

# Interview: Antoni Esteve, Esteve, Spain

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*Esteve's presence in Spain dates back to 1929, and has been a privileged witness to the evolution of modern Spain. In more recent times, the country's crisis has changed the outlook for many industries, including pharma. Antoni Esteve outlines the company's strengths in innovation and international outreach while highlighting the importance of evolving, versus transforming, due to Spain's market changes.*

## **What would you say have been the most important lessons learned from Spain's crisis?**

I hesitate to use the word "crisis" to describe the events of recent years. The system is readjusting in such a way that represents a cultural evolution regarding how a publicly funded health sector's model can become sustainable in the future as a social right. Many believe that the current situation was caused by a lack of attention paid to the costs of health provisions. These costs can be attributed to constant increases in health expenditure, rapid growth in demand due to demographics and rises in treatment costs combined with the need to provide excellent services. I do not think this is a crisis of the health sector. Rather, it is a crisis of the social economic environment in which health providers and beneficiaries have to reconsider priorities so that the social service of health provisions can be afforded and maintained sustainably. Considering pharmaceuticals, change has not been dramatic. Spain's efforts in R&D, manufacturing, marketing and intellectual property have continued as normal in the last few years. The real problem is the way in which these assets are managed and prioritized. Much of the country's issues depend on public services that establish their criteria regarding how many resources they deserve compared to others, and the government needs to confront this. Essentially, this is not a crisis of the sector, but an economic crisis that finances the health sector. Accordingly, as the pharmaceutical industry, we are obliged to rethink how our products may play a role in this new environment.

## **Some might say that the pharmaceutical industry had an easy road for many years. Do you find that now you must generally work with a different mentality?**

It is a question of how you manage your strategy. The foundations of the business and commercial structures have not changed. They have certainly been reduced however, because turnover and revenues have been affected by Spain's economic crisis.

In terms of research, new criteria regarding how products should be financed indicates a clear message about how innovation will be valued or perceived by payers.

Economic pressure generated by crisis have forced industry to adapt and be more efficient in responding to what society expects from us. When we refer to crisis, we should respect other sectors

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that are also suffering in Spain, but without drastic overnight change. I personally do not believe in transformation but rather evolution and I think that our sector is suffering a serious evolution that will need to be maintained in the future. These difficult times have taught the industry to be able to adapt, how to demonstrate pharmacoeconomic value of products for reimbursement, and to fully understand what factors will drive this evolution in the future in order to anticipate change.

### **What is the most effective R&D model for Spain in this newfound reality?**

We have to be highly innovative with our projects. Laboratories need to be ready to undertake much more significant projects than in the past, as the pharmaceutical industry in general worldwide has been very successful in putting new products on the market for the last three decades. This demonstrates that the requirements to accept real innovation will be higher, and recognition of a product's real value will be more demanding. This means that Esteve's products should have a profile that clearly demonstrates their superiority to existing products on the market as well as competitive projects that could be under development.

### **Why does a company like Esteve need to place so much emphasis on R&D? Many similar-sized companies are doing the same thing, but nobody expects a blockbuster.**

Esteve must do things differently from others, even in R&D. We have to be selective when determining the type of portfolio we want to push forward, and thus we are very careful in choosing projects that have real scientific and regulatory profiles. The company must always fulfill these expectations for the more exigent payers who accept new products to enter into the formularies and make them accessible to patients. Of course, it is not easy to maintain R&D efforts and compete with the big players and other companies like Esteve also conducting research. But if we want to maintain our pharma business, which requires active R&D, we must be ready to invest as much as necessary to support our products to make them competitive.

### **Is the family structure a sustainable one in today's world when the cost of making a drug, alone or with partners, is so expensive?**

It is certainly difficult, but I think it is manageable. There are very successful examples of this, like Boehringer Ingelheim or Roche, in which a family has a majority in the decision-making process at the board level. In this context, you cannot fail. On top of that, you have to maintain the interest of shareholders, especially when the family grows. Research then forms a key issue, because all the key indicators indicate that such activity is inadvisable. If you are successful, you can easily demonstrate that the risk was worth running.

### **At what point in time should a company in Spain go abroad? Do you need critical mass?**

It is not so much about critical mass; it is more a question of how comfortable you feel about competing internationally with your internal know-how. Internationalization requires competitiveness in any activity you think is feasible; if you dedicate your efforts to research, you can have innovative technology to exploit internationally in the future.

### **When did Esteve first get involved with big international projects?**

This happened when Esteve started incorporating international inputs in terms of culture through an understanding that we had the potential to grow. This is actually what happened to my grandfather, who founded the company. For political reasons, he was exiled to France, where he joined Roussel Uclaf. He established solid relations with this company, and several years later Esteve was sharing its first research-based products with Roussel Uclaf. This was the start of our international culture development. In the late 1960s, Esteve established a partnership with Janssen, in which Janssen

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transferred all of its products to Esteve to market in Spain. That created an influx of know-how, and, accordingly, Esteve started to really develop this international perspective. Since then, we have created a number of collaborations and third-party partnerships, and we are now internationalized in all of our current activities.

Whatever we do, we think internationally. When we have an opportunity in terms of product, research or business opportunity, we first try to understand if this particular opportunity may have an international impact. Of course, between our three lines of pharmaceuticals, chemicals and generics, the international approach is very different for each due to varying strategies and culture. But all three businesses require a degree of innovation and an international vision.

**What benefits does a market like China bring to Esteve, where investment is high, relationships are not easy, and returns are not always as estimated?**

In the case of China, we have been working with a strong partner since the late 1990s. We have obtained their confidence and thus we have been able to plan long-term commitments together with them. It has been a successful relation based on trust and a common understanding of one another. Esteve has actually trained many Chinese here in these facilities, as well as those running operations in China. These commonalities and commitments have resulted in a very good relationship. Of course, the process was long and sometimes difficult. Adapting is easy to say but difficult to implement; you have to be generous, patient and willing to sacrifice. Creating partnerships in countries like China requires many skills that can be developed internally, and for larger companies with short-term pressures, establishing such relationships can be challenging. This is why our ability to establish solid and sustainable collaborations is truly one of Esteve's strengths, both in terms of business units and culture. Open innovation and collaborative research are key to maintaining good research, and having partners or other stakeholders that support your efforts because they believe in you and want to participate creates real added value.

**Are there certain elements of the Spanish ecosystem that allow companies like Esteve to succeed here?**

The current circumstances are difficult. This is why pharmaceutical companies undoubtedly need to actively participate in creating and being part of an ecosystem.

Asking the government to do more and deliver more value in the creation of the ecosystem is a model of the past. Government has other priorities and problems to take care of, especially for research and innovation. Therefore, I think it is time that pharmaceutical companies, as actors in the health sector, take their own role and help to create this ecosystem through our initiatives and proposals to society. A society needs to believe that innovation is a key driver in order to be competitive in a knowledge-based economy.

**What do pharmaceutical companies need to do to create growth in the economy again?**

I say to my peers, especially those in multinational companies with big budget pressures, that the future depends very much on us. If we want an attractive market in the future, we should initiate it ourselves through protection of the market, growing the industry's image and credibility, and generating deliverable value and trust to our stakeholders. If we compete with our peers and other

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companies that would like to enjoy a better future, we will destroy ourselves.

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