

CASE STUDY

Grupo Roemmers



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Introduction

There's something special about companies that last 100 years. Comparatively few large companies do, and very few of those were founded in emerging economies. But last year, Grupo Roemmers, based in Buenos Aires, celebrated its 100th anniversary. This pharmaceutical company limited its business to Argentina until the mid-1970s. Since then, it has grown rapidly throughout Latin America and the Caribbean through a very effective strategy and management style. It sets up separate businesses for each country or local area where it does business. It gives local leaders autonomy to make decisions but engenders a deep commitment to the Roemmers culture and management system. And it sells affordable generic prescription pharmaceuticals with a mix tailored to the aging populations of each local market.

This approach is simple to describe and very difficult to put into practice. But when it is in place, it can lead to an operation of high value, both in financial terms and in the overall impact on the health of its customers. The approach has also made Grupo Roemmers the largest pharmaceutical company in the Argentinian market and the fifth largest doing business in Latin America and the Caribbean (LAC). The other four are Bayer, Sanofi, Novartis and Pfizer. The global pharma companies tend to treat the region largely as a market for branded products developed elsewhere, but Grupo Roemmers centers its research and development (R&D) and manufacturing in the region.

The distinctive Roemmers culture reflects its origins as a family business. It was founded by Alberto J. Roemmers, an immigrant from Lennep, Germany, who brought with him specialized knowledge of laboratory-based manufacturing. Although the family members and foundations are still majority shareholders in this privately held enterprise, the company shifted to more professional management in 2002 after the Argentine economic crisis. It maintained vertical integration, overseeing every phase from R&D to marketing, to keep its prices low. This is particularly important in countries with aging populations, a rising incidence of chronic disease, an ever-growing need for pharmaceuticals, and large numbers of low-income people.

In most of the 16 markets where it operates, Roemmers has expanded by starting or acquiring vibrant local enterprises, which make and sell Roemmers products. In practice, these local firms make most decisions autonomously. The resulting speed and flexibility are especially important in a region where countries have distinct markets and may face volatile political or economic crises at times. The company keeps its far-flung subsidiary leaders close, not through hierarchical oversight but through its culture and leadership values.

You can read about all of these fundamentals of good management in business books. However, it's a rare company, like Roemmers, that can maintain them in practice, especially when its roots and traditions go back to the early 20th century. This case study includes a closer look at the Roemmers approach in three countries outside Argentina where it maintains manufacturing operations as well as sales. In Mexico, Roemmers acquired the pharma labs of the Swiss Siegfried Rhein company in 1994 and expanded the business from there. In Colombia, where operations began in 2011, the firm built its subsidiary from the ground up. The third country is Brazil, where Roemmers acquired the 69-year-old pharma company Farmoquímica (FQM) in 2001, and built up a thriving pharma business through mergers and acquisitions (M&A) and organic growth.



We interviewed four company leaders and one IFC investment officer



Eduardo Macchiavello is CEO of Grupo Roemmers. He is based at the group's headquarters in Buenos Aires, Argentina.



Ho Chi Miguel Vega Rodríguez is the Administrator and Director of Siegfried Rhein México. He has been with Grupo Roemmers for 10 years.



Pablo Damián Uruña is the Director of Administration and Finance, Siegfried Rhein México. He has been with Grupo Roemmers for 19 years.



Paulo Etcheverry is the Regional Director/Chief Executive Officer of Colombia, Venezuela and Central America for Laboratorio Siegfried (Grupo Roemmers Argentina). He has been with Grupo Roemmers for 26 years, in companies in Argentina, the Dominican Republic, Ecuador (working with the indigenous community), and Colombia.



Carmen Valéria De Paula is a principal investment officer at IFC and the relationship manager for Grupo Roemmers. She is responsible for leading business development efforts for IFC in the health and education space in Latin America.

