

# Interview with Benno van Dongen, Partner, Roland Berger Strategy Consultants Netherlands

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**As the founder of the Institute of Young Entrepreneurs at the Delft University of Technology and an enthusiastic promoter of innovation and new technologies, what do you believe distinguishes a successful entrepreneur from those that are bound to fail?**

A successful entrepreneur earns money. He is capable of shaping his ideas and shaping the industry while making his ventures grow.

**There seems to be a general consensus that the global pharmaceutical industry is going through a crisis due to increasing costs of R&D which are not producing expected return on investments, as well as the upcoming expiry of major patents for blockbuster drugs. In light of this there seems to be a deep need for greater entrepreneurial vision within the industry in order to find creative solutions. Where do you foresee that these solutions will come from and do you foresee that the Netherlands could be a potential source for new models to be adopted by the global pharmaceutical industry?**

This is a very important issue for the pharmaceutical industry. To have a proper discussion, however, you need to differentiate the large global pharmaceutical companies from the small innovative companies such as what we find in the biotechnology sector. If we consider that there is a need for radical change then big pharma will have to revisit its business model. Today it is simply too expensive for these companies to invent new drugs and bring them into the market and this will have to change. Big pharma is looking for new models of innovation and they are achieving this through the acquisition of smaller more agile companies, many of them in the biotech sector. In the future the pharmaceutical giants will increasingly manage a network of technology providers that

will in most part be small spin-off companies originating from universities and academic research centers. Additionally they will extend further into adjacent markets, such as cosmetics and nutraceuticals as a means to diversify their portfolio.

The Netherlands does not have a history of large pharmaceutical companies. The largest was Organon, which was bought by Schering-Plough several years ago. If you look at the major biotech acquisitions in the last few years I would say that out the top-ten five or six have been Dutch biotech companies, and this speaks volumes about the country's potential considering our small size. This shows that this country has a future in the pharmaceutical industry, specifically in the biotech sector which is today the most active provider of new drugs and treatments for the global industry. One example we can consider is the recent closing down of MSD's research facilities here in the Netherlands. That location will most likely be turned into a science park that will host a number of small biotech firms. This is an example of evolution by transforming a closed and traditional R&D facility into one with an open model that fosters innovation through collaboration and the participation of different players, and this is something typical of the Netherlands.

**This notion of entrepreneurship and innovation through collaboration seems to be embedded in Dutch culture and it is something we have witnessed while meeting medical centers and science parks around the country. Nevertheless we have still not seen a major Dutch success story in the pharmaceutical industry. Is there a possibility that we see a great pharmaceutical success story coming from the biotech sector in the Netherlands?**

Yes, I definitely think it is possible. One of the key strengths of the innovation system in the Netherlands is the ability to form public-private partnerships. This tradition comes from the fact that we are a small country and have to find collaborative ways of different stakeholders and stimulating innovation. Hopefully this will bring forward some very interesting companies that will be attractive to the global pharmaceutical industry and will be able to bring change to it.

However, I don't believe that there will ever be a Dutch pharmaceutical giant mostly because the trend now is one of consolidation in the global industry and eventually this will dictate that there are only 4 or 5 major global players. Nevertheless, in terms of innovative biotech companies, I am sure the Netherlands has plenty to bring to the table.

**In an interview with Dr. Schwenker, former CEO of Roland Berger worldwide, he mentioned that the American model of management had been proven ineffective by the recent global economic crisis and that a more European long-term kind of management was needed for the future. Given your passion for entrepreneurship and innovation, would you agree with this vision and what role could the Netherlands play in providing fresh new insights for the pharmaceutical industry?**

I am not so sure that the European model of management is better than the American one—the ideal model is most likely somewhere in between the two. The reality of companies is that they have to be accountable to their shareholders who have invested in them and demand a return on these investments through the company's profitability. So in this sense you can have a more long-term vision regarding the profitability of a country and how this can be sustained over time, rather than focusing on the immediate profitability and gains that a company can bring. Big pharma certainly needs this kind of longer term vision, especially when you consider that their current business model of developing new products involves a 10-year commitment and a billion dollars in investment—it's quite a risky game. I can imagine that there are big concerns with this current structure, and I believe that the global pharmaceutical industry requires a new paradigm entirely and it won't really come from the current model. As I mentioned earlier, there needs to be more collaboration amongst different players that can contribute to the life of a pharmaceutical company, and this is what will become most important for these companies.

