

# Interview with Victor Ferkovich, Country Manager, Celgene Russia

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01.04.2011

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## **Celgene did not have a Russian affiliate office during Focus Reports' initial report on Russia in 2006. What attracted Celgene's relatively recent entrance into this market?**

We had external and internal reasons, which coincided in this case. The external reason was the launch of the reimbursement system in Russia, which happened in 2005. Around the same time, Celgene decided to go global. In 2007, Celgene assessed and finalized its Eastern European expansion strategies, and subsequently, the company opened its presence in Russia.

Historically, Big Pharma entered Russia in the beginning of the '90s. At that time, they approached the Russian market with a 'wait and see' strategy because these companies understood that positive trends would happen sooner or later, and that a reimbursement system would eventually be instituted. When reimbursement did in fact arrive in 2005, many companies enhanced their presence in the market.

But Celgene is a relatively young company. Celgene opened representation in Western Europe in 2005 and in 2007-08 opened its presence in Eastern Europe, and also in Russia. In Russia, we are a start-up and in fact, we still are a start-up in Europe at large.

Our entrance into this market is an interesting story. I left Johnson & Johnson in January of 2008 and started with Celgene as a consultant. At that time, there was no 'Celgene Russia' legal entity, and hence the company had no entity that was able to employ me as an employee. Once the legal entity was established in July of 2008, I became Celgene's first employee in Russia.

Before that, we rented an office in a building in Moscow city. The Celgene office was then one room, of about 14 square meters—I had a table, a phone, and a computer! It was a paperless office, as they say. Actually this was a very useful time, because after you leave a big corporation, where everything is taken care of, to start something new, you start to understand that nothing comes without effort. You need to do many things yourself. You begin to understand how corporate processes should be established. As a single representative of a company, you need to embody every process of that company. You need to understand how to split your time: which percentage of your time you spend on strategy development; which percentage you spend on selecting future employees, etc. You also need to take care of key customers, and ongoing business processes regarding registration of products. You need to develop some financial structure. You need to follow up on yourself, and you need to follow up on everybody surrounding you—but those people do not work for you, they are just stakeholders of the same business foundation process. So it was an interesting time! There are several training courses that are called ‘Leading Without a Title’—it was exactly like that.

### **What is the structure of the company today?**

We are a representative office of Celgene International Holdings, which is a U.S.-based company. We do not have any commercial license, and actually, we do not need one at this time. Russian distributors purchase our products from headquarters, and we support this process by conducting promotional activities.

### **Do you feel that you may reconsider obtaining a commercial license as the company grows?**

We will see. It will also depend on the developments in the Russian pharmaceutical industry and the changes in legislation. So far, we are fine. The Minister of Health introduced the new law on drug circulation, and there is a prospective law in the pipeline on healthcare protection. We will see how these initiatives develop, and we have full support from our headquarters to adapt our current structure to market needs.

### **The Russian market is becoming more and more regulated with this kind of legislation. Do you feel that this creates a more attractive environment for a global company like Celgene, which is very used to regulation in mature markets?**

I think these are very positive trends. Looking at the drive toward increased regulation at the Ministry of Health—the registration system in Russia became much more transparent and predictable as compared to previous years. This effort is very much appreciated, at least by Celgene. Certainly, there will always be difficulties involved in a transition period, but once this period is over, then things will become more ‘user-friendly’—the user being the company-producer. The changes in the registration field are hence quite valuable.

We also recently had another positive sign for the industry, which is the fact that now, the Ministry of Health will check the patent state of products that are submitted for approval. This is absolutely a great sign for innovators.

**Beyond current legislation, the government is developing a grander strategic framework within 'Pharma 2020.' They are asking for the localization of multinationals. Do you have any such plans in Russia?**

We have already assessed the opportunity of transferring part of our production to Russia, and it has been determined that we can indeed launch such a project. We are now in the process of assessing the same opportunity for other products. As I have mentioned, our distributors still import products from our headquarters abroad—but we are ready to comply with the requests for localization. For me, this government initiative is very logical, because the Russian economy still depends on oil and gas. To develop local industry, you need to localize production—this happens in much the same way with, for example, cars. It is typical.

