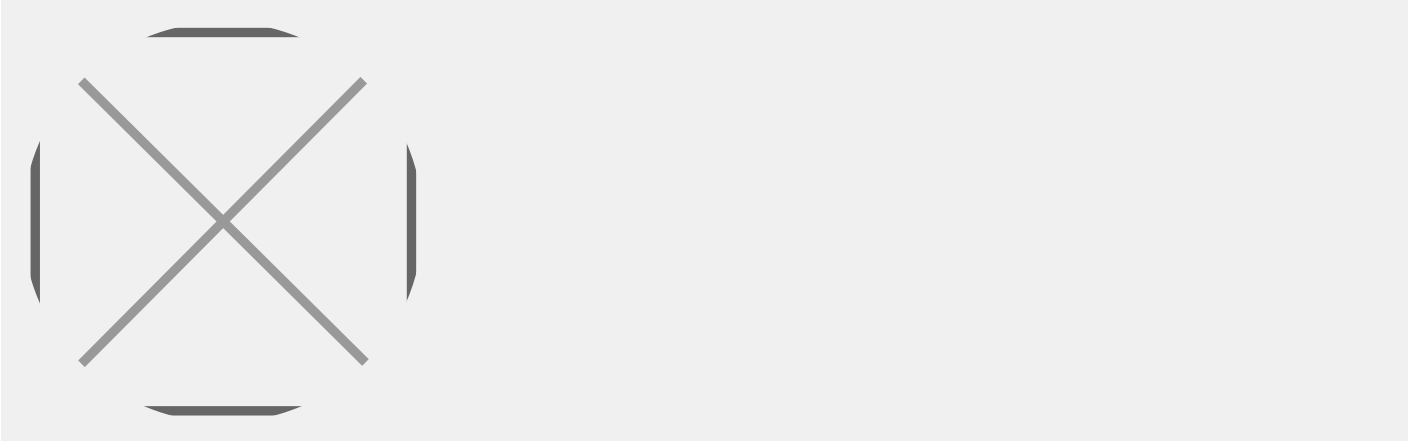
Interview: Steve Yang, Chief Executive Officer, Mestika Farma, Indonesia



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Steve Yang, Chief Executive Officer of Metiska Farma, talks about the changes he implemented to the comopany once he took over for his father in 2009 and what it means for the future of the company, both locally in Indonesia and on an international level.

Mr. Yang, can you begin by giving a brief introduction of Metiska to the international community?

Metiska began operations in the early 1970s, but my father purchased the company in the mid 1980s. I joined in 2007. My father is still involved in the running of the company, but I took over full-time in 2009.

Metiska is a generics company. Today the company has more than 400 sales representatives working throughout Indonesia, present in 32 of the country's 36 provinces. We are still small in comparison to some of the more established players in the market, and there is plenty of room for the company to grow.

How would you assess the growth of the company in recent years, in comparison to the growth of the market as a whole?

Market growth has been excellent in recent years, and is still very strong. For the past few years, however, Metiska has been growing above the market: as well as the country presenting great

opportunities in the years to come, we also hope that our growth will be driven by the introduction of western management styles at our company.

You studied at Berkeley and MIT: you must bring significant capabilities to the company. When you took over the company full-time in 2009, what was your assessment of the strengths and weaknesses of Metiska?

In 2009, the company was still very much being run as a family company, which was reflected in Metiska's management structure. Standard Operating Procedures (SOPs) were either not in place or not being followed. The first step I took was to restructure the top management of the company. One of the positive things I found back in 2009 was an extremely well established sales network, which was a massive advantage: it takes many years and a lot of hard work to achieve this.

Both the restructuring and the sales force have driven our growth in recent years, but it has still not reached the level I would like: we are looking ideally for 40 percent growth year-on-year. There is still a lot of organic growth that we can pursue for the next few years, but after around 2020, we will have to look outside to grow the company further. This is most likely to take the form of an IPO, and then using the funds generated for mergers or acquisitions on a regional level.

G**enerics companies generally have very broad portfolios, but are there some areas in particular that are seeing a higher growth for Metiska?**

OBGYN and pediatrics have been good growth areas, and this has also been reflected in the market. Also, antibiotics are still experiencing good growth, even though the market is already saturated. Product development is still quite aggressive in this area, and competition is fierce. Every company is trying to be the one to launch the 'next big thing' in antibiotics, and there is still a lot of room for growth in the country.

