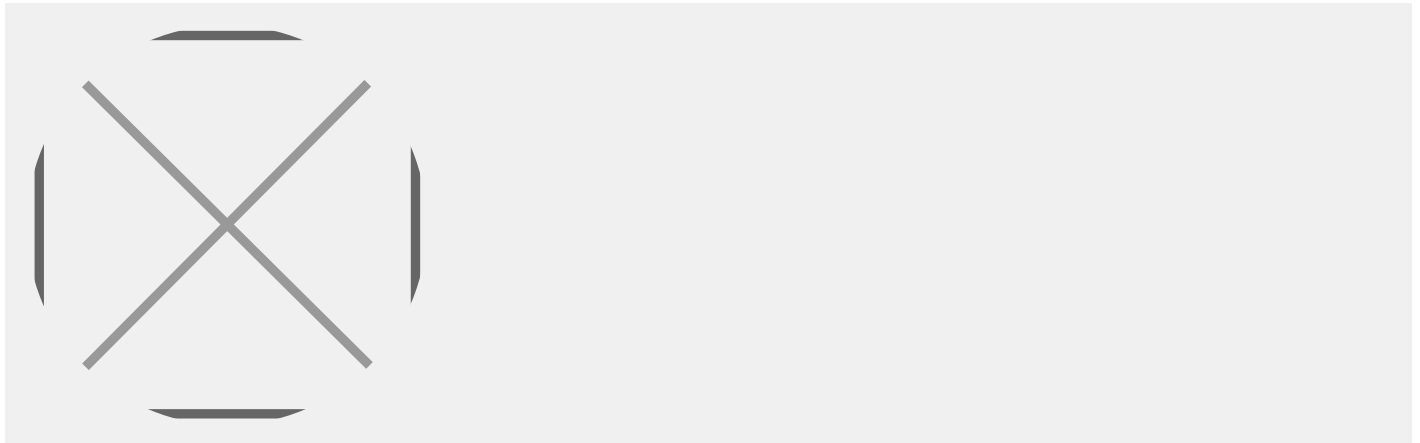


# Interview with Dejan Jovanovic, General manager, Astellas Russia

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**When our team interviewed Amit Makwana at Astellas' European Headquarters in the UK, he noted that the Russian affiliate is experiencing a huge growth rate that is very difficult for the rest of the European business to keep up with. All eyes are on you. Do you feel the envy of your colleagues?**

The Russian affiliate is doing quite well, but the Russian market is also growing. It is always easier to grow one's business in a market that is itself growing, rather than in a market that is stagnant or in crisis.

I actually came into the company the month before Fujisawa and Yamanouchi officially came together to form today's Astellas. Since this time, we have grown our sales approximately five times over. We had only two rep offices in 2005: Ukraine and Russia. Today, we have offices in eight countries out of 13, and shortly we will have offices in 10 countries. We have a physical presence through distributors in all of our countries and we have 600 people working for the affiliate.

**On paper, growth means an increase in the affiliate's bottom line. But for the affiliate itself, this means a shift in structure and the nature of how it does business. What does growth mean, concretely, for you?**

You are right. A company with sales of 30Mn EUR, or 40Mn EUR, is not the same as a company that sells 100Mn or 200Mn. I believe that the most important factor, not only for Astellas but for any

company that is very rapidly growing, is speed of adjustment and agility. We have to learn how to quickly adjust to the difficulties that we face on a daily basis. All of our staff must challenge themselves every day to move to new heights.

Without this mentality, I think it is impossible to grow because the whole organization must change very quickly as it develops. Throughout these past six years, our affiliate has seen 500% growth and become Astellas' number three European market. To do so, I believe that we successfully made many internal changes. Alongside this, we attracted many people from outside of the company and this kind of fresh energy always helps to provide a significant push toward the next step.

