

Interview with Hervé Dussart , President, AstraZeneca Turkey

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delivered strong results in most of the markets you have been appointed, this is your first assignment as the head of a subsidiary. For a man and manager who has experienced only successes in his life and career, what were the new challenges of leading a subsidiary and what made your days more difficult over the past three years, with these new responsibilities?

Of course, adapting to the country's culture is always a challenge, and Turkey is not different from the others.

Also, I arrived at a time when the healthcare budget had a surplus of 12%, whereas in the first quarter of 2012, it was -14%. Three or four months after my arrival, big measures have been put in place, fairly dramatic, the first global budget was not negotiated but imposed, and translated into price decreases up to -35% on the top line.

So the second challenge for me was that coming up with ideas of investment had been radically transformed into execution of divestment: laying off people and resizing business. This was the first wake up call, for which you need a good deal of adaptation.

I acted fairly rapidly, significantly reorganized the company, and gave it a new shape so that it could be competitive despite harsh market conditions.

The third challenge was to change the pace or the timeframe. The lack of long term prospective, absence of sustainability, and overnight decision change, force you to think differently; because you won't change the culture, you have to adapt to it.

It was a stretch on my personal operating model.

AstraZeneca ranks in the top 10 companies in the Turkish total pharmaceutical market, declaring revenues of 320m dollars last year. Would you say that AstraZeneca Turkey's performance is in line with the global results? What is the contribution today of Turkey to the company's revenue?

If you compare with our short term expectations, these USD 320m showed an exceeded performance, because the volume generation was accelerated under a period where we decreased the investment. Therefore financially, it was a good result.

Now, if you compare this figure with what we had in our heads or in our plans 3 or 4 years ago, it is probably half of our expectations. When we look at Turkey's potential, the size of AstraZeneca, the company's capacities and the products that we have in our portfolio, the business should have derived in probably USD 500m+. However, in three years, the price decreased by 55%.

In financial terms, looking at our capacity to reshape the company, the results are fairly good. In terms of expectations, we have not been doing good according to my standards. In terms of overall performance in the company, Turkey is bringing less than India, which I think is abnormal considering the technological advancement that Turkey offers.

What have been the company's major growth drivers in 2011 and what are the areas of priority at the moment?

The growth engines are four or five directions. One is cardiovascular, which is also an axis of future for us, as we have both a historically very strong portfolio in cardiovascular, and a future one that is even better. The other areas of growth are respiratory and gastroenterology.

We still survive reasonably in the CNS and oncology arenas. Although we have limited results in oncology, we have a very strong historical portfolio with great potential. Among the recent products, we did not manage to make it happen in Turkey, due to multiple hurdles. In my view, these hurdles demonstrate a lack of appetite for innovation in the country.

Guni Goolab, whom we recently interviewed in South Africa, said the company's success in emerging market comes from commercializing first-in-class drugs, or the best in their class, which offer substantial differentiation in meeting patient needs from a clinical point of view. How differentiated is your product offering and commercial strategy to that of your competitors present in the Turkish market?

AstraZeneca does not have a very big portfolio, but every single of our drugs is able to offer significant advantages. However, I don't think this is enough from a commercial prospective. You have to build an environment where it is accepted by the payer, where it is accepted by the scientific committee, where it is bringing enough solutions from the patient's prospective.

Being good is not enough, you need to create a marketing platform and establish significant scientific partnerships that make sense to engage at the right level. In other words, you have to build an overall communication strategy.

Can you elaborate on these partnerships?

They are at different levels. First, we involve the universities and head of clinics in some of our clinical trials, so that they can touch the drug at an early phase, and found their view on what really works, what are the real advantages of a specific drug, how to manage the side effects when they appear.

I am not saying there is a bit of ownership but I would say most of the doctors want to try by themselves; it is basic human nature. When we are able to engage a partnership at an early level, it works.

