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WP3: Country case studies

**Case study report on the
Pharmaceutical Company “Sopharma Group”**

Con formato: Inglés (Reino Unido)



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Content

1. Introduction	3
1.1. Methodology	3
2. General info	4
3. Digitalization/training of the personnel	6
4. Industrial relations/Social dialogue	7
5. Conclusions	9
References	10

1. Introduction

The present study addresses the company “Sopharma Group” (later called Sopharma) for production and sale of pharmaceutical products.

Sopharma has been chosen as a subject of the case study as it is:

- A private manufacturing Company with increasing revenues and national market share, trade expansion in more than 40 European countries and branches on the Balkan peninsula;
- The only registered in Bulgaria pharmaceutical company among the first 10 global corporations active at the national pharmaceutical market (ranked by the “Capital” journal);
- An illustration of a rapid implementation of digital technologies in the: production processes, the quality control, the administration procedures and the products’ distribution at the national/international markets;
- Has an adequate training, re-training policy for the personnel;
- Has implemented an efficient social program for its staff;
- Has established a social partnership between the management and the 2 active company’s trade unions (both are corporate members of the nationally representative Confederations - the syndicate partners in the tripartite national social dialogue).

1.1. Methodology

The case study was performed as per the Guidelines for the execution of DIRESOC WP3, i.e. via:

- **Desk researches** based on the review of the site of the Company, its annual financial reports, published opinions/interviews/news in the Internet space and the mass media;
- **Interviews** with the:
 - CEO of the Company;
 - Chair of one of the Sopharma trade unions - the National Labor Federation (NFT) Chemistry and Industry;
 - Chair of the Bulgarian Association of pharmaceutical generic producers;
 - Company’s responsible persons for: the public relations, the Corporate social responsibility’s program and the HR;
 - Two workers.

The interviews were carried out face-to-face, via telephone and emails, following the scenario below:

- Introductory presentation of the project DIRESOC;

- Explanation of the objective of the case study;
- Presentation of the translated consent Form;
- Delivery of the DIRESOC letter of presentation;
- Filling in the questionnaires.

2. General info

The pharmaceutical market in Bulgaria is a growing one and could not be otherwise - the population is aging. More and more better diagnostic techniques for early detection of diseases appear nowadays.

As per the estimation of the Association of the industrial capital in Bulgaria, the pharmaceutical branch is recognized as a pioneer in the implementation of new technologies and digital applications in the national manufacturing sector.

The Register of the Executive Agency for medicines indicates that about 78 companies own manufacturing authorization for drugs, but only about 20 of them are Bulgarian. The rest are representatives of foreign pharmaceutical companies.

Sopharma dates back to 1933. The research and development activities of the Company address mainly the generic products i.e. determining and developing new formulas and compositions or new physical properties (such as medicine or tablet forms) of the existing pharmaceutical products in order to adapt them to the current market needs. The strategic goal of the Company is to realize a sustainable future production by developing eight to ten new products per year.

Sopharma has more than 210 products in its portfolio: mainly generics and 15 original products, 12 of which are plant-based. The plants of the Company are located in 3 different cities - Sofia, Vrabevo and Kazanluk. All they include the manufacturing of the Bulgarian original product Nivalin which is sold in more than 10 countries outside Bulgaria. The 3 Sopharma's plants work according to good manufacturing practices (GMP) standards, but also invest in renewable sources of energy, smart buildings, etc.

Throughout its years of existence, Sopharma has generated and defended its industrial property. As a result, the Company owns a large number of industrial property rights, the majority of which are registered (trademarks, patents, designs), as well as fewer unregistered achievements - mainly in the field of technology. The above assets result from the Company's special policy towards new products and technologies, and in particular towards technological innovations specific for the pharmaceutical branch.

The Company owns 4% share of the total Bulgarian pharmaceutical market in value and - 14% of the sales in volume (12% for 2014). The revenues from the sales of Sopharma on the European markets amount to 34% of the total consolidated sales revenues for 2018 with an increase of 33% compared to 2017. The contribution of the sales in Bulgaria to the consolidated sales revenues in 2018 amounted to 64%, and were increased by 9% compared to 2017 (as per the annual financial company's reports for 2017 and 2018).

The original products of the Company (in particular Carlsill and Tempglin) make the major contribution to its revenue from the export markets. For the local market sales, the generic products of the company are the most important, including Analgine.

The company is exposed to strong competition. It is dependent on the approval of a couple of regulators, also is a subject to a number of laws and ordinances in the area of the environmental protection and the health and safety at work.

The market shares of the main competitors of the Company in the country are: Novartis – 7% (4% in units), Roche – 6% (0,3% in units), GlaxoSmithKline – 6% (3% in units), Actavis – 4,8% (12% in units), Sanofi-Aventis – 4,3% (3% in units), Astra Zeneca – 3,3% (0,9% in units), Bayer – 2% (1,9% in units).

