

# Interview with Kheng Hoe, Kwa, Managing Director, Nycomed Malaysia

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**Before joining Nycomed you spent a year working at the Drug Control Authority (DCA). What did your regulatory friends say when you told them you were off to join the dark side of working for MNCs?**

I was a pharmacist by training and the DCA for me was a type of internship in order to obtain my licence. At the time there were two choices open to me: to join the private sector or to explore more the public sector. Various factors came together and prompted me to move towards the private sector. Over the course of my time at the DCA we were obviously in contact with many pharmaceutical companies. This initially kindled my interest and two companies offered to hire me. One was a large pharmaceutical company and the other was technically much smaller in size.

Once I had made the decision to move away from the public sector it came down to the choice between these two companies. Essentially I faced the decision between obtaining depth of work experience in a larger company or breadth in a smaller company. Fortunately age was on my side and in terms of the scope of work and flexibility the smaller company was more interesting to me. I appreciated the fact that the boundaries were more fluid and there would be more opportunity to explore and learn. I feel that in a large perhaps even bureaucratic structure it would be difficult to enjoy the same freedoms. My interest was in medical affairs having worked at the DCA. However, I was soon able to explore other aspects of the business and became interested in understanding the commercial side.

**Having made the decision to leave the public sector are you now happy with your choice?**

I am very happy with the choice. Initially there were not that many products available but as the company expanded there was an increasing need for regulatory work which was a good fit with my background having worked in the DCA. I had experience in research and regulation but I came to understand that not having a medical degree would prevent me from being able to take a fully-fledged Medical Director position. I therefore had to make adjustments and build my commercial knowledge.

I have been lucky in having very good mentors who helped me along the way and I am grateful to this day for the opportunities they gave me.

An opportunity later opened up in business development which was a good segue into the entire value chain of product development. It involved commercial, regulatory and scientific affairs and for me the main interest was in getting to know the commercial side.

**We often encounter executives who have come from a sales background. How have you managed to reach a top position from a regulatory background and how has this influenced your management style?**

Not to be pretentiously modest, but I would describe it as very much down to luck. People left positions which provided opportunities for me to progress. I feel that I then made the most of these opportunities.

I was strong in certain core areas which included regulation and certain clinical elements. My mentors tried to push me a little bit further at every stage outside my comfort zone and take on new jobs for which I had little previous experience. This process involved a fair degree of late night reading and although I do not have an MBA I have read a large number of business books to compensate. Incrementally I obtained this experience to get the position I am now.

**You became Managing Director at a very difficult time for Nycomed given the financial crisis in 2009 and the loss of some core patents in 2010. Could you give our readers a brief snapshot of the situation in Malaysia when you took over and your projections for FY2010?**

Patents are of course a key concern for companies operating in South East Asia as they are for companies operating around the world. However, patent expiry does not impact on companies in South East Asia as sharply as it does in other countries like the USA. The USA can be typified by frequent patent cliffs whereby companies lose 50% of prescriptions the following day. In Malaysia the loss of sales occurs more gradually down to a series of factors. Out-of-pocket payments, no real reimbursement system and a substantial private, self-funding population contribute to easing the transition following the loss of patents in Malaysia.

When my predecessors were setting up a Local Operating Company (LOC) they factored this into account. They therefore decided to convert what the company had which was an existing

relationship with a distributor and turn this into a private limited operation. This official status came into effect on 1st January this year. The infrastructure was therefore already in place including product registrations for drugs like Controloc (our main product in Malaysia). This product was already doing well and looking at IMS Q2 figures the company was achieving 28% growth and Nycomed, relative to the top 30 pharmaceutical companies in Malaysia was in the top five in terms of sales growth.

**You mention that there is a softened blow when drugs go off-patent in Malaysia. Is there not much of a challenge from generics companies?**

There is definitely a challenge. In the public sector, the government uses open tenders and the moment these finish, business is usually lost to the generics companies. In the private sector however, the products are defensible. It is really a question of providing value through medical education, CMEs and the type of service that we can offer to doctors. Nycomed may not be able to compete with big pharma in terms of resources, and personnel so the company really has to utilise its strengths which include flexibility, fast decision making and a flat hierarchy. This provides for a quick response.

**You mentioned that when you were making the decision between two pharmaceutical companies you opted for a relatively unknown player, Altana Pharma. This company was bought by Nycomed in 2006. Would you say that now you are working for a known player in the market?**

I would be wary of saying that the process is completed. Gaining recognition is an ongoing process. However, if we take into account where Altana was when I joined 7 years ago in 2003 the brand is definitely strong. When talking to gastroenterologists Controloc is a well-recognised product.