Turkey has evolved in the right directions, but it has been a bit unstable over the last years. Nevertheless, it is getting much better, it has been clarified by the authorities, and there is a system of ethical committees. We know that Turkey can be a very strong platform for clinical trials development. We have got the brains, the technology, the patient pools, the education, and etc. We just needed the regulation, and it is now in place.

The other example of partnership that is in my eyes necessary is with the payer. We have some drugs where we recognize there are some budget constraints, where the government knows the value of the product and cannot pay, or does not want to pay because they are alternative or other priorities. I would like to engage in some partnership with the payer, whereby we accept to change our prices and conditions, and on their side they accept to increase market access to some drugs. Indeed, we still have some drugs that were not reimbursed when prescribed by certain physicians. If we manage to have some open dialogue with the government, supported by some pharmacoeconomic data for them to understand that a win-win situation can be found for both the government, the industry and the patients.

Pharma companies often tend to demonstrate their commitment to the local population by being a real health partner. But what AstraZeneca is doing exceeds all expectations, as the 3 International Awards received mirror it – PRNews, Golden Peacock, European Excellence. Can you say a word on those initiatives that AstraZeneca has been taking in Turkey?

First Step to First Aid is a four to five years project, which we are very proud of. It is a very simple idea that has been done in partnership with TOAEV, which is a local educational association, in partnership with the Minister of Education. This project aims at supporting in some boarding schools pupils or children, between 7 and 12 years old, in educating them on how to address the emergency gestures and important reflexes to be executed when there is a problem, so that they can be sensitized at an early stage of their life. They are slideshows and lectures to make it more digestible and memorable by the children, as well as a theatre play, where some actors show the good and bad reactions one should have toward accidents. It is funny, engaging, and pedagogic, and children retain because this marks their spirit in the right way.

Over the last 5 years, we have managed to engage 40,000 children across the country, mainly from dismantled families who go in boarding schools, who lost their father, or mother, or who are orphans. This initiative was very well received, very well built up, also engaging us, because some of AstraZeneca's employees also went there to support.

Health connects us all, because everything we do is a way related to health or has an impact on health. It's not just about selling drugs, or generating revenue; it's also about being part of the social life. It's a project that has been decided by the employees. It is dragging good mindset, good emotional engagement, and a significant investment that has some consequences both externally and internally, as people feel good about they do.

The reputation of the pharma industry is not any better than that of the weapon industry or the tobacco industry. This is shocking for the employees, who have the impression to do something good. In some countries, as health has dragged deficits in the states or in social security, employees may feel a bit guilty of what they do. Nonetheless, when they speak to an oncologist who has explained to a lady that after five years, her breast cancer has not migrated from left to right, they know they know they are making a difference, they know that they make some impact on the patient's life. It is our mission to correct the misperception of the pharma industry, because I believe it is unfair.

Turkey offers economic competitive advantages for producers, with a qualified workforce and an excellent geostrategic position. While many MNCs chose to establish manufacturing facilities in Turkey, AstraZeneca has made different choices. What in your view explain that, and are you pushing for the company to invest in the country to develop production?

Our mother company is thinking: where is the ecosystem which will create a high level of confidence to get a return on investment? Bear in mind that we are fighting with countries such as China, Brazil,

Mexico, or Russia, and that some one of those countries have put in place attractive incentives for investment, as opposed to some others which have decreased the prices, delayed the time for drug registration – it has reached 1011 days in Turkey. Multiple buyers, Good Manufacturing Practices (GMP) not recognized, bottlenecks, administrative burdens, all make our lives very difficult in Turkey, especially for the new products, and for the ones that are not produced locally.

AstraZeneca is willing to invest, but has not done it because the ecosystem is not yet in place. Production facilities are well recognized, Turkey has a superb technology, that a lot of countries would admire. Moreover, The brains are in place, as Turkey has highly technical and well trained engineers and businessmen. So it is not a capability issue.