Lessons from Grupo Roemmers' Story



1 Expand by focusing on what you do best: Narrow your enterprise to a core mission, and build out geographically



2 Balance local autonomy with global values and practices: Establish a common culture and trust regional leaders with decisions



3 Invest in developing high-potential people: Have them rotate through the business so they can act strategically



4 Cultivate agility and flexibility: Develop speed and skill to navigate uncertainty and crisis





Grupo Roemmers at a Glance

Grupo Roemmers is a pharmaceutical manufacturing and distribution company, based in Buenos Aires. It is among the largest pharma companies in Latin America, and the largest with primary headquarters in the region. It manufactures and sells generic healthcare and nutritional products, specializing in prescription drugs, often under its own Roemmers brand. In recent years, Roemmers has begun exporting generic products to the Caucasus region, the Middle East, and countries of the former Soviet Union.

Years in Business	100; founded in 1921 as a family-owned pharmaceutical company.
Capital Value	More than \$1 billion worldwide in 2018.
Website	www.roemmers.com.ar/en
Corporate Governance	The company was founded as Laboratories Roemmers in 1921 by Alberto J. Roemmers, who had recently moved from Germany to Argentina. The original Argentine company still bears that name. Grupo Roemmers enterprises are controlled by three holding companies: Orbix Company (Uruguay), Cormoran de Bilbao S.A. (Spain), and Ethical Pharma (Uruguay). All shares in these are held by members of the Roemmers family.
Investment History	IFC has made two investments, in the form of loans, to Roemmers companies. In 2018, it committed \$104M to finance expansion after the previous year's acquisition of Divicom, an over-the-counter ("OTC") pharma company, by the Brazilian Roemmers subsidiary Farmoquímica (FQM). In 2019, IFC organized a financing package of \$160M to Siegfried Mexico to finance expansion of the product line and supply chain expansion.
Social and Environmental Results	Roemmers and its subsidiaries consistently comply with environmental, safety, labor, and health-related standards. For example, they have reduced waste and emissions footprints through resource efficiency and water treatment. The Alberto J. Roemmers Foundation, created in 1975, funds and oversees basic, applied, and epidemiological research, as well as research related to public health.
Geographic Footprint	Roemmers is based in Argentina, where it does business as Laboratorios Roemmers. In Mexico, its subsidiary is Siegfried Rhein, acquired from the Swiss company of the same name in 1994; in Venezuela, it is Siegfried Meyer; and in Ecuador, Colombia, and Peru, Roemmers has separate subsidiaries named Siegfried. In Brazil, the two Roemmers subsidiaries are FQM Prescrição and FQM Consumo. Under these organizations, the group also does business in Bolivia, Chile, Costa Rica, the Dominican Republic, Honduras, Nicaragua, Panama, Paraguay, and Uruguay. In the late 2010s the company began exporting products to the Caucasus region, the Middle East, and some countries in the former Soviet Union.

Business Model

The model is based on the manufacture and sales of generic prescription pharmaceuticals and related products. It generally does not patent its own medicines, but applies research to manufacturing and development. Its products are often bestsellers. For example, in Argentina, it produces five of the country's top-selling prescription drugs: Lotrial, which is used to treat high-blood pressure, Amoxidal for ulcers and infections, Sertal Compound for intestinal ailments, the hypertension and diabetes drug Losacor, and the antibiotic Optamox.

Culture

A participative, close-knit culture in which employees remain at Roemmers for years, sometimes finding opportunities to learn through a variety of positions and locations. Customers also remain highly loyal to the Roemmers brand over generations.



Lesson 1: Expand by Focusing on What You Do Best

In every geography where it does business, Roemmers has consistently prioritized its core business: the provision of generically-branded prescription pharmaceuticals. There is a great need for high-quality, lower-cost prescription drugs throughout Latin America and the Caribbean. Many countries in the region have aging populations, and countries like Mexico are seeing the number of people with chronic conditions such as diabetes and cardiovascular disease grow by an estimated annual rate of 6 percent. Roemmers' products are a major contributor to their well-being. The strategy has enabled Roemmers to remain profitable and to continually expand in its core markets.

Roemmers began to expand to other Latin American countries in the 1970s, to ensure fluidity in the market as the Argentine economy faltered. It opened businesses in Paraguay and Uruguay, then in Ecuador and Peru, and then throughout Latin America. By 1997, it had subsidiaries in 15 Latin American countries and a total of 2,700 employees. Some of Grupo Roemmers' new subsidiaries started organically, like Roemmers Colombia. Others came in through acquisition, like Siegfried Rhein in Mexico, which Roemmers purchased in 1994.