**Some of the recent changes that the Dutch government has made to the healthcare sector include the transfer of some public functions over to insurance providers. Ultimately this policy is in-line with the idea that pharmaceutical companies will eventually become integrated healthcare solution providers as a means of maintaining sustainable growth. Is this the future for the pharmaceutical industry and will the Netherlands be a global pioneer in developing this new business model for the industry?**

It certainly seems logical that this is the next step for pharmaceutical companies. The situation with the insurance providers here in the Netherlands has changed the role of these companies from simple administrators processing claims to companies that are now a part of the innovative process because ultimately they are the ones that will be paying for their client's treatments. Considering that they will have to pay for these, it is now in their interest to listen to the needs of clients to understand what they want. The insurance providers now have to educate themselves in understanding the process of innovation for them to be able to analyze whether a certain project will become a viable product in the future. In a way they are being forced to be in a director's role and overall being more involved in the innovative process of new products. Five years ago these companies would receive funding requests from research institutions that had a project to develop a new product, but the insurance providers didn't really have a framework to determine which proposal was viable for the future. Today the situation is different, and this represents an improvement of the overall system due to the original policy that shifted the role of insurance providers.

**While this new role of insurance providers is beneficial in lessening the burden of the public healthcare system, does the policy truly represent an improvement in the quality of healthcare for the common Dutch individual?**

Yes, I believe so. By having the insurance providers involved in the innovative process there is a guarantee that new and improved treatments will be coming into the market and offered to Dutch patients. There have already been numerous examples of this in the last few years, so I am confident that this change has ultimately improved the quality of healthcare in the Netherlands and of the treatments that are being offered to patients here. Of course, you also have to consider that the Netherlands is a small country, so of course whatever treatments are launched in the larger markets, such as France or Germany, will most likely end up being offered here. It's not like we can be entirely independent from the rest of the world in the offering that our healthcare system provides, but at least the fact that insurance companies are now directly involved in making decisions has opened up the possibility for innovative treatments to also be offered to Dutch patients.

**Strategically speaking, the Netherlands is perceived by many pharmaceutical corporations as a great entry point to the rest of Europe because of its attractive tax incentives, a solid infrastructure for transportation and logistics, as well as the high level of education of the local people. Is this a comparative advantage that can be leveraged at the national level and is it a selling point that Roland Berger uses when consulted by foreign clients?**

We are not actively involved in attracting foreign companies to the Netherlands, but of course if a client of ours is considering the possibility we do highlight the advantages that this country has to offer. In particular Indian and Chinese companies are looking towards the Netherlands as a strategic location to base their European operations. There already is a strong history of collaboration between Dutch universities and academic institutions from those countries, and this also helps in strengthening economic ties. The Netherlands also has a very strong relationship with the US, being the second most important foreign investor there, so we can also serve as a bridge between the East and the West.

**To sum up the interview, what is the main advantage the Roland Berger offers pharmaceutical companies wanting to enter or improve their performance in the Dutch market and what do they have to gain from working with you?**

Roland Berger is deeply involved in the current process of change that the pharmaceutical industry is undergoing. In the Netherlands, we have been central in establishing all major public-private partnerships relevant to the pharmaceutical industry by developing their strategies and guiding their performance. We are also involved with major science centers in the country and have worked with all the global pharmaceutical companies located here to assist them in their operations. Overall what we can offer is our expertise in the pharmaceutical industry which is backed by the repeated success of the projects that we have been involved with.

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