Interview: Karen Huebscher – CEO, Solvias, Switzerland



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15.01.2018

Tags: Switzerland, Solvias, CRO, CDMO, R&D, Pharma

Karen Huebscher, CEO of Solvias, a Swiss-headquartered world leader in contract research, development and manufacturing, explains her decision to join the company after a distinguished career at Novartis, the evolution of pharmaceutical client demands, and Solvias's evolving international footprint.

After more than 15 years with Switzerland's largest life sciences group Novartis, you set up your own company, joining Solvias as board member before becoming CEO in March 2014. Why at this stage of your career did you choose to cross the border line, move to the services side of the industry and join a mid-sized Swiss coy?

I don't think that the pharmaceutical industry is not on the service side, I think there is a seamless transition between the two. What really made me want to be on the board of Solvias and also take on the CEO role was the quality I saw in the organization and its people. When I took on the board seat, I started speaking with a lot of employees, and was very impressed by the top-notch quality and how they wanted to deliver highly scientific and technical expertise – sometimes to a degree where Solvias always wants to gold plate, whereas on some occasions, simple equals good! Having such a mindset has pros and cons, but I would say that those strengths are what really attracted me to accept the CEO position. The people, the passion and the love for what they were doing. I believe this has to be at the center of any organization, especially as one needs to manage a multitude of customers. Solvias today has more than 600 customers, customers we have been serving over the last 15 years. We have thus learnt how to deal with different cultures and different

requirements, how to be flexible without giving up on our scientific and technical conscience.

How would you describe the breadth of Solvias' capabilities today?

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The main sectors we work in are pharmaceuticals, biotech, medtech and cosmetics. We include cosmetics because there is a nice link to dermatology. Solvias started with a focus on classic small molecule work. The company had also performed some peptide work on the analytic side but it was very much focused on small molecules. Solvias then embarked on a transformation phase of its portfolio with an acceleration from 2014 onwards, with the idea of being very comprehensive in analytics when it comes to large molecules. We can build on the expertise we have developed in many areas over the last 20-30 years in some critical analytical methods one needs in small molecules, and transfer them to large molecules.

One example is in the analysis of heavy metal or trace element contamination. We have accumulated 30 years of in-house expertise and are today the only company in the industry that has a metal-free sample preparation laboratory, excluding contamination from the environment. We can go to very low detection levels. It's not just a question of being below a regulatory limit, you can actually identify whether you have a contamination at all. This requires expertise, and one of my key missions has actually been to go beyond this very strong academic and scientific knowledge, and further instil amongst our teams a business and customer-oriented mindset.

We have with time widened our capabilities to include expertise for large molecules. Another area we are also working on is the examination of extractable and leachable substances. For example, when you look at the end products delivered as an infusion; how much from the bag will seep into the medication and potentially harm the patient? Also, today in bio-pharmaceutical manufacturing, steel vessels are being replaced by disposable systems, where you need to understand components that might leech into your production process. Traditionally, Confarma (*which was acquired by Solvias in 2013, is specialized in biological analyses and offers high calibre microbiology, toxicology and cellular assay services*) brings in biological analysis with a speciality in microbiology. We have also got out of animal testing and instead we are focusing on bioassays where we can replace animals for certain tests, e.g. endotoxin testing.

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To remain at the forefront, to be on the cutting edge, we need to work hand in hand with our customers.

What would you say are some of the evolutions in demand you have noticed from your pharmaceutical clients?

There is definitely more outsourcing. In several industry reports there is a strong belief that the industry, for the first time ever, is going to go beyond a 50% level of outsourcing also of analytical services. Our greatest competitors at the end of the day are also our customers. So there have to be clear reasons why they would outsource. The obvious ones are cost, expertise or own capacity, that might have peaked at certain times and we come into line to cap the peak. Our clients might not want to invest in analytical capabilities, and that is when partnering can come in.

Regulatory requirements are of course increasing. There is an increase in demand on understanding the molecules and the products much better. When I was in the pharmaceutical industry, we sometimes joked and said what is our USP and what will we be doing in 20 years' time? Will we evolve like the automotive industry, meaning will we just be holding the platform while the rest is done by third parties?

How are you coping with these trends and increasing regulatory requirements?

We have been going through a real transformation since I joined. The business and customer orientation, understanding what's happening with our customers, the kind of pressure they are under.. are all important matters and questions we are working on. Developing a drug is a huge undertaking. Our mission is to understand our customers and help them bring products to the market faster, for them to better understand theirproducts early on. This means that we are in a transformation moving more to an outside-in view. It also means our business model is moving from a transactional model to a partnering/project view model. We are not just there to do one method/one test, we are here to take a holistic approach and work on a comprehensive analytical project with them.

Looking at your international footprint, which markets are today driving your international revenues?

Europe and Switzerland are roughly equal. It is about 35-40% of turnover from Switzerland with 35-40% from Europe. The majority of the rest is from North America and China. China is mainly through our synthesis and ligands work in Basel. Asia is a very important region to us, and we have customers there, but for the time being, North America is more our primary focus. More than 50% of R&D investment is being spent in North America, so that's where we have to be. At the moment, we just have a sales organization there, and from Basel, we are actually managing projects for customers in California. They have no problem sending the samples here and we deal with them

here. We are actually functioning like a central laboratory for them so we are interacting with their CMOs. Hence, once they sell products in Europe that is beneficial for them.

Our executive committee regularly spends time in North America, we visit customers and do roadshows. Before I joined, the majority of our activities in North America were really more on the synthesis side and on solid state. Those were the two activities we really promoted there. But I thought we should actually be selling the whole package! It was very interesting to meet long-term customers in North America and realize they had no knowledge of the breadth of capabilities and services we were able to offer.

What are your growth expectations for 2017 and key objectives for the years to come?

We are going through a major portfolio change, where we have stepped out of a few activities such as animal testing. We have therefore had to compensate those sales in 2016 with other activities. We have seen a re-balancing of the portfolio over the last four years between small molecule work and large molecule work. I am very happy with how this re-balancing has progressed and obviously in large molecules we have been growing by the double digits for the last four years. We are speaking not of 10 or 11% growth, it has been well beyond 20%. We are also seeing a strong performance in our biological analysis work as well, that is microbiology and bioassays. My assumption is that we are going to enter 2018 with double-digit growth.

As for our objectives, they are very simple: we want to be the absolute top CRO that customers go to whenever they simply want a comprehensive package and service.

What makes Solvias the partner of choice?

We have developed an innovative approach based on understanding what kind of gaps exist in the market, how for instance therapies are evolving (if you think of gene therapy). There is always serendipity involved too; our teams come together in informal manners to brainstorm and nurture the best, next-in-class ideas. And that’s really what sets us apart.

Let’s conclude on the Swissness card. What does it mean for you?

I sit on the board of several companies in Switzerland and we regularly discuss this. I would say that Switzerland’s strengths lie around the excellent engineering, precision and scientific technology mindset. However, our customers do also want speed and sometimes not always the luxury version, and this is where there is friction. With all the pros and cons attached to it. I think as a CEO, I take comfort in knowing my teams are solid and they will want to do a great job. They will want to deliver perfection as much as possible. The flipside is that sometimes you have to tell

them our customers don’t want the Ferrari! They sometimes have time constraints and other internal concerns we are not always familiar with. We can give them advice once or twice, but then we need to accept the idea that it is not going to be what we think would be the best thing to do. That’s a transformation we need to go through, also as a country. If we manage to instil the business sense with the excellent engineering, science and technology sense, and drive towards efficiency to create value, we are more than competitive.

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