

# Interview with Melissa Thomas, Managing Director, Nycomed UK Ltd.

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Servier was eligible to receive \$7 million in P3 funding; can you tell us how this initiative has helped the company?

P3 was not one of the main reasons why Servier has invested more in Australia of late. What drives Servier's headquarters to conduct more research in Australia is a long-term strategy that addresses low prices in the market, as well as the impact of the PBS reforms and the delinking of the F1 & F2 formularies. The Australian context gives Servier more visibility in the long-term and pushes the company to invest more in this country. Of course the P3 helped, but it was not a driving decision for our French headquarters to invest here. Essentially, Servier has a strong desire and commitment to find solutions to the unmet medical needs of society in all part of the world. Regardless of any government initiatives like P3, Servier has been doing well in recent years, celebrating a 25th anniversary and in recent years, regularly achieving \$100 million in turnover.

Could you please comment on the recent growth of Servier in Australia?

Servier is an amazing company founded in the 1950s by Dr. Jacques Servier. Since that time, Dr. Servier has demonstrated the passion he has for his work and the company, managing to convert a family-owned provincial pharmaceutical company with 9 employees to a MNC with close to 20 000 employees. Dr. Servier is so passionate about the company, its R&D, and people, that he recently decided to ensure the tradition of the company and do everything possible to protect it from the

current merging and acquisition trend that the pharmaceutical industry is experiencing. His passion and commitment is reflected through the people who work for Servier in Australia. All are committed to continuing his work and believe in what we are trying to achieve for the patients who are prescribed our products, therefore, our growth and success as a company follows on from this commitment

How have the high levels of R&D reinvestment protected the company in remaining independent?

Servier has become a foundation, and as such all profits are re-invested in R&D. High levels of R&D are a tradition for the company, and in fact, before Servier become a foundation, the company already had a longstanding investment strategy to keep 25% of turnover in R&D, which is possible since we don't have to meet shareholders expectations, therefore we can focus on long-term strategies. In the specific case of Australia, Servier has been committed in R&D activities for 20 years. Australia's research capacities and advanced clinical facilities make the country a good platform for research activities, which have been one of the success drivers, fuelling itself to further invest, and as a result experiencing a virtuous cycle in the market. In Australia, Servier has a long track record of success, in terms of sales, market share and work force development. We had a fast growth track record for the past 10 years, but unfortunately the pace slowed down last year with the implementation of PBS reforms. This reform will have a mixed impact in our performance since most of our portfolio will be affected by the 25% price reductions. This will cause a short pain, and we will certainly have 3 difficult years. Nevertheless, we will keep our long term view: having profits whilst benefiting our patients. We are ready to experience a "short term pain for a long term gain." At Servier we have a very strong pipeline so we are confident that our future will be bright. . We have recently introduced a new product in the field of osteoporosis, Protos, an area where no new product has been introduced for the last 20 years. Also we are soon to launch a new product for stable angina, Coralan. Last but not least, we have a new molecule Valdoxan for depression that will be introduced in the worldwide market in the next couple of years. For a company of our size, having three new chemical entities in such a short period of time is a wonderful achievement and opportunity. Australia is home to one of the 19 therapeutic research centers that are instrumental in performing clinical research for Servier.

Could you talk about the importance of this center and how it contributes to Servier's commitment to Australia?

In terms of R&D investment in Australia, Servier's has been proportionally larger compared to commercial turnover. We invest around 15 to 20% of our turnover and we have 200 people working in Australia, from which 30 are wholly dedicated to our R&D activities. In fact we invest three times

more of what big pharma invests here. In 1998, Servier established an international center for therapeutic research in Australia. The vocation of this center is to perform phase II and III studies, as well as participate in Servier's pharmacology research. We can proudly say that we have 20 years of track record in research and fruitful partnerships with research organizations. Moreover, Servier has a clinical trials program across major hospitals in the country, with 5 NCE in research, as well as 10 ongoing trails in about 100 centers. We have partnership with research institutions like the Baker Institute and Austin Hospital here in Melbourne, and we partner with the George Institute in Sydney, where there is a special partnership being undertaken to investigate the impact of Perindopril for stroke treatment. Servier also has a recent partnership with Monash University's Center for Vascular Disease and Medical Science to research new drugs and diagnostic approaches to ensure early prevention of cardiovascular diseases. Servier has a robust commitment to Australia and I am proud the research being done here helps to develop the products in the global market. Most importantly, beyond the research, Servier encourages philanthropic programs to assist indigenous communities in the management of diseases among the population, and since the implementation of our initiatives, we have seen a real progress on the management of diabetes and renal diseases amongst the indigenous community. Servier also strongly encourages staff philanthropy and commitment to community service, One such staff initiative is the STEPS program where almost everyone in the company has a personal pedometer, and in recording the steps we take 'walking' around each day, staff improve their general fitness and health while the company contributes to a nominated charity, one cent per kilometre based on the person who walks the most kilometres each month. As a company, Servier also donates 10 cents from the sale of each pack of Protos, our new osteoporosis drug, to the Osteogenesis Society of Australia to assist with their research and educational campaigns about osteogenesis imperfecta, a terrible bone disease affecting children and adults. Part of Servier's success is the longevity, despite more or less only three products for a number of years in Australia. That the company has been able to concentrate on cardiovascular and diabetes, and most doctors would recognize the company's contributions in these areas. The challenge now is to duplicate that experience to other disease areas like osteoporosis and psychiatry.

