

Interview: Luthfi Mardiansyah, President Director, Novartis Indonesia

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The President Director of Novartis Indonesia talks about the strong competition his company faces from local generics manufacturers, and his perspectives on the other challenges currently facing his company in the Indonesian market.

You mentioned earlier that the current 20 percent growth of Novartis Indonesia is still possible because the company has not yet reached the size of its larger counterparts like Sanofi for instance. At a portfolio level, what do you identify as some of the strong and weak points of Novartis Indonesia?

We divide our portfolio into two distinct categories: primary care and specialty care. On the primary care side, we experience fierce competition from both MNCs and local Indonesian pharmaceutical companies. In such context, we therefore have to be very selective. In Indonesia we have chosen to focus on cardiovascular and diabetes. Even though we are not as strong as Sanofi or Novo Nordisk in diabetes, we have a very strong portfolio in cardiovascular. For primary care, we are active on the regular market, since the part of the market covered by the so-called universal health coverage is subject to severe price pressures. Now, we are shifting our focus increasingly towards specialty care, where we see greater opportunities for growth. In particular for rare diseases – in oncology or neuroscience for instance – we see the opportunity to serve the unmet clinical needs of the Indonesian patients.

You speak of strong local competition from generic manufacturers. Does it help to have Sandoz and the locally acquired Prima Hexal under your wings?

As Novartis Group, this has enabled us to strengthen our positioning in this market. However, it should be pointed out that – in terms of pricing – Sandoz’s products do not compare with the portfolios of local generic manufacturers. We have standard quality for our generic products and follow a standard code of conduct, which is very different than the local industry. In fact, the differences in the playing field make it more challenging for my colleague at Sandoz. Novartis clearly differs as an innovative pharmaceutical manufacturer, but we also need to differentiate Sandoz from the local companies in Indonesia. Even through Sandoz, we have launched new generic products in this market for which there were no generic alternatives. We follow a distinct strategy in this market.

For most of the MNCs in Indonesia, the rural market has been a tough nut to break. In India, however, Novartis’s country manager Ranjit Shahani has deployed a very successful rural access program called Arogya Parivar. What is your approach in Indonesia? Is it also your ambition to be successful in the rural areas of Indonesia?

We have started our initiative last year, but this has been put on hold due to the upcoming implementation of the universal health care coverage. We do not want to be contradictory with the government's own initiative and want to ensure that we can remain a partner to them. As a partner to the government, we need to wait and identify any gaps in the system as from next year.

You have launched an initiative called "Sehati Bersama, Sehatkan Indonesia" here. Can you elaborate?

This initiative is part of our plan to cooperate better with the system's different stakeholders. As part of this plan, for instance, we have launched a media forum. Through this forum, we speak on different topics with the local media using different industry experts as guest speakers. We have been doing this every month. In addition to this, we have been collaborating with the Ministry of Health on specific diseases. Moreover, we have been collaborating with the FKM UI (Faculty of Public Health University of Indonesia) too. Rather than a marketing program, "Sehati Bersama, Sehatkan Indonesia" is a public affairs and communication program to integrate the company within the local community and function as a partner to the authorities.

While Novartis is obviously an MNC, do you consider the affiliate as a local company?

The government sometimes perceives the MNCs as companies that come here to make money without caring for the population. However, through educational programs such as the media forum, we take specific efforts on educating the Indonesian population. We see the media as our partner in these efforts.

Building the right team is one of the key success factors for any pharma CEO anywhere in the world. In an emerging market, finding human capital may be even more challenging. What are your observations of the situation in Indonesia?

There is a talent issue in Indonesia, because our industry is growing too fast. Our medical department, for example, has grown from five to thirty people. If another company wants to build similar capabilities, they will naturally look at Novartis to source new talent. To build our team, we have had to reach out to new graduates and train them accordingly. Now that we have a strong team, other pharmaceutical companies start looking at Novartis to source existing talent. There is a talent war at the moment. This is quite a normal phenomenon indeed, but the only thing we need to look at is how we can retain the best people.

How do you retain them then?

We have a number of programs for HR and retention. In terms of remuneration, which is obviously one of the factors, the sky has really become the limit. We have to do more than create remuneration-based incentives alone. Instead, we need to look at other elements such as career development, international opportunities, and so forth.

In order to understand what drives the switching behaviour of your people, does it help that you are Indonesian yourself?

The pharmaceutical market is growing very rapidly and we generally offer the same positions as the other MNCs. When I interview these people, I ask them why they want to change for the same position in another company. In general, it always comes down to incremental salary increases. We see similar HR scenarios in markets like China. In the past, there were no MNCs and the market was not growing. But today, the situation is very different. At Novartis, we have grown from 230 medical representatives in 2011 to almost 500 today.

And your own switch from Pfizer Indonesia to Novartis Indonesia â?? was this a new challenge for you?

When I was at Pfizer, I considered GSK and Sanofi as my competitors but not Novartis. In the past, Novartis Indonesia was very silent. For instance, the company launched Galvus and Diovan through third parties in Indonesia, because at that time it did not believe in this market. As Indonesia entered the international spotlight, I was hired as an experienced local manager to revamp the organization. Back then, my challenge existed in growing the structure of this organization into something bigger. Now we are taking back the products that we have previously passed on to third parties in order to promote them ourselves. The positive thing is that the management of Novartis Group is now very committed to Indonesia.

How would you now describe the Indonesian market in a few words?

Naturally, everyone also knows about the demographics and objective growth numbers of this market, which are very attractive. The Indonesian market is growing but challenges persist. The most important challenge in shaping the environment is to find a way to educate the people, the doctors and the patients. Apart from that, the talent war is a very significant challenge where the sky really has become the limit. Our resulting attrition rate of nearly 9 per cent is quite high, compared to a 14 per cent industry average.

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