

# Interview with Andrew Oxtoby, Managing Director, Lilly Nederland BV

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18.11.2010

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**You began as managing director of this Dutch affiliate close to one year ago. What was the trajectory that led you to this position and what were your initial impressions of the Netherlands when first taking over?**

I joined Lilly eight years ago, starting on the finance side and then moving into sales and marketing positions. Prior to this position I was a business unit manager in the UK. I had always wanted to assume a general manager role. Last November I received a call – completely out of the blue – asking if I was interested in becoming the managing director in the Netherlands. It was an opportunity that never crossed my mind, and to be honest, unlike most British people, I had never even been to Holland before, so I did not know what to expect. From my perspective, as someone who does not speak the language and who has never previously visited the country, I have found the Netherlands to be very welcoming on a personal standpoint for my family and me.

It is also a very proactive culture. As an organization, we are going through a fair amount of change in terms of our business model. Organizations can react to those types of changes in multiple ways. One way, unfortunately is with cynicism; they can view things negatively and want to stick with the processes and procedures that they have been doing in the past. Pharmaceuticals, in general, is an industry that has been pretty successful doing things a certain way for quite a long period of time. At Lilly, we are finding that we need to adjust our model in terms of how we speak to customers and how we position our products. The organization here within the Netherlands has been very proactive and embracing of that change. If the culture were not so positive then it would

be a very tough task for somebody new coming in from the outside. But it has been made much easier because of the proactive and ambitious culture. It has been a very pleasant surprise.

**You are an outsider coming in having previously worked in the US and – the UK, certainly the larger markets of Lilly. Now moving to a much smaller market, what is the role of the Netherlands within the global framework of Lilly?**

Similar to most companies, we have our major five countries in Europe – Germany, the UK, Italy, Spain, and France – followed by the mid-sized and smaller countries. The Netherlands is certainly within the top three of the “next tier” of countries. It is up there with Greece, Belgium, and the Scandinavian countries in terms of market potential; but also in terms of market sophistication. This is a great place for innovation. I came across a recent statistic that five of the top 20 biomedical science university programs are here in the Netherlands. For a country of 16 million people, there is a favorable disproportion of those programs weighted here.

Historically, we have had a lot of talent coming out of the Netherlands going to Indianapolis and other major international centers. Lilly views the Netherlands as a source of talent globally – in fact Lilly is rated the Number 4 best place to work out of all companies in the Netherlands, and the number 1 pharmaceutical company on this list.

At the corporate level, when looking at the Netherlands healthcare system, it is quite a unique hybrid of public and private set-ups, not dissimilar to what the US may have gone to or is perhaps veering towards. We can learn a lot from that in terms of how things grow and what the environment looks like going forward, as it has only been 4-5 years since the current system has been in place.

**Lilly’s third quarter financial results were recently released and they indicate favorable growth. Sales were up 2% from the same quarter last year and revenues for the nine months ending in September were up 6% from the previous year. International markets drove much of the growth in both figures. How has the Netherlands contributed to this success?**

At a broad level, Lilly’s sales in the Netherlands are growing at around 7% from the previous year. Given the figures that you just indicated, we are “punching above our weight.” The overall branded market is relatively flat in the Netherlands so we are certainly outgrowing the larger market. The encouraging aspect is that our sales growth is in volume terms. It is not driven by price change, so it is real growth.

**The “new” healthcare insurance system that was introduced in 2006 has changed the dynamics of sales and marketing for innovation-focused companies. Individual prescriptions are down and groups of GPs, in conjunction with health insurance companies, have great deciding power over the system. How has Lilly’s business model adapted to this**

## ongoing development?

The honest answer is that we are still adapting. One thing that we are putting far more stress and emphasis on is making sure that the broader value proposition of our products is understood, particularly by the insurance/payer side. We at Lilly have always had a philosophy of “best in class, first in class” when referring to products that are best for the patient from an efficacy standpoint. We must continue to have products which make a difference in the lives of patients and give them the best outcomes, but also demonstrate from a quality of life and health economics standpoint the benefits to payers to endorsing and reimbursing our products. It has become far more complicated than it ever was before. If you look at the amount of time and resources that we spend looking at them, commissioning studies, analyzing data, and presenting the data to the payer bodies, it is far more today than it was five years ago.

