Interview: Jean-Luc Butel – President, K8 Global, Singapore

Singapore is the best place in Asia to grow a healthcare business as a result of high government involvement, a business friendly ecosystem with regional access, no corruption, and highly educated professionals

06.09.2016

Tags: Pharma, Pharmaceuticals, Healthcare, Singapore, Asia-Pacific, Asia, Digital Disruption, Interview

President of K8 Global and Senior Advisor to McKinsey, Jean-Luc Butel, explains the major healthcare trends impacting the Asia Pacific region and stresses the need for companies to disrupt current business models in order to effectively tackle the region's growing burden of unmet needs.

You have held several positions in big companies such as Baxter and Medtronic in different locations, including Singapore, in the past. What made you to come back to Singapore?

APAC is a region with tremendous potential since it exhibits an unparalleled level of unmet needs. Furthermore, Singapore is the best place in Asia to grow a healthcare business as a result of high government involvement, a business friendly ecosystem with regional access, no corruption, and highly educated professionals, among other reasons. I would like to emphasize that the opportunities created and developed in Singapore have impact in the country, but also across the entire region.

What have been the key factors behind Singapore's success?

Since the foundation of the country in 1965, the government has had a long-term vision and forward-thinking attitude in developing the areas that they have identified as strategic, with an action and investment plan behind them. This is a totally different approach from other countries'

governments, which are more worried about development in the next three years. During the last 30 years, the resources in Singapore have been invested in education, building up R&D and manufacturing capabilities in order to strengthen its regional leadership position.

[Featured_in]

Considering the fact that Singapore has been heavily investing in R&D capabilities, why has the country not had any novel breakthroughs when it comes to drug discoveries?

It is important to consider that Singapore is a young country and translating innovation into reality takes a lot of time and effort. Currently, it is well known that the country has very strong sources of innovation, but it is also a fact that it is lacking cohesion between them. The government is fully conscious about this challenge and this is why government agencies such as A*Star are focused on finding the best way to leverage these sources together, effectively integrating the country's innovation ecosystem.

What does Singapore need to do in order to sustain its value proposition for healthcare and life science companies?

They are doing quite well so far; Singapore's long running vision and global business approach is the path of development to follow. The Singapore Economic Development Board (EDB) is always working on identifying the business areas to invest according to their potential. Since its foundation, Singaporean leaders knew that the country should be the place of developing solutions locally, with global impact in order to overcome its limitations as such a small market.

What is the government's approach to overcoming the challenges facing Singapore such as aging population and limited space? How will this affect the current healthcare model?

I agree to a certain point that Singapore's challenges are different but I would not say that they are harder or easier than the ones that any other country is also facing. Singapore has been able to flip the coin of some of its challenges and transform them into opportunities.

[related_story]

Expanding on healthcare challenges, aging population is one of the biggest ones but it exists in many other countries as well. We know that 60 percent of healthcare spending occurs in the last five years of life, and the government is aware of the type of pressures that this will impose on the system. They're already advancing towards identifying solutions, particularly through public-private

partnerships, while also exploring more unconventional avenues such a robotics, going from acute care to home care, artificial intelligence, or wellness data to define a new healthcare model in the country.

Singapore's healthcare system has been recognized as one of the most efficient in the world in terms of spending per capita. Can it be replicated in other countries?

It would be hard to replicate, certainly not to the same degree—and it really comes down to two underlying aspects: trust and accountability

We are currently experiencing a huge convergence in healthcare technologies, exhibiting an almost unbelievable level of sophistication and possibilities. For example, with advances in genomics and big data computing, we could predict a person's healthcare profile from birth with 95 percent accuracy—immediately ascertaining potential diseases and chronic conditions from the get-go but also making people more accountable for their lifestyle choices that negatively impact their health. However, given privacy considerations, employing such technologies also requires an unparalleled level of trust between the citizens and the state.

Singapore has one of the highest trust factors between the government and its population—an aspect that is not entirely present in many of these countries across Asia Pacific. So, while the model can't exactly be replicated—especially given the unique healthcare challenges inherent in every single country around the world—I do believe that there are certain concepts from Singapore's healthcare system that should be exported abroad.

> Singapore has one of the highest trust factors between the government and its population

In this context, what would you then consider the most relevant questions that regulators need to start asking themselves?