Having worked abroad in a number of different countries, and being an expatriate yourself, how would you characterize your management style?

I tend to adapt to the people I work with, whether in Denmark, Hungary, England, or now Australia. Here in Australia, I make a big effort to get away from a formal organizational structure. Servier is organized as a pie chart rather than a more traditional triangle. I sit in the middle of the pie chart; I listen, and I like to challenge my people, but I rarely overrule management decisions. I'm not a big

believer in big organizational charts; it's not because you're at the top of the company that you're any more important than someone at the bottom. Everyone is equally important. Culture starts from the bottom, and if people at the bottom feel unimportant, this permeates through the organization like a cancer, and the company will start to be in trouble. In Australia, Servier wants people who work for a purpose and understand who they work for. Although immediate growth prospects are diminished due to PBS reform, would you highlight some of the upcoming pipeline strengths for Servier, and elaborate on where you want to bring the company in the next five years? The key challenge for Servier will be to redistribute turnover toward innovation. 80-85% of turnover is currently dedicated to Coversyl, so it's certainly a risk we want to manage and minimize in the future. The challenge is to have a better portfolio breakdown, and move toward a 50/50 split with established products like Coversyl, Diamicron, and Natrilix, and the new chemical entities we have in the pipeline Servier is very committed to seeing an improvement in the process and time it takes to bring new drugs onto the market. There are two objectives to the PBS reform: one to make it sustainable, which has presumably been achieved with the 25% price cut. And Servier supports that, as it provides benefit to patients. The second is to provide patients with innovative new chemical entities in a timely manner. That's more my concern talking about the vision in the next couple of years, to accelerate Servier product access to the market. It's important the TGA and the PBAC work together to have a faster market access, and also important the access will not be compromised by the fact that new chemical entities must be compared to established products, whose prices would have to be driven down by the 25% cut. It might be that headquarters will not be happy to compare new chemical entities to products hit by the 25% price cut, so we need to work on that to make sure innovations get the proper price, without being linked to a much lower comparator price.

What is your final message to Pharmaceutical Executive readers about Servier and its operations in Australia?

I'm always amazed to see that Servier, despite its relatively small size and turnover, can successfully compete in cardiovascular with big pharma that is five times as big in workforce and turnover. There are a few things we do well: for one is prescription growth, which in recent months is in the top 3, with three to four times less representatives in the field, so Servier is managing to grow products and get more new patients on them; we must be doing something well here in Australia. Servier's commitment to research is what really makes the difference. All the products we have save lives, and that will continue to be the case for new products Servier puts on the market. The people that work for Servier are very committed, and this permeates through the company, whether through Dr. Server's leadership or every person in the management team. "Vive

la difference," as they say in France.

The changes that are emerging in the UK pharmaceutical market are a hot topic currently, but the overriding view within Nycomed UK is that, despite the fact that everybody has an opinion, nobody quite knows what will actually happen. Unless you have a crystal ball, what we are seeing at the moment is a lot of conjecture about how the new NHS will bed down post the restructure. What we do know is that there is going to be significant change but we have to be careful not to make the wrong move at the wrong time. Nycomed UK is no stranger to change and has undertaken a number of restructures in recent years. Whilst these changes have been the right decision for the business, such activity is costly both from a resource, and a time perspective.

In the past these changes have been driven by a variety of events. One such event is loss of patent—you may be aware that we lost patent on Protium, which was our biggest product in the UK two years ago. As with most companies, we have also been affected by factors such as structural changes in the NHS: the willingness to pay both nationally and locally and other restrictions put in place by PCOs and other similar bodies who are facing their own challenges. The result is that the marketplace has been getting ever more difficult and we have had to respond accordingly.

