

Interview with Neil Boyle, Managing Director, MSD Ireland (Human Health) Ltd



25.10.2012

In 2010, you gave a lecture for the Great Place to Work Institute, and spoke about how you have navigated the change and rapid growth MSD Ireland has experienced in this market. You noted that at a certain point, MSD’s customers had begun “to raise barriers” and complained of “too many interfaces that did not add value.” You noted that customers had been presented with 14 different company-side faces on average, calling this “rampant schizophrenia.” Can you tell our readers more about how MSD has evolved under your tenure, when you began to feel change was necessary, and how you have implemented a new structure within this organization?

In 2008, this organization encountered one of its best opportunities to understand this market a bit better.

By that time, we had been an independent subsidiary here in Ireland for four years. Prior to 2000-2004, most Irish pharmaceutical subsidiaries had been run as basic sales operations from the UK, and there was very little specific focus on the Irish market. In the early 2000s, many companies made a strategic decision to found independent affiliates in Ireland.

It made sense to align the UK and Ireland—the countries have a similar language and roughly similar healthcare structures. However, in my opinion, the customer interface was quite different. Particularly in early-2000s Ireland, one found a very unique relationship between the industry and healthcare professionals. We might say that the market’s progression in this space was 10 years behind more conventional European or UK interfaces. For instance, in the early 2000s, we were only beginning to see the emergence of larger sales forces and efforts to increase the reach and

frequency of marketing efforts.

The changing sales approach marked a revolution within the Irish market. As MSD, we realized that there was an opportunity here in terms of access. Of course, the country was also moving into its boom period, and suddenly there was an economic microclimate that allowed companies to say, “Now is the time to focus on this market, and see what we can achieve.” By 2004, there were already a number of companies—including Pfizer and BMS—that had established independent Irish offices.

For us, the period from 2004-2008 was a time of very significant growth. The Irish pharma market was itself enjoying double-digit growth, and we were very much surfing that wave.

By 2008, we had almost doubled our turnover, and we felt we were at a crossroads. We had an opportunity to simply continue as is, or to reassess our strategy. We decided to try to get a better understanding of our market. We started thinking about where the next couple of years were going to take us.

When we spoke to our customers, we were quite surprised by the feedback we received. It became clear that we were experiencing major issues at the customer interface level. As the company had expanded and increased its portfolio in Ireland, we had brought on increasing numbers of representatives to approach doctors, and we began to introduce more and more marketing channels. Suddenly, we were faced with the conclusion that our customers were getting tired of us.

Although we had a strong relationship with doctors, many of the interfaces that were creeping into our business model were bringing zero added value. We were putting far too many people into the space without any significant level of coordination on our side, and the unfortunate irony of the model was that the only single person that knew everything that MSD had to offer was the customer.

We decided to change our approach. We re-evaluated customer needs, and critically reviewed our marketing interfaces. We decided to simplify things. This was the driver behind our conversations back in 2008.

2009 was a year of implementation. We cut down the number of faces that we presented to the customer, and eliminated ineffective interfaces. We also developed a new territory alignment strategy: micro territories were to be operated by two or three people, who would act as gatekeepers for the entire customer group within that territory. It was almost a menial-account-management model, but very different from the standard models that were available at the time.

Our new structure also meant that our people were tasked with selling more medicines as individuals. We changed the incentive program such that staff members were cross-incentivized to deliver the total portfolio as well as their individual parts of it. All in all, we placed a significant

amount of upscaling demands on the people in the organization.

Imagine a triangle to represent our interactions with customers. We felt that in the past, our company sat at the very top, pushing all the way out in the form of multiple customer interfaces. We needed to invert that triangle, so that our approach to doctors came down to a single point of magic, producing this compelling idea to use an MSD medicine.

It is interesting that you adjusted your structure in order to take better advantage of a high-growth market, but directly after the adjustments were implemented, the financial crisis struck and Ireland began to affect severe austerity measures. Just this month, the industry agreed to 400Mn EUR in drug budget cuts over the next three years. It seems quite fortuitous that you created a leaner organization precisely at this pivotal moment!

Indeed, it was the best thing we could have possibly done. In the immediate aftermath of our reorganization, we faced the crisis here in Ireland. The new model was hugely beneficial in that we were now much more aligned to the needs of customers. As you mentioned, the model also left us with a considerably leaner and more flexible organization.

When the crisis hit, and the market began to contract, we felt quite strong and had to make few adjustments. Throughout the integration of Schering Plough and thereafter, we were able to hold onto our business. This may not sound like a brilliant performance, but in a contracting market environment in which market share was tumbling for the vast majority of our competitors, the net result was that we began to climb up the sales rankings.

