

Interview: Fabio Bussinger – Partner-Director, Pharmaceutical Institute of Operational Governance (IFGO), Brazil



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Fabio Bussinger, partner-director of the Pharmaceutical Institute of Operational Governance (IFGO) in Brazil, documents the market needs that prompted him to set up Benchmarking Operational Competitiveness (BCO) Farma, a long-awaited benchmarking panel focused on operational excellence that has already delivered great outcomes to its members.

You were operations vice president of one of the largest domestic companies in Brazil when you decided to set up IFGO, the first organization exclusively dedicated to the development of good practices for operational and industrial governance in the pharmaceutical sector. What motivated you to take on this new challenge?

Before evoking my personal situation and the set up of IFGO, we need to look at the bigger picture. Over the first twenty years of my career, the pharmaceutical sector in Brazil could definitely not be considered as a *normal* market from an economic standpoint. At that time, the first and foremost objective on top of all executives’ agendas was to grow their sales at double-digit rates, leverage the rapidly increasing healthcare demand of the Brazilian population, and gain market share at any cost. In this context, operations management and cost-effectiveness were widely considered as indicators of secondary importance when assessing companies’ financial performances, and as a result the vast majority of pharmaceutical companies in Brazil were displaying a rather low level of productivity.

Nevertheless, Brazil's recent economic crisis, whose first effects started to materialize in 2013 before significantly worsening in 2015 and 2016, reshuffled the cards. The decreasing purchasing power of the population and the soaring unemployment rate it triggered have negatively impacted growth prospects in the retail market, while the government's decreasing budget availability might also compromise the future growth of governmental sales. As a matter of fact, latest data from Close-up consultancy show that price increasing would be the main growth driver of the Brazilian market in 2017 (+10.7 percent in value), as overall sales volume will stagnate (+0.09 percent only). In a nutshell, pharmaceutical companies in Brazil are now fighting to get a piece of a cake which will not significantly grow in the foreseeable future.

In such context, companies are forced to improve their productivity in order to preserve their margins and maintain their market shares, as products price has become the most crucial factor in patients' and government's decision-making process.

Looking at IFGO specifically, I was actually thinking of setting up this company for almost a decade, as I noticed that no industry benchmarks existed for operations management, while such rankings are widely used to compare companies' commercial activities, environmental performances as well as employee remuneration or wellbeing among others. In 2014, I decided to leave the corporate world and leverage my industry experience and network to ultimately set up the highly-need benchmarking tool that would help Brazilian companies to compare their operations management and improve their productivity. This is the story behind BCO Farma [*which stands for Benchmarking Operational Competitiveness, e.d.*] and IFGO. Naturally, the new reality of Brazil pharmaceutical industry, where productivity has gained an unprecedented importance, has clearly contributed to nurture the development and popularity of BCO Farma.

Could you introduce BCO Pharma to our international readers and detail how it helps companies to improve their productivity?

BCO Farma is an operations-centered panel which so far gathers 18 leading manufacturers implanted in Brazil both local and multinational companies. This benchmark is moreover based on 24 indicators measuring these companies' performances across four key aspects of the business: production manufacturing, quality assurance, supply chain, and logistic. Companies' data are collected and available to all members of the panel on an anonymous basis, which empowers companies to assess their own performance for each and every single process while in the meantime being able to compare themselves to any other companies in the panel, the panel average, and the best-in-class for each KPI.

This tool allows companies to set up improvement goals that are based on the performances of their direct competitors and not only on their own historical data. In this regard, we see that there is no company in the panel that outperforms the rest of the industry in all KPIs; each company holds its specific strengths and rooms for improvement. As a result, BCO allows operations managers to more precisely assess where to concentrate their resources in order to strengthen their companies' productivity.

We also designed an efficiency index that reflects the total number of KPIs in which a given company outperforms the panel average, and our results have proven that companies that display the best outcomes in the efficiency index also boast lower conversion costs.

Almost three years after BCO Farma was set up, do you see tangible results in terms of productivity improvement for the companies included in the panel?

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Between 2014 and 2016, the average productivity of the 18 companies included in the panel has increased by 15 percent, while some companies have even displayed a 25 percent improvement. These companies' heightened productivity undoubtedly translates into a strong competitive advantage in their domestic market but also on the international stage, at the moment many Brazilian companies look at increasing their commercial footprints overseas.

