Interview: Jerzy Toczyski, General Manager & President of the Board, GlaxoSmithKline (GSK) Poland

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GSK Polandâ??s General Manager, Jerzy Toczyski, explains the reasons behind acquiring a state-of-the-art manufacturing facility in Poland, as well as the need to implement leaner manufacturing processes to become more efficient in a country where drug prices are very low compared to other EU members.

GSK has a lot of facilities in Poland varying in different functions. Why Poland?
The decision to establish operations in Poland is driven by logic, rationality, and economic potential. However, we have encountered many challenges from the Polish healthcare system. Our prices in Poland are the lowest we offer and this creates problems with our supply. Pursuing reimbursement is a costly process and in some successful cases products are not fully reimbursed, making patients pay a large cost.
Initially, we took a big gamble in the early 1990s to invest in Poland. There were many questions to how Poland would evolve through privatization. GSK privatized Polfa Poznan, the most attractive and modern pharmaceutical company at the time. We bet that the Polish sleeping giant would awake and fulfill its potential to Polandâ??s 40+ million citizens. The whole vision has not yet been accomplished but we have seen success in the sophistication of our people and operations.
In terms of Rx, IMS ranks GlaxoSmithKline (GSK) sixth worldwide and third in Poland. How do you explain this performance?
Many years ago, GSK bought a large local company that produces competitive products that continue to sell well. This acquisition boosted our sales revenue and contributes to our local ranking. Additionally, GSK is a global company: with our multiple locations around the world and a diverse portfolio, we can take advantage of everyoneâ??s expertise worldwide. However, our priority is to perform better than our competitors rather than to be the biggest company in Poland.

How do you approach the challenge of speed and agility as a large multinational?
GSK is developing new ways of working to simplify the complexity of our business. Over the years, we have adopted and implemented leaner manufacturing processes at our Poznan facility to become more efficient in various ways. This leaner approach allows us to speed up the decision making process, the identification and resolution of issues, and increase our corporate visibility. This emphasizes the quality of our performance and our willingness to utilize synergies to benefit from the best practices throughout GSK around the world.
How is the 2012 Reimbursement Act affecting your ability to be agile in the market?
Before the Reimbursement Act took effect, the reimbursement process was slow, unpredictable, and non-transparent. We simply did not know if and when our product would be reimbursed yet we still had to be ready to launch. One of the key achievements of this new policy is that it creates predictability and transparency. Companies can now begin planning longer-term (one year to a year and a half) strategies on bringing new products to the market and making them available to patients.

Currently, we are planning to launch four new products that have the potential to be groundbreaking in the fight against different diseases. Maintaining a good pipeline is crucial to our operations and our ability to be agile because we are creating a foundation for a new generation of GSK products. The Reimbursement Act makes the Polish pharmaceutical environment more attractive in terms of a time bound process and the quality of dialogue with the payer.

What do you see as the biggest limitations with the Reimbursement Act in its current form?

It was never the intention of the Minister of Health to have the Reimbursement Act save money on drugs. The intention of the Reimbursement Act was to freeze the budget and stick by the â??17 percent ruleâ?? in relation to the overall spending. This was a relatively safe assumption because no one would expect the budget to decrease. This would then allow a reallocation of funds from cheaper products to innovative ones. Our understanding of the Reimbursement Act was that the funds absolutely had to be reinvested. However, the reality is that the process today is at odds with the promise it once had. Reinvesting savings into innovative products and technologies is still minimal.

However, it is difficult to predict the revenue generated through reimbursed products with only one year of experience. What we do see is a pile of products that have received a positive recommendation from the health technology assessment (HTA) process, that have been negotiated for over a year and a half, and which are still not reimbursed. So I am curious to see if the money will come back into the drug expenditures or utilized somewhere else in the budget. Our hope is that the innovation waiting to be reimbursed and accessible to patients will finally occur.

As vice president of INFARMA, you have an important role to build communication channels with your members and the government. How successful have you been in creating this dialogue?

There is some ongoing dialogue with key people in the Ministry of Health, which gives us an opportunity to raise our issues and concerns. Our conversations have been able to progress as there has been some stability with the Minister of Health. Stability in the government means that the vice ministers, with whom we mostly interact, can develop a level of expertise and connect with us on future plans. Our next step is to witness the impact of our dialogue in the governmentâ??s regulations.

As it stands now, it seems that changing the act is not a short-term priority, so our dialogue might be good but it is hard to measure its effects without results.

The Reimbursement Act has seen companies like SANOFI and GSK diversify their portfolios and invest more into OTC and consumer healthcare. How have you been performing in these areas?

The consumer healthcare business brings an added dynamic dimension to our company, but, as for all of our products, the driving force behind our consumer healthcare business is science. GSK Consumer Healthcare operates in Poland as a separate entity with a separate strategy and a vision to become the fastest moving consumer healthcare company.

Consumer trends are much more predictable than government decisions. We are expanding this successful side of our business and we have sold off some brands that were not significantly contributing to our revenues. In Poland specifically, consumer business is rising after experiencing a small decline.

The essence of our business model is to discover and develop new medicines and consumer products. Companies without a strong pipeline can only be successful in the short term, using efficiency, price strategies, and so on, but once product exclusivity expires, generics catch up and take a part of your market share. GSK is currently in a transition period, focusing on a new generation of products that we expect to be successful in three yearsâ?? time. We are shifting from an unfortunate time where we lost our exclusivity with some of our major brands. Our market share decreased due to lower revenues and an expanding market. This spurred our new strategy to start anew and prepare for success from 2015 onwards.

What are some potential products you have in the pipeline?
We are prioritizing three areas: vaccines, oncology, and respiratory. This year we are launching new products to combat HIV and melanoma, and vaccines. For melanoma, we have developed a breakthrough therapy for a disease that is receiving more attention from innovative players. We hope that our product will lead the way in fighting this deadly disease.
With the acquisition of a USD 475 million plant in Poznan, you are currently producing around 100 million packs per year. What does this production site represent for the group and what are your plans to confirm GSKâ??s commitment to manufacturing in Poland?
We are very proud of the state of the art, global manufacturing facility in Poznan. GSK has an ongoing process of consolidation due to the numerous sites we have acquired through past mergers: Poznanâ??s strategic location plays a big role in our consolidation and efficiency efforts. The Poznan facility houses manufacturing and a massive multi-market warehouse that serves northern Europe. We have a smart, focused and disciplined team running the facility, which improves our stability in production and exports. This facility produces many of our innovative products, which sell to over a hundred markets around the globe.
Given the Poznan facilityâ??s large international reach, what role will it play as one of GSKâ??s main production facilities?
GSK has over 90 facilities around the world, but the Polish facility has now become a go to place for GSK when they are debating where to produce a certain asset. We are neither the biggest nor the most advanced facility, like the one in Belgium, but due to our focus on lean management, our experienced team of experts, high safety and quality standards, Poland is important and that is only good news for Poland.
Where do you see GSK in the next five years?
Our focus is to see out the current transition period. Right now, we are overcoming our sales losses via generic competition, price cuts, and expired patents. In order to keep the competitive advantage, we need to focus on the science and communications of our new and upcoming products. Our agenda includes launching these products in the pipeline and making them available to patients who need them. This is the first step of our five-year strategy. Throughout our strategy, we need to be fast and flexible as we plan to launch four products a year. Our aspiration is to make our medicines accessible to patients and bring a new and effective product portfolio to Poland.

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