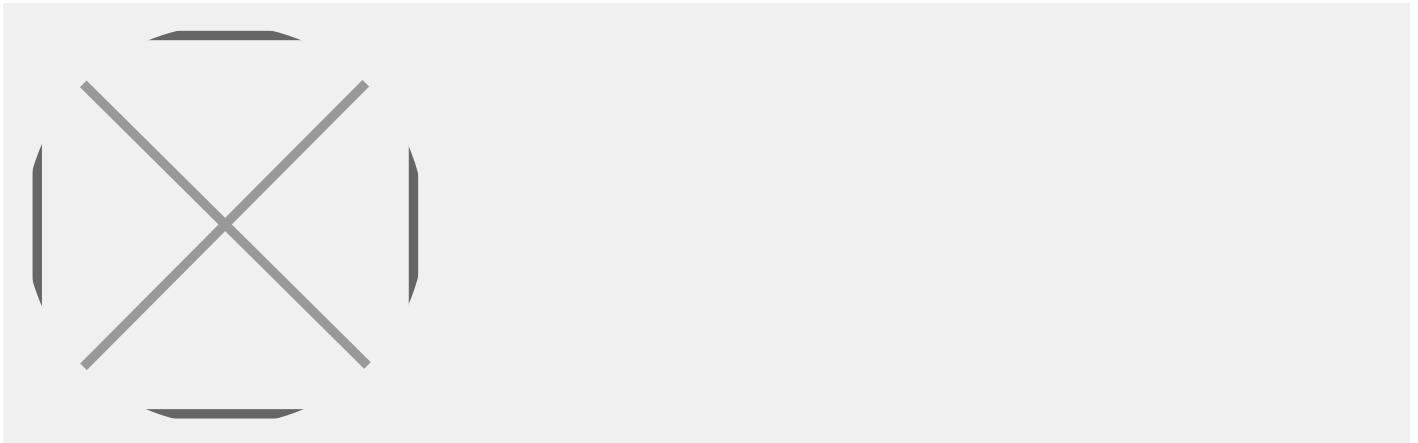


Interview with Christopher Rimolt, General Manager Malaysia and Singapore, Eli Lilly Malaysia



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You have spent much of your time working in the USA and came to Malaysia in 2008 as Country Manager. What were your expectations of Malaysia before you arrived and how have you enjoyed adapting to this ethnically diverse country?

The opportunity has been enjoyable on a number of levels. Obviously the personal level is always important and it has been a pleasure to come to Malaysia with my family including my wife and two young children. The cultural transition in coming from the USA to work in Malaysia was in fact fairly easy. Malaysia is a central travel destination in the region and the country is well adapted to receiving foreign visitors which makes living here very enjoyable.

On the business level, it has been a great experience to come to Malaysia which is, in contrast to the USA, a developing nation on the cusp of becoming a fully developed nation. In a number of markets including pharmaceuticals, the USA has stagnated. However, this is not the case in Malaysia and the country therefore represents an exciting growth opportunity.

In terms of adapting to business challenges, I arrived in 2008 in the midst of an economic crisis; Malaysia was not immune and nor was Eli Lilly and Co. Fortunately, the company in Malaysia finished 2008 strong. In 2009 the team here in Malaysia experienced challenges but also achieved modest successes. It was also a time to create some changes in leadership. In 2010 the company is substantially outgrowing the market here in Malaysia and therefore Eli Lilly is not simply riding the wave of economic recovery but actually running ahead of the growth in the market. This has been very gratifying for the team here in Malaysia.

To go into further detail regarding the circumstances in Malaysia in 2008, what were the main differences between the situation in an emerging market like Malaysia and that in the USA?

Coming from the USA to Malaysia the main difference was that the focus in Malaysia was very much on growth and opportunity. In the USA the emphasis was more on maximising the potential of pre-existing markets. Moreover, in the USA, Eli Lilly was facing a more daunting regulatory and legal environment than in Malaysia as well as difficult challenges deriving from the loss of patents. The main goal in Malaysia was taking the potential of the portfolio including products such as Alimta, Forteo, Byetta and Zyprexa and maximising these within this growth market.

You have mentioned emerging markets and it is no secret to Lilly that emerging markets are the future for pharmaceuticals as well as many other industries. It is not lost on the team that Malaysia lies near the centre of this emerging Asian market.

You are in charge of Malaysia, Singapore and Brunei operations. What is the difference in performance between these countries?

Although they are three geographically distinct entities, Singapore and Brunei are combined under one operation. I am therefore in charge of two operations overall.