**John Lechleiter, chief executive of Eli Lilly, recently visited the Netherlands in September. While here he spoke strongly about the need for an innovation-friendly environment where “creative thinking is nurtured and invention and innovation are rewarded.” This is particularly important for a company that invests \$4 billion annually on R&D. The Netherlands, however, has been described as quite the opposite due to an unfriendly reimbursement scheme, a low willingness to pay for medicines, and high hurdles for getting drugs to market. Is it too far of a stretch to say that the Netherlands is not the ideal market for an innovative company like Lilly?**

The term I would use is “disappointing.” Having said that, I think that it has the potential to be quite the opposite. The base infrastructure is here to support an innovation climate. There is a highly educated population, a good university system, and, frankly, a healthcare system that is still evolving and morphing into something that is potentially progressive. There is an opportunity to set the standard for Europe as to how to provide healthcare for an ageing population. The question for me is, are we doing that? The pressures faced across the globe coming out of a recession create a very short-term focus on cutting costs. Healthcare provision is a long-term game. We need solutions which keep a long-term perspective and keep people better for the long-term. We also have drug development cycles which range from 8-12 years. The investments and the decisions that we make today about pricing will affect what will be available in 10 years. That is a pretty big statement because there are pressures to save money now and over the next 2-3 years so governments can balance their books. Yet there is a tension between the short and long-term perspectives. The challenge that every government faces, including this one, is keeping that balance. I think we can question whether or not that will be done.

If you look at the amount spent per capita on healthcare in the Netherlands or the time for drugs to be reimbursed, we are about average relative to other countries in Europe. The question is, in a country like this, given the cultural attitude I spoke of earlier, are you content to be average?

Shouldn't we strive to be better than that? So yes, I think it is disappointing because I believe there is an opportunity to be top-class. People often look at Singapore as a place which is good for investment in terms of basic science and research. It has been said that the Netherlands could be the Singapore of Europe. But there needs to be a commitment from government. Rather than broadly supporting 10-15 industries it should place its bets on 3-4 which they really believe are going to make a difference here. I think that they might be spreading their focus too thin.

With the increasing efforts and time it takes to obtain reimbursement for new, innovative drugs in the Netherlands, we run the risk that patients' access to new solutions falls behind, compared to other EU countries. And for healthcare professionals, this might imply that they need to wait longer before they can start to build experience with new treatments and if applicable, update professional guidelines.

**To what extent do you approach your role as general manager as an integrator that connects Lilly to the strong network and infrastructure that you mention, for the benefit of both parties and the industry as a whole?**

As with most things, you have a lot more strength in numbers. As an organization we employ roughly 160 people here in the Netherlands. Pitching for changes, as a single organization, in how we work with the government and how they view our products has a limited amount of influence. If we put our resources together and talk as one collective voice, focusing on the 2-3 most important issues, we can be a far more effective group. I see it as my job to represent our interests as a company with the broader group – for example with Nefarma and Michel Dutrée and with the American Chamber of Commerce group headed by Roland Zegger of Abbott. Both of those groups play an important role in talking to people at the government level and also with stakeholders who touch the pharmaceutical industry such as pharmacists, wholesalers, and insurers. I think I do have an important role when it comes to bringing it all together. We now have a business framework in the Netherlands structured between biomedicines, oncology, and diabetes. Those latter two business units do not report their P&L through me, but I still have the responsibility in representing all of the business units to the broader Dutch community. That integration role has become more complicated over the past year because of that internal structural change just 12 months ago.

**Globally, Lilly is very active in the fight against tuberculosis having partnered with the World Health Organization and being recognized by the UN for its efforts. What is the footprint of Lilly's tuberculosis initiative here in the Netherlands?**

From an internal standpoint, we are certainly trying to make sure that people are aware of what we are doing. The starting point is to ensure that as an organization we realize the work that we are doing around the world, not just here locally in the Netherlands. It is very easy for employees to have a tunnel vision of what we do here and overlook that we are part of a 40,000 person company

that is doing great work around the world. We have a responsibility from there to create some resonance with the Dutch community as to what we are doing more broadly and this is one of the reasons we are working with the KNCV, the Netherlands TB foundation.

The challenge, quite honestly, is if I am someone living in Leiden for instance, how much resonance does it really have that a multinational company from the US that happens to have an office here is doing that kind of work? It is incredibly worthwhile work, but I am not sure that it affects Dutch citizens on a day-to-day basis. I am very proud of the work that we do regarding MDR-TB but we have to be very realistic on the direct effect for the average person living in Holland.

**As a country manager in a market facing the disparities between innovation potential and commercialization reality, is it difficult to convince the upper authorities – be it government or Lilly headquarters in Indianapolis – to further invest in the Netherlands compared to more rapid global growth markets? What is your pitch?**

There is a little bit of a “chicken and egg” issue. You can argue that if we came more proactively with ideas of how we would like to invest in the Netherlands, we would probably get a warm reception from the local Dutch authorities. On the other hand, you can say that if the Dutch authorities have proactively issued a statement of intent to be the place for pharmaceutical companies to invest in Europe, then we are also more likely to start looking at things. I think we share responsibility to come up with ideas as to how to best leverage the innovation environment here in the Netherlands.