Such a step also helps local producers to bring their facilities up to GMP level, which is important. And it means technology transfer from multinationals. It means collaboration in research and development.

**Let us turn to your product portfolio. How are you capitalizing on current Russian trends—the growth of specialty care, and the initiative to bring in a higher percentage of innovative medicines?**

I feel that our portfolio compliments any market. Celgene focuses on developing innovative medicines that help people that are suffering from devastating diseases like cancer, hematology, and inflammatory diseases. These diseases present a significant issue worldwide—in Europe, the U.S., Russia; you name it. Our key products are Revlimid, which is indicated for multiple myeloma and other indications in hematology; Vidaza, for myelodysplastic syndromes and acute myeloid leukemia; and Abraxane, for solid tumors. And we have many products in our pipeline.

The vision of the company is to become the imminent leader in the development of innovative products for the most devastating diseases. One of our recent initiatives was the launch of a global set of values. Actually, this was a sign that the company is dedicated to international expansion, because such expansion calls for a common culture.

You can see these values printed on our wall. Basically, these values determine why we come to work every day. At the highest level, our values inform what we do, who we hire and how we work. They are expressed through every employee of Celgene every day—at every level of the organization and in every office around the world. For us, these are not just words: in anything we do, we think first of how our actions should affect our final customer—the patient. That is why the

first value is 'Passion for patient.' As part of our dedication to this, we support several investigator-initiated programs that allow Russian patients in need to receive our products free of charge.

Russia is also a part of Celgene's research and development community, and we participate in the majority of international clinical trials. This also helps Russian patients and will continue to help them in the future, because in order to bring an innovative product into this market, you need to confirm the efficacy and safety via local clinical testing.

Other values that are of utmost importance to us, and help us to change the course of human health through bold pursuits in science, are: courage to face our challenges and the unknown; trust in our words and our actions; and excellence in delivering exceptional results—these are many examples around the world of Celgene people living our values.

### **You have developed a Russian clinical trials program in only three years?**

Yes, absolutely. Actually, this required some effort! We had a start-up culture where we worked more than 24 hours a day and everybody was happy to do it. Once we get bigger, there will be another challenge: how to maintain this innovative spirit and balance it with our business processes and a more structured approach.

### **What do you see as the key drivers for this growth?**

For us, growth means serving more patients; and serving more patients means entering federal reimbursement with our products. We are working in this direction. Our Ministry of Health and our government has been making much effort, since 2005, to supply patients in need with the products that will help them—so as we have mentioned, the system is there.

We are very young in terms of our commercial presence here. Our first product was registered in Q2 2009, and our second product was registered in Q2 2010; and our third product is in the process of registration. You should have some local experience before applying for the federal reimbursement system, so that this experience may be presented as a factor in the deliberations of the authorities. Having gained some experience, we are in the process of registering Revlimid in this state program. We also assess local production options for these products.

### **You have mentioned Celgene's common global culture. When we spoke to Marina Veldanova at Ipsen, she mentioned that you cannot 'copy-paste' the corporate strategies in Russia, because the unique dynamics present in this environment demand flexibility. Do you feel that Celgene headquarters understands this fact, and allows you operational flexibility?**

Yes, they certainly do! The differentiator in planning within the Russian environment is that you must develop several scenarios to be ready for a variety of possibilities, and you need to update

your approach at least quarterly. Indeed, flexibility is key.

But this is not, in my understanding, related to the overall strategy. This is related to tactical revisions. The strategy is the same! The strategy is driven by our goal—and our goal is to serve more patients. In order to achieve this goal, we need to enter new regions, gain acceptance in the federal reimbursement program, and etc. The tactical revisions have to do with how we are moving against this target. They have to do with what tactical changes we need to make in order to better serve our goals.

