Janssen Korea, Hong Kong & Taiwan – Kim Oak-Yeon, Managing Director



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Janssen's managing director in Korea discusses the groups long and significant commitment to R&D in the country, as well as some of the challenges that one of the most innovative multinational companies must face in a market that has traditionally been reluctant to recognize the value of highly innovative products.

Out of the 57 countries in which Janssen has a commercial office, Janssen Korea is one of the few affiliates with manufacturing and R&D operations in addition to a commercial office; could you tell us a bit more about the footprint and history of this important affiliate?

Janssen Korea celebrated its 30th anniversary in 2013, and we chose that moment to revisit our company mission, and announced our new company vision of 'innovation and responsibility.' It was necessary to revisit our purpose after all of these years because the business and its position have changed so much; throughout a portion of the 1990s, Janssen was actually the top multinational in the Korean market. This is clearly no longer the case, as we lost exclusivity on several key products and several competitors expanded their businesses globally through significant M&A activity.

Within Asia-Pacific, our Korean operation has been a source of regional, and global, talent as well as leadership in best practices, innovative strategy, and excellence in execution. I am proud to be

one of the many Koreans in Janssen who have taken key leadership positions within the region, and in a few cases at the global level. Despite this success, I feel that in many ways our Korean employees are still underestimated or undervalued within the organization, and more so within the global pharmaceutical industry in general.

As for our operational footprint, the Johnson & Johnson group has three manufacturing facilities in Korea, two of which produce pharmaceutical products, and one that makes consumer goods. Our plant in Hwaseong produces solid form and topical pharmaceuticals and cosmetics, with the majority of the output going to the Korean market but some exports to eight other countries in Asia-Pacific. We also have a vaccine manufacturing plant in Songdo that was acquired through Janssen's global acquisition of Crucell.

This is an interesting moment to look at Janssen's R&D footprint in Korea, given the USD 80 million that Janssen has pledged to invest in Korea over the next five years. What is the present scope of Janssen's R&D in Korea, and how these funds will be invested?

Janssen has always been a heavily R&D oriented company, and that tradition has been present in Korea for many years; we were one of the first multinationals to host clinical studies in the country. In many ways, Janssen Korea was actually a pioneer in Korean pharma R&D, as we have steadily brought earlier and earlier phase trials to Korea, pushing the boundaries of existing regulations and inducing regulatory development. At this point in time, we are actually discussing bringing some 'first in human studies' to Korea for some of the very early stage compounds in Janssen's pipeline.

However, this is not the only investment relevant to R&D in Korea. Johnson & Johnson has a fairly unique philosophy regarding innovation, in the sense that we have the stated objective of participating and fostering open innovation, and in that spirit we opened a new Innovation Center in Shanghai during October. This center, similarly to its counterparts in London, Boston, and California, will work to identify and network with the most innovative companies in the Asia Pacific region, with the purpose of eventually serving as a hub for collaborative innovation projects. This approach is of course quite different from the programs of some other multinationals, as it is very much a science and people first approach, as opposed to of a business or investment centric approach towards venture funding.

The MOU we signed with the Ministry of Health covered both of these topics, and although the majority of the funds will go towards clinical trials, we will also work to develop stronger relationships with local innovators. For a long time we didn't have any particular knowledge of who

these firms were and what they were doing, and in recent years we have started following their developments more closely; now, we'd like to actually build permanent relationships with open channels of communication with the local innovators, in the hopes that we may find opportunities for innovative partnerships in the future. However, it will likely take quite some time, as it is still unclear if there is truly radical innovation taking place in Korea and more widely in Asia-Pacific, or if it is limited to incremental and me-better developments.

How would you assess Janssen's current market outlook for Korea in terms of existing portfolio, upcoming loss of exclusivity, and pipeline?

I see two different scenarios that could play out depending on how Korean healthcare policy unfolds. At present, Janssen is doing quite well globally due to the launch of several highly innovative products over the last several years and one of the most innovative pipelines with regards to our core therapeutic areas. However the market access in Korea for these highly innovative, recently launched products is very poor, so in addition to suffering a loss of exclusivity, we are struggling to make up for these losses with sales from new products; in fact, we have recently had to make difficult decisions to not launch a product in Korea, because the current policy doesn't recognize the value of highly innovative products.

Right now we are at a juncture where we have to see whether we can get over this loss of exclusivity and successfully launch new products on a regular basis. We are launching a few new products, but the difficulty is that the majority of the products in our pipeline are very innovative, target a small patient population, and are very costly, and unfortunately these types of products are not able to flourish in Korea given the current reimbursement policies.

The other, brighter scenario, which is beginning to seem increasingly likely, is that the government will change their policy towards reimbursement of innovative orphan drugs. This is an issue that industry has raised repeatedly, but in the past the voice was primarily from the multinationals. In the last few years however, several top Korean companies have joined their voice to ours and it seems that we are gaining some momentum, and as such the government has been slowly, very slowly, changing their policy by introducing mechanisms like risk-sharing agreements. In fact, just yesterday the government announced some revisions of the pricing system and introduced some new mechanisms for orphan drug pricing, which including a new simplified reimbursement registration process for orphan products that can demonstrate cost-effectiveness. So, with these recent changes in mind, it seems that the government is beginning to recognize that changes need to be made, and we just hope that the change can be made in a faster and more efficient way.

Given the current climate, how are the roles of industry associations evolving?

The common ground between the global and Korean manufacturers has been increasing steadily for a few years, so the voice of the industry has become much more unified. The combined, unified voice of the KPMA and KRPIA has certainly had more impact on politicians, policy makers, the media and the public than the voice of the KRPIA had on its own.

You have been the managing director for Korea, Taiwan and Hong Kong since 2012, and in that time these dynamic markets have changed significantly and you have faced some challenging issues as a leader. How have you changed as a manager and leader in this time?

Well, it may be a cliché, but the saying “what doesn’t kill you makes you stronger” is certainly true in my experience. Stronger doesn’t necessarily mean different or changed, and for me it meant being able to do my job without it taking too much out of me personally and emotionally. A big part of that process was improving my ability to separate my professional life and my life as a person, and to recognize that doing a good job at work doesn’t necessarily improve my life as a person or make me a better person, and vice versa. I think that learning to separate work from my personal life has allowed me to be more objective in my work, to remove my ego from the issue on the table, and assess a situation or option based on its merits instead of how it might affect my professional career.

Looking ahead five years, what are your key objectives and priorities for Janssen Korea?

My first priority is of course growing the business! To do that we need to reduce our dependence on legacy products and renovate our revenue mix, which means we have to selectively launch new products, choosing those most likely to succeed based on deep market and customer insights. The other aspect is our corporate-culture, because while Janssen’s traditional culture has some very valuable aspects such as taking pride in excellence of execution and our strong marketing heritage, in many ways it is very homogenous and no particularly open to diversity. So, one of my personal professional objectives is to help encourage a corporate-culture that embraces diversity in every way, not just in terms of gender or ethnic diversity, but also the diversity of thoughts, styles, practices, and of course culture. J&J already promotes openness as a company value, but while we’ve applied it strongly to our innovation methodology, there is still progress to be made in other areas.

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