

# Interview with Peter Martin, COO, Norgine

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14.12.2010

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Before joining Norgine in May 2004, you were active in larger pharmaceutical companies. What made you decide to join a smaller player?

There were a few reasons. The first factor is that I had had a lot of experience with larger pharmaceutical companies, like Schering-Plough—it was fascinating, but one of the less fulfilling aspects of working for a large company is the fact that you have a large group of shareholders, on Wall Street and elsewhere, who are expecting increased sales, and increased profits every quarter. That is an excellent discipline in the short term, but it is not necessarily a good long-term discipline. And in fact, it turned out that at Schering-Plough, the drive to meet short-term objectives was actually detrimental for the long-term future of the company—which is one of the reasons it ended up being taken over in a reverse merger by Merck. So there was a lot of pressure there, and I was looking for a move out of big pharma, although in many ways I had enjoyed it.

On a personal note, one of the things that made me join Norgine was that unfortunately, my wife had a stroke a few years back, and she could not find anything that was working for her gastroenterological complications. We were in one of the private hospitals in London, and they decided to try a product called MOVICOL®, that was supposed to be very good—and it was perfect! So I developed a personal bias towards Norgine, a company that I had previously heard very little about. Their flagship line was not only effective, but also had personally helped me. So when I was approached by Norgine, I was familiar with the product. And I came and talked to Norgine CEO Peter Stein, who is a very inspirational person. Norgine had been founded in what is now the Czech

Republic by Peter's great uncle, and it is still a closely held, family owned company. Peter is very actively involved—he is both the CEO and owner of the company. And I thought, I would like to work for that man and appreciated his confidence in asking me to create for Norgine a central structure, as well as to transform the culture and make the company more compliant.

What has made Norgine the leading specialty pharmaceutical company in Europe?

One reason is that we have a very solid track record of success. We are very proud to say that we have had 23 years of double-digit growth at constant exchange rates. This is quite an achievement, and there are not many companies that can say that they have grown by more than ten percent per year, for over 20 years. Obviously, the growth cannot go on forever, and unfortunately the day will come when we will not grow by double digits, but it has not done so far!

Our growth is largely due to the fact that the Norgine management team has focused relentlessly on our specialty area. We know about products that work in gastroenterology, and we know the people who use products in gastroenterology, including both prescribers and patients. By focusing on the needs of those groups, we have been able to sustain that kind of growth.

Another thing that helped and this comes back to the differences between a company like Norgine and big pharma—is that being privately held, although we obviously set targets and we want to increase our sales, we do not necessarily strive for a double-digit increase in profits every single year. So if we decide that we want to invest in, for example, a particular research and development program, or that we want to expand the sales force in one of our European affiliates to take advantage of local market conditions, then we will do it—even if it means we make a lower profit than we did the year before. In theory, if we decided to, we could even take a loss although that has not happened yet. Because what will go wrong? Will a group of shareholders become upset? No, because again, it is a privately owned company. If Peter Stein decides he wants to invest for the long term, then we can do that without worrying about short-term impact. It is a nice position to be in. If you were at Pfizer, or GlaxoSmithKline, and you said to your shareholders, “we're not going to make a profit this year because we want to invest in something that will pay back in four years' time,” you would probably have a catastrophic drop in your share price and you would all get fired.

How have you seen Norgine's performance evolve over the years that you have been with the company? And what is your outlook for, say, the coming two years?

For one thing, our sales are very positive. And there are several other positive factors. In particular, over the last six or seven years, we have become the market leader in our operating sector.

MOVICOL is, by a considerable distance, the cash market share leader in Europe. Of course, laxatives are not a particularly glamorous area, but nonetheless it is a very important area: there are people with cancer, who take opiates, who need constipation relief; people with Parkinson's disease experience constipation, and they need relief; there are millions of people who are simply elderly who suffer constipation. Hence, although people sometimes make light of it, Norgine operates in a very important therapeutic area and we lead the sector.

We have come to be so successful by, again, targeting prescribers' and patients' needs. For example in the UK, nurses are very important, because nurses can prescribe products. Doctors do not actually have to deal with the consequences of unmanaged constipation, it is the nurses who have to do it. The worst job in the world for a nurse is manual evacuation. When the nurses gained the ability to prescribe, they almost automatically chose the most effective product that they possibly could, and nurses are a major reason that MOVICOL became so popular in the UK, and elsewhere.

Apart from MOVICOL, we also make a product called MOVIPREP®. MOVIPREP is now the world's leading product for bowel cleansing prior to colonoscopy. It was launched in 2006 in the U.S., and 2007 in Europe and has, in those four years, become the number one bowel cleansing product in the world. We are very proud of that and again, it is because we know the market and its requirements, we have sales forces who are experts in gastroenterology drugs and they are able to take this product and make it into a huge success very quickly.

