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From a corporate perspective, domestic mid-sized pharmaceutical companies like Daewoong Bio must pursue a diversified portfolio focused on both generic drugs and new innovative products to drive sustainable growth

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Dr Byung Guk Yang, CEO of Daewoong Bio, explains the challenges the Korean healthcare system is facing and how his experience in the public sector now helps him lead a private sector company. He also offers his insights into Daewoong Bio's diversified business model and highlights the need for internationalization.

Dr Yang, as an expert in the Korean health sector, what would you say is the balance between regulation and free market for Korean pharmaceuticals?

The Korean healthcare system has been operated by the following structures: in the macro perspective, the government-sponsored single national insurer, NHIS (National Health Insurance Corporation), regulates the entire system by controlling the prices of health care services, drugs and medical devices. From a micro perspective, otherwise, the multiple providers deliver healthcare services through free competition. Under these structures, some provider groups, including medical doctors, have been vocal in criticizing the Korean healthcare system. They assert that the government has complete control over the Korean healthcare market: while NHIS supports less than 65% of the total healthcare budget, they regulate over 65% without any additional financial support.

If the government were to expand the role of healthcare not only to the public goods but to the industry, the health related-market would grow rapidly. The expansion of the overall health market

inevitably results in a rise of the national health expenditure. Hence, the government is facing a dilemma as the need to provide the universal healthcare coverage and the need to contribute to the national economy by promoting healthcare service industry may be contradictory. It will be possible to satisfy both demands by consistently presenting alternatives through a balanced way of thinking and negotiation between these two stakeholder groups. Personally, I welcome the policy direction of Mooncare in this regard.

Nevertheless, when it comes to funding, I believe that if the coverage was widened, additional resources would be needed. There is an inevitable aspect of integrating users including employers, employees, and the self-employed into this reimbursement scheme. Consequently, seeking consent actively from the users is also a way to enhance Mooncare's prospects for success. This will require a change to the obsolete way of thinking in Korea.

What role do established Korean pharma companies have in aiding the government's ambition to internationalize the Korean pharma industry?

The pharmaceutical market in this country is limited in size, constituting only about 1.5 percent of the global market. The introduction of new drugs from developed countries and generic-focused operations even after its patent has expired, is the mainstream in Korea's pharmaceutical market. We are fully aware that the domestic pharmaceutical industry will grow only when it becomes operated as a part of the global market. We have been trying to be a part of the global pharmaceutical market; it is encouraging that Seoul has become the leading city in the world for clinical trials.

Both the Korean pharmaceutical industry and the government have gained great experience managing the healthcare market in the last 20 years. However, there are still areas that need to be improved.

First, domestic pharmaceutical players must align their values and standards of conduct with global standards. While some regulations may need to be strengthened in Korea, others may need to be relaxed to fall in line with the global market. Secondly, the industry needs to collaborate more closely with the government to have in-depth insights about healthcare policies. In the past, government officials addressed the healthcare industry and the advancements of the pharmaceutical industry in isolation, without fully developed consideration of their interdependence.

From a corporate perspective, domestic mid-sized pharmaceutical companies like Daewoong Bio must pursue a diversified portfolio focused on both generic drugs and new innovative products to drive sustainable growth.

Daewoong Bio is involved in many areas of business. How would you describe the company's strategy?

As an affiliate of Daewoong Pharmaceuticals, Daewoong Bio is specialized in API manufacturing and its own generic products. Our strength lies in our ability to conduct the whole manufacturing process from APIs to the finished product, offering a complete package. Our supply chain is stronger than those of our competitors, which offer either APIs or finished products only.

Our generic business is operated through two divisions: a target business division which focuses on CNS (Central Nervous System) disorders, and a generics sales division CSO (Contracted Sales Organization). The CNS division has a degenerative neurological treatment pipelines including Alzheimer and Parkinson's disease. The CSO division supplies high-quality and low-cost generics through a business-to-business model. However, we have realized that we need other business segments to promote growth. We manufacture UDCA (Ursodeoxycholic acid), an API, which is used as a treatment or supplement for various kinds of liver disease. In this field, we are ranked in the top three suppliers globally. We produce about 200 tons of UDCA per year and export more than two-thirds of the total to global markets, including Japan India, and Europe. Ultimately, our goal is to become the global leader of production in this field.

In the future, we will follow a two-way business model. While we are looking to in-licence global high-quality products for CNS-related diseases, an out-licensing strategy for our UDCA products will be implemented. Korean health statistics have shown that mental health disorders are very common in the country, yet Korean companies still lag behind the global leaders in the CNS field. Thus, in-licensing is necessary. In the UDCA field, Korea has taken on a global leadership position, with excellent levels of expertise both within the industry and research institutions.

Daewoong Bio is planning to implement a step-by-step growth strategy, focused on building a stable base through generic products and then reinvesting the revenues in the growing areas of CNS and UDCA. To carry out this strategy, last year we formed and operated an innovative team. Today, Daewoong Bio is growing to be one of the top 20 mid-sized pharmaceutical companies in Korea based on a sales volume of KRW 280 billion (USD 221 million) in 2018.

How important is the establishment of partnerships and collaborative relationships in the development of capabilities, considering your international outlook?

Since two-thirds of our products go to the global market, international partnerships are so critical for us. Indeed, the development of new drugs and APIs are challenging and difficult. For example, we develop and provide new APIs through collaboration with Daewoong Pharmaceutical, a global company within the Daewoong group. If Daewoong Pharmaceutical's new drug becomes successful in the global market, as a collaborative partner, Daewoong Bio grows as well. We are also constantly looking for the CMO business so that we can expand our API division with global pharmaceutical companies. While our current partners are in Japan and Europe, we are planning to expand our business to Russia. The two most important factors for Daewoong Bio are quality and costs, so we are trying to find suitable partners that share the same philosophy. In 2019, we will launch our global partnering business and will actively explore global regions where we can grow into a global company. Globally, one of the emerging health issues such as NASH can be a big opportunity for our UDCA products. Daewoong Bio is actively searching for global partnering companies to develop new medications in these countries.

How has working in the public healthcare space for over 20 years helped you in leading an ambitious company like Daewoong Bio, which aims to be the leader improving the quality of life?

The pharmaceutical industry is essentially based on public goods, so I am very well acquainted with the government's approach to private companies. With my expertise in managing the public healthcare system, I believe that the accessibility of healthcare is the key point. Being on the other side of the table, I can leverage this knowledge to facilitate progress. I do have a very balanced view, so my aim is to bring the public and the industry closer to improve the situation for patients and create a win-win situation for all stakeholders.

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