

Interview: João Simões, Head of Integration, Grunenthal, Chile



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of Andr maco Laboratories. The acquisition has been a major step in Grunenthal's growth strategy and has almost doubled its revenues in Latin America.

Jo o Sim es, Head of Integration at Grunenthal Chile, discusses Grunenthal's acquisition of Andr maco. Jo o Sim es speaks about the integration process and his aim to bring together the best of two worlds.

The big news for Grunenthal not only in Chile but in the whole of Latam is of course the acquisition of Andr maco. Why did this fit so well in Grunenthal's strategy to multiply its Latam revenue by two?

Prior to the acquisition we were looking at companies present in the fastest growing markets in the region and having the right critical mass. Companies with a robust commercial presence, generating sales through medical prescription, and not by pushing their products through the channel.

These conditions eliminated quite some players on the market and eventually led us to *Andr maco*. Furthermore *Andr maco* had a strong presence in therapeutic areas like gynecology and Neuropsychiatry (CNS), areas which Grunenthal aims to strengthen.

Andr maco was present in markets where we were strong already and thus becoming an even bigger player.

You were appointed leader for Grunenthal Chile, right after the friendly IPO was successfully concluded in order to conduct the acquisition process. Until today how far has the integration process evolved?

We have prepared the integration process well in advance. The first moment we started the negotiations for the acquisition we immediately internally began the process. As a result we had a well-structured process once the acquisition materialized.

Currently and with our new colleagues at *Andr maco* we are taking the time to validate the process we have defined and are aligning our goals. Subsequently we will start implementing changes. It is imperative that we are taking the right decisions and therefore take our time.

Our aim is to merge the best of both worlds, not imposing the Grunenthal way of working over what we have acquired.

In M&A, one of the toughest thing is â??culturalâ? integration. Both AndrÃ³maco and Grunenthal have a very strong corporate identity, with long family history. How difficult is it to â??blendâ? the two cultures?

From an outsiders perspective the two cultures could look very far apart. However in reality the companies are not so different and the things that we have in common should be the pillars of the new culture we are building. Currently we are taking our time to better understand the culture in detail.

Naturally people are the most important element in an acquisition. Since the acquisition we have treated people with transparency. Each and every one is fully informed about the steps we are taking. We are not imposing change, we have the people be part of the change.

How far will the integration go, and what should be the impact in terms of development strategy and positioning for both companies?

There is space for all the businesses we have today. We are currently assessing the attractiveness of all businesses in order to decide where the focus will be.

As Grunenthal, we do not want to destroy the important assets that we have acquired. We will understand first subsequently decide what is best for the future organization that we are building.

Besides the immediate registered growth in revenue and market share Grunenthal will make in many Latam countries, what else do you think can be learned by the company from this acquisition?

More important than what we can learn is what can we leverage? AndrÃ³maco's way of doing business has been fundamentally different than Grunenthal but at the same time extremely successful. We are learning about AndrÃ³maco's way of doing business and determine how we can leverage portfolio, business model and structures of people.

In Chile, through this acquisition, Grunenthal gets propelled from being a mid-size/mid-market company, to one of the top four, which is probably a unique case for Grunenthal anywhere in the World. How is this â??changing the deal from a managerâ?s point of viewâ? Do you think this comes with special responsibilities?

It is not about imposing Grunenthal into AndrÃ³maco. We need to evaluate what is best for both businesses. If we have portfolio, which is valuable and adapted to the needs of the patients we will take it. Again, we are taking best of both worlds no matter what side it comes from. That means we have to adapt the new company to the new responsibility.

As a German company our processes are extremely structured. We are following each step in order to make the right decision.

Can you give us a brief overview of Chile's importance and contribution to Grunenthal's target of USD 450 million revenue in Latin America?

Speaking about the Latin American revenues Chile accounts for approximately a third. In terms of operations outside Chile, Grunenthal has a higher critical mass than AndrÃ³maco, whereas in Chile it is the other way around. As AndrÃ³maco was born in Chile the company had a bigger presence in this country than in any other Latin American country.

The acquisition has allowed us to be a relevant player in the Chilean market and shape the environment. Grunenthal's objective is to become the most patient-centric company and we take that very seriously.

In your previous position as head of Grunenthal Portugal, you pointed out that pain management was culturally an area where authorities were lagging behind. Is Chile the same in that respect?

The strength of a country's economy drives its people to demand higher healthcare standards.

This is a trend we can see in Chile. People are demanding these standards while at the same time authorities are providing Chileans with better healthcare. Governmental policies usually go hand in hand with the demands of the people.

What are the other fundamental differences that you need to take into account between a country like Chile and let's say Southern European markets?

In fact I see similar trends in terms of healthcare. In Southern European markets healthcare is substantially funded by the government. In Chile we see a similar trend as the newly elected government is moving forward with the improvement of the country's health care system; increasing coverage for Chileans.

Public healthcare in Chile is improving its quality, but the coverage on medicines is still below the expectation of its people. Chileans want access to medicines for which they do not have enough resources. Universal healthcare is a global trend, which we also see in Chile.

Getting back to your recent appointment this is the second time that you take the helm of a country within the past few years. What's in your eye the most important to successfully adapt, and implement your leadership?

Frankly this situation is quite different than my previous experience. As the head of integration, it is my responsibility to understand both businesses before acting. We need to define our direction, establish the strengths and weaknesses of both businesses and combine these into a powerful organization.

Although I see both worlds coming closer the Portuguese and Chilean market dynamics are still quite different today. Healthcare in Portugal is mostly funded by the government while Chile still has a high patient out-of-pocket expenditure on health.

Where would you like to take the organization in the next three years?

We have an ambition to become a key player in the Chilean market. Our strategy, which we are currently defining, will be based on growth. We do not merely aim to become a key player in terms of numbers but also in the healthcare market. As Grunenthal we are committed to the country and collaborate with the different stakeholders including authorities, doctors and patients.

Grunenthal's international objective is to expand in the emerging Latin American market, which has included the acquisition of Andr maco. Due to this acquisition we acquired the best regional company that has complemented our own business and our therapeutic areas within the countries of the South and Central America. The acquisition was the right step to leverage our presence in the Latin American market. But if we want to become a big player in the region we will have to grow in Mexico and Brazil. Today we are present in these markets and aim to grow the organization significantly in order to become a major geographic player in Latin America.

On a personal note, Grunenthal is only the second company you joined after KPMG. You obviously already have a very successful career, being appointed country manager in Portugal at 33 only and then CFO for Grunenthal's strategic LATAM region. I am sure you must have many proposals from competitors. What makes you stay at Grunenthal?

Grunenthal has been an amazing company to work for. The organization does not limit one in terms of ambitions. It is all about how the individual and his ambitions fit to the organization's business plans and how one leverages the other. This diversity has been very important for me as I have worked in various areas of the business. And as long as the company provides me with such challenges this remains a great place to work for.

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