

# Customer Centricity in Practice

MSD Sweden, a subsidiary of the global healthcare company Merck & Co., Inc., is leading the way in the pharmaceutical industry in Sweden by aligning the whole company towards focusing on the needs of the core customers.

Images by Q Image

After earning his degree in economics and business administration from the University of Uppsala and becoming a Captain in the Royal Guard Reserves, Jacob Tellgren, Managing Director of MSD Sweden, started his pharmaceutical career at Pfizer as a sales representative. He left the industry briefly to try IT consultancy, but realised the pharmaceutical business was his calling. Jacob joined MSD in 2001 and has since then held various positions across the organisation before taking his current position at the start of this year.

Jacob has seen the pharmaceutical industry go through some dynamic changes, which have had a major influence on MSD Sweden's operations. "What we're facing right now is that we don't deliver the same growth that we used to. Part of that is due to a number of

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patent expiries of major products and part is because we have been operating a business model that is no longer working. Previously, our focus has been to offer scientific information on our top-class products to individual physicians—basically the traditional way of the pharmaceutical industry. What we see now is that we need to collaborate with other decision-makers of the healthcare sector. Regional healthcare providers are increasingly the dominant force to determine drug utilisation. They want to have a say in what products are being used, in what way, and for what patients. From that perspective, there is an industry identity crisis because we have been operating our traditional model very successfully for many years.

"It's not easy to change the way you operate after focusing on the individual physician or treating clinician for years. Now focus has

to move to other parts of the healthcare organisations—in Sweden, the county councils. This includes pharmaceutical units, formulary committees, and also to a certain extent, politicians within the county councils. Maybe this is particularly important in countries like Sweden with a publicly financed healthcare system. Anyway, these organisations make decisions that have a huge impact on what products prescribers can and will use. This is a completely new environment for us."

With this change of market environment, MSD Sweden has been on a reorganisational journey that has brought the company's fundamental focus from product characteristics to customers' needs. "That reorganisation is foundational and bigger than any of us could imagine because it really goes into the DNA of the organisation. The organisation has been moving >



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in this direction step by step and now we're really taking the last step in building a customer-centric organisation rather than a product-centric organisation.

"Using the word 'moving' from product-centric to customer-centric is what I'm trying to communicate internally; that's the mantra of this reorganisation. The reason we believe that this is a better way of organising our business is because, at the end of the day, our customers are not primarily interested in our products; they are interested in finding solutions to improve health for the county's citizens at a reasonable cost. It goes to the core of our business; how do we find proper solutions to the issues that healthcare is facing. If we don't understand, if we don't do

something about it, then we will not be successful. "What makes us really different is not only our focus on customer needs, but that we're showing that we are interested and willing to move closer to our customers and that we are building on our historically strong position of high standards of ethics and integrity in how we do things and how our business is being run. I hope that our customers see that there is a difference between how we operate our business locally compared to other companies. I think we have a couple of strong and tangible examples of that happening.

"We're just at the beginning of a long journey and we have to deliver significantly more over time. We have to show our

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customers that we are serious, that we are here to stay, and that we really want to engage in long-term partnerships. I also realise that if you talk with CEOs, everybody will tell you that they want to engage in long-term partnerships; it is something that is very easy to talk about and put on a PowerPoint slide, but it's actually difficult to do. It goes back to trust, which takes time to build.

"If there is something that makes me happy and proud of this organisation, it's that more and more customers are saying, 'We see that MSD is different because we have a more trustworthy relationship with you and you are really interested in trying to solve our problems and solve our issues'. I can see early signs of that happening, but I also have to add

that we have so much more to do and so much more to deliver."

Although Jacob believes MSD has much ground to cover to reach its full potential, the company continually measures its success through growth and tangible results. Jacob highlights that the true challenge in his role as CEO is balancing long-term goals with short-term gains. "You cannot survive by only focusing on the long-term aspects; you need to deliver in the short term as well, but you need to do so in a way that doesn't jeopardise the long-term aspects. I think that is really the eternal question for all managing directors. There is no silver bullet or quick fix; you have to be very humble and you have to stay close to your customers and to your organisation.

"To measure success you can find KPIs in terms of growth and sales, but you can also find softer KPIs in terms of trust and value, or measuring the access you have to your customers on the proper level. Anybody can get access to somebody in customer organisations; the key is making sure you have access to the people that are really influencing the decisions. When I started to analyse our performance, I soon realised that we are actually facing customers that are comparable to mid-sized to rather big multinational companies."

"If I look at the county council of Stockholm, for example, they employ close to 50,000 people and have a turnover of more than SEK80 billion (US\$13 billion). If I want to address the top management of that organisation, I need to engage myself and my management team, and I need to take into consideration that that's the equivalent of a company nearly of our own size globally. These are senior executives in huge organisations, so you need to understand and be respectful of that. At the same time, you need to meet with the people at the local GP office or the clinic at that university or hospital. I guess this balance is another challenge of my job."



While MSD is undergoing some dramatic changes organisationally, the company remains committed to discovering and developing medicines and vaccines that help to improve or save lives. "We are engaged in a number of different research areas where we pursue new disease targets, new types of medicines and vaccines, and new models for developing the next generation of therapeutic breakthroughs."

The company's research has sharpened its focus on key areas including diabetes, vaccines, oncology, and acute hospital care. "If you look at what we're focusing on from a regional and local perspective, diabetes is definitely one of the core areas where we put a lot of research efforts. Another important area is immunology, which includes diseases like rheumatoid arthritis and inflammatory bowel diseases such as Crohn's disease and ulcerative colitis. Oncology is another field where we put a lot of research efforts right now and we hope to be launching a new treatment option within the cancer field shortly that has the potential to make a huge impact in people's lives. Oncology is a very important area for us."

Jacob believes in MSD Sweden's future, particularly since Sweden offers such a robust and important market environment. "We have a unique position in Sweden because of the Swedish society and the healthcare structure. I'm a strong believer that Sweden is an interesting country, not only for MSD, but also for the pharmaceutical industry in general.

"The size of Sweden is actually perfect because it's big enough, with close to 9.5 million inhabitants, to be a market where you can test new ways of doing business. At the same time, let's be honest, if the new way is not successful in Sweden that's not the end for any major company. In addition to the suitable size, Sweden has a very sophisticated healthcare system, a highly educated population, a high IT maturity and a good level of trust between the citizens and the government. In other words, the conditions here in Sweden are very favourable.

"In my opinion I see Sweden as an almost perfect place to test new ways of doing business for the life science industry." •