Regulators have an obligation to ensure that healthcare products are safe, effective, and not only clinically relevant, but also economically sustainable. Anything beyond that scope is simply red tape, emphasizing the value of simplification.

Secondly, with the rapid evolution of technology, regulators are having a particularly challenging time keeping up. However, decision makers need to keep in mind that regulatory policies need to enable the industry and facilitate an environment that is conducive to innovation—not stifle it.

Within the Asia Pacific region, which healthcare trends should industry executives be most conscious of?

It is a fact that most MNCs have global innovation platforms, but industry stakeholders need to truly incorporate the fact that healthcare needs can only be met at a local, and in turn, personal level. How much R&D spending from multinationals today is spent on truly Asia-specific needs? I would venture to say five percent, at most.

Many companies certainly see Asia as a market, as with the US or Europe, but do they perceive Asia as a lever that will effectively define their future ten years down the road? Some might counter with the fact that the US is still the world's largest pharma market, but whether or not it will remain that way is certainly not guaranteed.

Asia is a huge continent and, as a result of many factors such as the vast aging population and a huge emerging middle class entering and demanding healthcare, it is going to play an important role in determining the healthcare model of tomorrow. The sooner healthcare executives come to terms with that, the sooner their companies will perform better regionally and globally.

Expanding on the big potential ahead within the region, what would you identify as the next frontier markets?

The Asia Pacific region has many countries and it is quite difficult to select only some of them because each one has its challenges and its opportunities. China cannot be ignored due to its sheer size and potential. India, on the other hand, is a completely different ballgame when it comes to healthcare. The country is comprised of thousands of decentralized systems, "bubbles" of healthcare, creating significant operating challenges. But each of these bubbles also exhibit their own little pockets of innovation, more as a forceful survival tactic given the lack of wealth. These are just some examples but there are many other markets, particularly across Southeast Asia with 640 million people, which represent tremendous potential.

You now sit on the board and/or advise two of the most prominent pharma companies in the industry today—Takeda and Novo A/S (the financial arm of the Novo foundation which controls Novo Nordisk). What would you highlight as the most critical issues that the pharmaceutical industry will face in the coming years?

The business model has completely changed due to pricing pressure, the rise of generics and an R&D model for Big Pharma that has not delivered up to expectations. In this environment, not everyone has caught up. 20 years ago, being able to "sell the pill" was at the center of the pharma

universe. This is no longer the case. Companies have to realize that their drugs are just a small part of the care delivery pathway. For example, no pharma company has truly found the right approach when it comes to patient centricity in my opinion. Despite all the latest innovations released into the market these days, the data still stands; many patients fail to properly follow their treatment regiments, simply look at what happens with antibiotics consumption. Therefore, one of the key questions for the industry is figuring out how to fundamentally change patients' behavior—which, if done correctly, represents significant new value capture.

Which part of the healthcare value chain do you see as most ripe for disruption?

In my opinion disruptive innovation can be applied across the value chain, but it will be in acute settings where the industry will face more changes in the mid-term future. The rationale behind that is the fact that the resources in hospitals are quite limited and the current model is not sustainable in the future. If, for example, India wanted to bring the number of hospital beds currently in the country in line with the OECD average, it would take roughly 103 years at their current pace of hospital construction!

> Disruptive innovation can be applied across the value chain, but it will be in acute settings where the industry will face more changes in the mid-term future.

Over the next 20 years in Asia, approximately a billion people will enter healthcare systems because they finally have the means to do so. The capacity to accommodate this surge—whether in terms of infrastructure, financing, and even staffing—is nonexistent today. This is where the need for disruptive innovation comes in as the traditional ways we go about treating patients cannot accommodate the future needs and expectations of the people.

Do you have any final words to pass on to our corporate readers?

My biggest piece of advice, if I may, to the current healthcare executive is to find the room, the flexibility, and the mandate to continuously innovate upon their business models in order to remain competitive and meet societal needs. It is a fact that currently the industry is mostly serving the top ten percent of the social pyramid, but companies have an obligation to find a way to move down the ladder in a sustainable way and it is only attainable through disruptive innovation. In my opinion, this commitment applies to all industry stakeholders including government, physicians, hospitals, and companies.

See more interviews