There is always a danger of being caught up in your own hype. When we try to pin down the cause of the success of a brand like Controloc it is often down to the Sales Manager visiting a doctor for the second time and putting in more effort. Essentially success is built on the company's interaction with its clients. As ambassadors for the company, sales representatives must represent the company well and this is as important as the brand and the company. Nycomed would like to be recognised as the company which provides proper follow-up service. In terms of serving the needs of the market place, key products obviously contribute to the reputation of the company. Nycomed has made investment in certain key brands. In terms of return on investment the company has enjoyed dividends.

**What are the products that you are focusing on and how do they accommodate to the Malaysian market?**

The main focus has so far been on gastro products. There is also the ciclesonide molecule which is a respiratory product available as an inhaler for asthma and also for allergic rhinitis. It is also no secret that Nycomed has a first-in-class PDE-4 inhibitor in the form of an oral tablet for COPD. This has been launched in the EU and we are looking to launch this here in Malaysia. When you have a first-in-class drug there is a certain amount of excitement associated with it. So in a nutshell the focus is expanding towards the respiratory and ENT areas.

**You mention that company is diversifying. How else is this manifested in the company's operations?**

Looking at the corporate strategy, the target is to derive a significant portion of products from licensing. For me this is another natural progression from my experience in business development. I need to keep an eye on our existing products whilst also adding new products to the portfolio.

Having said that, it makes sense for Nycomed to reinforce its existing therapeutic products in Gastro Intestinal (GI) and respiratory areas. It does not make sense to diversify too much because there has been a large increase in the number of bids placed for certain products relative to the value of return. However, there are other speciality products created by Nycomed globally including surgical management and osteoporosis. These areas are within Nycomed's radar in Malaysia.

**With an ageing demographic in Malaysia is there also potential for greater sales in the osteoporosis area?**

Although the population is ageing Malaysia still has a fairly young population. No doubt life expectancy is increasing and there will be more 65 year olds in the future, however the vast bulk of the population is still in the 20-50 age range. The dynamics of the market are due to change but the company has to be pragmatic about the current market.

**As someone with a background in regulation what do you see as the main challenges for MNCs operating in the Malaysian regulatory environment and where does Malaysia fit in the regional map in terms of the stringency of its regulations?**

In terms of Malaysia's position within ASEAN There is a committee which is trying to streamline the ASEAN Common Technical Dossier (ACTD) process. Much work has gone into this effort and the committee has made significant achievements, thereby making the lives of regulatory executives easier.

There are avenues for improvement however. Given my background I have been to regulatory meetings in Taiwan and with the Health Service Authority (HSA) in Singapore. Singapore is ahead in regulatory matters because it is a fully developed country. However, Malaysia is not far behind and in fact may take the lead in GMP regulation. The DCA is very receptive to industry feedback from organizations like PHAMA. MNCs are clearly looking for certain common points such as data

exclusivity, faster evaluation and registration and strong patent protection. If these demands are catered for then Malaysia could take the lead as an emerging pharma market.

ASEAN harmonization is of course a major objective. Much has been done to remove the specific requirements of individual countries but there is a long way still to go.

**You have risen quickly to the position of Managing Director whilst in Asia there is a culture of respect for one's elders. How have you managed to command respect at your young age?**

I am not sure that I fully command the respect you speak of. I read a lot and take inspiration from others. One quote I enjoyed recently was that to succeed one should not be afraid to 'take up a position for which one is uniquely unqualified to fulfil'. To be perfectly candid, I have only seven years of experience so I have some challenge in terms of seniority. Without wishing to resort to cliché I believe it is a matter of humility, treating others respect and being open. I am never too shy to say that I do not know and am curious to find out how things work. When issuing unpopular decisions I try to explain as fully as possible the rationale behind them without diluting executive authority.

Without wishing to sound arrogant I have faced the situation of being slightly ahead of the curve most of my life and I have learned to adapt. Being self-aware is another key factor for success. Sun Tzu wrote in the art of war that if you know yourself and the other party then you will approach a hundred battles and will be victorious in all of them. I am aware of my limitations and am grateful to my mentors for supporting me throughout.

**What are Nycomed's revenues in Malaysia and at what point do you think you will have achieved your ambitions?**

As a private company Nycomed does not normally reveal this type of financial information. Nycomed Malaysia is currently a small player in terms of contributing to Nycomed's corporate revenues. However the company strategy is increasingly focusing on emerging markets. Investment is flowing into the region and just yesterday Nycomed announced the acquisition of the Guangdong Techpool Bio-Pharma Co. in China. With this investment comes greater responsibility and ambitious targets, but personally I would rather prefer this than occupying a simple caretaker role in a less exciting market.

In my position, I have come to appreciate more and more that the organization is only as strong as its people. My ultimate ambition is to create an environment where people wake up and want to come to work. If this is the case, I am cautiously optimistic that Nycomed has the right people to meet its objectives in Malaysia.

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