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Q&A: Nenad Pavletic Follows A Very Long Term Plan

By Irina Filatova

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Even as a young student, Pavletic had a feeling Russia was in his future.

Hit by a severe heat wave in the summer of 2010, Russia did not seem very welcoming to Nenad Pavletic, who had come to Moscow to take a new position in his company.

Pavletic, 41, recalled that time, when he had just been appointed general manager for Swedish-British drug giant AstraZeneca's Russian operation, as one of his biggest personal challenges.

"My first visit to Moscow was not extremely pleasant. I came to look for an apartment, and since there was no air conditioner in the real estate agent's car, we had to drive around the city for the whole day tolerating the 40 degree heat," he said.

Nenad Pavletic

Education

September 2002-July 2004 — London Business School, MBA

Work experience

September 2010-present — AstraZeneca, general manager for Russia
2009-2010 — AstraZeneca, area vice president for Eastern Europe
2007-2009 — AstraZeneca, country manager for Romania
2004-2009 — AstraZeneca, country manager for Slovenia
2000-2003 — Pliva, country manager for Poland
1997-1999 — Pliva, sales and marketing manager for Poland
1996-1997 — Pliva, sales manager for Poland

Favorite book: In childhood I liked adventure novels by German writer Karl May.
Reading now: Mostly business magazines, like "The Economist," because of a lack of time.
Movie pick: "Pulp Fiction" (1994), directed by Quentin Tarantino; "Trainspotting" (1996), directed by Danny Boyle.
Favorite Moscow restaurant: "Sixty" (12 Presnenskaya Naberezhnaya, Federation Tower).
Weekend getaway destination: My country house in the village of Trpanj in Croatia, where my grandparents come from.

But his first impression turned out to be false.

Although conceding that life in the city has its disadvantages, like huge traffic jams and shivery falls and winters, Pavletic now says he loves Moscow for its dynamism and the unexpected adventures one can find here.

“It’s the kind of city that you’ll either love or hate,” he said.

Having visited many European cities as a senior executive, first with Croatian drug-maker

Pliva and then with AstraZeneca, Pavletic has a good perspective.

Speaking in an interview over a cup of coffee in a Moscow restaurant, he worked to break down some foreign stereotypes of unfriendly Muscovites by praising the local sense of humor.

Russians, who may seem glum at first sight, tend to be very hospitable and helpful once you get to know them closer, Pavletic said.

He burst into a laugh as he recalled a funny incident when he was trying to buy a container of sour cream in a grocery store at the beginning of his Moscow sojourn.

"At that time I could understand Russian, but I didn't speak it very well. So when my turn in line came, I began to point to what I needed in the display," Pavletic said, adding that his efforts failed to bear fruit, because the saleswoman couldn't understand what he meant.

"The more I was trying to explain what I wanted, the more she was getting irritated. When she reached the boiling point, she asked me to leave the grocery store."

Luckily, Pavletic said, a lady behind him in line was more quick-witted and sympathetic than the saleswoman and helped him with the purchase.

Pavletic's Russian skills have significantly improved since then, making it possible for him to both speak at industry conferences and enjoy programs on local television, with "Comedy Club" being one of his favorites.

But even his modest command of Russian acquired during his student years, as well as his knowledge of the local culture, which he says is similar to that of his native Croatia, turned out to be sufficient for Pavletic to be offered the new challenging position in Moscow two years ago.

He was assigned to prepare AstraZeneca's long term investment plan for Russia, as the company decided to join other international drug-makers seeking to localize manufacturing.

The trend followed the government's effort to breathe life into the country's aging medical technology base by attracting foreign investment to increase the share of domestically produced drugs.

As part of its investment plan, AstraZeneca started to build a $150 million facility in 2011 in the Kaluga region.

The plant is supposed to start production next year, and Pavletic hopes it will help his company outsell its rivals.

His chances for success are good. Pavletic brought AstraZeneca's division in Romania, which he used to run, from 18th to fourth place in terms of sales, by building a strong portfolio and conscientiously fulfilling plans.

He said he expects that strategy to prove effective in Russia as well.

"Globally we're No. 5, so I don't see a reason why we can't be No. 5 in Russia's prescription

segment as well," he said.

This interview has been edited for length and clarity.

Q: Why did you decide to move to Russia?

A: In July 2010, I was invited to our regional headquarters in Brussels and offered an opportunity to move to Russia. I didn't think long. I realized that it is a big country and that it would be a big business opportunity sooner or later.

And since I had taken private lessons when I was a student, I can say that Russian is an extremely interesting language. So when I was told that there was an opportunity here, I thought for less than 30 seconds and then said yes.

Q: Why did you want to learn Russian as a student?

A: I originate from Croatia, a former Yugoslavian country, which had strong ties with Russia. Before 1990, the world was bipolar, divided between the Western world and countries that gravitated toward the Soviet Union. After the fall of the Berlin Wall, the world started to change; new countries began to emerge.

It was already clear at that time that things would be happening in countries like Russia, where many people have good intellectual potential. As a student I was learning about Russia's great poets, painters, chess players and mathematicians.

