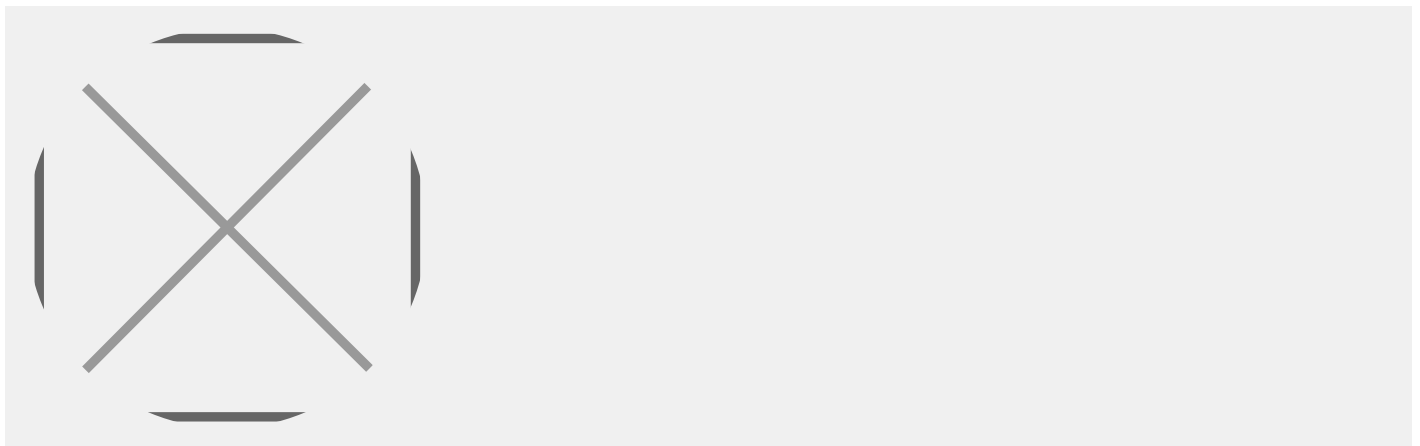


Interview with Ivan Blanarik, General Director, Boehringer Ingelheim Russia



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You have been with Boehringer Ingelheim since the early days of your career in 1994. In the pharmaceutical sector, managers seem to jump from company to company quite often—but you have stayed with Boehringer Ingelheim throughout executive positions in Germany, Portugal, Ukraine, Finland, and, of course, now Russia. What has kept you with this company for so long, and what led you to a position heading the Russian affiliate?

After I graduated with a pharmaceutical degree from university, I started my career in this field with Boehringer Ingelheim. Since then, I have held various positions in Europe—both in local units and at our European headquarters. The possibility to pass through the various settings (operational, corporate) and especially work in different countries provided for a dynamic and stimulating environment. It keeps me motivated to rise to new challenges. I was working in an ever-changing landscape, implementing company strategies and projects. Some decide to stay in one country and change companies. I decided to stay with this company and travel to various countries. There are elements of each country that are similar in terms of operating, and there are elements that are quite different, that keep my job very interesting.

I started my career with Boehringer Ingelheim in the Eastern European region. After 15 years, coming to Russia the circle closes again. At the time when I started here, the region was truly immersed in a different period—and that applies to my home country, Czechoslovakia, as well as other Eastern European countries. Now, after 15 years, the countries in this region have started to play a much more important role, not only in a European context, but also worldwide.

Obviously, Russia has a very special place within this region. On one side Russian pharmaceutical market thanks to its rapid development in the last decade firmly heads into top-10 largest pharmaceutical markets in the world. That is in any case is attractive place to be for every business executive. On the other hand it is a privilege to have a chance to make a personal contribution to the positive changes in the healthcare environment so important for all citizens in RF.

How does Boehringer Ingelheim adapt its global strategy to this dynamic landscape, and to Russia's particularities?

To start with I can say BI in Russia has a comparable market position to our global one. The same applies to our portfolio though there are some specific local issues in this regard. One significant difference is our over-proportional importance of Consumer Healthcare (CHC) products. According to IMS data 2010 about 30% of total market is represented of CHC or OTC product. That is comparatively to mature markets a high share. Some of the reasons are related to the current structure and financing of healthcare in Russia and in a way "under-proportional" spending on prescription drugs. We can also see similar picture in our portfolio.

Do you see state purchases growing and gaining greater market share in the future?

