

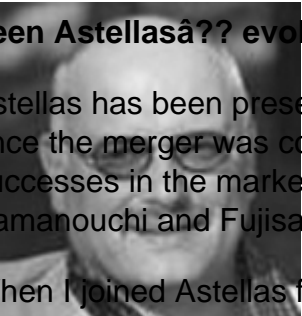
Interview with Krzysztof W. Siedlecki, General Manager, Astellas Ukraine

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...t of Astellas's predecessor Brocade in Russia in 1992, what has been Astellas's evolution in Ukraine?



Astellas has been present in Ukraine for 16 years, first as Yamanouchi and then later as Astellas once the merger was complete. Since then, the company has been quite active with a lot of successes in the market, thanks to a very strong team. Without a doubt, the merger between Yamanouchi and Fujisawa helped to increase the pace of development.

When I joined Astellas five years ago, our Ukrainian operations were not performing very well. At that point, my supervisor in Russia, Dejan Jovanovic, asked me to intensify Astellas's activities in Ukraine, with all of the positive consequences that can be seen today. We continuously set our targets higher, which was difficult at the start, because the company was not used to it. Despite the initial difficulties, we quickly caught up with our competitors, with an average annual growth rate of 40%. Today, we are the fastest growing foreign company in Ukraine and rank amongst the 50 top companies. Naturally, I am very proud of such achievements that have come due to the hard work of my team and also the great support we receive from our colleagues in Russia.

Russia is Astellas's biggest affiliate in terms of sales and has repeatedly received internal awards for their performance. We are still dependent on some their resources, because it is more efficient and practical for Astellas Ukraine to continue to share resources with Russia and the CIS. The figures show the success of the model.

Mr. Tapani Sura spoke about the company's strategic focus on 6 key therapeutic areas (Transplantation, Urology, Anti-infectives, Dermatology, Gynaecology, and Gastroenterology) with unmet need and how urology was driving their sales in the Polish market. How has your portfolio been evolving locally?

Astellas Ukraine currently has four main therapeutic pillars: antibiotics, dermatology, urology, and transplantology, and we plan to introduce a fifth pillar, oncology, next year. Despite the elaborate licensing process in Ukraine, Astellas has already registered two oncology products, one of which is already on the market and the other will be launched next year.

Our portfolio is very well balanced: the four pillars all take roughly similar share. Nonetheless, urology is the most advanced of our pillars, although anti-bacteriology and dermatology are quickly catching up. Transplantology has been a challenge for us locally due to the relatively small number of transplants that are carried out in Ukraine. Given the low starting point, I expected rapid growth,

but the soil is not very fertile and growth never met my expectations. It's shameful that Belarus, with a population one fifth that of Ukraine, sees more transplants on a yearly basis.

Which projects are most demonstrative of Astellas's CSR culture in Ukraine?

One of the initiatives we develop is a program to increase awareness of what transplantology is and educate society on the matter. Professionals know what to do and why a transplant is needed, but unfortunately one of the reasons for the underdeveloped transplantology sector in Ukraine is a general negative perception of transplants by Ukrainian society. Overall, people do not understand what the transplanting process involves, and therefore they are afraid of it. This is why Astellas started a major PR-campaign related to transplants. Some say we are just trying to build our market, but we truly believe our work is beneficial for society. Unfortunately, even Astellas, with its substantial resources, can't take this massive task on its own.

The situation in Poland, for example, is radically different, with numerous societal groups actively supporting transplantation. Such groups include local actors, celebrities, sportsmen, politician and members of the church. They all work together and have achieved great results in changing society's attitude towards transplantology. Almost 90% of young people in Poland support transplantology, and they are prepared to donate their organs after they pass away.

A situation like in Poland is hard to imagine in Ukraine in the near future, but Astellas works hard on creating it by bringing in its expertise and by supporting Ukrainian organizations in setting up contact with sister organizations in other countries, where transplantology is very well developed. I am of the belief that it is more effective to develop CSR programs in our areas of expertise instead of simply performing an act of charity. The latter might sound better in the newspapers, but would not be as effective in truly changing Ukrainian society for the better.

This is similar to what Ms. Ciobanu of Roche Ukraine mentioned to us regarding her need to educate patients about the value of their innovative products and how they can benefit from it.

Yes, this is something most pharmaceutical companies have taken on as part of their strategy. Because of dramatic budget shortages in Ukraine, the salaries of doctors are extremely low and they can't afford any educational expenses. They hence depend on the pharmaceutical companies for participation in a congress, for example, which means that we have to be very careful in dealing with ethical standards, and we need to cooperate closely with local associations. Such congresses provide doctors with a possibility to observe how a particular branch of medicine is used in the West; it's the kind of transfer of knowledge that we believe is needed. Through such initiatives, Astellas can help set up fruitful links between Ukrainian societies and those of Western European countries.

