian countries such as Vietnam or Philippines?

From a pharmaceutical perspective, India is definitely a lot less expensive than the West. Now, in regard to competition from other Asian countries, India is so well established, the technical competence base is so high in this industry that it would take a long time for other countries to

achieve this level. As I said earlier, you also have the great democratic stability of this country, the language, the legal system and the technical skills. If other countries are developing these aspects, we'll see what happens.

You have already mentioned several times the talent base that India offers. You have now 1000 employees. How do you make sure you receive the best CVs when all the companies are recruiting in the country, and how do you deal with the very high attrition rates?

Indians are very proud of their country as they should be: they want to play a role globally and they are ready on an individual basis to go the extra step and make the difference. So yes indeed, Indians are great people to work with, they are very hard working whilst boasting very strong technical skills. For the hiring process, obviously we work closely with HR consultancy companies. Also, the pharmaceutical industry being a small world, we work a lot on referrals - and the success of people coming through referral is higher so I would say the referral process we have here works. Furthermore, people in the industry in India are starting to realize we are here. We don't operate as a commercial operation so we don't have the branding cachet of a lot of other companies but we're getting better and better known. A testimony is the quality of CV we are receiving every day, and I can even see a difference in the last 12 months. The quality of people attracted to our company is very impressive: we received CVs from people working at Pfizer, Ranbaxy, for example, very well established blue chip companies, and we're flattered that these people would like to join us.

When I first arrived, attrition was one of the upfront issue I had to face. Our attrition rate was over 30% which from a management perspective is a real challenge. It's even worse when you're in a growing phase - because that meant that more than 50% of our employees had been with us for less than a year. We had to get on top of attrition. We took a lot of measures, benchmarked the industry. Our target was to bring attrition down to 15% and be in the top tier of companies in the pharma sector in India. There were changes in compensations, we also introduced programs to improve the working environment - we upgraded our offices to move into a prime office location of Mumbai. We really want to make Watson a great place to work and we mean it. We are developing our leadership and management programs, and we also started a corporate responsibility program.

You are yourself new to the organization. What attracted you to take over this position and what were your goals?

When I was first approached for the job, my first reaction was this is a fantastic opportunity but I'm not sure my wife is going to be very pleased to move to India. But I guess I read it wrong because when I came back home and told her about the phone call, she told me "That sounds great, let's go!" That was actually what started it off. During my first meeting with my boss, I realized straight

away I wanted to work for him and for this organization, the chemistry worked perfectly well. In a growing organization, you're always coming across some major milestones. It's great when you're in the early days of a venture because you can set your targets and you can feel very proud for the organization when you get there. So hard targets were set for manufacturing and R&D and also soft targets - bringing a standard of leadership and management to this organization which it needed. We moved from a small organization to being a much larger one, as we continue to expand, we'll need another level of maturity, combining leadership capabilities with technical background.

Would you have a final message for the readers of Pharmaceutical Executive?

I'm trying to make Watson a great place to work. I've taken my other tag line from cricket commentator Harsha Bhogle - Harsha Bhogle was one of our guest speakers at a leadership training session we had organized, and that's one of the thoughts he left with us: How do we win from here? And by the way, that's also another phenomenal asset of India: they love cricket!

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