When we look at the last fiscal year, the pharmaceuticals sector indeed regained overall growth after a decline in 2009. However state sectors like DLO and hospitals grew slightly negative. The main sources of governmental spending, which have certain financial frameworks, dictate the speed of development in those areas. Overall, the market grew by some 7% in RUB value terms. Most of the growth came out of retail sector.

On the other hand, when we look at the coming three to five years, one can expect the situation to change. According to various programs and strategies that are being rolled out—including the revision of the reimbursement system—the role of government in enabling patient access to more innovative and specialized medicines will emerge in stronger fashion. This certainly is the field that Boehringer Ingelheim, together with other research based innovative pharmaceutical companies, is interested in and ready to support.

This is something that we believe is part of our mission in emerging markets—to aid in the reform and structural change that the government and various other stakeholders are undertaking. With the experience that we have gathered working in similar environments elsewhere, we as a company can certainly offer our contribution.

How would you say that you are contributing to these changes?

When you look at the spectrum of our activities, you can see several areas. Though we do not have the direct activities in basic research in Russia, we do have several research projects and collaboration with local partners.

The area Boehringer Ingelheim is very active in RF is the field of clinical development. According to the quarterly “Orange Report” that looks at the engagement of pharmaceutical companies in such activity, in the third quarter last year, Boehringer Ingelheim ranked second in terms of the number of patients engaged in clinical trials – here, in Russia. Active participation and development of this area is something we also hear from government officials. This is a developing and enabling innovation in Russian healthcare, and thereby it is in line with strategic priorities.

The clinical trials Boehringer Ingelheim performs in Russia are not limited to the Moscow and St. Petersburg areas. We work with numerous centers across the country. Relative to Boehringer Ingelheim’s size in the Russian market, we run a disproportionately high number of trials—which supports a strong commitment of Boehringer Ingelheim to innovation.

Additionally, we have numerous partnerships and projects with the medical and academic community in the area of medical information and education, within our key therapeutic areas.

Looking still further, another topic that is being actively discussed and investigated is the possibility of partnership in production and technology transfer. These have been active topics for perhaps the last two years, since the announcement of the Pharma 2020 strategy. This is an area that we are keenly looking into, and seeking opportunities. We are considering what we can do, and whom we can partner with.

The initiatives undertaken over these two years are reshaping the landscape. I think that, having passed a period of rapid market expansion, we now see some structural changes, which in general we all very much welcome. These changes will govern and regulate the interactions among various market players and enable, as I mentioned, greater access to medicine for Russian patients. It also encourages a higher quality of pharmaceutical products, coupled with overall quality of medical service.

Amidst this positive outlook, what role does Russia play for Boehringer Ingelheim?

The picture that you will see at Boehringer Ingelheim in this regard is probably quite similar to what you will see at some other multinational companies. BI views emerging markets as regions that play a very important role in the strategy of the corporation. We as a company have been active for many years in these territories—be it in South America, Southeast Asia, the African continent, or in Eastern Europe.

In Eastern Europe, I think it can be said that Boehringer Ingelheim is one of the territory’s pioneers. We have started our activities from a dedicated center in Austria, leveraging its traditional cultural, political and economical ties with the CEE region. Our activities in Russia go back to the early 90s, when these countries began to undergo reforms. Our office in Russia is registered since 1992, so we are closing in on the second decade of active cooperation.

In Russia, the market has gone through at least two periods of rapid growth, and has also experienced two periods of some economic 'recalibration.' Very symbolically, these latter periods are approximately 10 years apart—1998, and 2008. I can say that our organization is clearly dedicated to continue active work and develop a long-term partnership with the community—be it medical, academic, or other relevant to our mission here in Russia. One principle that runs through the entire 125 years of our company history, is sustainability and clear, strategic focus. We are not interested in fast turns in direction, but rather working stepwise through the areas where we believe we can make a contribution.

Even though pharmaceutical market in Russia have not yet reached the size that one can perhaps expect given the number of inhabitants, there is a clear future potential to acquire a more visible place in the global pharma scenario. Change will come, as we earlier spoke, from the reforms that are now happening.

Emerging markets typically grow faster than any mature market. I think the one logical headline, for emerging markets, Russia, and Boehringer Ingelheim, is, simply, 'growth.' In order to support it we build our structure across the country. We are, nowadays, represented across all major regions in Russia and we cooperate with our representatives not only within the largest centers, but in majority of the cities.

Boehringer Ingelheim seems to have had quite a rapid turn recently. According to Pharmexpert, you had a 118% increase in supply from 2009-2010 in Russia which gave you 3.47% share of the imports in this market. Can you explain this figure and your projections for 2011?