**Absolutely—growth implies new talent. In Russia, it is often said that because good talent is scarce, there is no shortage of opportunities for good people, and therefore they are very hard to retain. How do you attract and retain the best talent at Astellas Russia?**

Indeed, in Russia, there is plenty of talent, but lack of highly qualified professionals in many areas. So highly professional people very often shift from company to company. But there are many ways to retain people who are good at what they do. For example, we try to promote people from within the company as much as possible and, with considerable growth at Astellas, this gives chance to many employees.

Two or three years ago, Astellas started its “Employer of Choice” program, which is an exceptional initiative. In striving to develop our “Employer of Choice” image, we foster an excellent working atmosphere and a supportive environment which both facilitates and rewards hard work.

Finally, we offer an enticing benefits package for employees. Of course this is important, but I think that the working environment is not less important.

There are many components to our drive to attract the best of a short list of professionals. So far, we have been quite successful. In the beginning of 2005, few of the people that joined Astellas Russia came from the top ten companies in the country. Now, we have many people joining us from the top ten companies in the world. This is a good sign!

What is most important is that we have a very clear definition of where we are moving and what we would like to achieve.

**What do you believe are the elements of a successful sales strategy?**

I always say to my employees that, whatever they do in the company, they should treat each task as if the company were their own. Connected to this is the notion of taking an entrepreneurial approach and having a clear perspective of both the start and end points, and how to reach the goal.

Whenever we are about to implement a project, we have a broad discussion which is taken both from the top to the bottom, as well as from the bottom to the top. Everyone shares their views on the subject. We try to integrate these views, create a synthesis, and then move forwards from there. My philosophy is that one does not simply give an order from the top, expecting employees to fulfill it. As they say: the king should be elected! It is impossible to get 100% consensus, but management must nonetheless welcome feedback. This will strengthen the strategy, and also energize employees to move forward with an idea that then becomes their own.

**In its VISION 2015, Astellas set out a goal to become global category leader in its main therapeutic areas. How close is it to achieving this goal in Russia?**

In Russia, we have made commitments to focus on five major directions, starting with urology. In urology, in our therapeutic group, we are number one. In oral antibiotics, we became number one just last year. In transplantation, we are number two, but we are working hard to be number one! In dermatology, we are number three, and are of course working to reach a better position in that market, as well.

In oncology, we are only beginning our work—and we are quite optimistic for our prospects in this area. We just created a hospital group for oncology, and we are very positive about our forthcoming results over the next two or three years. You must keep in mind that this is still a very slow-reacting market. You cannot reach new positions overnight—a longer perspective must be taken.

**Because of the unique specificities of this market, how different are the goals and strategy of the Russian affiliate as compared to those the global group?**

We are indeed different from the rest of Astellas, because we have many legacy products in our portfolio. These products are patent-expired and, to a large extent, branded generics. This is both good and bad. The good part is that they cannot go off patent! The bad part is that the company does not hold a monopoly in this area. We find good balance between original products and branded generics, and we continue to grow that portfolio and move forward.

**Do you see a shift toward a greater proportion of innovative products occurring in the years ahead?**

We think that—with the introduction of our hospital-directed oncology products, and our latest, mostly hospital-directed antibiotics and antifungals— we can shift the internal proportion of our sales toward, perhaps, a 50-50 innovative-legacy product mix over the next few years.

**Astellas very carefully assesses political risks in emerging markets. Historically, international companies have often been wary of Russia precisely because of this risk. As a company that has been here since 1992, do you believe the situation is as volatile as some**

**judge?**

It depends what we mean by political risk. Since Vladimir Putin came to power in 2000 everything has more or less been growing and stable. We are not politicians; we are selling medicines. From the perspective of Astellas, we do not see any risk in Russia beyond those risks we see in other emerging markets. I will emphasize that Russia is indeed an emerging market and not a typical Western European market. But I would say that I even see some trends here that are more positive than those in other emerging markets.

I do not see major political risk for the pharma industry in Russia because, first of all, the starting point of the consumption of pharmaceuticals in Russia was very low, and the country wants to catch up with Western Europe. No matter who is in charge of the Ministry of Health, they are tasked with improving people's quality of life. So, to be frank, I only see opportunity!