In 2006 was created a Sopharma Trading as a part of the Sopharma Group. In the period 2009-2017, Sopharma Trading is ranked 1-st place of revenues in the branch. In 2015, Sopharma Trading started its regional expansion outside Bulgaria, entering the Serbian market.

For covering the whole territory of the country, the same year, the Compnay opened its first retail sites under the brand SOPharmacy.

Structure of the staff of the company:

The staff's constitution of the Company is shown in the table below:

Workers/employees	2018	%	2017	%	2016	%
Women	1396	61	1291	62	1138	62
Men	878	39	778	38	696	38
Total	2274	100	2069	100	1834	100

It is relatively young – 62 % are under 45 years with good education level and computer background allowing efficient training and adaptation to the technological innovations.

Employees/workers			Relative share in %	
Education level	2018	2017		2016
High	926	893	41	799
Semi-high	51	46	2	41
Secondary	1263	1099	56	965
Primary	34	31	1	29

The personnel costs (with a share of 10% in the total budget) were increased by BGN 18 million (or by 18%) to BGN 119.4 million in 2018 compared to BGN 101.4 million in 2017.

The overall growth of these expenses is due, both:

- to the increase of the remuneration of the hired personnel and

- the increased staff number in the Group as a result of the consolidation of new companies.

The workers of the Company are engaged in the: manufacturing of pharmaceutical products in the 3 Company's plants and the: technical support, quality management systems, development of new products, medical and regulatory activities; marketing; logistics and administration.

The current HR strategy of the Company is directed towards an increase of the women workers, but their number at top management positions remained unchangeable for the last 2 years.

The medium salary in the Company is 3 times higher than the minimum one for the country (560 BGN, 1 EUR + 1.95583 BGN). The labour agreements in the Company are in form of individual contracts with each worker.

Employees are entitled to higher remuneration, required by applicable law for overtime, night shifts and working weekends, and during holidays. Employees who work in specific, harmful or dangerous conditions receive personal protective equipment and allowances.

3. Digitalization/training

The Company is continuously investing in innovation, research and science. Most part of its revenues goes for financing the modernization of its business.

“Our everyday big challenges are to widen and improve quality production standards and technologies” - shared its PR.

The Company is “one of the leading technological private manufacturing companies in the country in the pharmaceutical branch” confessed the Chair of the Bulgarian Association of pharmaceutical generic producers.

The most important digital achievements of Sopharma are:

- The equipment of the 3 factories up to the highest pharmaceutical technological standards;
- The automated warehouse for management and distribution of its products using the KNAPP system;
- The B2B site, based on the Platform Hybris, through which the company offers the most advanced digital services to its customers in the national pharmaceutical market. The new online platform provides customers the ability: to easily create orders, extended product information, track deliveries, invoices and other features, all in real time.
- The implementation of the ERP system, developed with the global leader SAP, whose business solutions have proven to be the gold standard in the field of health care worldwide. The ERP is an integrated management of the main business processes, often in real-time and mediated by special software and technology. Its function is to track business resources: cash, raw materials, production capacity and the status of the business commitments: orders, purchase orders, and payroll. The applications make the system

sharing data across various departments (manufacturing, purchasing, sales, accounting, etc.) that provide the data.

In order to assure the correct functioning of the new technological equipment, the company organizes customized training of its personnel which costs amount to 4% of its total manufacturing expenses.

The process for the implementation of new technological equipment passes through a couple of phases, incl. relevant training of the personnel involved in the work with it (operators, setters and their supervisors) by representatives of the manufacturing company. The trained staff completes 2 training protocols and gets a qualification certificate, which make part of its professional dossier for qualification improvement.

For the other employees, the company provides training related to the daily work / language and digital courses at different level of complexity/ as well as those ones aimed at personal and professional development. Based on their potential each employee is given the opportunity to develop his/her skills.

The HR shares: “Training programs offered to employees, aimed at increasing their competence levels. The training policy is specifically focused on providing high professional knowledge, acquiring digital competences and improving awareness related to health and safety issues”.

For the new employees, the company takes care in promoting a rapid introduction workflow by organizing specialized introductory trainings.

Sopharma created as well an internship program for students in pharmacy allowing to gain practical experience in a real business environment. As participants in real cases and projects, trainees have the opportunity not only to learn about the functioning of the company closely, but also to acquire knowledge and experience for a successful career in it or elsewhere.

4. Industrial relations/Social dialogue

The active trade unions in the Company are:

- The national Federation Chemistry “Podkrepa”;
- The National Labour Federation Chemistry and Industry”- NFT.

The social dialogue in the company is realized through joint meetings convoked as per the initiative of the management and/or the trade unions. The management has supplied the trade unions with offices equipped with all necessary for their activities facilities.

As per its Communication of progress, dated June 2019 (Criterion 7 Labour)the Company reports “that an effective management system was created to integrate the labour principles as well as a dialogue mechanism with the trade unions to regularly discuss and review company progress in addressing labour standards. A grievance mechanisms, communication channels and other procedures have been established and are available for workers to report concerns, make

suggestions or seek advice, designed and operated in line with the representative trade unions in the company”.

