

Interview with Hagen Pfundner, CEO, Roche Germany

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Roche, once a true pharmaceutical company, is now recognized by its capacity to create a unique business model that allowed to become the world's largest biotech company with truly differentiated medicines in oncology, virology, inflammation, metabolism and CNS. Roche is also the world leader in in-vitro diagnostics, tissue-based cancer diagnostics and a pioneer in diabetes management. How was this development possible in an already well established and consolidated group?

Since its beginnings, Roche was a science based company that continued to strongly invest in R&D over decades. Amongst other notable research successes three nobel price winners were directly associated with Roche's research activities.

Today, Roche is a leader in research-focused healthcare with combined strengths in pharmaceuticals and diagnostics. Roche's personalised healthcare strategy aims at providing medicines and diagnostic tools that enable tangible improvements in the health, quality of life and survival of patients.

The emphasis in research and development had two elements: the first one was internal research and the second was the ability to identify at an early stage emerging areas of science outside the company and incorporate them in the group strategy.

The latter point is where the biggest difference to other pharmaceutical players lies. Roche's willingness to accept risks and preparedness to reinvested in their R&D considerable amounts with one goal: creating and bringing to market innovative, clinically differentiated medicines. This was the case with the revolutionary PCR technology, one of the corner stones of Roche Diagnostics. The same is true for the early investment into Genentech – a contributing factor for a worldwide leading and innovative Biotech company.

How have these transformations reshaped and influenced Roche's German operations, and what's the importance of the country for the group worldwide?

Germany has always been regarded as a strategic country for Roche not only because of its market size but also due to its leadership in cutting-edge technologies. It is the second biggest biotech hub in the world last but not least also thanks to Roche's multi billion Euro investments into this technology. The acquisition of Boehringer Mannheim was another decisive step towards the consolidation of Roche's biotech expertise and left a deep footprint in the German market. Today, Germany is considered to be one of the main R&D and manufacturing sites for both Divisions of the company, namely diagnostics and pharmaceuticals.

At Roche in Mannheim over 7,500 employees contribute considerably to the companies diagnostics successes. Roche operates in Penzberg with over 4,500 employees one of the largest biotechnology research, development and production centers in Europe. Last but not least, Roche Kulmbach

GmbH is Roche's Center of Excellence for the discovery of novel therapeutics that belong to the family of ribonucleic acids (RNA). This site is focused on therapeutics based on the principle of RNA interference (RNAi). Roche Kulmbach uses synthetic siRNAs to specifically silence genes that are associated with diseases. This technology may in the future revolutionize medical practice by tackling serious diseases at the root cause: the genetic footprint. Due to Germany's unique technological expertise, highly skilled personnel, well established and cutting-edge research institutes and biotechs, and a stable market environment Roche invested in recent years more than two billion € on expanding its R&D and production capacities. This has made Roche Germany an important site for the worldwide exports of its diagnostics and pharmaceuticals.

What are Roche's main growth drivers, and what are the most promising therapeutical areas for the company for the next few years?

Roche has taken the "timeframe advantage" and invested in still mostly unexplored disease areas for the treatment of patients suffering from different types of cancer, AIDS, hepatitis, Alzheimer's disease, rheumatoid arthritis and diabetes.

As highlighted before, however, Roche continues with its unique risk-taking approach and maintains its investments in scientific high grounds and groundbreaking technology platforms to develop innovative health care solutions addressing a high medical need. This approach was and will be rewarded by developing either first or best in class drugs such as Herceptin or Avastin in the field of cancer.

Roche was one of the first companies to recognize the potential of personalized medicine and has become the Group's central strategy. How is this strategy reshaping the medicine of the future?

Personalized medicine is not a new invention. It has a long history in medical practice. However, Roche and others are today in a position to benefit from emerging technologies that allow us to eventually open a whole new medical chapter by using insights into the genetic profiles to develop more tailor-made medicines.