As an example, take the recent events concerning the MSD/Organon facility. This is an opportunity to make sure that you retain the people, infrastructure, and expertise that are associated with that centre here in Holland. It is incumbent upon us as companies to come with ideas and approach the Dutch authorities. But the authorities also have to look at what is already here – and there is a lot – and make sure that it does not leave. That involves schemes such as providing tax incentives to talking to companies about partnerships with academic centers to ensuring that the local reimbursement environment rewards innovation. There are all sorts of ways to put a line in the sand and commit to wanting to be about this industry.

**Lilly has stated that it does not intend to pursue acquisitions as part of its future strategy. I imagine that this will engender “innovative innovation,” a lot more productivity in its home-grown R&D, as well as strategic partnerships. The Netherlands has significant potential for the latter with its cluster of small and medium sized biotechs. Given the complementarities between strategy and supply, can we say that the Netherlands is a growing blip on Lilly’s global radar?**

We believe that there is a certain economy of scale that needs to be in place in order to have good innovation and we see ourselves as beyond that point. That means that doubling your size in terms of acquisitions does not automatically double your capacity for innovation or new products; that is the basis of our philosophy.

We are going to rely on organic growth in combination with strategic alliances and partnerships as well as small-scale acquisitions. To do that we have to look at our existing pipeline and how we will broaden it and accelerate it. We have focused on therapy areas, which is the first thing you have to do because you cannot spread yourself too thinly across multiple areas. Then what you also have to do is assess how to tap into alliances with other companies who may have expertise in very specific areas that we do not have. This is where we do have opportunities to partner with local biotechs. We consistently strike alliances at the corporate level and continue to explore opportunities for alliances and partnerships for risk sharing locally. Our business development continues to be largely driven out of Indianapolis with European business development based out of the UK. It is probably an untapped opportunity to look at start-ups in some of the smaller countries, but I do not know how many local biotechs in the smaller European countries are talking to. Companies that are headquartered in the US. Our local affiliates can still play a role to identify these opportunities however, and the Netherlands is no exception.

**A theme that we have covered is the potential of this country, this industry, and this company. Mixed with your goals and ambitions as a new general manager to grow this affiliate, where do you see Lilly in the Netherlands being positioned in 5-7 years?**

We have a major patent expiration next year in Zyprexa so we will realistically see a loss of revenue associated with it. But we are also growing a number of products in other therapy areas which will be the growth engine of the future. Looking ahead, the goal is to launch two new products per year starting in 2014 for at least 6-7 years. I would hope that in five years we would have at least 4-5 other products in our portfolio that are starting to generate healthy growth. Beyond that, I would love to say that we have a partnership with a company here that speaks to some of the business development and alliance themes we discussed earlier. We are an affiliate which is largely focused on sales, marketing, and clinical trials, whereas the discussion about alliances and partnerships is happening at a higher level. I need to be a broker for those discussions. I would certainly like to think that by this time next year, having been here longer and developed a better network, I will have a greater understanding of who some of these people are and who are potential partners.

Beyond Nefarma and the American Chamber of Commerce there are smaller industry organizations which specifically represent biotech who are good to talk to because of their different focus. I think that if we can do a better job of talking to the smaller players then some opportunities will bubble up. I would like to think that one year from now more of those discussions will have

taken place.

### **What advice would you give to a future executive in his or her first year?**

It is a cliché but they say that when coming into a new role, you should not change anything for at least the first three months; I would even say six months. The pharmaceutical industry is very unique because it is such a long-term game. I will not begin to see the effects of the decisions I make today until at least three to six months from now. You have to be patient. You have to do what you think is right in terms of keeping the patient at the center of what you are doing and then have faith that the decisions that you and your management team are making will have positive outcomes down the road. Big decisions made now affect the future, perhaps more so than any other industry. You have to show patience and keep the faith that your decisions are the right ones.

### **What would be your final message to the readers of Pharmaceutical Executive?**

It is important for everyone concerned with the healthcare system to keep a long-term perspective. Do not make decisions which, on the surface, can save money in the short-term, but will have a potential detrimental impact in the long-term. Instead, remind yourself that we have made great strides in the provision of healthcare over the past 20-30 years. If we can make some of those strides going forward in the next 20 years, then society, in terms of quality of life and life expectancy, will be in a fantastic place. That is only going to happen if we make the same kind of investments today that we have in the past. Do not get so hung up on short-term cost containment that you are led to forego those opportunities because innovation – and ultimately – patients will suffer.

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