What priorities are you setting for the company in terms of product development then?

We have narrowed our focus to pediatrics and OBGYN; we want to maintain our R&D team at a modest size, in order to keep our objectives focused. We try hard to find relatively unique products in these categories. This does not just mean generics, but also supplements, and other offerings for women and children. With generics, Metiska works as hard as possible to outsource the development and license in. This helps with the timeline of bringing products to market: with someone else's product, we don't have to spend time developing our own formulations.

Is Metiska's 400-strong sales force sufficient to match your ambitions for the company? How do you see it evolving as the company grows?

400 people are not enough for Indonesia. It is, however, a good base to start from, because in the end, the most important factor for the salesperson is the personal relationship they have with the doctor. Usually, if an area consistently reaches its sales targets, we divide it into sub-areas, and go deeper into the market. This allows the existing salespeople to become closer to their clients, because they have much more focused areas.

The introduction of universal healthcare coverage is mostly an opportunity for local companies. Would you agree with this? What will it mean for Metiska?

I agree absolutely that it is both good for the country, and good for companies going in that direction, but for Metiska it is not our focus: while we are big enough to have a strong sales network, we are not big enough to focus on particular categories of illness. With the national health insurance system, competition can be brutal: because you are competing on price, the fight on the ground often gets bloody between companies. As a result, we try to stay away from those fights as much as possible.

What is your strategy to add value?

Metiska tries to focus on introducing different, unique products. We license unique products from other companies, and put a lot of effort into building the brands, the technology and the product here. We look a lot into OTC products and building brands, especially for herbal products. We want to establish a business that will last for a long time, hopefully for generations, and the only way we can do that is by establishing brands. We do not see this happening in the generics market. Year after year it is the same competition, and this is not something we want to lock ourselves into.

What is a healthy balance for Metiska between OTC compared to generics in terms of revenues?

By 2019, I hope the balance will be 50/50. Currently, however, our prescription drugs account for almost 95 percent of our revenues. Both segments have their own separate marketing strategies. Because our herbal offering is unique, we believe that it has more potential than prescription. However, prescription will still continue to grow. Our target of 40 percent growth is divided into 30 percent from prescription, and 70 percent from OTC, year-on-year.

What is your objective for building brands, and based on your expertise and experience, what are the key success factors?

Hard work is the key to brand building. Our salespeople have to be on the ground, promoting products for many hours a day, and we have to do this for years. I never believed in branding

through television or radio: rather, I believe in the power of the interaction between salespeople and the customer, be it the store or the general public. Most of the successful brands in Indonesia today are old brands, and this is what they did for years. I wish there was a shortcut, but it does not seem like there is.

What has been your strategy to keep people motivated internally during all the restructuring, and how do you keep people motivated to get the hard work done now?

The reason we changed a lot of the managers is because we were unable to get them motivated to do things the way they were supposed to be done. Once you have good people in place, it is not that difficult to motivate them, and if they are motivated, they can motivate their teams. With the higher-level managers, we focus a lot on the vision of the company, and how to achieve it. A lot of people join because of this: once they come in they already know what they are supposed to do. And usually, this excites them.

As a medium-sized company we cannot pay as much as the big local companies, but at the same time we are flexible enough so that within the umbrella of the company vision, each department head is free to create their own vision for their department, and a lot of people respond well to that.

What is your biggest challenge today?

My main focus today is to partner with other companies and do business development. My biggest challenge is to get these projects going: with third parties, it is not always easy and things don’t always work out the way they were supposed to, or the way you planned. Internally, we also have some challenges, but we have a good associate director that takes care of the day-to-day operations of the company. My time is spent trying to establish new businesses, new ventures, and bring in new, unique products.

What type of partners do you look for? What do you seek when you first approach a company outside Indonesia?

There needs to be a lot of chemistry between the leaders of the two companies, which plays a major role. Even then, things do not always work out. I believe it is very important that I am the person in charge of developing these partnerships, as having the head of the company as spokesperson goes a long way.

Can you summarize the vision you have for the company, and how you see it in a few years from now?

By 2019, we want to be in the top five local companies in Indonesia, by offering new products and new applications in biotechnology. Nothing is impossible. We currently stand in the top 30.

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