Herceptin, our breast cancer therapy is described by some scientists as the "big bang" in modern personalized health care. Herceptin has shown a dramatic survival benefit approximately 20 percent of the female breast cancer population that carries a specific genetic defect. The advantage today is, we can identify this specific population through diagnostic testing and provide them with a life saving therapy. Without these insights and diagnostic testing, Herceptin would have shown only a marginal or even no benefit if it had been given to the population that does not have this genetic defect. This is one of many examples on how Roche is advancing into disease areas with great unmet medical needs. While the company delivers on its medical innovation, the more targeted approach also helps to reduce the failure rate in late stage clinical testing. This is where most of the cost occurs and where you don't want to miss because you want to help and not to hurt patients. Focusing on personalized medicines forced our decision to concentrate on the two sources of innovation: Diagnostics and pharmaceuticals. Being able to serve the entire value chain from risk-assessment to choosing the right therapy, monitoring treatment response and measuring lasting treatment success is not just a company strategy, it provides Roche a competitive advantage that most if none of our peers have. Talking about it is one thing, making personalized medicine happen is another. Hence, for each and every molecule we have in our research pipeline today, we apply our diagnostic competencies to discover and develop biomarkers and testing platforms.

How has this integrated strategy of uniting diagnostic with pharmaceutical medicine through cutting-edge biotechnology positioned Roche in Germany and worldwide?

Looking at the German market, Roche is number one in Diabetes Care as well as in the in-vitro Diagnostics and in third position as a research based pharma company. With about 13,000 employees in Germany Roche covers the entire value chain i.e. from basic research through clinical development, manufacturing and marketing and sales. Approximately half of our annual turnover is generated within the domestic market and the other half is exports of our mostly biotech products for other Roche affiliates or overseas customers.

In Germany, Roche runs the only research site, where we co-located our diagnostics and pharma research colleagues in order to foster and stimulate knowledge exchange across these fields. This effort is paying off and today Roche Penzberg has become a strategic site for manufacturing and engineering therapeutic proteins and a strategic hub for personalized medicines in the field of Oncology.

Even though Roche is the number 1 biotech company in the world, there are still challenges. What are the main issues that Roche is facing in the German market as it continues to expand its activities?

I don't think that the opportunities and challenges truly don't differ that much from market to market. Of course, the current economic downturn has an impact on all economies world wide. So in case of Germany, where the financing of the welfare state mostly depends on taxes and contributions linked to employment, rising unemployment rates increase the pressure on maintaining costs. So there is an immediate risk of strengthening cost-containment measures which also would impact the research based pharmaceutical industry. Now any such measure will focus on lower value creating medicines first. Therefore, Roche's strategy to focus on truly clinically differentiated medicines against life threatening diseases was and is also a strategy to protect our business model. Value creation is where I see the opportunity, regardless of whether the economy is good or bad.

We need to convince the skeptics that constantly position innovation as a threat and an unnecessary cost to the national health insurance system rather than a long term investment. The innovations of today will become the cheap medicines of the future. Improving or even prolonging people's lives and well being is a productivity factor and should be well worth investing in. In addition, stem cell research and biotechnology are break through technologies of this century. Why would the German government not utilize its strong knowledge base, its health care industry, its strong science base, its academic research and strong position to further develop world class expertise in these areas and attract the available financial means to stay ahead. I am sure, Roche will stay committed to continue to invest into the German operation if the right environment is being created.

As the head of Roche Germany, what would be your final message to your peers from the pharmaceutical industry worldwide and readers of Pharmaceutical Executive?

Personally, I wished that we as an industry speak with one voice and that we manage to get across that this industry does achieve a great deal in terms of people's well being and health. This is at the core of our business.

However, value creation can be measured for example in profits or medical break throughs. What many people don't understand, we need to talk about our profits in order to attract investors for them to take the risk and finance the costly and time consuming development of our medicines. This is then used by some media to create the impression that these profits are unhealthy ones. Now if we manage better to link the investment and profits to the ground breaking advancements in medicine and how seriously ill people benefit and how society benefits as a whole, I am convinced that our industry would be perceived as what it actually is: an incredible force that brings together the most intelligent brains for the better of people's lives.

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