

Interview with Michał Bichta, Managing Director, Merck Sp. z.o.o

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You joined Merck in September 1996, took gradually increasing positions at Merck, from Medical Representative (1996 - 1998), to Sales and Marketing managing positions and you were ultimately appointed Managing Director Poland in January 2008. What have been the major challenges you faced in almost three years now?

Merck in Poland operates in both pharmaceuticals and chemicals, which is why it is quite a complex situation from an strategic, operational and a legal point of view. As I come from the pharma section of Merck's activities, one of the main challenges I face as the head of the affiliate is to understand the other parts of Merck. Internally there are a lot of synergies between chemicals and pharmaceuticals, these two areas have many things and processes in common, and we should not be separating one from the other as long as it makes commercial sense.

Through the years, I needed to learn step by step about the market and its legal situation, about the company's main operations in Poland, and its strategy. The position of managing director of mixed organization requires a lot of managerial flexibility, objectivity and much more involvement in legal and political issues.

The socio-economic situation has dramatically changed in Poland in the last ten years, partly due to the fact that Poland became a member of the European Union (EU), but also due to the evolution of the national economic situation. Poland is gradually applying more and more European

directives, yet at the same time, some existing regulations from the communist period still remain. Sometimes it is also about the mindset. This creates a kind of a mixture that is difficult to understand and to cope with from outside. Within this context, flexibility, but combined with eagerness to operate in a safe and ethical manner appears to be crucial.

If I may say you have an incredible knowledge of both the company and the country given your professional career; what are the main specificities of the Polish market in your view and what is the secret to succeed in Poland?

In order to succeed, it is important to be close to people who understand the market from different angles, who show their expertise in certain areas. General knowledge is definitely not enough, companies should be specialized. In Poland, business is driven by change: planning years in advance seems almost impossible in our country.

There is a global trend where consumers are increasingly taking responsibility for their health. Consumer healthcare represents about a third of Merck's sales in Poland: how do you see the level of self-medication evolving specifically in Poland? How will this be impacted by the coming revolutionary reform on healthcare considering a likely tough environment for prescription drugs in the future?

Self-medication has actually always been strong in Poland, as somehow Polish patients are used to paying for their medicines with out-of-pocket money for both prescription drugs and over-the-counter (OTC) products. At the moment, OTC products represent about twenty percent of the total pharmaceutical market (pharmacy sales), which is of course a relative notion, meaning that either the market for OTC products is big or the market for prescription drugs is small. One should also not forget about quite dynamic segment of food supplements and mass market. Access to information, availability, broad selection of an offer and increasing co-payment on Rx will most probably stimulate further consumption.

Despite recent intensive discussions on Health Care Reform, I would say that it is still too early to evaluate final impact of this reform on the market situation. Unfortunately, we have some bad experience from the past that one sentence in the act might turn the market upside down. Too much room for interpretation and potential inconsistencies among different acts describing health care sector could be considered the biggest threat for the industry.

Since Poland is part of the EU, Polish people have started to look around and compare what is available in neighboring countries. This awareness creates more pressure on healthcare services in Poland, as the population expects the country to be catching up much faster than the current pace.

Jarek Lange of Amgen interviewed this week would like his affiliate to serve patients in more than only 3 or 4 therapeutic areas. There are many unmet medical needs in Poland, which represents business opportunities of course, but moreover a real challenge to come up with innovative therapeutic solutions. To what extent do the group's main therapeutic areas fit to the Polish population today?

Merck in Poland is one of the market leaders in the so-called social diseases, where prevalence is high, such as cardio-vascular (CV) diseases, oncology, and neurodegenerative diseases. At the moment Merck Poland is developing alongside the market, and strives to meet medical needs related to a limited access to a diagnosis. There is still a significant room for the industry to improve access to modern technologies and novel treatments for the benefit of patients instead of fighting each other. This is why Merck Poland spends a lot of time in educational programs and not just in selling products.

You were responsible for the successful integration of Serono business while at the head of Merck Poland. How have the merger and this integration affected the affiliate's operations, in terms of diversification of your portfolio first of all, but also in terms of branding?

The first steps of the integration took place in 2007, and I can say today that both organizations are fully integrated. The major challenge within this integration was to align mindsets and culture: whereas Serono legacy was much focused on short-term results, highly specialized and customer oriented, Merck legacy was more focused on the general practitioners market, scattered operations, with emphasis on long-term growth and life cycle management as well as relations with distributors rather than customers and patients. Merck has successfully managed to bring these two different worlds together and made people start learning from one another. Merck Serono is today benefitting from both mindsets and cultures, which has a very positive impact on the performance on both sites – pharmaceuticals and chemicals – in real terms.

Merck has been supplying the Polish market with pharmaceutical and chemical products since 1992. Apart from sales-related activities, how do you capitalize on Poland's strengths for other business activities such as clinical trials?

Poland is one of the leading countries in Europe in terms of investment and especially in case of clinical trials. They represent sometimes the only opportunity for patients to be exposed to novel treatments. The high level of medical education, improved standards and processes and the increasing accessibility to diagnostics drive the importance of clinical trials in Poland. Merck is also benefitting from this situation, as well as contributing to it. Indeed, most of the leading clinical

operations at Merck Serono also take place in Poland. Poland is a solid part of the group's corporate strategy for clinical trials.