The focused strategy extends to details such as package design. All Roemmers products, in all countries, share the same yellow box and overall marketing strategy, with a single slogan: *Conciencia por la Vida* (Concern for Life). This saves packaging and marketing costs while allowing for a single distinctive brand. **Roemmers CEO Eduardo Macchiavello** explains how the focused strategy allows for growth:

▶ **Macchiavello:** *We're not the only Argentine company that has built businesses in the rest of Latin America. Five or six others have done the*

same. Other Latin American companies tend to stay local, because their home economies are more stable. We are asked, why don't we go to the United States or Europe? Or why don't we expand into other types of products more? Our expertise is in prescription drugs in this region. We know what pharmaceuticals are needed here. That gives us momentum for growth.

Pablo Damián Urueña, the Siegfried Director of Administration and Finance, previously worked in the Grupo headquarters in Buenos Aires. He recalls how the realization gradually emerged in the firm that they could become a regional or even international competitor:

▶ **Urueña:** *When I first came to Grupo Roemmers in the early 2000s, we were oriented toward Argentina's very particular characteristics. But as we expanded into other countries, we started to see ourselves in a more globalized way. We began to understand that other markets have other characteristics with other kinds of valuable qualities. This was a great learning for our parent company. It gave us the confidence to make bold moves in other countries like Mexico.*

Siegfried's growth strategy accelerated around 2010, fueled in part by financing and strategic guidance from IFC. This partnership with IFC has enabled the company to stick to its growth plans, even when other financing sources suddenly withdrew. Roemmers has chosen to expand at times by targeting markets that other multinationals overlooked, in a manner reminiscent of Clayton Christensen's Innovator's Dilemma. One example is second-tier specialists like dentists and pediatricians. **Ho Chi Miguel Vega Rodríguez, CEO of the Siegfried Rhein subsidiary** in Mexico, tells the story:

Vega: When Roemmers first entered Mexico in 1994, the idea was to find a way in. We bought Siegfried Rhein which had a single product. It was a very, very, very small company with very limited resources. But we had a large portfolio in Argentina of analgesics and antibiotic products. We discovered that there were groups of doctors in Mexico, such as dentists and pediatricians, that other pharmaceutical companies ignored. They were considered second-tier specialists. We began working with them, and did very well, and this allowed us to expand our general line of products. We brought in products from Argentina and also licensed products made by some Mexican producers.

By 2010, we had about 35% of the market in Mexico. Then Grupo Roemmers raised capital for expansion. In line with this, we decided to make Siegfried the number one company in Mexico in the prescriptions market.

Within five years, we tripled our sales force and doubled our product portfolio in Mexico, with products for the Mexican market. We made strategic alliances with other pharma companies to help us enter new segments. Today we lead the prescription and non-prescription markets in sales in Mexico.

Manufacturing is well-suited to Mexico. Besides selling in the country's own market, it is feasible to export generics to the rest of the Americas. This allows Siegfried Rhein to build a stable enterprise with a growing employment base. Vega notes the strong link between this strategy and social responsibility:

Vega: Our slogan is "Consciousness for Life." That means bringing pharmaceuticals to markets which are economically stressed. We make products of excellent quality accessible to tens of millions of people. Otherwise, they would know these medicines exist but they could not afford them. We believe that we make an immeasurable contribution.

We also try to return value through our social responsibility programs. We have many foundations in Mexico. We are sure the same thing happens in other Roemmers companies. This comes directly from our shareholders, the Roemmers family. They only conceive that a company is worthwhile when it positively affects the community where it operates. I learned this from my first talk with them.

A strategy is often most evident in what a company chooses not to do. Vega and Urueña make the case for strategic focus:

Urueña: There are always many opportunities to get distracted. We have defined ourselves with a very strong focus. We're a prescription product company. No, we didn't want to be the number one company in sales to government, or the number one company in nutritional products. This focus has allowed us to get to where we are.

Vega: Our parent corporation also decided not to invest in innovation, not even in personalized medicine or biotechnology. These require a much higher level of investment. The time horizon is much longer and the risks are uncertain. The results are unknown and the molecules that seem acceptable right now may not be available later.