These markets have both differences and similarities. Between Malaysia, Singapore and Brunei there is clearly a difference in terms of economic status. These markets are also different in terms of reimbursement streams for pharmaceuticals. Whilst Singapore is a major out-of-pocket market the other two are mainly reimbursement markets.

The patient needs are however the same across all three markets. Cancer is a problem for all three countries as well as a growing prevalence of diabetes. Cardiovascular disease which in Singapore and developing countries continues to pose a major health concern. As a result of meeting these health needs the overall performance of this region has been very good. Malaysia is currently outperforming Singapore at this point in the year however over the last quarter Singapore has started to close the gap with Malaysia.

I am pleased that both Malaysia and Singapore are outgrowing the market. In Malaysia Eli Lilly is enjoying growth in double digits above the growth in the market whilst in Singapore the company is growing around 6% above the market. In my eyes, this stands out as a strong metric of success.

For many companies Singapore is their regional hub. To what extent is Malaysia a regional hub for Eli Lilly's operations and why is this?

It would be a slight misnomer to call Malaysia a hub for operations. Malaysia and Singapore are two separate operations with separate funding streams and to an extent with different strategies for success. The common point is in the functional leadership team. This team is shared with one

General Manager, one Human Resources Director, one Senior Finance Manager, one Training Manager but essentially the two operations are autonomous.

That is not to say that there is not a high degree of cooperation between these two entities. Although they are separate organizations every month employees from Singapore come to Malaysia for development programmes. Similarly, every month the Malaysian management team goes to Singapore for customer visits, affiliate overviews and to stay in touch with business.

You have already mentioned cardiology as one key area for Eli Lilly in Malaysia and Singapore. How well is the Eli Lilly product portfolio adapted to Malaysia's healthcare needs?

One thing which you can instantly observe in the Eli Lilly product portfolio is its breadth and the number of therapeutic areas it covers. Eli Lilly has by design become a company of a number of speciality products. The company continuously focuses research and development in areas such as oncology, diabetes, CNS, cardiology and osteoporosis.

In terms of health needs, we need to consider Singapore as a developed nation and Malaysia as a developing nation. However, as Malaysia increases its economic development, the diseases of the Western world will likely follow. Diabetes is in fact growing at an epidemic rate in both Malaysia and Singapore. Cardiovascular disease is unfortunately close behind.

Eli Lilly's portfolio is well tailored to the Malaysian market with two class-leading medications for lung cancer, which represents a significant problem given the high rates of smoking in the country. The company's portfolio for diabetes does not just involve human insulin which was one of the company's products over a hundred years ago, but also insulin analogues. Eli Lilly also has novel treatments such as Byetta for diabetes. In my opinion, the portfolio is well positioned to address not just the needs for Malaysia and Singapore, but globally as well.

You have mentioned that CNS is part of the portfolio. When we met with Mr Wong of Lundbeck he said that CNS disorders are not well-known and are stigmatized to an extent. How important is it for Eli Lilly to raise awareness among the population about the different therapeutic areas it works in?

In meetings with the representative of the Ministry of Health particularly regarding diabetes, one of the initiatives which the Director General has mentioned is raising awareness about diabetes. Awareness is the first step towards diagnosis, which in turn is the first step towards treatment and to a longer life expectancy.

Specifically in terms of diabetes, Eli Lilly partners with the International Diabetes Federation (IDF) in a package called 'Diabetes Conversation Maps'. It is a global initiative which was conceived to have no relation to Lilly products at all but simply to raise awareness among patients in multiple

languages about diabetes. It is done mostly through pictures which represent healthy lifestyles, ways of cooperating with a physician to control the disease and types of medication. Eli Lilly has a strong history of engaging globally in schemes to help raise health awareness.

One of the problems in Malaysia is that the degree of awareness changes according to the geographical region and a clear divide between some of the big cities and rural areas particularly in Eastern Malaysia. How well has the government done in promoting healthcare awareness around Malaysia?

Firstly, Malaysia is not alone in trying to raise awareness of diabetes and the government is doing a commendable job. There are numerous initiatives to push treatments further down the healthcare system all the way to the family physician in the kampongs of Sabah and Sarawak. Villagers in East Malaysia obviously cannot afford to travel to Kuala Lumpur to visit the University of Malaya Medical Centre, however they can go to a family medicine specialist in Kota Kinabalu and begin their path towards successful treatment.

I am also encouraged by the fact the government in Malaysia is looking to innovative partnerships with industry, realizing that pharmaceutical companies can assist them to raise awareness without overriding profit motives.

Pharmaceutical companies tend to target the private sector for the quick returns they can achieve in comparison to the more difficult process of getting drugs listed on the formularies in the public sector. What is the main focus for Eli Lilly in Malaysia?

