Interview: Stefan Frefel – CEO Bilfinger Industrial Services, Switzerland



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Stefan Frefel, CEO of Bilfinger Industrial Services in Switzerland, outlines Bilfinger's core offering of maintenance and engineering services to the pharmaceutical industry, the importance of the Swiss affiliate to the global group, and how the company is positioning itself at the forefront of digital disruption and other new industry trends.

Bilfinger is one of the leading players in the field of industrial services, with 37,000 employees globally and an output volume of EUR 4.2 billion for 2016. The Group reframed its corporate strategy to re-focus activities on two service lines, four regions and six industries, the so-called '2-4-6 concept.' Could you tell us how Switzerland fits in this matrix and introduce the Swiss affiliate?

We set base in Switzerland in 2005 as a small outsourcing company, focused on insourcing technical departments from companies such as Siegfried or other pharmaceutical companies. We started with around 20 people, and almost every year or two, we received more outsourcing work from the pharmaceutical industry. Our core business today is to supply pharmaceutical, biotech and chemical companies with engineering and maintenance services. Our headquarters are in Zofingen – due to the proximity with our biggest client Siegfried – and we also have five offices across Switzerland: one in Grenzach-Wyhlen near the German border; one in Pratteln very close to Basel; in Zurich, we have a maintenance site with ABB; in Gebenstorf, we have a small office in the field of insulation, and finally, last September, we opened an office in the French-speaking part of

Switzerland. We today employ 200 people in total, and we are proud to say that in Switzerland, we can almost cover all the services needed in the pharmaceutical and chemical industries: insulation, engineering, maintenance, piping and consulting.

Within our strategy 2020, we implemented about two years ago now, our ‘2-4-6 strategy.’ We bundled our services into the two areas of Engineering & Technologies and Maintenance, Modifications & Operations. We focus on four core regions: Continental Europe, Northwestern Europe, North America and the Middle East, and finally, we serve six industries: chemicals & petrochemicals, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. One focus of these six industries is exactly where we are, i.e. pipe technology and pharma. We also have other clients which have nothing to do with pharma in Switzerland, but 90-95 percent of our turnover comes from these fields.

As Rudolf Hanko from Siegfried put it “Switzerland is the biggest research and administrative hub for the pharmaceutical industry in Europe.” How important is Switzerland for the Bilfinger group?

Although the turnover of our Swiss legal entity compared to other entities in Germany or other countries where Bilfinger operates is quite small, Switzerland is a very important location for the group. Basel is located in the so-called “pharmaceutical valley” where biotechnology is advancing rapidly. In other parts of Switzerland, you have global players making very large investments, that are of strategic nature to their overall group such as Biogen in Luterbach near Solothurn, or CSL Behring in Lengnau near Bern. Such companies are investing billions of Swiss francs in the country, and they are our core clients. Finally, Switzerland is home to a significantly high amount of regional headquarters of global pharma and biotech companies. Chances are that if they are our clients in Switzerland, they will be our clients in other parts of the world.

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What are some of the reference projects you have worked on, where Bilfinger demonstrated clear value for its clients?

A great example of the high-value we provide would be for our main client Siegfried. We were able to bring down maintenance and engineering costs of the site by 35-40 percent, while increasing efficiency and optimizing to its best the site. We were able to do so because of the centered-nature of our work: we focus on technique, we are not a research and development company; our core competences are engineering and maintenance, and this is where we excel in what we bring to our clients.

Furthermore, we can capitalize on the very broad network of Bilfinger. For example, we have a new Bilfinger Maintenance Concept, abbreviated as BMC, that functions like a knowledge-box, or toolbox containing all of Bilfinger's global best practices. Over the last few years, collecting the best practices has been a big project for us. We have put them into 16 different modules, all of which is highly valuable for the client. We can build on the knowledge gained with other clients and make it beneficial to others, thereby providing them with greater value creation.

While a few years ago, many companies were transferring manufacturing to the East, we are seeing today a somewhat reversal of this trend, where production is being brought back to Germany or Switzerland. How is Bilfinger capitalizing on this trend by being a European-headquartered company?

Some of our Swiss clients have production sites abroad, for instance in China, and they want to expand with us in these overseas locations. We have projects right now in Germany and Lyon-France, as well as a big project in the US for the same client. I think that companies coming back to Switzerland, for example Biogen or CSL Behring, represents a big opportunity for us because we are located in Switzerland. Normally as a legal entity, we don't have projects outside Switzerland. So, it is good for us when companies are located here and do not move abroad!