But do you see, for example, political risk in the form of implementation problems? There are many initiatives that have been announced by the authorities, but some managers have remarked that they are being implemented much more slowly than they had anticipated. They note that in China, for example, implementation of government strategies is much more immediate.

I believe that Russia takes its own unique road. Russia has its own strategic interests, and foreign companies should adjust to Russia's interests—not the other way around—if we are interested in a market like this one. So whether things are slower, or quicker, I cannot say. Russia moves at its own pace. Only history will tell whether it has moved fast enough.

**How are Russia's interests changing the landscape for international companies? As the government institutes new healthcare initiatives like Pharma 2020, and injects greater capital into the healthcare system, how should international players adapt?**

You have mentioned that China is moving much quicker. Yes, every foreign company with significant presence in China builds a factory there. Russia is also moving in the direction of local production and major companies are committing to factories here. But, every company must be careful, because a factory is fine, but if you do not have the critical mass of demand to support your factory's operations, you begin to lose money. At the end of the day, you must ask yourself how many factories you need for a certain region and avoid overcapacity.

It is certain that for companies present in Russia, if they wish to sell products to government channels by 2020, they will have a competitive advantage if they localize full-cycle production.

**So what does all of this mean for Astellas?**

For Astellas, this means that we too must take localization into account. We are actually ahead of the curve in this respect. While we do not have full-cycle of production in Russia, we have had local

manufacturing for 10 years now. We do not have our own factory, but we are partnered in this respect in the Kostroma region. We have secondary packaging and blistering at that facility, as of today.

Of course, we are continually monitoring the situation, and we may move towards full-cycle in the future.

**Is it realistic for foreign companies to bring full-cycle production here?**

Well, with a market that could likely become one of the top ten in the world; take it or leave it! If you do not want to participate in the race, you participate somewhere else.

**Another of your Astellas colleagues, Tapani Sura in Poland, has told Focus Reports that he believes Russia is set to become not only one of the top ten markets globally, but the number one pharmaceutical market in Europe! Looking forward, what are your expectations for the future of this company in Russia?**

Our goal is to climb higher within the top 20 ranking in Russia. We have been climbing for the past six years and we would like to become the leading company in each of our therapeutic areas where we do not yet lead. At the same time, we would like to retain and strengthen our leadership in the areas where we do already lead.

What is your targeted timeframe to become leader in each of these categories? Optimistically, three years! Pessimistically, five.

**As you look to drive growth for a global pharma major, you are in the hot seat! What is your advice for a new manager entering Russia and running the local affiliate amidst the Russian expansion?**

I believe that every foreigner goes through three stages in Russia. Let us imagine that a typical general manager who does not speak Russian is parachuted into Moscow. He observes for the first three to six months; he soaks in what is going on and reaches the conclusion that Russians do not know what they are doing and that he will teach them what to do. This is stage one. Most ex-pats who have a two to four year contract do not pass the first stage.

The second stage is deep depression: what am I doing here? Nothing is possible, nothing works, and I must leave as soon as possible.

The third stage is a stage of small happinesses. When you arrive to Sheremetyevo airport, and you are happy that a jumbo jet from Beijing with 500 passengers did not arrive before you to clog up the customs queue. Or that the traffic police do not stop you on the way home. Or that no one turned off the hot water in your apartment. When you get to the stage of small happinesses—the stage that Russians themselves are in—you can manage the business very nicely!

## **What is your final message on behalf of Astellas in Russia to the international readers of Pharmaceutical Executive?**

I have worked for many companies in my life, and Astellas is the best company that I have worked for so far. I say this taking into account many aspects: support for the affiliate from headquarters, flexibility and speed of decision-making (which is crucial for emerging markets), and in terms of the resources the affiliate receives in order to maintain its performance. Not every company has all these components together at once.

As far as the opportunities in Russia, the sky is the limit! Of course, the Russian population is half that of the United States, but with the history Russia has, and with the growth potential in per-capita drug consumption, I think that for the next five to ten years Russia will be the country for the pharma industry.

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