Half of your turnover comes from the sale of MOVICOL. Do you feel that your heavy reliance on a single drug is risky?

We certainly have a drive to deal with 'life after' MOVICOL. But, although the protection on MOVICOL has already expired, there is a high degree of brand loyalty, which obviously operates in our favor.

But our reliance on the drug certainly gives us some exposure. Hence, we are delighted that MOVIPREP is doing so well, because it has the potential to take over. We are also very active in both business development and internal development. We have pipeline opportunities in the shorter term—one, two, three years' time—and we have products that will see the light of day (if they see the light of day, because with development you never know until something has been approved) in ten or twelve years. We have deliberately made an effort to fill our pipeline with products that will take over from MOVICOL.

In the meantime, MOVICOL holds up very well. It is still growing, despite the fact that the protection is gone. We make sure that we create value around the product, so even though we have generic competition, they cannot emulate the support services that we offer to prescribers or patients. It is not their business model—whereas part of our business model is to not only offer the product, but to offer a range of supplementary services: aids for people to mix the product up, disease area web sites, training courses for healthcare professionals and we have constant flavor and formulation evolution, etc. These are services that non-originating companies will not do.

You clearly have strong innovative efforts regarding your products, and you have won several innovation awards. What are the key strengths that have garnered you these accolades?

One is the fact that again, we are not tied to a constant stream of profitability. So we spend more on R&D than most companies of our size. We consistently spend more than 10% of our revenue on R&D, which is unusual for smaller pharmaceutical companies. You cannot have an innovative production pipeline without actually spending some money on it.

We also stay very close to our customers. The major difference between MOVIPREP and the product it replaced—KLEAN-PREP®—is that it has a much lower volume. Now that does not sound like a major innovation, except if you are the person having the colonoscopy—and you can take two litres of the new product, versus having to take four litres of the old product. For our patients, it is a big, big deal. A company can only make this judgment call if it is in contact with the people who are treating the patients and the patients themselves. Staying close to the market gives Norgine a good idea of what innovations will be valuable to people. One of the comments that I have made about some of the big pharma pipelines is that there is nothing innovative about a ‘me-too’ chemical entity—say, the 19th statin, unless it has something genuinely new to offer a patient, it is not innovative; it just has a substance patent that will protect it from generics for 17 or 20 years. But that does not mean it is any better for the patient, or any better for the prescriber. It is actually probably worse for the payer—because they will end up paying more for the product than they would for a generic version of an older statin.

My definition of innovation is that it is something that has to benefit either the patient, the payer, or the prescriber, and preferably all three. Most of the products that we are producing will do all three of those things.

What can you bring to the table as a partner to other pharmaceutical companies?

Our business model is very clear. We are a European specialty pharma company; we look to in-license products into Europe. We are aggressively looking for partners in the U.S. and Japan,

because we will never set up our own commercial operations in those regions, so we look for partners who are in the same position as us. For example, we have partnered in the U.S. with Salix, who market MOVIPREP for us there. They are a specialty gastroenterology company, who operate in the U.S., and the U.S. alone. When companies of that kind have a new product, and they want it to be sold in Europe, they do not have the European infrastructure to do it. We do.

We are experts in Europe, because we have been here for over a hundred years; we have grown with the individual countries and their regulatory systems, and we have also been there for the birth of the European Medicines Agency, so we understand the European-level institutions. We characterise ourselves as a one-stop shop for Europe. There are many companies who say they are European, but actually if you look under the bonnet, you see that they are, say, French, with smaller operations in Spain, and an office in Italy—but once you get to Norway, or Sweden, they have nothing there. Whereas, if you look at Norgine, our company in the U.K. is the same size as our company in Germany, it is the same size as our company in France. Our companies in Belgium and the Netherlands are much bigger than ostensibly they should be—we are in the top thirty in both of those markets. And we have a good presence in Italy, and in Spain, and in the Nordic territories, and everywhere else in Western Europe. We genuinely have a capability across Europe.

If I am a Japanese or U.S. company, looking for a partner in gastroenterology, then Norgine is the ideal partner. We know the people, we know the regulatory systems, and we know the area. Conversely, when we look for partners outside our territory, we look for them to have the same capabilities. As I said, take Salix—they have these core capacities in the U.S. Additionally, they have a good promotional ability, and they are good people to deal with. We look for similar partners in Japan, as well as other world markets—for example, India. We like to make sure that our products will go to a good home, and produce a beneficial revenue stream for an extended period.

Many large pharma companies—for example, GSK—have recently shut down their manufacturing facilities in the U.K. Amongst other reasons, they have found manufacturing here to be too costly. But Norgine has stayed, and even expanded operations in its South Wales factory. Can you explain why you have kept your manufacturing in this country?

