

Ferrer: AI and Digital Transformation in the Pharmaceutical Industry

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In December 2021, just a few days before the winter holidays, Ricardo Castrillo, General Manager for Ferrer Spain, was about to meet remotely with Sergio Cortés, Digital Business Experience (DBE) Director. Ferrer is one of Spain's largest pharmaceutical companies, with sales in over 120 countries.

One year and a half earlier, in spring 2020, the COVID-19 pandemic spread throughout the world. To arrest the virus' expansion, most nations implemented severe restrictions on personal mobility and business operations. In Spain, one of the countries most intensely affected by the first Covid wave, access to healthcare centers was restricted, given the danger of Covid contagion among healthcare professionals.

Thus, suddenly, Ferrer lost the way to keep in touch with its most important stakeholders: healthcare professionals. The traditional way of informing stakeholders about prescription drugs in the pharmaceutical industry—via phone calls and meetings at hospitals—was completely shut off. This prompted an immediate response from the company, which was to develop a digital interface to keep the sales channel alive.

Now, what arose out of necessity has become part of Ferrer's strategy. The digitalization of the channel and other issues presented by the pandemic (such as work-from-home practices) spurred an ambitious plan for the digital transformation of the company, making it more competitive and creating more value for healthcare professionals, employees, and society at large. A key part of that strategy consisted of using artificial intelligence (AI) solutions to radically change the way Ferrer reported on its products and interacted with its stakeholders.

This case was prepared by Professors Sampsa Samila and Marta M. Elvira and Isaac Sastre Boquet, case writer. November 2022. IESE cases are designed to promote class discussion rather than to illustrate effective or ineffective management of a given situation.

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Eighteen months later, Sergio and Ricardo have been reflecting on the strides Ferrer has taken in that direction. However, many decisions remain: Should Ferrer focus on transforming just its Spanish commercial unit—where this effort originated—first, or involve its international subsidiaries? How should digital operations be organized inside the company? Should it be its own unit, embedded in the business units or some other structure? And how should the company measure the value being created by the transformation?

Ferrer

Ferrer was founded as Laboratorios Ferrer in 1959 by Carlos Ferrer Salat, a Spanish entrepreneur. Besides his extensive industrial and business activities, he was passionate about sports; in 1953, he became Spain's national tennis champion, and in 1989, he was named chairman of the Spanish Olympic Committee, overseeing the organization of the Barcelona 1992 Olympics.

By the 1960s, Ferrer had become one of the largest domestic pharmaceutical companies in the Spanish market and had begun its internationalization process with acquisitions in Germany while establishing branches in several Latin American countries.

Laboratorios Ferrer was renamed Ferrer International in 1975. By then, the company had become vertically integrated, and in the following years, it diversified into the manufacture and distribution of fine chemicals. In 1977, Ferrer established a research and development (R&D) center in Barcelona.

In the 1980s, Ferrer implemented good manufacturing practice (GMP) standards throughout its manufacturing base, increased its chemical manufacturing activities, and created Ferrer Alimentación, a subsidiary that manufactured additives for the food industry. In the 1990s, the company diversified further, creating a hospital business unit that focused on oncology, intensive care, and pain management.

The 2000s were a decade of growth for the company, which expanded—often via acquisitions—in its main pharmaceutical segments. Internationally, Ferrer increased its presence in Southern Europe and Latin America.

In 2018, with the appointment of Mario Roviroso as the new CEO, Ferrer entered a renewal stage. The company decided to concentrate its business on pharma and on developing its own products, focusing on specialized prescription medicines, mainly for hospital use, in two main therapeutic areas: pulmonary vascular interstitial lung diseases and neurological disorders. This involved selling off other units—such as the chemical business and the generic drug business—which, even though they were profitable, were no longer part of the company's vision.

Ferrer in the 2020s

Ferrer continues to be a family-owned firm headed by Sergi Ferrer-Salat as president. Mario Roviroso, who joined the company in 2016, with extensive experience in the pharmaceutical industry, is the CEO. It has become a vertically integrated company, participating in all steps of the value chain for pharmaceutical and medical products: R&D, manufacturing, distribution, and marketing.



Table 1
Ferrer at a Glance (2020)

| | |
|--|--------------|
| Net Sales | €595 million |
| R&D Spending | €21 million |
| Headcount | 2,160 |
| Projects in Development (Preclinical and Clinical) | 12 |

Source: Documents provided by the company and <https://ferrer.com/es>.

In 2020, 48% of Ferrer's sales came from international markets. Overall, Ferrer was present in 120 countries, either through partners or through its own subsidiaries (see **Exhibit 1**). The corporate headquarters are in the Illa Diagonal Building in Barcelona. The majority of Ferrer employees (1,820 out of 2,160) were also based in Spain.

Ferrer's global strategy is centered on developing a portfolio of innovative products in two main therapeutic areas: pulmonary vascular and interstitial diseases, and neurological disorders. R&D Search and Evaluation is the department (inside the corporate R&D area) that identifies potential new projects—either internal or external—for the company. These projects are evaluated using cross-functional teams in collaboration with other departments. The R&D Portfolio department handles the company's project portfolio, making sure it is aligned with the company's culture and strategy and managing the approval of new projects. It seeks to promote efficiency and transparency in R&D projects through multidisciplinary coordination, teamwork, communication, and monitoring of milestones and results. It manages the committee for incorporating new projects and the committee for monitoring projects in the portfolio.

When licensing in or out the company's intellectual property (IP), Ferrer cultivates long-term relationships. Ferrer seeks strategic alliances—with both public and private actors—that reinforce its portfolio. Licensing is also a core part of the company's international strategy, licensing out the company's products in countries where Ferrer has no presence and developing relationships in nations with rich R&D capabilities.

The company's plants—located in Spain—manufacture chemical substances, active pharmaceutical ingredients (APIs), and finished pharmaceutical products. Ferrer's state-of-the-art logistics center is located in the town of Sant Feliu de Buixalleu near Barcelona. Ferrer's plants are certified for GMP and multiple environmental ISO standards, and the company works with its suppliers to constantly improve its sustainability performance. It has developed a sustainable purchasing policy that guides its decisions.

Ferrer for Good

One of the first goals of Mario Rovirosa and his team, after he was appointed CEO in 2018, was to undertake a cultural transformation of the company. At the time, Ferrer was seen as lagging in organizational and technological innovations. The first step was redefining the company's purpose around four axes: efficiency, focus, people, and sustainability. This culminated in the refocusing of the company on pharma, the improvement of processes to make the company efficient and the formulation of a company strategy around people and sustainability. This strategy was called "Ferrer for Good."