Today, in the Irish prescription market, we are the number two player, and we are a top five player overall. This is directly attributable to our change in approach. Many of our counterparts in the market saw our success and adopted a similar strategy. However, being the first, we have a major advantage. Shifting a company's structure is a journey—it does not happen overnight. You have to up-skill your people, and align them around a new vision. Many of our competitors are still in the implementation phase. Of course, this gives us an incredible differentiation.

What are your overall impressions about the new agreement with government? Mr. Mazemann of Servier remarked that this deal marks the largest per-capita drug budget cut agreement Europe has ever seen.

Firstly, this agreement comes in the wake of a structured agreement we reached with government in 2006, which changed a lot of the fundamentals around pricing and reimbursement in Ireland and moved us towards the European mainstream. Our subsequent arrangements have all been based

on this model.

In 2009 and 2010, despite the agreements in place, we were involved in ad hoc negotiations initiated by the state. Going above and beyond, we managed to save 94Mn EUR in 2009, and 140Mn EUR in 2010. I would like to note that since 2006, we as an industry have been very mindful of the economic climate and the healthcare demands of Irish patients within that context. We understand that healthcare is a significant drain on resources, and we have always done our part to reduce the burden on taxpayers.

Hence, the commitments that we have made in this particular deal have to be contextualized. Between 2006 and 2012, our arrangements with the authorities have precipitated almost 1Bn EUR in total savings.

The current deal structure is hugely impactful for any business in the sector. It is the product of a very difficult and lengthy negotiation that lasted from February until October. Nonetheless, this protracted timeframe gave us a solid understanding of the needs of the players involved.

On one side, we understand that there is a concern over cost management, and we know the industry has a central role to play. We also understand that cost containment in the healthcare sphere is a knock-on effect of Ireland's broader debt crisis, and we would like to help the country to exit the bailout program next year.

On the other hand, the industry has an investment agenda here in Ireland that has to be understood as well. There has to be a very strong understanding at the governmental level that pricing in Ireland is irrevocably linked to pricing across the rest of Europe. Impacts here are not just an issue for the local subsidiary—they resonate across the broader European space.

Last but not least, there has to be an understanding of the great value of medicines within the healthcare framework. Drugs are in some ways the most impactful healthcare instruments available to any government. In the grand scheme of things, medicines largely save costs to society.

There are numerous underlying principles here. Firstly, we have an understanding that the off-patent space has been over-priced in this country, and that will decrease with time. In the patent-protected space, we have offered severe concessions—but as this area drives our business as innovative companies, our mantra throughout the negotiation was that in a small, mature market like Ireland, we simply cannot have the cheapest medicines in the EU27.

The final and perhaps most important space is access to new medicines. We had a dilemma in this sphere during the course of the year. As our negotiations with the authorities were ongoing, there was a period wherein no new medicines were reimbursed in Ireland. Thankfully, with the new agreement, we have established a transparent and timely process that will ultimately drive a reasonable outcome, at a reasonable price, for all new medicines coming through the pipe—once

they jumped the necessary HTA hurdles, of course.

Altogether, the pragmatism of the new deal is that we as an industry appreciate the need for savings, and the government appreciates our need for driving our businesses forward through fair pricing. We also came to an understanding that new medicines are key not only for companies as growth drivers, but also for patients and the healthcare system.

We have come up with a model that aligns all three spaces—off-patent, patent-protected, and new medicines—and results in 400Mn EUR in savings for the state. It is a difficult pill for us to swallow. However, this pragmatic outcome will allow us to continue our positive involvement here in Ireland over the next three years. From the perspective of the populace, patients will have cheaper medicines than they have ever had, and can rest assured that they will continue to access new medicines as they come onstream.

This agreement has been a journey through which industry and state came to understand one another's perspective. Today, we are better partners, and we are better prepared to negotiate in the future.

You mentioned the role of medicines within the greater healthcare system, and you have said in the past that MSD wants to be Ireland's "#1 health provider." This ambition sounds like it reaches beyond selling a pill. What does it mean to you?

Historically, we operated in this market simply by providing pills for patients. However, as we moved into more complex therapeutic areas such as biologics and oncology, we have become much more experienced in terms of the provision of support around those medicines.

For example, we now offer services such as free helpline support for patients experiencing difficulties, or we provide them with comprehensive materials to better understand and manage their disease. We also help patients to focus more on outcomes.

The original intent behind those programs was to differentiate MSD from our competitors. However, we came to realize that when service programs are well executed, they actually produce a better-managed patient and a better outcome, which should result in cheaper patient management.