Innovation is the engine of the company, but let us be fair, Poland is not known for its level of innovation but more for its degree of generic penetration. Some may say that the government is more favorable towards generics, and that the country has an historical and traditional culture of generic manufacturing. What is the affiliate's strategy, between investing in Manufacturing and investing in R&D?

The high generics penetration combined with budget restrictions does not make Poland an opened market for innovators. Merck has a good range of products in Poland considered off patents, but at the same time, Merck's most innovative products are still protected.

Keeping the right balance between these two categories of products is one of the key elements of our strategy of diversification. Having OTC, Biotech and off-patent products makes us more dependant on quality and offered benefits, rather than on decisions of regulators.

The group acquired Milipore in July 2010, a global leader in life science, to reinforce its Biotech arm. Biotech is internationally recognized as the future of the industry. To what extent is that true in Poland? Is the country ready for investments in Biotech?

The country is ready; a way to finance it still needs to be found. Health technology is the driving force for any decision related to market access. There is no dispute whether innovative products are better or worse regarding efficacy and quality matters, as there is no doubt whether tailor-made medicines are the future of the industry. Regulators are fully aware of it, and need now to provide the path to the industry, to go from chemical-orientated entities to Biotech-oriented entities. Nonetheless, the switch needs to happen by a gradual process. No country, including Poland, can support such a revolution in the healthcare system. Step by step, the paradigm will change. Today there is still a clash in Poland between the therapeutic value and available budgets – government expenditures.

Pharma experiences a high turnover in general, there are weekly announcements of layoffs in the global pharmaceutical industry, which show uncertain outlooks. Do you still recommend fresh blood to join this industry and especially in Poland?

Our industry is a relatively young branch. It was first set up by physicians and medical professionals, and gradually built around by attitude and growing expertise.

Pharma has matured, however the opportunities that our market offers are still for entrepreneurial people, for people who want to make change. If someone is ready to take some risks, Poland is an excellent country, even compared to other fast-growing European countries. Poland has adopted most of the standards from Western Europe, but this is not enough, the country needs to develop flexibility and ease of adaptation to changing environment.

Elmar Schnee, who just departed after seven years as general manager of Merck KGaA, told Focus Reports last year that the vision of Merck-Serono is to be 'the best - not the biggest'. How do you work to be the best here in Poland?

Being the best is synonym to constant improvement of operations, daily business, processes, and people. It also means finding the right balance between being very ambitious in the market and maintaining the company's core values. Merck is well recognized for its ethical behavior, multicultural ways of operating, for its long history, its respect for people and its loyalty. Merck Poland is still a mid-sized company in Poland, and is gradually improving its position. There was no revolution when we acquired Serono, and there will be no revolution once Milipore is fully integrated; we are talking about evolution. The company has been going through so many social and economic changes that current business challenges are just considered a part of our daily life. After three quarters in 2010, according to IMS data, Merck Serono is the fastest growing company in the Polish market within the top forty in size - companies exceeding one hundred million zlotys turnover. This performance is no singularity, considering that Merck Serono has always been in the top three fastest growing pharmaceutical companies in Poland over the last five years. It must mean that we are doing things right. Change drives energy; every change brings us closer to being the best pharma in Poland.

It is very important to have the right human resources to be able to grow so quickly and to be the best pharma. What is Merck Serono strategy in Poland to attract and retain the best people?

Employees at Merck Serono have a lot of space for their ideas and initiatives, and benefit from a great flexibility. The company seeks people who are able to have complementary activities in order to reach common objectives. The company gives employees a long term vision, shows them broad perspectives, and tailors the work to them. Merck relies very much on versatility of people; they need to feel comfortable with their specific areas of responsibility. There has to be a match between personal and corporate objectives, an alignment between private and business life.

You have been heading the affiliate for almost three years now. Where would you want to take it in the coming five years?

I believe that we have both the human and business potential required to be in the top ten pharmaceutical companies in Poland. Furthermore, I want this company to be the company of choice for industry professionals and a good place to work at. Merck has done a lot of effort in the past to change the way the company is perceived. Today, I can say the affiliate can build on these efforts, as Merck is well recognized, looking at the much higher quality of people seeking employment at Merck nowadays. Lastly, Merck plans to be a more specialized company.

Do you have a final message that you would like to send out to the readers of Pharmaceutical Executive?

Poland is still a sleeping giant, taking into consideration the size of the country and the many unmet medical needs. The Polish pharmaceutical market has a clear potential to grow. Of course there are many elements that need to be materialized, but looking at long term prospective, Poland is probably the country that may offer the biggest opportunities in Europe: countries one should focus the most should be BRIC countries plus Poland. Moreover, Poland is not different from western European countries in terms of quality standards, level of awareness, and so on. Change of mindset in Poland has already been made, now the country is waiting for results especially on the side of regulations and financing. Fighting past attitudes remains the most difficult task. Poland is moving on and it is just a matter of time for it to be broadly recognized where it has always belonged, as the sixth the biggest country in EU.

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