Interview: Frank RodrÃguez â?? General Manager, Allergan Operations Puerto Rico

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Frank RodrÃguez, General Manager for Allergan Operations in Puerto Rico, discusses cost-competitiveness at his plants in Fajardo and ManatÃ, which manufacture hormones and solid dosage forms respectively. He also outlines the companyâ??s recent $48 million investment in expanding these facilities.

What were the initial priorities you set?

When I arrived to this role, we were a much different company. As a branded company the priorities were different, and we were much smaller as well. The focus for branded companies is on compliance and ensuring you supply the market. But you carry inventories, and your cost is not as important as working in a generic company where you are part of a much larger manufacturing supply chain and you have to compete for certain products depending on your technologies.

I did not have anyone to compete with; what I made here was unique. My focus was to keep things running in terms of compliance and supply, but there was no feeling that I needed to be innovative to improve things because someone else was making the same product, driving the same level of competitiveness. The challenge of operating in that environment is very different from where we are today. Now, the challenge is that I operate in a very complex, globally competitive environment. We have approximately 40 plants around the world, many of which are FDA-approved and the type of products I can manufacture here can also be manufactured elsewhere. My biggest competitor before was third-party manufacturers, but now I have to compete within our own supply chain as well. Our goal is always to do it better than a third-party manufacturer; otherwise we would not need to exist.

How much of a challenge is cost for being competitive?

You have to maintain compliance, deliver products on time and remain cost competitive simultaneously. We have excelled in terms of compliance and supply for many years, but cost competitiveness is a new challenge for us. One of the ways we measure this is through conversion cost per thousand and this is the base to compare all of our other facilities. Whether or not you

operate in favorable tax conditions can help you get new products initially, but for purposes of plant-to-plant comparison for long-term survival, these benefits hold no bearing; we are looking at this purely from an operational effectiveness perspective. In this area we still need to improve as well as we are still not as competitive as FDA-approved facilities in other countries.

Energy cost is an issue but we are looking to other types of energy sources. Due to the local realities of an island-based, government-owned electric power company, it is a bigger challenge for our operation. But we are looking at curtailed consumption, alternate power generation methods, as well as more efficient lighting and electrical equipment in everything we do.

Actavis and Allergan have been part of many acquisitions and rebranding exercises. How do you adapt on the manufacturing side?

Our sites have shown an incredible ability to adapt. Within weeks of the announcement of the Actavis acquisition of Warner Chilcott, our management reporting systems were in alignment with the new company. Our departments rushed to update their metrics, corporate contacts, etc. We immediately reached out to sister sites to see how they did things in comparison to us. Change is truly in our DNA, not just a buzz word. Both sites have lived many acquisitions and changes throughout their histories. I truly believe our culture can adapt to these changes.

Even though Allergan is a branded company, we operate with a generic mindset in terms of our operations. We are increasing our capacity and readiness to do just that. We have increased our products mix, and we have added more volume with generic products as of late. In the old days, our focus was entirely on branded products, generic volume helps with our brands in terms of driving costs down. We are focusing on being a center of excellence for hormonal products in Fajardo. In ManatÃ, being the best solid-dosage facility with large throughput and easier processes like immediate release. More diverse technologies bring additional complexity, and we receive these with open arms, but specializing is key to remaining competitive.

Actavis invested $48 million in 2014 to expand both facilities, creating 300 new jobs. What does this investment imply?

If the company is willing to invest that kind of capital in us, it is because there is a confidence in our ability to deliver. When Actavis came here, they looked at our facilities and saw a tremendous opportunity in terms of underutilized facilities with the capacity and capability necessary to make those kinds of investments to transfer or add products. This was particularly the case in ManatÃ, which was essentially a warehouse â?? but we have terrific facilities that are conducive to the type of products that Actavis wanted to transfer somewhere else. We invested a sizeable amount of money to beef up those facilities, constructing a new warehouse. From a manufacturing standpoint the capability was already there and it made lots of sense to invest here. Furthermore, there is great know-how in Puerto Rico due to the skill set of its people, who are qualified in pharmaceutical operations, both manufacturing and packaging. Many companies have closed and fortunately there is great talent to grow in Puerto Rico. In 2013, we had 18 people working in ManatÃ and now we have about 200. In 2016 we will produce almost two billion tablets there. It also helps to have a good compliance track record with robust quality systems in place. The implication here is that we must deliver our commitments of efficiency, supply and compliance in the stated timelines.

