Interview: Paul Duffy, Vice President, External Supply Operating Unit, Pfizer Global Supply, Ireland

07.03.2014

The VP of Pfizerâ??s external supply operating unit talks about his companyâ??s growing presence in Ireland over the last four decades, culminating in the creation of the worldâ??s largest biopharmaceutical plant. Duffy also speaks about Irelandâ??s continuing attractiveness as an investment destination for the MNC, despite its recent financial woes.

How has Pfizerâ??s investment in Ireland evolved over time?

Pfizer began operating in Ireland in the late 1960s, making citric acid, which is an ingredient that can be used in soft drinksâ??something that was actually quite a unique competency in the Irish market at the time. This work continued for the ensuing 20 years, before the original manufacturing site was divested and sold to ADM.

Since the 1960s, our organization has evolved from making these components for soft drinks to operating the largest biopharmaceutical facility in the world, at Grange Castle. Concurrently, our facility here in Ringaskiddy makes some of the newest additions to the Pfizer range of products, while our factory in Newbridge produces some of our more complex drug products. Technologically, we have made huge steps forward since the organizationâ??s inception and we are manufacturing some of the most advanced drugs in the world here in Ireland.

Development has also been one of our areas of focus, for instance here in Ringaskiddy, we have development facilities that work on the proposed manufacturing processes for new products in phase two and three of research to optimize the process. This ensures that once the drug is launched, we have the best possible manufacturing process that is efficient and meets all regulatory and environmentally requirements.

We also produce some generics products in Ireland, which may be surprising to some. In the past, when a product went off patent, its manufacture has tended to move to lower-cost locations; and generally speaking, Ireland is not a low-cost location. However, we have used the skills of our people and advances in technology to become very efficient in producing some molecules here for off-patent drugs such as Lipitor. We also continue to manufacture some of our generics that are difficult to produce here in Ireland, and are achieving in some areas a level of competiveness in line with generic manufacturing. To summarize, we have moved from making sweetener for soft drinks, to manufacturing some of the most innovative medicines Pfizer distributes around the world, and investing over two billion USD in our flagship biopharma facility at Grange Castle.

Decisions on making investment on this scale are based on a number of criteria including the competencies of the local labor force, the level of regulatory compliance, government support for business in the local environment and Ireland is strong on all these areas. Pharma sites in Ireland have never received a warning letter from the FDA due to their high level of compliance with regulatory standards, and this combined with excellent manufacturing capabilities ensures that the products we manufacture are made to the highest quality standard and are on time, every day.

You once said, â??There has been a lot of concern about the Irish economy, but we havenâ??t become stupid over night; we still do a good job, we are still innovative and we deliver good value for money for the company.â?• Can you elaborate on why Ireland can still attract investment, despite the difficult economic climate?

Globally, we have seen a significant reduction in the amount of capital investment in the pharmaceutical industry in the past few years. And yet, when we have chosen to invest, we often chose to invest in Ireland which is a strong testament to the confidence the company has in the capabilities of our people. It is not just Pfizer who has invested in the country; there have been many large pharma investments made in Ireland over the last number of years and these investments continue even in these difficult economic times

Having said that, the industry does face myriad challenges. A slowdown in the productivity of research in past years, combined with a significant number of products going off patent and increased pressure on pricing has put a lot of pressure on the manufacturing networks of many companies. Also, a number of mergers/takeovers in the industry have created duplication in these networks. The impact of this duplication has been felt in Ireland due to the significant manufacturing presence of most of these companies in the country. The consequence of this has been that some companies here in Ireland have had to reduce their operations in order to manage their operating costs.

These reductions have been challenging for people in an industry that was traditionally viewed as being somewhat â??recession proofâ?? with long-term job security.

At a corporate level, manufacturing costs are always in focus. Therefore, it has been a necessity to rethink our production and supply chain practices in order to make our operations more efficient. We must accurately forecast demand and use a more â??pullâ?? based system of production, rather than the traditional â??pushâ?? based system, which entails simply manufacturing what our capacity allows us to make and not always what the customer wanted.

In our industry quality is king; our customers place their trust in our ability to reliably supply quality medicines. We are dealing with peopleâ??s lives and take enormous responsibility for this. We also have to be conscious of the need to supply products that patients can afford so managing our costs is an important part of what we do every day.

