

Interview with Johannes Setijono , President

Commissioner, Kolbe

28.07.2012

Tags: [Kolbe](#)

You have been working at Kalbe for 38 years, and as President Director for 11 years. What has it been like to see the firm transform from a company based in a garage in Tanjung Priok, to the leading pharmaceutical company in the country?

From the company's founding days, there has always been a profoundly powerful spirit of innovation and entrepreneurship emanating from the founder, Dr. Boenjamin Setiawan. The second driving spirit of the company is professionalism. Many companies in Indonesia are family run, either by the founder or his immediate relatives. But Kalbe was the first company that operated on a professional basis. The company was founded in 1966 and as early as 1977 there was already a professional director and the company brought in expatriate managers from India, England and Japan. This infused the firm with a multinational culture of professional management. From the very beginning it wasn't a typical Indonesian company, but rather had a very long-term vision where the founder built the company to outlast his own lifespan. In this vein, Kalbe went public in 1991. The company is also designed to serve not only shareholders but also all stakeholders including employees, partners, distributors, suppliers, the government and the Indonesian people. At the time, good corporate governance was not a major emphasis in the country, but Kalbe was planning for the long term, and these factors contributed to the company's strategy from the very beginning. It is not viewed as charity, but rather as vital for a sustainable business model. Within ten years of its founding, Kalbe became the number one firm in the Indonesian market. This was

achieved through innovative marketing and setting up a distribution company, which gave Kalbe an edge over the multinational firms who dominated the market at the time. Then the company set up a subsidiary to expand over the counter business and also made a large acquisition, which paved the way for Kalbe to become the leader in this category. On the distribution side, Kalbe's distribution business has been maintained as a separate entity so that it can best serve external principals as well as expand into other healthcare areas such as medical equipment. The company is also the market leader in distribution. The last major contributor to Kalbe's business are nutritional products such as infant formula, fortified milk products and clinical food products specialized for various conditions including diabetes and kidney failure. This business was started in 1993 and has been quite successful with Kalbe becoming one of the market leaders at the number four position, behind the multinationals.

What is the strategy to maintain this leading position in such a competitive environment?

Innovation is the key to new growth for the company. Expanding into new segments, innovative marketing and launching new products will be a large part of this process. For example, Kalbe is already very strong in generics where licensing accounts for 30% of revenues in the ethical category, while generics represent 70%. It is now necessary for the company to move further upstream and Kalbe has begun engaging in research and development. However, this is not full-blown new drug development, but rather licensing in products that still need additional development to get approval and go through clinical trials. These kinds of practical research can be taken to market quickly, which is important as the company builds out its research capacities.

Do you see research becoming a main growth driver in the near future? If not, what will be?

Research will drive part of the company's growth. It is also necessary to grow further in international markets, moving beyond the borders of ASEAN. This growth will come from marketing and licensing activities as well as drug development. The company is a regional, South East Asian Company that is looking to grow beyond its home region and eventually become a global player. Kalbe has also had presence in Sub-Saharan Africa for some time, since 1989. At that time the economic development had been hindered by years of military rules, corruption and graft and there were no large multinational pharmaceutical companies operating in those countries and therefore many countries were looking to work with Asian companies. At first they were importing more basic products, but as time progressed the relationships developed and Kalbe expanded its businesses. It took a lot of time and effort to meet South African standards, as they are nearly as stringent as Europe and America. In many ways it was a stepping-stone and training for moving into the more regulated and sophisticated markets. That experience has helped in later penetrating

South Korea and Taiwan. One of the key ways in which Kalbe has been able to enter these markets is the company's long track record of working successfully with multinational partners. These multinational partnerships and the fact that Kalbe is the largest pharmaceutical company in South East Asia, all contribute to opening the door new partnerships in these more competitive foreign markets. Building a presence in foreign markets is a process that will not occur overnight as it is capital intensive and requires slowly building relationships and trusted partnerships.

Kalbe has a number of partners from Daiichi and Fujisawa to Pfizer and BMS, why does Kalbe remain the partner of choice among multinational companies?

Kalbe is professionally managed and thus looks for professional partners. Going forward, the company is looking to license-in products from smaller to mid-sized drug development companies. Relationships with these companies tend to last longer than the big pharmaceutical companies, which have their own infrastructure in the region. In these cases, the big multinationals will often choose to shift successful products in-house. Thus, Kalbe has much more to offer to smaller firms that can leverage the company's infrastructure and build long-term partnerships. Kalbe has engaged in a number of acquisitions over the recent years, including Dankos Laboratories and Enseval.

How do you manage to retain the unique Kalbe corporate identity while integrating all these new companies?