How do you explain that international companies, which usually follow global manufacturing standards, have been so eager to join BCO Farma?

Given the sheer size of Brazil's market, most of these MNCs' production is aimed to the domestic market. Being part of BCO Farma allows them to measure and compare themselves with their direct competitors in Brazil, be they local or other international companies. Brazil also bears its own industrial specificities, which have a strong impact on companies' operational costs, manufacturing efficiency and logistics management. This means that the global manufacturing standards of these multinational companies have to be specifically tailored to the local reality.

How are you able to compare the productivity of companies that hold very different portfolios?

This was the main difficulty to solve, and it now stands as the key specificity of BCO Pharma as well as the main factor behind its rapid success. To be honest, I have been fine tuning BCO Farma methodology for more than ten years before being able to design the right indicator – called Equivalent Units Produced (EUP) – which would allow us to compare the productivity of companies with different portfolios.

Furthermore, I would like to highlight that the production of pharmaceutical companies in Brazil is rather homogeneous: solid oral dosage forms account for almost 60 percent of the total products manufactured, while liquid forms make up 20 percent of the overall production and ointments around 15 percent. Other pharmaceutical forms – including injectables – account for less than 5 percent of the total products manufactured. In this regard, we see that only three dosage forms make up around 95 percent of the overall Brazilian production, which also helped designing an indicator that would allow us comparing different companies' operations.

BCO Farma empowers pharmaceutical companies to know their strengths and rooms for improvements. How do you help pharma executives translate this detailed diagnostic into tangible actions that would ultimately lead to productivity improvement?

Two years ago, we launched "Operations Excellence Certification", Brazil's first training program for operations executives, which has already certified over 100 pharma leaders since its establishment. Former Brazilian pharmaceutical executives developed themselves in an industry context where productivity was considered as negligible, which did not prompt them to hone skills related to operations management. On the other hand, the new generation of pharmaceutical executives have to manage their companies within a price-sensitive and highly competitive industry landscape, and my focus is to help this new generation of pharmaceutical executives to control an environment marked by an increasing focus on productivity.

In parallel to this training program, I also started publishing "BCO Pharma insights" on a regular basis, which are detailed articles highlighting best practices for productivity improvement, import processes, and inventory management built from insights gathered among the best performing Brazilian companies.

BCO truly stands as a pioneering initiative – even by international standards. Do you envision bringing this platform to other countries' companies?

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When building this panel, I realized that nothing similar existed in the world, while companies located outside Brazil actually started contacting me to know if they could also join the panel. I then decided to consider exporting BCO Farma beyond the Brazilian borders, and we are now about to start a pilot project in Mexico, which should be followed by Germany.

We could then imagine a benchmark enabling to compare â?? with the same KPIs â?? the productivity of Brazilian manufacturers with that of various countriesâ?? companies. Such tool will allow to more precisely assessing which countryâ??s industry is the best-in-class in a given KPI and therefore stimulate knowledge transfer at a the global level.

At the moment many pharmaceutical companies consider entering the biosimilar segment, do you plan building a similar panel for biologicals manufacturing?

It is not in our plans. First, the processes and technologies used for biosimilar manufacturing are completely different than those related to the production of small molecules. More importantly, small molecules still make up 99.9 percent of the Brazilian production and it would take at least a decade before the countryâ??s biomanufacturing footprint becomes truly significant. In the meantime, existing dosage forms will remain the main growth drivers of these companies in the upcoming years, highlighting how crucial it is to gain competitiveness in these productsâ?? manufacturing if they do not want to see their margins waning and their investment capacities decreasing.

What is your final message to our international readers?

Looking forward, we are open to welcome any new companies that would like to join BCP Pharma and improve their productivity. One of my fundamental goals is to ensure that the pharmaceutical sector in Brazil becomes more competitive from both local and international standpoints and that our industryâ??s exports increase in the upcoming years. At the end of the day, I want to highlight that productivity gains also benefit to the payers â?? namely the patients and the state â?? , as they allow to decrease pharmaceuticalsâ?? prices and therefore foster a greater access to high quality, life changing products.

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