Both sectors are important, but I would look at the situation from another perspective. Eli Lilly actively pursues reimbursement in order to provide access to as many patients as possible to the company's products. Whether Eli Lilly is operating in an out-of-pocket market like Singapore, or a reimbursed market like Malaysia, the overarching goal for the company is to improve patient outcomes. This is the statement of our CEO and the central mission of the company not just in Indianapolis but here in Kuala Lumpur. The question is therefore how to provide access to as many patients as possible. Private or public the central aim is to reach the patient.

In 2011 Eli Lilly is due to lose the \$5bn a year drug, Zyprexa. From the perspective of someone who has operated in both the USA and Malaysia what is the difference in terms of the impact caused by the loss of patents in these respective countries?

The impact is largely determined by the company. I read a statistic recently which declared that over the next six years in the USA the drugs which make up 40% of the total retail market will lose their patents. This is clearly a problem for the entire industry.

Some companies have addressed this challenge through the megamergers which were a feature of the past few years. Eli Lilly has taken a different strategic approach. The title of your article, 'The

Shoots of Innovation from the Roots of Tradition' sounds as if it came from a John Lechleiter speech. He said in 2009: 'We are OK being Lilly'. The company will therefore not be looking for a megamerger. Lilly will instead be looking to innovation to sustain the company for the future. In our estimation, megamergers do not produce sustainable growth over time either for shareholders or for patients.

Eli Lilly currently has over seventy products in its late-stage pipeline to address oncology, Alzheimer's disease, CNS disorders, cardiovascular disease among others. The task now is to accelerate this innovation and transform molecules into medicines which help patients. Part of the 2009 reorganization for Lilly was the creation of a Development Centre of Excellence. It is literally an organization which stands between Lilly research laboratories and the commercialization of the business units with the task to do nothing but accelerate the transfer of molecules from the lab to a product available for patients.

The patent challenges are universal to the industry. The question is how to address them and at Lilly we believe we have the right solution: innovation, in-house development, and the acceleration of molecules into medicines for patients. Again the focus remains on helping patients.

How does this development centre work to accelerate molecules to the market?

Interestingly it is not achieved through a single mechanism. The way it works can be explained structural transformation of Eli Lilly and lies in the distinction between a FIPCo and a FIPNet. In the 1970s when current CEO, John Lechlehter joined Eli Lilly, he says it was a FIPCo or Fully Integrated Pharmaceutical Company. This meant that Lilly owned everything from the laboratory identification of a molecule to the pills in the patient's hands. Eli Lilly wanted to own the entire value chain. However in the 21st Century Eli Lilly realised that this might not be the most effective way to operate. Eli Lilly therefore became a FIPNet or Fully Integrated Pharmaceutical Network. This means that now the company shares out some of the risks and rewards and casts a broader net in order to be a more effective organization.

What this means in practice is demonstrated by Chorus which consists of a team of scientists that decided to challenge the way molecules were developed and the length of time it took a compound to reach first human trials. This group of scientists, the majority of whom do not work for Lilly, have been able to trim on average around twelve months off the standard development time for a product with tremendous cost savings as a result. For Lilly it is this type of innovation which allows for a sustainable future for the company.

Eli Lilly invests 19% of its revenues into R&D to support this future. However I'm sure some observers were surprised by the closure of the Singapore Research Centre this year. What was the rationale for this decision?

It was part of a normal business review. If not the leader then Eli Lilly is among the top two in terms of R&D reinvestment. As you mention, around 20% of revenues are reinvested in R&D and this type of investment cannot occur without difficult decisions being made. Like every other business, Eli Lilly undergoes an annual business planning process and this resulted in the decision to move away from the LSCDD or the Lilly Singapore Centre for Drug Discovery. The decision was made that the same functions could be achieved in other centres, for example in Indianapolis and elsewhere. It should however be noted that the Phase 1 clinic known as the Lilly National University of Singapore (NUS) and the Lilly Singapore sales and marketing organizations are unaffected by the decision to close LSCDD, and these other organizations will continue in full effect.

It was nonetheless a difficult decision and one hundred and thirty people were affected. The majority of these employees have since been offered places in Indianapolis or elsewhere. However, challenging situations call for difficult decisions and this was a classic example.

A few years ago Singapore was an exciting place to invest and it became the 'biopolis' of South East Asia. Do you think that Eli Lilly is now leading the trend away from Singapore?

Press releases from the Singaporean government stated that this was not the case and they felt confident in the future of their innovation engine there. Whether this is a trend or not will only emerge over about three or four years. In my opinion the decisions reached are idiosyncratic to the individual companies and their individual business strategies.