Indeed, year 2010 was overall very successful for BI Russia. The information that you've mentioned is referring to the statistics of imports which showed significant growth between the years 2010 and 2009. However when analyzing our performance we prefer to look at IMS Market data. According to those statistics, BI shows continuous growth in the market. This reflects one of the strategic objectives, which is to continuously develop our relative market position. It is pivotal for the company in order to maintain its independence as a family-owned business — and continue its high investment in, and dedication to, innovation.

If we interviewed Boehringer Ingelheim Russia in five years, what would operations look like?

I think that what we are now experiencing with the organization—not only here in Russia, but globally—is a new wave of innovative product launches, across a number of indications like cardiology, diabetes, and oncology. Hence, we return to your earlier question regarding portfolio: in five years, we will most likely have a different portfolio than today.

The other thing that will probably be somewhat different compared to today is the fact that currently, the great majority of our operations are in human pharma. In the second half in 2010 we also started our animal health operations. In five years from today animal health will already be a significant part of overall Boehringer Ingelheim business in Russia.

When we spoke with Maria Veldanova at Ipsen, she described her management style within this environment as that of ‘crisis management.’ How would you describe your own management style?

This is indeed a very practical question. Emerging markets are certainly very dynamic in terms of new elements coming in and out. Each market has its conditions and prerequisites. I think that this is the nature of the marketplace we work in. It is meaningless to judge a market. It is important to know it. By knowing it, I think we can in a way, be prepared to any possibility.

Through preparation, you acquire the capability for reaction or prevention. You mentioned crisis management. Indeed fast changes in the market place often reminds us about Crisis Management. However, what matters out is not so much the nature of the crisis, but more the extent to which the organization is prepared to handle it. This may be an oversimplification, but I think it applies to our work in Emerging Markets. Knowing the market and its conditions, and accordingly building scenarios and options—that is one important asset for any organization to be successful.

The other asset is operational flexibility. Some may say that this conflicts with long-term strategy and sustainability; I disagree. Operational flexibility means that you still retain your course within a strategy, but you take different ways and apply the means. You tune as developments unfold.

This is what I see after two years in Russia. Some of our plans we unfortunately- or perhaps fortunately – do not use! But I think that the fact that we go through the mental process of what might happen when, and how we can foresee it — that trains the organization to be capable of acting properly.

Related to this, of course, is the quality of human capital. Given the nature of the pharmaceutical business, it is very knowledge-intensive. Our subject matter demands a high level of training and intelligence. To make a mistake in the medical sphere can have more serious consequences than it might be in other areas. That also explains why medical business is probably more regulated than some other industries. Fortunately the majority of employees working in our industry in Russia have higher education or even academic degrees, which creates a strong foundation for the development of pharma business. Nevertheless we want to develop employees further and we pay significant attention to train and develop our employees.

You are the first director we have met thus far on this project that is recently entering from a different market. As a relatively new Russian manager, what do you see as the ‘real face’ of

the Russian pharmaceutical industry?

We are living through a period of structural changes. We are transitioning from a period of rapid growth to a more structured and transparent market place. This calls for open cooperation, and communication, and I think we have a unique opportunity to merge local and international experience into a very solid future healthcare system in Russia.

It is interesting that, as these regulations and this framework are being instituted afresh, there is much potential to incorporate this international experience and lessons from other world models, and institute them in a truly exemplary way, from the outset.

Yes, I agree. And our role is not to question this or that—our role is to understand, to make a contribution. Together with Russian government, different associations, working on the market and our colleagues, shaping healthcare into something that we believe will be the most suitable solution for the Russian Federation.

In this regard there is an important role of pharmaceutical associations, and various other expert groups—informal or formal—is to build the platform for these debates to take place. It seems to me that there are more and more of such platforms. And this is definitely a positive trend.

What is your final message on behalf of Boehringer Ingelheim in Russia, to the readers of Pharmaceutical Executive?

Russia is definitely strategically important country for BI. It is a dynamically developing marketplace with a great future potential. I think we as a company, and we as an industry, have a very important mission and role to fulfill. On behalf of Boehringer Ingelheim, I can say that we are absolutely aware of the responsibility we have in this regard. We are developing our historical abilities to a new dimension. We see many dedicated and experienced people working both in the pharmaceutical industry and in related areas. This is an important prerequisite for overall success. If the spirit of common interest, and the interest of the patient, remains in focus, then these efforts will be successful. I wish for this to happen, and I am sure that our organization can

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