Leadership is extremely important when integrating new acquisitions. Selecting managers and directors who exemplify the entrepreneurial spirit and value innovation is key to maintaining those values at the company. It is also vital to improve processes and further develop human resources. As the company wants to compete internationally, employee capabilities must be on par with international standards. The goal of these acquisitions is to help make the company as effective as multinational firms. Thus the board is very focused on improving operating efficiencies, productivity, and management systems. The upgrades are targeted at both capital and human resources. In the future, both organic and acquisition-based growth will continue to play an important role at Kalbe. Growth will continue to be targeted in the healthcare area. One specific area of interest is an acquisition target that has strong brands. Brands are extremely important in consumer health and over the counter categories, and building a brand is very expensive. In these cases, it is easy to acquire an organization that has strong brands, while it is more difficult to transform a preexisting organization into a successful brand.

How long do you think it will take for Kalbe to release a truly blockbuster drug?

There is one product currently in drug development that has a lot of potential. Thus far it has only been granted approval in ASEAN countries, but we are looking to get approval in South Africa, Taiwan, and South Korea, as these are more developed markets that represent high sales potential. This is a specialty drug, which doesn't have a huge market, but it is differentiated from the big multinationals in the oncology category. Currently the cost of development is still fairly low in Indonesia and Singapore, which is yet another advantage of developing drugs locally. The problem with many of these specialty products is that they are quite expensive. Indonesian pharmaceutical spending is still at \$2 per day.

How are you planning to expand the market and penetrate the bottom end of the market?

Indonesia is a large country where the upper 10% is able to afford all of Kalbe's products. This means that there is a potential market of 24 million. Additionally, strong GDP growth has been expanding this market. When it comes to cancer drugs, many patients have strong reservations regarding treatments that can often mean harsh treatments that devastate quality of life and only extend a patient's life for 2-3 months. Kalbe's new product has far milder side effects as compared to chemotherapy and will take huge steps toward improving the quality of life for cancer patients.

What are you doing to educate patients on various diseases and on the various ways in which they may need your products?

There is a major effort to build communities around certain disease categories. One successful such project has been established for patients with kidney problems. Kalbe organizes support groups and created an organization called the 'kidney club.' These patient support groups host lectures and provide seminars in addition to regular meetings focused on patient needs and support networks. Educating doctors is important as well, but Kalbe has been focusing on patient initiatives. There is also an extensive website with in-depth information and guidance for patients, designed as an online health portal. Many companies have identified HR as a bottleneck in their operations in Indonesia.

How have you been able to hire Indonesia's best and brightest?

Kalbe has a very strong brand name in the country. When pharmacists graduate, they tend to think of Kalbe as a large company with stable prospect for employment but also many growth opportunities. The company looks for a good balance of different backgrounds and the expanding research business means those Indonesians who study abroad are also interested in coming back to work at Kalbe. Graduates in the sciences from Australia, the US and Europe don't have too many other options in Indonesia so there is actually high demand for jobs at Kalbe. The company also

brings in foreign workers who have the necessary skills to move the company forward. There is also a continuous career development program, which encourages employees to build their careers and ultimately keeps them invested with staying at the company. There are actually many people who have been with the firm for over 10 years. The company's board of directors has collectively, more than 200 years experience at Kalbe. You personally have been honoured with the Asia Business Leader Award, CEO of the year, and Innovator of the year.

What does being awarded as a leader in the business community mean to you?

It is always nice to be recognized for one's achievements. A few years ago, Kalbe was nominated for the award for best innovator in ASEAN, which was a first for an Indonesian company. The efforts to build the company regionally have been a success, and we all appreciated the recognition. Kalbe has come a long way in the past years, and under your supervision became one of the most advanced and modern pharma companies in Indonesia.

What achievements are you most proud of?

The Asian Financial Crisis in 97-98 was a big challenge for the company. As many of the large companies in ASEAN, the company was flirting with bankruptcy. The Indonesian Rupiah depreciated to four times its previous rate against the dollar, and as many raw materials are imported, costs spiralled out of control and bank loans and credit lines dried up. We managed to negotiate with banks and reschedule the company's debt as getting more time to pay down these debts was a matter of survival. Another big challenge was motivating people in an environment where employees could easily succumb to despair. The company made a huge effort to ensure that there were zero layoffs. We also found innovative ways to sustain sales such as selling drugs in smaller packs. Three to four years after the crisis, Kalbe emerged as a stronger company.

What was the best learning that you gained from this challenging time?

Working with people is absolutely the most important lesson. As a manager, one needs to work effectively with others and motivate them to do their best and to come together to find solutions collectively. Without your employees, a manager is nothing. The negotiations were another aspect of this, of working with people to come to a solution that benefits all parties.

What is your final message to Pharmaceutical Executive's International readership?

Kalbe is a leading partner in Indonesia and in the ASEAN region. We bring values and commitment, not to mention resources that few competitors can match. Kalbe has a long history of bringing new technologies and products into the market, for any market segment. The company is designed to

serve all segments of the market, with 6,000 sales people grouped into different teams targeting the very different needs of each market segment, across the full length and breadth of the country. Kalbe is the best partner for entering the Indonesian market.

[See more interviews](#)