How do you convince top management to invest in Puerto Rico?

A good track record certainly helps, especially in terms of our compliance position with the regulatory agencies. Actavis saw an opportunity in Puerto Rico. They knew we had a long way to go in terms producing at a cost-competitive price, but they also knew we had a trusting relationship with the local FDA and we could deliver on time. Thus, they saw facilities that were readily available to consolidate

products and maximize capabilities inside the factory and enhance cost efficiency. That is on the operation side. Furthermore, Puerto Rico is still a favorable environment from a taxes perspective despite the ups and downs of the system. Our tax conditions with the government make us a good place to do business.

95 percent of your exports go to the US and Canada. Will this change as Puerto Rico starts to expand beyond its traditional trade partners in North America?

Hopefully so! Allergan has a worldwide presence in terms of supply chain and distribution and we certainly want to be part of it. We are not yet approved by ANVISA, EMEA or any other international agency, but there are some products we are looking at expanding market footprint. The ability to expand market in certain regions or regulatory areas depends on the products you have in that facility and whether or not they are marketable (cost-competitive) in that region. But we are getting ready; we are revamping our facilities and compliance systems to make sure that we are built to meet the regulations of Brazil, Europe and beyond as there may be an opportunity to sell our hormones abroad. The same could happen for our ManatÃ site.

What does the acquisition and rebranding of Allergan versus Actavis mean in terms of integrating new products into your portfolio?

It depends on the facility. We are looking to become Centers of Excellence, so that products that fit our expertise are natural transfers for Puerto Rico. You do have to be careful about what you put in each manufacturing site to ensure your competitive advantage is not hindered. You cannot be a master of everything, and those that try end up with so much complexity that no particular product is done right. It is very difficult to move operators; it is not the same as having a sterile operator with certain aseptic techniques running a packaging line.

You are from Spain but have had a very international experience within the industry. Do you find that the corporate culture or working language differs from place to place?

From a work perspective, the ways of working have becoming much more consistent from a management perspective. This is partly because the regulations are the same everywhere now, such as GMP requirements. Regulators do not like inconsistencies between global sites that serve their markets and look for minor differences like the way the â??câ?• in front of GMP is implemented. They look for automation such as on a tablet press, in which case they expect the company to invest and upgrade that type of tablet press to produce the same quality tablet. They are also looking more to performance metrics. All these regulations force everyone to use a common language and common ways of working. General managers are transferred to other countries, so there are always cultural differences, like how to motivate and deal with your workforce. How the local team embraces change is paramount. This is a game-changer when you move from site to site. But in terms of how to manufacture a product or run operations, there is not much of a difference â?? and this is a good thing.

What are your ambitions for the next few years, as the companyâ??s investment in Puerto Rico begins to take shape?

The organization does not just give out that kind of investment money for free. We have to show success with that investment. You show success by making sure that your products are being transferred from or grown here, produced on a very cost-competitive, compliant and safe basis and better than anyone else. We have very specific targets for the next three years and directional goals beyond this period. To do that we have to be highly skilled at technology transfer, and we must be very agile in launching our products to market, executing those transfers and showing the regulators that regardless of the amount of work you do in the facility you still are very compliant and error-free,

thus removing potentially burdensome costs. It is all about working in the most efficient manner while balancing everything and making sure the workplace environment is such that everyone in the workforce feels that they are successful. I think one of the other aspects where we invest a lot of time is creating an operational excellence culture, ensuring everyone has the right tools to do their job, the right education and support and promoting innovation â?? we do not necessarily look for big innovative solutions to create something that will increase your production ten times. We look for small improvements day after day that stem from our employees, but if you do it one person at a time, the collective action of each employee will be huge. Furthermore, the â??whyâ?• is just as important as the â??howâ?•. Employees must have a sense of belonging, an important part of the company and understand that making medicines is very important for society.

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