The last major change happened at the end of 2009. During last year we built up for the launch of Daxas, but it became clear that we did not have the ideal infrastructure or respiratory heritage to launch this product optimally. Therefore, a decision was taken to out-license Daxas in the UK to MSD. That was the right decision for Daxas, and it was the right decision for Nycomed. Ultimately, you need to know when you can make something a success, and when you need to look at a different business model.

Once the decision was made, we needed to consider how we would operate in the UK market going forward. We are a small business with a small portfolio of products which is driven by our commitment to only bring medicines to market that truly add value to the local health economy. We decided, therefore to go back to basics and complete a strategic review of our whole business.

The outcome is a new business model that we are just in the process of implementing. At the end of October, we disbanded our existing sales organization and replaced it with three commercial directorates. Our goal is to have a small core business of highly experienced, talented people who have full P&L responsibility across the portfolio.

These core teams are responsible for developing strategy, building plans, and implementing these plans to the point of momentum. Once momentum is achieved in a geographical area, they then bring in flexible resources to manage effective pull through. This means that despite containing the

organization as a small, lean, core team we have the capacity to bring in additional resource when we know something is working, Ultimately we are looking to deliver profitability in a market that now requires us to be far more responsive to customer needs and the economic environment. There is no point working where our customers see no value in what we do.

Globally, the Group's revenues have been quite challenged. How has Nycomed UK fared?

In the UK our revenue has been severely challenged, due to the loss of patent on Protium. Anybody who works in the UK market knows that, whilst in some countries you can develop LOE strategies to deliver a gentle decline, you can rarely achieve this in the UK. We knew a long time ago that the revenue was going to go down significantly and it has—that is no surprise to us.

Nycomed UK has now reverted to being a specialist company and seeks to work in areas where we can become experts; we are looking for products that truly add value. This is the key point. We do not bring the whole Nycomed portfolio to market just because it is there. One of our key maxims is bringing medicines to market that matter. When an opportunity emerges we ask ourselves 'Is this product needed? What value does it add to patients or to the NHS?' If we cannot answer this question the answer is obvious to us.

The sort of products that we will bring to market are the kind that fill an unmet need, or are a significant improvement—for whatever reason—over what has been available historically. Our model then allows us to develop and implement a bespoke resourcing plan that optimally fits the need of the product as opposed to having to fit in with a pre existing infrastructure.

An example of such an approach is with our fentanyl patch Matrifen. Whilst we could have handled this ourselves we have chosen to distribute through TEVA pharmaceuticals in the UK. They are experts in branded generics and hence the partnership between the two companies has resulted in the optimum solution for Matrifen.

How do you position yourself in the UK market, given your new structure?

During 2010 we have kept a fairly low profile whilst our focus has been on building the future proof and sustainable organization that we will launch in 2011. An analogy for this is that we have been in a tough market, and historically every time a big wave comes, we have the potential to be knocked over. The idea of the new model is that in future we will surf! We now have something that is flexible enough to allow us to say, 'This is working, this is worth doing. Let us expand.' If it is not working, we pull back in, and go in a different direction. In 2011, therefore, we aim to profile Nycomed UK as a lean, flexible organization that responds to the needs of customers and the NHS

environment that we work within.

Europe is still the biggest market in Nycomed. We have an executive committee who are completely clear: Europe is important, emerging markets are important. But what you do in those two markets will be different. We have seen intense cost pressures across Europe and our role is to understand the reality within which we work. That is not about Nycomed, it is about the pharmaceutical industry generally and we all need to find new solutions to ensure that we can operate efficiently and successfully in our respective marketplaces.

I have already described our response but in some respects the UK has the advantage, because changes have historically happened here first. We have seen the writing on the wall for longer than other parts of Europe. Although we cater to a small market in the UK, we know we are strategically important to Nycomed. Having said that the expectations in the UK are not what they would have been years ago, where you would expect high revenues and high growth. Now it is about sustaining a profitable presence, and an influential presence, and that is what we seek to do.

What therapeutic areas do you see as having the most potential for your future expansion in the UK?

Whilst we do specialize in specific therapeutic areas our approach as stated earlier is to look for products that add value. We would consider any products that complement our model either in terms of our current portfolio or because they fit the approach of working with specialist and perhaps even niche products. I am not saying that we would never look outside of this, but it comes back to our mission to really add value to the UK patient and NHS. There is a lot of competition out there for new molecules and we believe our new model is an attractive proposition for companies seeking an out licensing partner. We will build the infrastructure that is right for each molecule so that every one receives the optimum level of focus within our portfolio.

What attracts your employees to Nycomed UK?

