

Interview with Eugenio Aringhieri, CEO, Dompe

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You recently declared that in a context of new emerging challenges for pharmaceutical companies, those who would survive would not be the strongest ones but the most responsive to change. Indeed, having led Dompe Group through this period of changes, you originated a re-organization of the group. Could you give a brief overview of the rationale behind the most recent structural changes in the Group's different divisions, and the specific market dynamics that each of them was aimed at tackling?

In these times of great difficulties, finding certainties is a matter of survival. In this regard, Dompe has managed to ensure its partners and clients unchanged levels of quality throughout the years, thanks to good anticipations, correct evaluations of market trends, and high responsiveness to changes, combined with a deep understanding of the shareholder's demands. The company's restructuring came as a necessity to address an increasingly competitive environment, which provides the industry with complex challenges in terms of cost and quality. Looking at the cost-related issues; while generics and bio-similars are trying to deliver results at convenient prices, innovators are on the other hand willing to offer premium products at premium prices. In this context, instead of trying to act as a middle-player in front of these two trends, Dompe chose to fully bet on innovative products- considering the premium price they can offer, though not forgetting to focus on cost-effectiveness. In order to face the fierce competition from other multinationals, the company chose to focus on competitive niches, and to develop strategic alliances to translate a medium-sized business into a wider structure able to guarantee sustainable levels of growth. Following careful analysis, joint ventures have been engaged with Biogen Idec and Amgen, two important players in the biotech field, aiming at providing advancing novel biotherapeutics for unmet medical needs. Both understood the advantages Dompe could offer in terms of cost, quality and time-saving.

As you joined Dompe in 1995 after ten years experience in other multinationals, which specific elements of Dompe's vision would you say enabled the company to get where it is today, continuously growing since the 19th century?

Dompe's advantages are rooted in the past; speed of action and capacity to foresee future trends have always been the group's main assets. Indeed, the strategic shifts to the biotech sector and the specialty area were carried at times when few other multinationals were interested in these fields- their main concern being to increase in terms of size. While in the early 1990s, most players were consolidating in Europe, Dompe was improving its capability to manage biotech products through high levels of scientific information, by reorganizing its structure in order to not replicate efforts. This process progressively resulted in the constitution of five different articulated

structures, led by Dompi Farmaceutici Group, which holds the governance and strategic direction of the operating companies - Dompi pha.r.ma focused on R&D and production, Dompi spa focused on primary care, Dompi Q-rare focused on rare disease, Biogen-Dompi and Amgen-Dompi focused on disease with a high social impact.

Dompi's turnover grew from Liras 2 billion in 1974 to Euros 316 million in 2007, showing an impressive dynamism. But looking at the 2004-2007 period, the performance remained quite stable- how do you assess 2008 in terms of performance?

Analysing Dompi's evolution requires understanding its strategic choices, which have always been in line with the company's history. A past built upon R&D and long-term investments led to specialization in niche areas- in which in-house research enabled to reach a leadership position. For this reason, a categorization has been established between "focus" and "non-focus" activities- aiming at progressively reducing the importance of the less strategic ones and increase the level of investments in priority areas. As a result of such strategy, Dompi has been able to generate enough dividends and achieved double digit growth in 2008 - a trend that will surely be maintained. Sustaining growth in the medium and long term requires maintaining the core business' level of resources. But it is worth mentioning another critical factor: sharing the strategic vision with the shareholders, which enables us to aim for the future to be recognised at the international level as a research focused company.

Which strategic guidelines will enable Dompi to sustain double digit growth in the long term?

Betting on its competitive advantages, Dompi is willing to significantly increase its hospital sales and widen its product pipeline- two ambitions that the recent partnerships will crucially help to concretize. Firstly, Biogen Idec already enabled Dompi to reinforce its presence in the multiple sclerosis area. In the future, this partnership will be extended to other specialty areas, in which Biogen Idec developed a strong knowledge under Idec's influence. Therefore, relying on such complementarities, together with the positive impact to be generated by the more recent joint-venture with Amgen, Dompi is well capable of sustaining steady growth in the coming years. In addition, it is worth mentioning that Dompi considers the present times as strategic to further develop overseas activities. Primary care products are already distributed in more than 60 countries and international sales currently generate 10% of the company's turnover; the next five years should see this ratio overcome 40%. The company's internationalization is crucial for its survival, as fully depending on a single market would expose Dompi to conjunctural crisis and increased challenges.

On an international footprint, which markets are you already in and which ones are you eyeing at?

Dompi already developed direct presence in Switzerland and its products for primary care are provided through local distributors in more than 60 Countries worldwide. However, expansion in the primary care area will also rely on the company's ability to develop a strong partnerships' network, especially in Eastern and Western European countries as well as the Mediterranean basin. In addition, further internationalization will be based on increasing the level of direct presence abroad- especially, as a first step, at European level in the field of rare diseases.

Looking at other strong agreements developed in the field of manufacturing; why should other leading laboratories choose Dompi's facilities in L'Aquila to outsource part of their production, and what makes you the partner of choice in the field?

Manufacturing processes are a central part of the pharmaceutical value chain, and having gained the trust of companies such as Menarini confirms Dompi's competitiveness in this field. Beyond the opportunity to take advantage of a long tradition of excellence and know-how, working with us

provides our partners with consolidated capabilities in commercial area – which nowadays are just a part of market revenues – and also with distinctive skills in the field of regulatory, compliance and knowledge of the payer’s network. Finding an attractive partner combining price competitiveness, strong compliance and a solid connection with the scientific community is the best opportunity for most laboratories to establish Joint Ventures rather than develop affiliates Greenfield- for this reason, most of them chose to partner with DompÃ©.

In terms of image and brand recognition, where do you see the company’s name standing in today’s domestic and international industry, and where do you see further room for improvement?

The DompÃ© name is strongly linked to innovation and adaptability. Its reputation is well-established, especially in the primary care area and in the multiple sclerosis, oncology and nephrology areas, in which the company’s long experience enabled to reach a national leadership that surely benefits his partners. Moreover, the Italian business community is perfectly aware that DompÃ©’s innovative focus is linked to its long track record in research and biotechnology together with the personal story of DompÃ©’s President – Sergio DompÃ© – an entrepreneur closely connected with R&D and innovation. Therefore, our current goal is to internationally promote such a success story, showcasing to potential foreign partners DompÃ©’s unique combination of experience and entrepreneurship with strong focuses on quality and cost-competitiveness. In this regard, adapting to other business cultures is surely an important challenge that has to be taken into account- but we strongly believe that promoting our image and unique business model will soon enable to reproduce DompÃ©’s local success story at an international level.

As the architect of what has now become DompÃ© Group, would you say it is still possible to have such a carrier path nowadays, and how you would advice a young manager with similar ambitions?

I believe that it is still possible to succeed to same extent – but realizing such ambitions relies on two crucial personal and professional skills: the ability to choose the right persons, and to stay passionate about work. Success is not only a matter of cleverness; I have personally managed to follow the path that took me to my current position, thanks to both my entourage and the passion for my objectives, which enables me not to fail, finding the strength to persist even in more challenging times. Besides, I would also advise young entrepreneurs to develop their speed of action and their courage- though always keeping in mind that even the most ambitious, fast and courageous managers won’t get anywhere without the right support and a sincere passion for their work and their objectives.

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