Our next step will be to more actively partner with local stakeholders to affect more outcome-focused offerings. For example, we could offer a deal wherein, if government agrees to reimburse our medicine at a particular price, we will guarantee not only the provision of the medicine, but also the provision of services that better ensure patient compliance. There is nothing worse than a medicine not taken.

Here, we are keen to gather a greater level of understanding. We see that there are opportunities to work with healthcare professionals in this space, but the question is how to get engaged in the process. One option would be to engage patients directly as an independent provider rather than as a pharmaceutical company—to work medicines into support services and then link them into the system. For example, I know of other companies in the Irish market who support patients in making sure their hospital appointments are scheduled, and that there is better and more fluid interplay between the secondary and primary care model. We would like to go in this direction as well.

In 2010, MSD held a licensing and partnership event in collaboration with Enterprise Ireland, “with the aim of identifying partnership opportunities with Irish companies who are developing world-class healthcare technology and medical solutions.” Can you delve more deeply into how MSD is capitalizing on the local competencies of the Irish market?

One of the many remits that we have in this subsidiary is to profile Irish opportunities, identify promising collaborations, and link this back to our colleagues in the U.S.

The best way to do that is the Irish way—face-to-face. This idea prompted the two events held in Dublin in partnership with Enterprise Ireland. We assembled a panel of interested and willing potential partners who had technologies in areas that overlapped with MSD’s interests.

We brought our external licensing team from the U.S. to these events, so we had senior leaders and decision-makers onsite to listen and provide guidance. These initiatives were spectacularly successful in terms of linking the Irish innovation community with the group that we have in the US.

One of the things we pride ourselves on is that all contacts such as these are managed proactively. We check in over the course of time to make sure that, even though we may not be partnering specifically on a project, we will keep some kind of relationship active.

In addition to establishing these links, we have seen concrete outcomes. For instance, we had a very innovative discussion with an Irish company that specializes in waste management technology, which is very much of interest to our manufacturing operations.

And yet, for me, the real value of these events was the development of a network of contacts. We also established MSD within the Irish academic and innovative community as a company that was willing to partner. It was a very positive experience, and we are going to revisit this initiative again in the near future.

The world is your oyster. Now, we have mapped the innovation space in Ireland. If next year, for example, a particular technology becomes instrumental to the development of our pipeline, we may have someone in Ireland that can become a major help to our organization.

I think this is part of an overall process within MSD, wherein we have firmly come to the conclusion that there is a lot more knowledge out there than we can create ourselves.

From an infrastructural perspective, MSD has invested more than 2.2Bn EUR in Ireland—a four-decade commitment that has gone from simple bulk manufacture to the 2011 opening of a 100Mn EUR R&D centre in Tipperary, which was highly commended by the Taoiseach himself as a sign that Ireland will be one of the first Eurozone countries to emerge from the financial crisis. Why has the company chosen to commit such resources here?

We have a tremendous track record of investment here in Ireland, and, as you alluded, we are a great example of the 'moving up the value chain' concept. For example, we have quite recently broadened our footprint to include MSD's only vaccine operation outside of the U.S.—a facility that will go online next year.

The recipe as to why we invest remains the same, no matter where we make the investment. In many ways, it comes down to people and pedigree. In terms of human resources, Ireland has a resident talent pool that is extremely competitive and continues to grow thanks to an excellent educational system. I cannot stress enough the huge impact of Irish talent.

In terms of track record, out of the fifteen largest pharmaceutical enterprises in the world, thirteen have major manufacturing operations in this country—so something must be going very well! Clearly, many of the best minds in the industry have come to a roughly similar conclusion.

As MSD, the fact that we have operations running here for several decades is also crucial. If we couple the market's talent pool, its track record, and our own personal experiences, we have a recipe that makes the decision to invest—and re-invest—in Ireland rather straightforward.

What relationship do you see between the Irish government's willingness to reimburse innovation at the local level, and companies' willingness to invest in global infrastructure in this market?

The simple answer is that, from an intuitive standpoint, it would be quite difficult to accept that a product manufactured in Ireland was not reimbursed in the very country of origin.

Moreover, if a product was manufactured in Ireland for the global market, this means that there is a global demand for an innovation of its nature. From that perspective, I would say that Irish patients have every right to access this innovation. For me, it is about a focus on patients rather than an immediate link between investment and local sales.

What is your final message to our readers?

Our industry must become credible partners in the broader healthcare dynamic. I do not think that we have done enough in this sense. Now is our moment! We have to work together and come to the table to create solutions. In doing so, we need to listen to other stakeholders; we need to understand their issues. Although we are commercial entities, we work in a field where the end-goal is to better manage patients, and to help human beings to enjoy life. This is the reason why I joined this industry, and it should be the driving force behind every decision we make.

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