Interview: A.A. Santillana, Group Chairman & CEO, SV More, Philippines

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The Chairman & CEO of SV More speaks about the path that led him to found the company nearly three decades ago, what changes need to be made in the future in order to maintain the current success of the company, and what aspect of his company makes him the proudest.

What motivated you to become the founder of SV More in the 1980s?

I first joined the pharmaceutical industry in 1971. For seven years, I worked in a multinational company as a marketing representative, up till the highest position in that company. I left in 1978 and moved into entrepreneurship.

Many of my previous colleagues enjoyed their stay with an MNC but when they finally retired, they started to realize that they had merely been employees rather than owners. It came to my mind that I would have to put up my own company, which led to the birth of SV More in 1986.

Since 1986, we have grown from 11 people to close to 400 today. Having finished our first journey of 25 years, we have started looking into the rapid changes we need to make to enter our next quarter of a century of existence. We are preparing for the next journey, where my two sons along with the Company's senior managers, will be taking over the management of the company in two to three years from now.

What makes you the most proud of these first 25 years?

We have been helping young and intelligent Filipinos in realizing their dreams of becoming a

doctor. Already, we have supported 33 doctors in a combination of full-time scholars and those who subspecialize in specific fields. We have provided them with grants. We played a role in the financial and economic support of these doctors, among other initiatives we have undertaken.

One of your mottos is 'The Filipino Talent is worth the Investment in … Gold!' What is so special about Filipinos?

Filipinos are known to be hard-working people with core values such as honesty and integrity. We want to develop these values further by working with them. They believe in what they can do, and we help them nurture what they believe in.

We do not ask them to work for us when they become doctors, but ask them instead to find someone they can help. Once their practice grows and as they become wealthier, they pay society back by sending new people to school.

SV More Group of Companies has grown rapidly in just 25 years. Can you elaborate on today's structure of the group?

We started with one company only, and put up another two years later. These three main companies have their own subsidiaries. The main purpose of such structure is to decentralize control from Metro Manila to the provinces. We find it very effective to transform, or convert, our key people into actual shareholders of these companies.

Thirty percent of the equity has been transferred to our staff. For every ten million pesos the subsidiary owns, they thus receive three million pesos. As a result, they will retire as owners rather than employees. We implemented that system after roughly five years of operations. We had to put this system in place to reward deserving employees too, and to ensure that they would stay with us in the future. You have to take good care of them.

This system has helped us send some of the children of our very poor employees to school. Our driver, for example, has a daughter who is a pharmacist now. He would not have been able to do this without our support. Our love for our people makes us one of the proudest and successful companies in the industry.

As an industry veteran you must have seen quite some changes in the market environment. How do you compare the 1980s to today?

Except for the number of players, I have in fact not observed that many changes. We still consider the prescription market as our top priority. We consider this to be the most stable and healthiest sector to grow. There may be too many generics companies already now, so we do not want to enter that business.

How difficult was it for you to establish your name in the market?

We had to develop the demand for our products. Apart from that, we needed the right people to represent us as our ambassadors in the market place. If we are properly represented, market the

right products and have the right price and positioning, the rest follows.

In addition to that, we need to focus on continuously improving the quality of our products as well as their packaging.

We are one of the few companies that decided to have its own buildings nationwide. We now have one in Davao and two in the Visayas aside from our main headquarters in Metro Manila.

The Philippines is a pharmaceutical market where you can find medicines of both high quality and very poor quality. As for local manufacturers, how do you look at quality?

First of all, we have to be careful in choosing who we work with. Hizon Laboratories and Lloyd Laboratories are world-class manufacturers. If you work with foreign manufacturers, you have to carefully select to ensure that they work according to quality standards. In India, for example, there are bad manufacturers in the region but also many very good ones. We are prepared to take on South Korean manufacturers, which can be among the best.

Why, after all these years, have you not decided to manufacture yourself?

We are now in the process of entering that stage of our company's lifecycle. For these first 25 years, we did not want to take up big loans to fund such investment, which is why we have waited till the point where we have sufficient resources to build our own facilities. Also, when we constructed our buildings in Mindanao and the Visayas, we did not loan a single cent.

Now we have reached the point where we can afford manufacturing without external funding. Self-sufficiency is very important to ensure that the operating cash remains unaffected. In three to five years, we should have completed our first manufacturing facility in collaboration with our Philippine-based manufacturers.

You have a broad portfolio of products. Which ones are you inclined to produce in the Philippines first?

At the moment, our B Complex preparations account for roughly 40 percent of our revenues. We will bank on these products. At the same time, we will start to take in higher value preparations, like gastro lines. Probably, you will see us partnering with a South Korean company for that.

In the long run, we could even look at partnering up and going into higher value added manufacturing together, provided that our partners would accept a 70-30 percent equity deal.

There is a vast set of stakeholders in the pharmaceutical industry in the Philippines today, each with their own interests and dynamics. As a pharmaceutical company you may need to alter the type of negotiations you have with the government, the distributors, and so forth. What do you consider to be the right defensive strategy for the company in 2013?

We need to find the right people to join us. They are the most challenging and the most difficult, but also the most important resource for the company. With the right people we can create

demand, and once there is demand you can grow.

To attract the right people we need to revolutionize incentives and the pays for our medical representatives. For instance, we advertise in print how much we will pay them, an initiative that is not necessarily being appreciated by some of my industry colleagues. However, if someone wants to apply, you need to be transparent about what you have to offer.

We are not interested in stealing away people from other companies. We prefer fresh graduates that are easier to shape into our own corporate culture and values. In fact, we have seen that some of our competitors try to take away some of our staff.

What do you set forward as the key performance indicators (KPI) for your staff?

Our biggest incentive is the rewards that are being earned by our people. If they earn rewards, such as commissions and incentives, and they receive cars too for instance, the company earns as well. This is the type of satisfaction we look for.

We want our people to be ‘growth and progress sensitive’. At the same time, you need to provide them with enough challenges to stay abreast and motivated. More challenges will eventually lead to more success and bigger rewards.

What do you see as the greatest challenge you face today?

The biggest challenge is the generation change. We need to understand how the next generation will manage the company that will be handed to them. I always tell them that they need to have a natural love for people. Being nice, firm and assertive is important. Trust is very important, because it is those people that you trust that you will end up respecting and admiring. This is the case for any relationship.

Going forward we can easily imagine three scenarios for the company: 1. You become a big Filipino company with more and more market share, 2. You are acquired by a local or international company, or 3. The future is status quo. Which one of these three would you like to see happening?

Jean Paul D. Santillana: We are not that centered on market share. We set our targets step by step, which for the medium term is PHP 6 billion, or 3.3 percent of the total market. We will aim to achieve this target and then move from there.

Selling this Company is farthest from our mind and the name Santillana needs to stay connected to this Company. From that perspective, we are looking at the first scenario.

Just like any other Filipino family, the Santillana family is very close-knit. My brother and I are very close and handle the company in the same way that we handle our family and relatives. That is our edge when we do business. This is a family-oriented business where the members are considered part of the family. It has worked to our advantage to run the Company in this manner.

A.A. Santillana: There are more than 400 drug companies doing business in the Philippines. Eighty

percent of the business, or more than PHP 100 billion, is being dominated by twenty percent of these 400 companies. We are proud to be part of the upper bracket of this twenty percent.
The pharmaceutical industry is a very rich and rewarding market, provided that you are able to run your company properly. You cannot impose your requests on the government, but as far as your company is concerned you can make the necessary adjustments, especially on the kind of products, the kind of people, and the way you treat them.

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