How has Pfizer adapted to the changing environment youâ??ve described?

I believe we have adapted well. We have an excellent reputation and manage our operations according to the highest standards. We have managed what we call the value proposition of quality, cost and supply in an exceptional and consistent manner.

It would be a very poor reflection on us as an industry if patients were unable to receive treatment because of issues in the pharmaceutical supply chain. Balancing cost and quality with the efficiency of operations will continue to be something we focus on every day.

What about the balance between internal and external supply? How can supply operations find the right equilibrium, especially given the overcapacity issues we have seen across the industry in recent years?

At Pfizer, approximately 30 percent of what we sell in the market comes from external vendorsâ??this is the area that my group currently manages. There are many reasons why we decide to either manufacture products internally or with external vendors. One of these could be the fact that some technologies required to manufacture our products do not exist within our current manufacturing network; therefore, we must look to outside partners or else invest in creating the requisite facilities. Companies have to carefully choose the technologies in which they decide to invest as the available capital in most companies is limited. We have experienced issues in the past where we purpose-built plants for drugs that were not yet approved for sale, and those drugs ended up never making it market. This resulted in us selling off the assets in question, recouping only a small fraction of the initial investment.

Looking into the future, it will be interesting to see whether or not it is possible for a large pharma company to create a completely independent internal supply chain or whether there is a push to the sharing of parts of these supply chains. There can be difficulties when working with a co-manufacturer, such as confidentiality and patenting agreementsâ??but these difficulties are not insurmountable, so it may possible for companies to use one anotherâ??s production assets.

The other side of the coin is this: while we donâ??t have any set targets with regard to what percentage of our operations happen externally, in the past some of the rationale for using external manufacturers was the fact that they offered cheaper rates than our own internal manufacturing costs, this was often driven by the third party manufacturers ability to run their plants at a higher level of utilization. Pfizer has a very strong track record for quality, globally and in Ireland, and quality will always be our top priority as we try and achieve greater competitiveness. Over time, our internal operations have now become much leaner, and thus are capable of competing with some of our external partners. Hence, there is a balance to be struck between cost, reliability and external and internal operations with quality always being our key focus.

What else can you do to reduce the risk in drug manufacturing?

Pfizer has four main areas of focus in continuing to transform the company. Firstly we must continue to focus on the productivity of the innovative core; we must continue to build on our strong history of bringing new drugs to the market. The whole industry has struggled in this area in the last number of years and it is great to see some of the recent approval of new drugs in the treatment of serious illness like cancer, arthritis and stroke prevention Developing new drugs is very challenging as many of the â??easierâ?? compounds having been discovered already and because of stringent regulations. Even drugs such as Aspirin would struggle to be approved in todayâ??s market.

Maximizing capital allocation to create value is our second main area of focus. In the past we had a lot of capital, so we could invest more broadly. We have limited resources, and we also need to spend a capital keeping our facilities up to date and investing in new facilities. Our philosophy now, with regard to capital, is to invest it wisely and where it is needed, and that is our ethos throughout the organization.

The third strategic imperative is to earn societyâ??s respect. There is a need to change peopleâ??s perspectives on what the pharmaceutical industry does, with regard to saving and prolonging peopleâ??s lives. We need to create more awareness of how much medicines cost, so that people donâ??t feel that they are overpaying for treatment. I feel we are in an admirable business and that we do important work to improve peopleâ??s lives; in order for that to keep happening, we need to turn a profit, so we can devote resources to R&D and to finding new cures.

The fourth strategic imperative is creating an ownership culture, wherein our colleagues are seizing opportunities to make an impact, taking increased accountability, and acting with an ownership mentality.

We have endured a difficult period of site divestures and site salesâ??some more successful than others but have also benefited from a number of very large investments. Together we are working hard to build a sustainable future for our organization and employees, if we are not efficient and effective in every part of the organisation, then the whole of the organization will suffer, and there may be tough decisions to make in the future but they will always be made in the best interest of the company and the people.

We should remain confident that with the strong capability of our people and the excellent facility we have at our disposal that we will continue to play a key strategic in Pfizerâ??s future supply network. As a company we have very rich pipeline of products and Pfizer colleagues in Ireland will play a key role in helping bring these products to market and helping improve the quality of patientâ??s lives all over the world.

To read more articles and interviews from Ireland, and to download the latest free report on the country, click here.

See more interviews