I know the desire for Turkey is to become a good hub geographically and be able to export more. Well, if one of the multinational companies was bringing one of the key brands to Turkey and develop here a global facility for production of that drug, it would double the country's overall export figures. Why is it not happening? Because the ecosystem is not in place. What is produced from Turkey are old products, not the new technological products. Technology transfer will happen when Turkey send the signals that R&D investments are recognized. China is investing in R&D twice as much as the US; Turkey, much less than the average.

Nonetheless, developing hubs in Turkey would make sense, considering the country's economy is good, probably the best in the region, the crisis was only an economic crisis and not a financial crisis, capabilities are in place, and the country has a strong history of industrial technology.

Turkey can be a fantastic hub for the region if a common ground is found. The country can be a hub for production, for R&D, and for management. What happens today in Turkey? A few companies have moved their regional headquarters in Istanbul. But what will bring revenue is R&D, and manufacturing, and probably the right combination of both. That's what creates revenue; that's what creates jobs; that's what creates pride.

The pharma model is in danger today, mainly for two reasons: first, the cost of R&D is very high due to regulatory burden, and second, the productivity is low, probably because most of the R&D projects are too heavy. But this can be fixed. What can't be fixed is a situation whereby all the states decrease the time for patent protection, which is the case in Turkey, by letting generics enter very early, by decreasing the prices, without recognized time and value of innovation, which would enable research-based companies to invest into the next molecules. It will become only a volume business, with very low prices, and very low added value.

We are about to bring life saving drugs which have the potential to save 3,000 to 5,000 patients per year just in Turkey. Having these drugs in Turkey is a political and societal choice.

Today, Turkey is too much focused on delivering high volumes to the whole population by just decreasing the price. The right ecosystem will be the one which balances out sufficient space for high volume cheap drugs, and sufficient space for innovation, which is not the case today. There are 147 drugs registered in the FDA between 2005 and 2011 vs. 47 in Turkey. There are 500 drugs queuing in the registration process in Turkey.

Data protection in Turkey is 6 years, and it starts when Europe has given the go. You can submit it in advance in Turkey, but authorities will not look at your file as long as EMEA has not given its go. Then you have to validate the GMP that is no longer recognized by Turkey, for which you need inspectors, for which there is a waiting list. In total, it takes up to 4 years to enter the Turkish market, which leaves you 2 years of commercial potential for your drugs, keeping in mind that they are sold at a price 50% lower than the cheapest among France, Portugal, Greece, Spain and Italy (which are already low compared to Europe).

It seems clear that the model is not ready to reward innovative drugs in Turkey. That's what I call absence of ecosystem.

Having suffered a series of late-stage setbacks, AstraZeneca expects to ink several agreements very soon that will boost its pipeline. Martin Mackay, head of R&D, told the Financial Times last Monday we should expect numerous deals, including partnerships with other big pharma, acquisitions of biotech companies and licensing deals. How will Turkey be affected by these deals, and what are the next strategic acquisitions or agreements relevant to Turkey?

In these recent announcements, three molecules are concerned, which have been contracted in co-development with Amgen. There are some others in the pipeline of course. As long as Turkey prepares incentives to bring innovation in the country, then Turkey will benefit from these new drugs.

From the Turkish affiliate's perspective specifically, we are exploring every opportunity.

While all players in this market were in a "wait and see" period, you have been able to grow significantly in volume terms. Does this position you as one of the potential new market leaders in Turkey and what kind of progression can we expect?

The first aspect is that, as an evidence, OTC should not be reimbursed. The second thing is that today doctors have their habits and models of prescriptions. There is absence of guidelines, considering unnecessary prescriptions are still generated. The authorities are moving more and more in this direction, and I'm sure AstraZeneca can help the authorities in many different ways to rationalize the prescription system.

AstraZeneca's development in Turkey in the near future will very much depend on how we can introduce our new drugs here. We have between 3 and 5 key brands to introduce in Turkey. There have been 3 or 4 during my tenure in Turkey which could have joined.

AstraZeneca Turkey will continue deliver its mission at improving patient health.

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