Time has Never been Better for Pharma Breakthroughs than Today: Bayer Exec

ET Q&A

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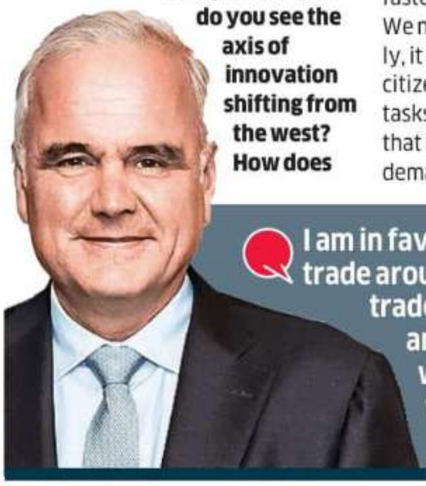
German pharmaceutical giant Bayer plans to adopt a strong tiered pricing approach worldwide to make its drugs and therapies affordable. However, Stefan Oelrich, head of Bayer's pharmaceuticals division, in an interview with **Vikas Dandekar** and **Teena Thacker** underlined the need for returns on its investments for the risks it takes for research. Edited excerpts:

How has the Trump administration's tariff decisions on imports of medicines impacted Bayer's business?
I am in favour of rule-based trade around the world. Free trade has been the basis for an incredible creation of wealth for the entire world, independent of regions. On pharmaceuticals, an (US) investigation is ongoing when it comes to trade, and we'll have to see what the outcome is. There have been some trade deals between the EU and the US, given that we have a lot of reciprocal trade. That at least gives us some planning certainty, but the rest must be seen. It's a little bit in flux.

Obesity management has been in the news on the pharma front. Where is Bayer placed?
Traditionally, we have been strong in cardiovascular and metabolic areas, so all of these are connected. We don't have a specific obesity pipeline project today, but that doesn't mean we're not interested in the overall connection of what's happening in terms of your immune system. In fact, obesity is ultimately an inflammatory process. We target other inflammatory processes, for example protecting the kidney, the heart, and all of this come together. So, reducing weight is one important factor, but not the only one. We are happy where we are. And in R&D, it's like a good sports game: you don't want all the kids on one ball; but you want them distributed along the field to score the most goals.

China has become a big innovation hub with a rush of deals with large companies. How do you see the axis of innovation shifting from the west? How does Bayer prepare for it?



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Take our presence in India: more than 120 years, making us probably one of the oldest brands in the country. This holds true in many regions of the world. Investment into innovation goes where there's a good reception for it, and also some level of acceptance of returns on those innovations. Europe was traditionally the "pharmacy of the world." Then it shifted more to the US. Today we have more balance across regions, which now includes China.

You're head the European Federation of Pharmaceutical Industries and Associations (EFPIA), and you've spoken about the need for a reset because of pressures from the US and China. What's your road map to get European research back in shape?
I would like to characterise it with three As: We need to accelerate, attract, and access. These words essentially sum up my agenda in this presidency. Europe needs to be attractive for investment, both in capital and in terms of people. Europe needs to be faster in approvals, faster in reducing bureaucracy and faster in creating better regulation. We need to accelerate and ultimately, it must ensure strong access to all citizens. One of the most important tasks that we have as innovators is that innovation translates into demand. These three together should make Europe competitive with any region in the world.

You have said breakthroughs require courage, ambition, and crucially, the right environment. What's your prescription for that?
I think time has never been better for breakthroughs than today in our industry. The increase in knowledge around biology, combined with digital advancements and chemistry, has never been better. Knowledge growth in our sector is almost second to none. In IT, we always talk about Moore's law in chips, something similar applies to biopharmaceutical sciences. So, that incredible push in knowledge growth translates ultimately into the opportunity to create products that make life better and longer, and ultimately also make this industry very attractive to invest. To get there, you need to be courageous. Because to get breakthroughs you need to take risks, because you never know if that knowledge ultimately translates into a successful medicine. You need to get off the beaten path and take the innovation to the next level.

We have seen a wave of new, more agile companies that are able to invent new drugs, and they have toppled the old order. On the other hand, centuries-old companies have felt pressure and cost burdens are increasing. In all of this, do you think large companies can come back with the same efficiency and agility?
I love that question because it brings me to the third priority for us this year, leveraging our operational system. It started as we were revamping our R&D model to become less German-centric than we had been. We did acquisitions in the US and Europe. Three of them were in US. As we acquired these biotech companies, one of the organisational principles that we applied was to manage them as if they were continuing as biotech firms. We created what we call the arm's length principle. Their boards stayed in place, I am the chairman of the boards of these three companies; we operate them as independent biotech units that buy services from us instead of building them internally. They remain independent in how they operate, how they pay people, and how IT systems work.

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