I was also analyzing where I would be able to use my personal competitive advantages, and I realized that it's possible in the countries with a similar mentality and a similar way of life. Having this in mind, I decided to learn Russian.

Q: How difficult was it for you to start a career in the pharmaceutical industry without a degree in medicine?

A: If you look at the profile of people working in this industry in the United States and Europe, there are actually not very many who have a medical background among them. Medical doctors are primarily involved in companies' research and development activity, but there are no medical doctors on the commercial side. So I had to do what anyone else without a medical background would do: I hit the books and started learning.

I had to learn about various diseases and their symptoms, as well as medicines. That helped me understand what kind of products I'd be working with and who the customers and patients that I'd be working with are.

It took much time and effort because I didn't have a background. I also had to ask some people to explain to me the things I didn't understand.

Q: What were your greatest challenges at the start?

A: There were a few things: first, learning about products and diseases; second, getting credibility as a person without a medical background and then to get respect among employees. I'm not going to claim that I can treat patients or have a sophisticated debate about complex diseases, because you need a more extensive education for that, but I definitely can support a discussion related to our products and the diseases that can be treated with our products. And when people see that you made a great effort to learn, that's key for getting respect.

Q: What is most difficult about working in Russia?

A: The complexity and unpredictability of the market. For a newcomer, Russia is so different from any other market that there's nothing you can do based on your previous experience. You have to learn everything from scratch.

Russia has a unique business model and supply model that I haven't seen in any other country. The model of supplying our products to patients is extremely complex here.

The size of the country makes it even more complicated. While supplying products from our factory, you need to cover a huge territory with several time zones. The reality is that you can't reach every doctor here.

At AstraZeneca, we launched a program which involves using digital technologies for informing doctors about diseases, possible treatments and our products. We organize webinars or simply call those who have no Internet access.

Finally, the market is extremely unpredictable sometimes, like in the areas of cooperation with officials or patients' behavior.

It's very important for us as a pharmaceutical company that we have patent protection and protection of exclusivity rights in any country where we work.

It's no less important to understand the market requirements, whether they are regulatory requirements or local production standards. The more transparent the market is, the easier it is for us to comply with its norms and standards.

Q: What is special about patients in Russia compared with their counterparts in other countries?

A: Russia is a very symptom-driven market. People visit a doctor only when they feel sick. Prevention has yet to develop in Russia, and life expectancy would be significantly longer if the prevention model were developed in the country.

The other reasons for low life expectancy is noncompliance with treatment – people often give up treatment after they start feeling better – and access to treatment. For many Russian patients, treatment is too big a financial burden.

Q: Do you have any problems with red tape or bribery?

A: We haven't seen those problems. We have a great experience working with the Kaluga government team, which has proved efficient and extremely supportive.

That's one of the reasons why we decided to increase investment in our plant in the region from $150 million to almost $190 million.

We plan to expand the portfolio of products that we'll be producing here. For that, we need to increase the capacity of the plant.

Overall, we plan to invest about $1.2 billion in Russia by 2017. That will include spending on developing the company's staff, which now amounts to 1,200 employees, investment in educational programs for physicians and in manufacturing and research and development.

Q: What are the company's further plans to develop business here?

A: At the moment we are looking at different collaboration options with a number of Russian companies in terms of product development.

But it's not an easy task because Russia, and Moscow in particular, has yet to develop a favorable environment for scientists, entrepreneurs and venture capitalists to work together.

If you go to Silicon Valley in the United States, for example, scientists, university communities and venture capitalists usually carry out joint projects to develop new products. In Europe, Switzerland is a good example. Such cooperation has not developed in Russia yet.

Q: What advice would you offer potential foreign investors?

A: Not to be afraid of Russia. I always say that it looks much better from inside than from outside. When people come here, they often realize that it's possible to develop business here in line with the highest standards.

I believe that Russia is a market of huge opportunities, and I believe there's hardly any multinational company that is not looking closely at how to grow here.

Q: What are Russia's biggest advantages in terms of doing business?

A: The size and market potential it provides. Unfortunately, Russia has a big number of people with unmet medical needs. The level of cardiovascular mortality here, for example, is over 560 per 1,000 deaths, compared with about 490 per 1,000 in Europe.

The second advantage is the quality of human resources, as Russia has a lot of people with great intellectual capacity.

Q: What are you usually looking for when hiring people?

A: I pay attention to three things. The first is whether people are willing to work. I often quote a famous Croatian basketball player, Drazen Petrovic, who was a top player in Europe in the 1990s. He said: "My success is 5 percent talent and 95 percent hard work".

I also look at whether people will take risks and bear responsibility for their decisions. The third thing, which is important, is how people behave in a difficult situation and whether they are able to cope with pressure and stress.

Q: What's your strategy for driving success?

A: I believe that the successful performance of a company doesn't depend solely on the person at the top. There are a few secrets: building a team that can deliver, inspiring people and finally to be open enough, for people to be able to come and talk to you and see that they can learn from you.

Q: Who or what inspires you?

A: Most inspiring for me is to see personal and professional development of young employees at the company. Working with people is one of the things I enjoy most in my job.

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