**As you begin to serve more patients, the organization develops, too. How have you seen the organization expand, and how do you go about finding the best talent?**

We now have 25 employees all across Russia. Certainly, compared to Big Pharma, this number is small, but I remember that when I was with my previous company, we started with even less people. When we expand and start serving more patients, this expansion will be, first of all, a regional expansion. We have an office infrastructure, and key departments, and the regional representative department will be among the first to grow. The medical department, too, will be among the first to grow.

When you start something new, you need to have people that you can rely on and whom you can trust. This is always a challenge. So I invited several people whom I knew from my past work, but we did not want to create an affiliate of some other company here. The challenge is to not create a parallel family, so we hired upper management from outside, as well. I have four employees from my previous place of work, but also a finance director who is from a completely different industry but had some experience at sanofi-aventis; and an HR director who similarly comes from an outside industry. So there is a mixture—a new affiliate should not be limited to colleagues who had once worked together elsewhere.

Certainly, when you start, you need to be with people that you know will perform well—and perhaps it is not very well perceived by HR managers, but when you are setting up an organization from scratch, you have little time to develop people. You need to have people who are ready to go! Now, we are at a level where we can develop people. Every organization passes through its phases. Now, we offer training, and development programs for people whom we view as potential future managers. But when we were based in the temporary office two years ago, it was not the right time for that. We had to do very many things, and to this day, every person in the organization wears several hats—for example, our marketing department also has a market access hat. In Big Pharma, market access is divided from marketing. But here, we construe market access as another form of marketing, for a different customer group: the local authorities. So still, I perceive Celgene in Russia as a start-up.

**What do you think is going to attract the newest employees to this company?**

The possibility of growing together with the company, and the possibility of job enrichment. For them, there will always be an opportunity to show their potential and gain experience—which would help them either to grow with this company, or to enrich their CV and become more developed within this industry.

### **What has shaped you as a manager today?**

The first element that shaped who I am was my parents' understanding that English was important. The school that I joined in my youth placed special emphasis on English. The Soviet Union was a closed country, so people were not supposed to leave. But still, in my childhood, English was the foremost foreign language—and I am very glad to have learned it.

Second, international experience—experience in the United States, and experience in Eastern Europe.

Additionally, the process of building a company as its sole initial representative was quite enlightening. When you do not have any direct subordinates, but you have your business partners in various countries, you need to strike a balance between your capacity as regional inspector and business developer. You need to make sure that people commit their local budgets to the initiatives that you develop—this means that you need to create something that makes sense! This shaped me a lot as a manager.

Another thing that shaped me was the MBA program that I finished in 2002. An MBA gives you more structure. Before an MBA, you may have some business sense, but no structure—the program gives you that structure and something more on top of that.

I also gained managerial understanding from the direct management of people and teams in my previous company.

### **You mention developing your team, hiring new employees, expanding regionally, rolling out new products, and entering into reimbursement programs—this sounds like a bright future! What do you think that company operations are going to look like in five years in terms of scope, shape, and ambition?**

I cannot tell you the exact structure, but the leadership position of this company in Russia will be aligned with its leadership in Europe, the United States, and other key markets. The priorities of any company can change over time, but I am sure that this company will lead in the same indications in Russia that it leads in other countries—which would mean having the same priorities, and implementing global strategies and initiatives in Russia. Our objective, too, is that some of the initiatives and projects that we develop in Russia may be implemented in other Celgene countries.

The Russian office is also responsible for assessing opportunities in CIS, and we are seriously examining those markets. They do not have any immediate positive financial impact, but looking at our global strategy, and our values of putting patients first, we think that we can do something good for patients in those countries as well.

**What is your final message on behalf of Celgene in Russia to the readers of Pharmaceutical Executive, and to your colleagues in Russia?**

I believe that Russia is the place to be for the pharmaceutical industry. The market will surely grow—this has been confirmed by the evolutions of the prior ten years. The government is committed to healthcare, which will positively affect the pharmaceutical business. And I think that the attention paid by healthcare authorities to the most devastating diseases will also grow—so Russia is one of the best places for the pharmaceutical industry to help patients, if they choose to prioritize that kind of focus.

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