The kinds of products we make are not little white pills. MOVICOL and MOVIPREP, for example, are large-volume medications. In our factory in South Wales, on a typical day, we can be pushing out 20 metric tons of product. For a pharmaceutical manufacturer, this is almost unheard of. And it's not necessarily the kind of thing that any company can just turn on or off. We have invested a lot of capital in the UK. Our plants also give us the capacity and the expertise to be able to manufacture

these products internally.

Do you plan to expand your manufacturing operations?

It is always an option. But at this stage, I cannot guarantee it. If we do expand, it will almost certainly happen in Europe. Our external network includes partners, for example, in the Middle East, who manufacture our products at their own manufacturing site, for their local market. So we do not necessarily have to manufacture our entire export volume ourselves, or build manufacturing sites outside the continent.

In the pharma industry, it is important to attract the brightest and the best people. What enables Norgine to attract quality human resources?

One of our explicit corporate objectives is to work hard and to have fun. For the last three or four years, we put down seven or eight key objectives for the organization for that year, and the last one is always to have fun. I have always believed that if you hate coming to work, it is counterproductive. I would say that most of us are happy to work at Norgine.

Big pharma is laying off so many people nowadays and a lot of good people are looking around, watching their colleagues lose their jobs, and they see the writing on the wall. Large companies are also experiencing a lack of productivity in many of their R&D departments. People are looking for a different model. So for Norgine, when there is someone we would like to attract, it is usually not difficult. A number of our most recent hires have been from companies like GlaxoSmithKline and other big pharmas. These are people that we are very pleased to have, and I suspect that our competitors are very sorry to lose. They tend to come to Norgine because they have the freedom to operate in a company that is not driven by tomorrow, or even next month—it is driven by what we will be doing in five, ten, twenty, or even one hundred years time. These are the same reasons I joined Norgine myself.

We also offer our employees strong stability, and we boast a turnover rate that is well below 10%—which is unusual for this kind of industry. We have also been expanding. We have grown to twelve hundred people; when I joined seven years ago, we were perhaps eight hundred people. So that expansion itself gives people opportunities to have different, more interesting and varied jobs and it also gives an opportunity for people to be promoted, because as the organization grows, there are more opportunities for senior management positions. We have just completed a global employee opinion survey, as we have for the last five years, where we benchmark ourselves against other organizations. In terms of most items—personal and work life balance, we are in the upper quartile.

A particular question of our survey asked if an employee is proud to work for Norgine: 82% of our employees answered “yes”. We provide a wide forum for patient response, and I suspect that one of the factors that makes our employees so proud is seeing the great gratitude of our end-users. Our staff love to see that they have helped people.

Pride in a company needs to be reinforced by top management. How do you define your managerial style, and how do you keep employees motivated?

One of my first tasks on joining Norgine in 2004 was to put in place a highly engaged management team and promote a “one company” culture. Both Peter Stein and I operate an open door policy and staff also know that they can pick up the phone and talk to either one of us. Additionally, we have an intranet system for communication. We have a formal method for cascading information throughout the entire company, so if anything needs to be communicated it will be communicated within a day, or at most two.

We are ferociously proud of being European, and we are proud of what we call the “One Norgine” philosophy. On paper, we are a collection of legal entities. In practice, we are Norgine. We do not ignore the legal boundaries, but we operate as one big company—because we really are! We always tell people that it is not about Norgine in the UK, or Norgine in the Netherlands, it is about Norgine as a whole. So there is a lot of interchange between the different countries, and the different functions.

Alongside Peter Stein, you are shaping this company. What have you brought to Norgine, on a personal level?

I have been in the industry for thirty years. So I have a great deal of experience: in the UK, in Europe and in the U.S. I have worked in a variety of functions, including sales, marketing, research, and general management. I have worked with budgets from hundreds of thousands of pounds to \$460 million p.a. So, I suppose, I have a lot of experience! I am also passionate about what I do, and hope I communicate some of that.

Besides bringing relief to your consumers, you also run a company. What is the top priority of your agenda for the next five years?

Firstly, that I will still be in this position in five years time. Norgine’s top two priorities are to cope with the wave of cost-cutting pressures in Europe. With the credit crunch, there is a lot of pressure on governments to save money. No one is going to lose votes by picking on pharmaceutical companies, and making us lower our prices.

Another focus is coping with life after MOVICOL. Securing our product pipeline is perhaps our biggest challenge.

What is your final message to the international readers of Pharmaceutical Executive? My message is that, if you want a great partner for products in the European market, Norgine are the people to talk to, we really are the 'one stop shop' for Europe!

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