Nycomed has a very strong set of values that are lived across the business. You can go into any part of Nycomed globally, and you will feel them. In the UK we spent a lot of time thinking about the skills and competencies that we need; and then, the opportunity that exists for the right-minded individual.

We are very honest about the sort of personality that we believe will thrive in this environment. We have a very candid message regarding the fact that this is not for everybody. One of the things that we talk about in our recruitment is the appropriate level of ego. We do not want people whose

main driver is status. In this model, we want people who can operate at a very senior, strategic level—and can roll their sleeves up and excel at operational implementation. This philosophy runs throughout our business.

In terms of compensation, we are competitive but if someone is overly focused on the size of their car or office this is not the environment for them.

In a similar vein we are all customer facing. If I am needed to go and speak to a customer on any level, I welcome that opportunity and this applies to all roles in the organization.

Undoubtedly recruitment is key. We outsource a lot of functions in this business, by virtue of our size. For example we outsource HR, regulatory, supply chain and recruitment. We work widely with partners. We find companies that share our values, share our beliefs and are passionate about what we are trying to achieve and work really hard to deliver our goals with us. In terms of recruitment we have built a process that seeks to give prospective candidates the very best experience. The minute a candidate expresses an interest in a Nycomed role, they receive a candidate pack that talks about the vision, the values, the market, Nycomed locally, and Nycomed globally. Initial interaction is with our chosen recruitment partner VMC, but this partner is so aligned with our culture that candidates feel as though they are talking directly to Nycomed. We put everybody through a very rigorous assessment program, but within that we build in time for candidates to assess us. Throughout that process—from the outset, to the moment we either offer or regret them—we apply the same value driven approach and the feedback that we have received has been fantastic. Even candidates, whom we have not employed, have taken time afterwards to complement us on their experience. The result? Well despite being a small company we are attracting some truly excellent candidates.

What does Nycomed look for, in partnering with another company?

We look for companies with similar values, and a similar business approach. Our recruitment partner worked with us for a year, to reestablish our whole approach to assessment and recruitment, and they did not know at that time whether they would get any business out of it at all. They walked with us, and they worked with us, and now they are our lead recruiter.

We have a similar relationship with our other partners and this makes for sustainable arrangements from which both parties benefit.

What has been most rewarding for you in this position, and what do you feel you have brought to the company?

I am relatively new in this position although I have been with Nycomed for nearly 8 years. Throughout that time Nycomed has provided numerous opportunities to expand the breadth and depth of my experience. It really is an environment where the opportunities are there for the taking! The aspect that I am most proud of in 2010 is that as a new team we have quickly and effectively developed and implemented a new model that will allow us to remain strong in the years ahead. It would have been easy to wait and see how the new NHS pans out but we chose to be proactive and make the changes now so that we can respond more rapidly as the future NHS becomes clear. It has been immensely rewarding to lead the organization through this process.

The waves are going to keep hitting us, but in a changed and changing reality, we believe that our new model will allow us to succeed.

We are going into 2011 with something that is fit for purpose and sustainable. It will allow us to deliver on short-term goals, in terms of revenue and profit. Furthermore the model will actually give us something to grow with even if that growth is not what we saw over the last couple of decades.

Where do you see the company going in the next two years?

We will have achieved organic growth from the products in our portfolio, by investing where we can win. We do not need to have a national footprint in the UK. For example the significant growth that we are seeing with Matrifen currently is coming from about 25 PCOs around the country.

We want to replicate that success, and develop a unique model for all of our products. I want us to have a candid discussion with NHS customers that says, 'If this is not what you are looking for, then that is fine. Let us not waste each other's time. Let us find something that does work'

In two years time, I would like to be in a position where we will replicate flexibility across every product in our portfolio so that we are approached by companies who want to work in partnership with us. Within this period, we will be able to demonstrate a strong base of tangible success so this is a realistic goal.

What is your final message to your peers, the international readers of Pharmaceutical Executive?

Despite the challenges that exist in the UK market, success is still possible, and we will deliver that success. The direction that Nycomed is taking is compelling. For me, as a European country head—I am delighted to see my company investing wisely to drive growth for the future even if that means taking a different approach in Europe.

What we can do now is play our part in making sure that Europe is strong, and remains strong because Europe is a huge market, and always will be. We have to think differently, and be honest with ourselves and say, 'The world has changed.' At Nycomed UK, we are ambitious, but we are realistic as well. As a young company, we have a real buzz in this building, which I want to share with the rest of Nycomed, and the rest of the industry in the UK. But I want to share it when we have shown what we can do.

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