The COVID-19 pandemic also demonstrated the value of a focused strategy. **IFC business development leader Carmen De Paula** describes how:

De Paula: Roemmers and Siegfried produce the generics of drugs which are in high demand because of the COVID situation. These include products like paracetamol, which is a way of addressing fever and headaches. The affordability has been more important than ever, particularly for lower-income families.



Lesson 2: Balance Local Autonomy with Global Values and Practices

Any company with multiple subsidiaries must balance the center versus the periphery. How much control does the core group in Argentina hold over day-to-day practice in the country-based operating companies? Roemmers answers this question by giving companies almost complete latitude for decision-making.

At the same time, leaders of all the companies are linked through their basic strategy, by their shared culture, and by their ongoing success. Senior executives communicate closely and frequently with one another. A country leader might talk with **Grupo Roemmers CEO Eduardo Macchiavello** once a month. At times of crisis, it might be more frequent. Yet local leaders make most decisions autonomously, with the general sense that headquarters will support them. Here is Macchiavello's view of the benefits of this approach:

▶ **Macchiavello:** *We believe that you should see each country's business as local and not just a representation of your control. Our local country leaders are independent. They can invest locally and thus we have facilities in every market that help generate and sell products.*

That allows us a great flexibility that most multinationals have lost. They typically have one central manufacturing plant. They have logistics and transport issues, while we have the ability to produce and distribute products through many different paths. This enabled us to respond more effectively when the COVID-19 pandemic came.

In every country, we want a CEO who knows the market very well. All markets are different. The parent company offers guidance and provides opportunities. But in the end, the final decision is made locally.

Ho Chi Miguel Vega Rodríguez, the Siegfried Rhein CEO, explains how this translated into management practice:

▶ **Vega:** *At headquarters, they saw that even though we belong to the same group, with the same values and ways of doing business, we would have to adapt to the culture and market reality of each country.*

In other corporations you have to communicate everything going on in your head before you can make a decision. They copy-and-paste decisions from the center to every subsidiary.

This company believes and trusts in the capacity of their general managers to take any situation in hand. This gives the local company leaders a huge responsibility. We have very strong communication with our CEO and he trusts us. I typically talk to my CEO once a month, for five minutes or more. In a crisis, we will talk every week.

Grupo Roemmers prefers to provide its subsidiaries with local autonomy. Because they can make decisions on their own, the local executives can respond more rapidly and effectively to situations as they occur. This includes the political and economic crises that occur in countries throughout Latin America. For example, during the wave of protests that started in April, 2021 in Colombia, employees there were worried and distracted by what was happening across the country.

Paulo Etcheverry, CEO of Siegfried in Colombia, was interviewed during the protests in that country in April 2021. He talked about Siegfried's response:

▶ **Etcheverry:** *In 26 years, I have not faced a situation like this. And just a year after a pandemic. So I had to be very cool and focus precisely on my training on what to do.*

I called together all 700 people, which is rare. My usual way of communicating is one-to-one. I knew they couldn't go on with their work responsibilities, visiting doctors and generating sales. They were worried about whether they would have water, and about their kids' safety.

I told them, "Listen, the world is changing and I don't know what we're going to do yet. But here are our primary objectives. First, we must take care of our health. Second, your jobs are safe."

I told them to take their vacations now. When we return, with our health and jobs intact, we will have won.

I kept in touch with the Grupo Roemmers leaders so they knew what I was doing. Other companies in the Group might handle crises differently, but I knew they would support this. When you work in a corporation you're not only managing people and meeting your goals, you're giving them your life. With every decision, you show the top leaders what you are and are not able to do.

In Brazil, where regulations favor homegrown businesses, the Roemmers approach to local autonomy has proven very successful with its subsidiary FQM. It was an independent, 70-year-old company called Farmoquímica when Roemmers acquired it in 2002. It sold branded prescription medicine like Roemmers, and it also sold generic and over-the-counter drugs. Roemmers's focused strategy expanded to embrace these products, because it could rely on FQM's expertise and knowledge of the market. When FQM acquired Divcom, one of Brazil's most prominent life sciences companies, the business expanded further to include skin care. FQM

recently restructured into two subsidiaries: FQM Prescrição for prescription drugs and FQM Consumo for consumer products, including food supplements, dermocosmetics, over-the-counter medicines, and probiotics.

