

Interview with Miomir Nikolic, Managing Director, Zdravlje Actavis

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Throughout its history, Zdravlje Actavis has grown into one of the 3 companies that really define Serbian pharma. What have been the main factors that got Actavis into this leading position?

Ever since it was founded in 1953, Zdravlje has traditionally been one of the leading players in the Serbian pharmaceutical industry. Half a century long tradition is something the company is certainly proud of, but for the success in one of the fastest changing industries it is more important to look beyond instead of looking back. What was needed for the future growth was a new 'think smart' strategic approach, and it came with Actavis' strong vision and determination to become the leader in developing, manufacturing and sales of the first class pharmaceuticals in the international market.

After the acquisition in December 2002, when Zdravlje joined Actavis Group, the first step was to develop a new strategy for the Company's operations in Serbia. Continuing the long tradition of the producer already renowned primarily for its cardiovascular and gastroenterology products, Actavis operations in Serbia focused on the modernization of technology and strengthening its portfolio in the key therapeutic areas, rather than to pursue the production of the mixed set of solutions it was active in before.

The process of privatization of Zdravlje Actavis, was carried out in compliance with the agreement signed between Zdravlje, Actavis and the Serbian government, which obliged Actavis to invest EUR

20 million in the refurbishment of the facilities, modernization of the technology, training and the social program. Anticipating the future opportunities of this manufacturing site as a significant regional supplier of the Group's pipeline, Actavis has almost doubled the investments into Zdravlje to more than EUR 35 million. We reconstructed and upgraded all the core business facilities, utility systems and the processes in compliance with the respective EU Good Practices, strengthening the Quality Management System with a set of international standards such as ISO 9001:2008, ISO 14001 and OHSAS 18001 along with the modernization of the quality control and microbiology labs. These were some of the key strategic achievements that got Actavis into the leading position in the region.

Simultaneously, Zdravlje Actavis entered another ambitious project – implementation of the SAP – the ERP system that could support all the processes necessary for the massive production of SKUs, starting from Supplies, Finance and Controlling, through Quality Control and Planning, to Sales and Distribution modules.

All this would not have been possible without a continual process of professional and personal development of our employees so it was quite logical to round up the whole SAP package with the first such HR Module in Serbia that made the company a true benchmark in the whole region. If you want to assure that everything is there and under the control, you simply have to rely on such powerful ERP systems.

As a result of all these achievements, Zdravlje Actavis successfully passed its first EU GMP audit by mid 2008.

Was this a big milestone for Zdravlje Actavis?

Definitely. The official EU GMP certificate, issued by the Danish Medicinal Agency, was the crown of our efforts and achievements, and it marked the beginning of a new era full of new opportunities for the company.

Not only did Zdravlje Actavis become one of the first pharmaceutical companies in Serbia that became fully compliant with the new standards, but we also qualified as a reliable supplier to a growing number of clients in the countries of the European Union who confirmed the quality of our processes and products during their independent audits.

Surely, the acquisition must have brought a lot of new professionalism in the company. What have been some of the main synergies from the merger?

To be an integral part of the fourth largest pharmaceutical player in the generic world means that the company shares the unique organizational culture, the same values and the professionalism that create what we in Actavis call our winning DNA, the main quality that makes us stand out from other competitors, both locally and globally. On our way to becoming a fully integrated and optimized manufacturing company, we have relied on the global strength and a significant knowledge base that helped us become better than our traditional competitors and lead the way in the future development of the pharmaceutical business.

The positive experiences of aligning the company with the European standards and the synergy that we now have as part of the internationally renowned MNC Actavis also served as an example and guideline for the community which is preparing to join the EU. We have shown that this demanding process is a true investment into the future. Today, Zdravlje Actavis continues to supply its domestic Serbian market with high quality products in compliance with the EU requirements, while at the same time it opens the door to a great market of the European Union.

The investment plans clearly show Actavis' interest in the Serbian operations. However, can you also explain how important the Serbian operations have become within the Actavis Group worldwide?

Actavis has a strong platform of manufacturing operations smartly designed and geographically positioned to feed the Group's global pipeline. All the facilities are compliant with the highest standards required by the respective markets and have been designed similarly and equipped with quite compatible equipment, which enables easy and effective product transfers from one country to the other. This flexibility gives the whole Group a significant advantage at the global level while enhancing the optimization of the local manufacturing processes.

Thanks to this product transfer opportunity Zdravlje Actavis already produces four new large molecules from Actavis' portfolio and is in the process of the 5th product transfer, which will be coming directly from the R&D facility in Iceland. The first batch of this new product will thus be produced in Serbia for the international market.

Along with strengthening the company's product portfolio, these product transfers significantly increased to the scope and the optimization of Zdravlje Actavis operations so that nearly 60% of our total production in 2011 will go for exports.

The EU GMP certificate may also open the door to contract manufacturing. Are you engaged in such activity?

The contract manufacturing activities are well coordinated by the Group's Third Party division and they are used as an additional opportunity to fully optimize our manufacturing operations and, what is also very important for any generic player, to achieve a low cost production. This also means that we have to be very flexible and highly efficient to ensure that our time to market is as short as possible.

Is your current capacity sufficient to match the company's growth ambitions?

We are always committed to achieving our ambitious goals by obtaining the maximum utilization of our capacities that were designed to provide a stable platform for our continual growth. At the moment Zdravlje Actavis produces almost twice as much as it used to before we joined the Group. Our future development will certainly focus on additional equipment and more new products transferred to Serbia towards even greater optimisation of the installed capacities.

Last year, parliament speaker Djukic Dejanovic, after visiting your facilities, said that Actavis was a real role model for other companies. Why do you think that is?

As Ms Djukić Dejanović pointed out after that visit, Zdravlje Actavis showed that the highest European standards could live in this part of Serbia, the achievement that Actavis could be proud of, and an example that should be followed by other companies in Serbia, which surely needs such successful and responsible investors to help the development of the local communities in which they operate.

Zdravlje Actavis has been recognized as one of the most successful and socially responsible companies in this industry. As a leader in the pharmaceutical industry and one of the most attractive employers in Serbia, we are focused on achieving our ambitious goals and results, but are also a rather human-oriented company offering a wide portfolio of employees' benefits and exciting and challenging opportunities for the professional development in a learning organisation as Actavis is today.

We have seen the company going through quite some changes. How did this shape your managerial style?

As I said, Actavis is really a life long learning organisation, and the success of the whole Group is based on the continual development of talents, personal and professional skills.

As a person of huge technical and engineering knowledge and more than 15 years of extensive experience in the pharmaceutical business, I have surely learned much about people, investments, Capital Expenditure Planning, Project Management and Business excellence. Yet, what I see as one

of the most important qualities is the ability to lead using the synergy of the human resources and the modern high technology in order to achieve best results.

This is never easy, but I can say that in Actavis this process runs smoothly and transparently thanks to our HR policies and BCM (Business Continuity Management) standards.

It is much easier to be a leader in a climate which promotes both individual and team success and accountability, and when you know that the people you lead share the same values that connect and enable us to be smarter and look beyond the present horizon.

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