A regular review of the Company’s progress is carried out with the trade unions. “The Company shares with the trade unions any undertaken policies, procedures, and activities including goals, timelines, metrics, and responsible staff” explained the CEO.

Joint audits are the other steps to monitor and improve the working conditions of companies in the supply chain up to the principles of international labour standards.

“Specific commitments and Human Resources policies, in line with national development priorities or decent work priorities in the country, are shared and discussed together with both trade unions of the Company”, said the HR manager.

The management puts much funds for realizing a lot of social initiatives for improving the working and personal life of its staff. The social program of the Company is discussed and realized together with the trade unions.

A lot of different non-standard fringe benefits are provided: additional health insurance, free dental services and annual medical examinations; free fitness club (area for sport activities called "Healthy") attendance; cards for multisport, free folk dances courses, free kindergarten on the territory of Sopharma; baby kit for a newborn child; program "I'm proud of my parents 'work", in which children of employees go to their parents' place of work; free library; accessible and modern recreational facilities for employees (4 holiday centers with preferential conditions for the employees), catering establishment based on the canteen principle; food vouchers etc.

But the negotiations between the social partners are limited mainly to themes regarding the salaries increase, the social benefits’ improvement, the working conditions in the plants, the appearance/shift/cancellation of jobs. Topics concerning the strategy for the further development of the company and its future priorities still remain in the decision’s power of the Company’s management and are just communicated to the trade unions.

Last year a new topic enters in the focus of the negotiations – the planned training of the personnel and its impact on the level of qualification and remuneration.

The chair of NFT explained: “The topics, subject of negotiations today: changes in the employment, labor contracts, and salaries are not sufficient. Main characteristic of the industrial relations in the Company has to be the establishment of policies and mechanisms for social dialogue and collective bargaining addressing the preparation of basic parameters for its future economic activity”.

The general comments of the Federation about the features and the effectiveness of the social dialogue in the Company tends to lack of: efficiency, object orientation and capacity to deduce the problems of the branch specific solutions.

Both Company’s trade unions work closely with the Industry Council for tripartite cooperation. It is the channel to the employers and the Government and plays an important role for improving the mechanism for social partnership in the pharmaceutical branch. It is also responsible for the

branch labour and social policy, the problems in the fields of employment, training, safety and health at work, and the environment.

The 2 Confederations (Podkrepa and the Confederation of independent trade unions in Bulgaria – CITUB), to which both Sopharma trade unions are members, together with the Bulgarian Association of pharmaceutical generic producers plan to organize a national meeting in order to initiate a wide dialogue with the pharmaceutical companies in the country. New themes like business issues, general economic conditions, the environment and other will be included in its agenda. Furthermore, this initiative will be developed in discussions' fora about achievements of a common understanding and consensus, specifically related to the future of the pharmaceutical branch in the digitalized labour world and the status of the employees that are not covered by companies' level of collective bargaining.

The trade unions' opinion is, that supported by the initiatives at branch level, the social dialogue in the company will improve its efficiency especially for the topics concerning the new digital realities in the competition environment at national and international level. Good ground for that is the policy of the management of the company for its technological modernization.

From the beginning of this year NFT is a partner in a project of CITUB, financed by the Ministry of labor and social affair, addressing the situation with the CLAs in the branch. The aim is to create a common Agreement for the whole pharmaceutical branch.

NFT expects that, supported by such kind of general branch Agreement, finally a Collective labour agreement will be signed in the company as such one has not been signed from 1988 despite of the number of consultative meetings between social partners.

More, yet it has started yet to study European practices for sector bargaining and CLAs in the pharmaceutical branch for the purposes of the above project. A special attention is paid to issues concerning the challenges of the digitalization in the branch, the new job requirements, the necessary training for improving the digital competences and skills, the new working conditions etc. Empowered by the best practices in Europe, the trade unions do hope to have the possibility to enlarge the Agenda of the negotiations and become active player in the further digitalization of the Company.

5. Conclusions

1. The Company Sopharma is one of the technological leaders at the pharmaceutical market in Bulgaria. It has and continues to implement the latest technological innovations for its processes and services. Both social partners are empowered with the necessary understanding for the digital trends in the branch and have enough knowledge how to tackle the digital challenges;
2. Only the management of the Company has the decision power for the technological renovation of the Company. It is not an issue of consensus throughout negotiations between the social partners, but the undertaken digital measures and achievements are regularly shared with the trade unions;
3. Digital training of the personnel is an inseparable part of the implementation of the technological innovations and the working process. Trade unions do not intervene in the digital

training policy of the Company, but have started negotiations about its appraisal and respective remuneration;

4. Sopharma carries out an efficient social program – the initiatives are defined and carried out jointly with the trade unions;

5. Trade unions are involved in a couple of initiatives and projects related to the branch negotiations and labour Agreements. Their expectations are all they will contribute for the improvement of the social dialogue in the Company, especially for the inclusion of the digital issues in the negotiations and for the signature of a relevant to the new realities CLA.

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