In other countries such as Argentina, Roemmers is moving cautiously into over-the-counter products, relying on the expertise it has gained from its Brazilian subsidiary. Roemmers CEO Eduardo Macchiavello explains the logic behind this strategy:

▶ **Macchiavello:** *Brazil is more like a continent than a country. It can take four hours to fly from São Paulo to Recife. One cannot do business there alone, especially as an Argentine company. I knew we could not put an Argentine in place to run a Brazilian company. We recruited Fernando Itzaina as local CEO. He is originally from Uruguay but has lived 30 years in Brazil and understands the business there.*

Our Brazil company has its own manufacturing, distribution, brands, and products. To deliver in this market, we have partnered with or acquired local family-owned businesses, and we have gotten to know these families. In general, the Brazilian market is totally different from the Argentinean market. The State holds generic pharmaceuticals to be equivalent to branded ones. That makes the business more favorable than it would be in other countries, where there is relentless pressure to lower prices.

We were not in the OTC market before we bought FQM, which was in that market. Later, in Argentina, we bought an OTC company to learn that business, and enter that market with more experience.



Lesson 3: Invest in Developing High-Potential People

Mutual trust and confidence are essential in a company, especially when it chooses to build a participative culture, and to distribute decision making. The Grupo Roemmers companies have fostered this by investing in their people. This investment takes several forms, including in-depth learning and experience in a variety of areas, not just in one specialization. **Group CEO Eduardo Macchiavello** explains how this translates into company loyalty, employee satisfaction, and leadership development:

▶ **Macchiavello:** *In general, the most important aspect of Roemmers is the relationship with our people. Many people stay 40 years. We have very little turnover.*

We rotate leaders among all the Roemmers companies and get to know each other well. All the top leaders working in markets outside Argentina were trained here at headquarters. Ho Chi Miguel Vega worked with me in the Dominican Republic for eight years in the 1990s. Now he is head of the Mexican company. Paulo Echeverry was the group's financial manager before going to Colombia. All the managers know each other. We tend not to take managers in from outside. We continuously train them and put them in assignments where they will grow. This is a tremendous source of value for us.

Roemmers leaders Pablo Damián Urueña, Ho Chi Miguel Vega Rodríguez, and Paulo Echeverry provided examples of this leadership approach in action:

▶ **Urueña:** *A sense of common experience is very important. When I talk to my production manager about the machines that he's using, I remember handling the machines myself, 20 years ago, and counting the raw materials.*

▶ **Vega:** *The vast majority of our managers started out in functions that are very different from what they do today. When we recruit new employees, we make it very clear that if you have the desire, you can do anything we do here. We have people who have passed from human resources to sales, or from production to the commercial side.*

▶ **Echeverry:** *I came to Roemmers from a more traditional company where I was more used to being boxed into a narrow position. Here I could get much more involved in other areas: market plans, a company's upcoming launch, the operations of the plant, and the limits we may have in production. Besides finance, for example, I am currently in charge of logistics and of the warehouse. This gives me a much more comprehensive vision of the company. It allows the management team to contribute much more effectively; if something doesn't make sense, I can question it in a way that will be heard.*

Investment in people also involves a workplace culture oriented toward integrity and mutual trust:

▶ **Vega:** *We are all aware that the Roemmers family and the company have a very strong history in Argentina. In fact, this is our 100-year anniversary, so people are very faithful and loyal. There is a feeling of belonging. When someone leaves to go to another company, it feels like they are betraying the company.*

In our company we say we work with people we trust 100 percent. If we don't trust someone, we don't work with them. This includes our suppliers and business partners. And we try to work with passion. When we bring passion to any project in our lives, this defines success.