The government is actively trying to promote the pharmaceutical industry in Malaysia under the 10th Malaysia plan. How do you assess these initiatives and what potential do you see for Eli Lilly to invest further in Malaysia?

Firstly, being part of the emerging markets, this region is in a strong position. Lilly has stated publically that it will look to emerging markets for investment in the future. The growth in the pharmaceutical industry in the US will likely diminish as the growth in emerging markets increases. Singapore and Malaysia are close to the centre of the emerging markets and it is down to the team here and me to demonstrate to our leadership that we merit the investment that they are able to make in the region. It is really a question of earning the right to this investment.

The government's 10th Malaysia plan contains a couple of interesting articles which have caught my attention. Firstly, the government is targeting accelerated economic performance on the way to developed nation status and wants to raise the average income per capita substantially through strong GDP growth. Secondly, the government intends to leverage on the country's diversity, unleashing innovation and fostering a strong talent base. To me this represents a country where not just Lilly but the majority of pharmaceutical companies will want to be present.

Given the projected and actual growth in the Malaysian pharmaceutical market what strategies is Eli Lilly implementing to capitalize on this growth?

It may seem strange for the reader but the goal at Eli Lilly is actually not to maximise its share of the market, but instead to try to find as many ways as possible to assist healthcare providers in Malaysia and help the patients they treat. It may sound like corporate spin, but this is simply not the case. I have just returned from an Eli Lilly conference in Egypt and over the course of that three day period the focus was unwaveringly centred on helping patients.

If in product calls to healthcare providers, marketing programmes, reimbursement strategies and payer partnerships Eli Lilly can keep patients at the centre of what the company does, it will simply not have to worry about market share. The focus on the patient and the success Eli Lilly offers to healthcare providers will naturally lead the company towards a greater market share. The strategy involves taking the portfolio Lilly has, developing new molecules and putting them into the hands of as many healthcare providers as possible.

A growing nation needs a strong healthcare base. The life expectancy in Malaysia is growing in line with its development, improved healthcare and better quality of life. Eli Lilly is happy to be a part of this development.

One of the objectives of the Malaysian government is to increase the skill level in the healthcare and pharmaceutical industries. What schemes does Lilly have in place to raise awareness among university graduates about the opportunities available to them?

Eli Lilly has three partnerships with universities in the region: two in Malaysia with the University of Nottingham, Malaysia campus and the University Pertentian Malaysia (UPM), and one in Singapore with INSEAD. The Human Resources director here and I will go at the end of this month to a simulation for MBA students at one of the local universities in Malaysia. This simulation will be focused on an Eli Lilly case study: the challenges of a pharmaceutical MNC. This will allow the students to work on this study with Lilly representatives on hand to offer facts and information to help students think through the solutions they generate.

Companies of course desperately need talent. Innovation requires creativity not just in the new molecules generated but in how the company approaches processes, marketing and human resources. Eli Lilly needs as many talented people as the company can find and this represents a key priority for the company. I see this being achieved not only through internal development, but through partnerships with universities.

Malaysia is a country that can often be overlooked compared to the giants of China and Indonesia. So what will it take to finally put Malaysia on the map for the pharmaceutical industry?

Firstly from my perspective Malaysia is already on the map. In all probability, those outsiders who overlook the country do so to their detriment. However, in terms of creating a more favourable environment for MNCs there are a couple of ways in which this could be improved.

Firstly, the government needs to stimulate as much research and development as possible.

Secondly Malaysia should look to encourage as much manufacturing in the country as possible.

Progress has been made in both areas, but there is still some distance to go.

In terms of Lilly's priorities, the company needs to continue to outpace the market.. The more Lilly succeeds in this region the more opportunities will be provided.

Finally, what has been the main lesson that you have learned over the past two years?

From a business operations perspective I have learned two things. Firstly, never undervalue your people. As I moved from my role in the USA to Malaysia I have begun to realise more and more that a team is only as good as the people within it. Fortunately, we are blessed with good people working for the company here but Eli Lilly needs to continue to bring talented people in. If your team is constituted by talented individuals with the focus on patients that Eli Lilly try to instil in its staff then each challenge will be met by creative, appropriate and successful solutions.

The second lesson is never to overlook details. Previously, I thought that it was possible to devise strategies which others would implement. Nothing could be further from the truth. Every month I like to have five days set aside for field work to talk to customers, sales representatives and company managers in order to listen and learn. Indeed, connecting with customers offers invaluable insights and fills in the details on strategies which ultimately make them more successful.

These are the two keys I will walk away with. Hopefully the team here in two or three years will be in a better position as a result of these lessons.

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