Aside from the negative perception of transplants in Ukraine, what are the main obstacles today for Astellas in the market?

Pharmaceutical companies in Ukraine are used to quite a hostile business environment. One of the biggest challenges that we all experience is the lengthy bureaucracy involved in dealing with Ukrainian authorities. Indeed it is like a cancer that keeps on spreading as we see regulation sometimes moving in contradictory directions. Poland has never been an example of a deregulated country either, but it has made great steps forward in many regards. There are government related procedures that I can have done in minutes in Poland which could take my several months here in Ukraine.

Furthermore, Ukraine also suffers from corruption issues that I would rather not discuss in detail. Nonetheless, Astellas never had to engage in any corrupt practices, such as paying bribes, in order to conduct business here. While Ukraine might be ranked as one of the most corrupt countries in the

world, I believe it is possible to lead a business in Ukraine in full transparency and devoid of corruption.

Another major challenge is the modest purchasing power of both the population and government. The medical needs in Ukraine are enormous, with health indicators such as HIV, Tuberculosis, and cardiovascular diseases among the highest in Europe and one of the lowest life expectancies. One of the reasons for such indicators is cultural, and stems from the fact that people in Ukraine treat life with certain arrogance. An example of this is when people deliberately do not wear seat belts and even finding ways to bypass the signal that modern cars have to warn the driver he is not wearing his seatbelt. I remember my driver in Ukraine – the first thing he did was switch off his ABS, because he said it wasn't pleasant to drive with. This kind of attitude results in the abysmal life expectancy for men to be below 60 – on par with many African countries.

Finally, I must say that neither the previous nor this government have a clear reform strategy to change the current situation with healthcare in the country, where most patients have to pay for treatment out of their own pockets. Ukraine is the only country in Europe where medicine is paid out of pocket on such a scale and government spending provides for just a fraction of medicine coverage. This makes the situation impossible to change from one day to another, but the government should have at least an idea of the direction it wants to go. Sadly, what we see currently is a number of uncoordinated actions.

Is reimbursement possible if there is a clear plan?

Reimbursement should be a target, but while most of my colleagues are praying for its introduction, I'm not. Introduction of reimbursement is an extremely complicated process: and even countries like Germany had a very difficult road and many problems introducing such a system. It requires a very precise approach and a lot of planning, experience, and dedication. Reimbursement needs a lot of preparation, which has not happened in Ukraine. Here, it is a buzzword that sounds good, but it will be total disaster without a proper base and solid preparation, and if we add the corruption, we can expect an apocalypse.

The optimists only think that if reimbursement is introduced, the market would grow by 2 billion euro per year. However, I think that if you want this money, you have to reach the source – the citizen. Let us assume that Mr. Ivanov wants to spend 100UAH in a pharmacy. To provide Mr. Ivanov with the resources, the government has to take these 100UAH from him through some sort of tax on his salary. Out of this 100UAH, 30UAH is likely to be lost somewhere due to corruption, 20UAH will be spent to fuel the system, and maybe just 50UAH will come back to Mr. Ivanov in the form of reimbursement.

There are other health care reforms, such as access and quality to medical services, which are even more important than reimbursement at this point. I suggest keeping things as they are until the government comes up with an integrated strategic plan on how to change the health care system – part of which would be reimbursement of medicaments. As it stands now, it would not be beneficial for society or the industry.

Considering the high fragmentation of the Ukrainian pharmaceutical sector, what distinguishes Astellas from the competition?

Ukraine is very unique because companies from all over the world are coming here to sell inexpensive products. They may not have access to more developed markets due to regulatory or quality barriers, or because they are not accepted by more demanding customers. Ukraine has a decent regulatory system, but a lot of companies are allowed on the market, leading to a strong fragmentation. For Astellas, it does not matter; we will have to compete with other companies and

show the customers that our products are worth the price difference.

The dedication of our personnel is very important in this regard, as is the strong scientific foundation of our products. We ask customers to compare our products with those of our competitors. If you compare real data, you will find that our products are more efficient and of higher quality. We are working with doctors in this regard, providing them with basic pharma-economic information to show that money spent on quality products pays back. It is difficult to sell our kind of products, but not impossible.

What are your ambitions for the next three year considering that you are already growing 40% year on year?

My ambition is to further build up Astellas in Ukraine, to introduce new products and to increase our visibility. I would like Astellas to serve as an example and to combine a decent western style of management with strong ethical codes of marketing and the highest operational standards.

Part of my ambition is my team; I found a very good team when I came here, I would even go as far as to say it is the best team I have worked with – very dedicated and skilled. They are a major part of the success of our company. The only thing is that they are sometimes not used to self-initiative; this is part of the heritage of the communist system which effectively killed decision making. So far, I'm feeling very comfortable because of the people I am working with. On the other hand, the hostile business environment is a constant challenge, making my job as a manager everything but boring.

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