Lesson 4: Cultivate Agility and Flexibility

The pharmaceutical industry is always changing. Technologies are shifting. The continuing pandemic in much of Latin America and ongoing political uncertainty mean that companies must act rapidly and decisively to survive. As **Siegfried Colombia CEO Paulo Etcheverry** points out, the company's culture is oriented toward a future of constant change:

▶ **Etcheverry:** *Twenty years ago, 95% of the pharmaceuticals in the world were synthetic products. Now, 35-40% of them are biotech. Over the next 10 years, this will rise to more than 50%. This is a huge change. The future is very uncertain for most companies in this industry. There is a lack of patents on that side. Prices will go down. A lot of new competitors will enter. There will be a strong new market. Pharma companies and their shareholders have to start thinking about this future.*

Roemmers' leaders deliberately cultivate agility and flexibility in their operations and product mix. They have developed the ability, for example, to take on a new product line or even an acquisition in a matter of one or two months. **Group CEO Eduardo Macchiavello** and **Siegfried Rhein CEO Ho Chi Miguel Vega Rodríguez** explain this agile frame of mind:

▶ **Macchiavello:** *I learned this way of working from my predecessor, former CEO Alberto Roemmers. His father, the founder, used to say: "I don't want an ocean liner. I want a tugboat." They created a small company that could make decisions quickly. And I have continued that approach.*

▶ **Vega:** *Our people are very flexible. Any good idea will be listened to, no matter where it comes from in the company. When we develop products and start partnerships, we do it quickly. We used to focus on acute medications and now we focus on chronic meds. We considered a strategy of developing our own products, and then started to*

get into it and realized it would not work. So, we shifted quickly to partnerships instead.

Access to financing also plays a role, especially in emerging economies, where loans are restricted. For example, when Siegfried acquired new prescription brands in Mexico, and other financial institutions pulled out of the transaction, it had to find new funding quickly. **IFC's Carmen De Paula** describes what happened and Roemmers' Eduardo Macchiavello offers perspective on financing and support in general:

▶ **De Paula:** *We helped provide new financial support with very little time to pull it together. Siegfried had a very tight deadline, over the Christmas holidays, to pay for the acquisition of the brands. IFC was able to structure and disburse our loan in a very short period of time. This took place at a moment in 2019 when several financial institutions decided to pull out from long-term financing in Mexico because of macro uncertainties. The change of heart from commercial banks took place during the Christmas holidays. IFC was able to deliver as promised to Roemmers Mexico by increasing our loan amount, restructuring, and disbursing by early January as previously scheduled.*

▶ **Macchiavello:** *We continue to be thankful for the care that IFC and the World Bank have demonstrated toward the company. The support that IFC has given us, and other companies like us, matters greatly.*

The COVID-19 pandemic has also required flexibility: in managing staff, contracts, production, and rapid swings in demand for pharmaceuticals. The motto "Consciousness for Life" took on added meaning. It meant looking more consciously at every aspect of the business: patients using medications, doctors prescribing them, medical professionals and caregivers managing them, and the staff of people producing them.

Siegfried Rhein CEO Ho Chi Miguel Vega Rodríguez sums up the effect that this had on the company:

▶ **Vega:** *It was as if they put us into an incubator and sped up the possibility of growth. Changes we thought might take years or decades had to happen in a matter of days. Fortunately, we had a very robust management system that allowed us to make these changes very quickly. For example, we had more than 1,000 medical representatives across Mexico, making face-to-face visits to doctors. But March 15, 2020 was the last day we could visit in person. Our first mission was to support doctors in the changes they needed to make; we did our best to help provide protective equipment, information, and electronic means so they could communicate with and support their patients.*

We still have safety protocols in our plants. We had to integrate extra shifts to be able to spread people out within our production areas without stopping production. And we had big challenges with our supply chain, which was disrupted worldwide, and with meeting demand.

I think people can learn from Roemmers' example. If we could do these things in Latin America, every company can do them everywhere.

The 100-year celebration is prompting people at Roemmers to look back at what they've been through as a company. The company started just after the first World War and the influenza pandemic that followed. Since then the company has been through two great global depressions, another world war, an ongoing Cold War, and enormous political upheaval just about everywhere it does business, including its home country. The demand for its products has risen steadily throughout, as has the size of the population it serves. Throughout all this, the company has kept with a relatively straightforward strategy and product line, and basic management practices that favor respecting people and human effort. The company has centralized its culture, but decentralized autonomy, and demonstrated that most global companies work best that way. If a company were starting today, and wanted to build toward its own hundred-year legacy, following Roemmers' example might be a good strategic path to success.

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