The chemical industry in Basel is not expanding very strongly. We see that clients are moving to other countries and are reducing production in Switzerland due to cost reasons. That is why we are increasingly focused on the pharma, biotech, and life sciences industries inside Switzerland.

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The contract manufacturing sector has grown tremendously in recent years, faster than the pharma industry itself. This implies that as the pharma business becomes more challenging and riskier, they are transferring this risk to their suppliers. How are you adapting to these more challenging requirements?

This is of course very true. Siegfried and others have somewhat become "outsourcing victims" of the pharmaceutical industry, where pressure on margins and costs has significantly increased. But this is exactly where our advantage lies. These companies need to optimize their production, and as engineering and maintenance processes are normally very expensive, we are a suitable partner to optimize their costs.

However, at the same time, we have to be very flexible. We have learned this in the past. Things are changing quite a lot, even for our big clients. One year, they could have full production, the

next they could have lower production, and we have to adapt to such fluctuations which is a big challenge for us.

How do you as CEO prepare for this?

Relying on a multitude of clients and putting our eggs in several baskets is one. Having our six offices across Switzerland and having a flexible workforce that can easily travel or relocate temporarily to another office is another of our strengths. Switzerland being a small country, and our workforce being flexible provides a huge competitive advantage. I would say that this is very unique to the nature of Swiss people.

To deal with peaks, we can also work together with partners and sister companies. For example, if we have a client in Basel for whom work is peaking, we can capitalize on Bilfinger's network and can hire, exchange people from sites in for example Germany to help us on projects. The key is to be dynamic, reactive and pragmatic.

Another important trend we have noticed in the industry is the rising manufacturing of biotech products. How relevant is biopharma to Bilfinger Switzerland and how do you see this evolving in the future?

I think it is getting more and more important. You can see it in our global strategy: biotechnology is clearly highly-marked. Although biotech manufacturing is completely different to traditional pharmaceutical production notably for processes, the quality and GMP environments are the same. We of course need to have highly educated people, make sure adequate training is provided and exchange programs within Bilfinger are implemented to share know-how and best practices. So as far as GMP is concerned, I don't think there are major difference, be it API production or biotechnology.

Building the Bilfinger 2020 implies incorporating digitalization, industry 4.0, automation, smart manufacturing… In what ways are these not just buzzwords for Bilfinger?

Digitalization is the future, and we are seeing this very clearly in Switzerland. The demand for digitalized processes, paperless work and so forth, is on the high. Bilfinger therefore created a global digitalization officer role, and there is a team of engineers at the headquarters of Bilfinger which creates solutions in the field of digitalization. Digitalization is also something we do in Switzerland on our own, for example, we already have several sites where we use mobile maintenance solutions. Our staff gets all their information on a tablet and knows all they need to

do from this information. Another example would be in relation to the whole calibration process, which is very important in pharma; we have a completely digitalized system implemented so we can make our calibration work completely paperless.

Overall, we have several projects running in this area, as we want to have systems that can measure and monitor several critical points such as vibration, temperature, pressure etc. We want to collect this data, put it on a tablet, see if something is wrong and intervene accordingly and in a swiftly manner. The goal being not go in-site to repair, the goal being to identify before the potential break-down and repair, these critical aspects to avoid production disruptions. We want to plan all maintenance, and perform pre-maintenance to increase efficiency and productivity for our clients.

We are also in Switzerland working on a project to collect data. The big challenge is not collecting the data, but making it understandable for a mechanic so he or she knows what to do with it. For us, digitalization is far from being just a selling instrument, it is a day to day reality.

You are in a very competitive industry… What sets you apart?

We are indeed in a very competitive sector, where there are hundreds of engineering companies. Bilfinger sets itself apart by being an integrated supplier. Our clients basically have a one-stop shop with Bilfinger. We can offer workshop work, engineering, as well as consulting and maintenance. We develop concepts to rise the value of the equipment and bring costs down. We are pro-active in what we do.

What is your number one priority right now?

We want and will delve deeper into the biotechnology sector, as I think this is the future in Switzerland. This will be the rising industry looking forwards as we are already seeing it with CSL, Lonza or Biogen, and we would like to go one step further in this field. Not that we won’t move forward with the chemical and API industries, but we see a very bright future in the biotechnology sector.

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