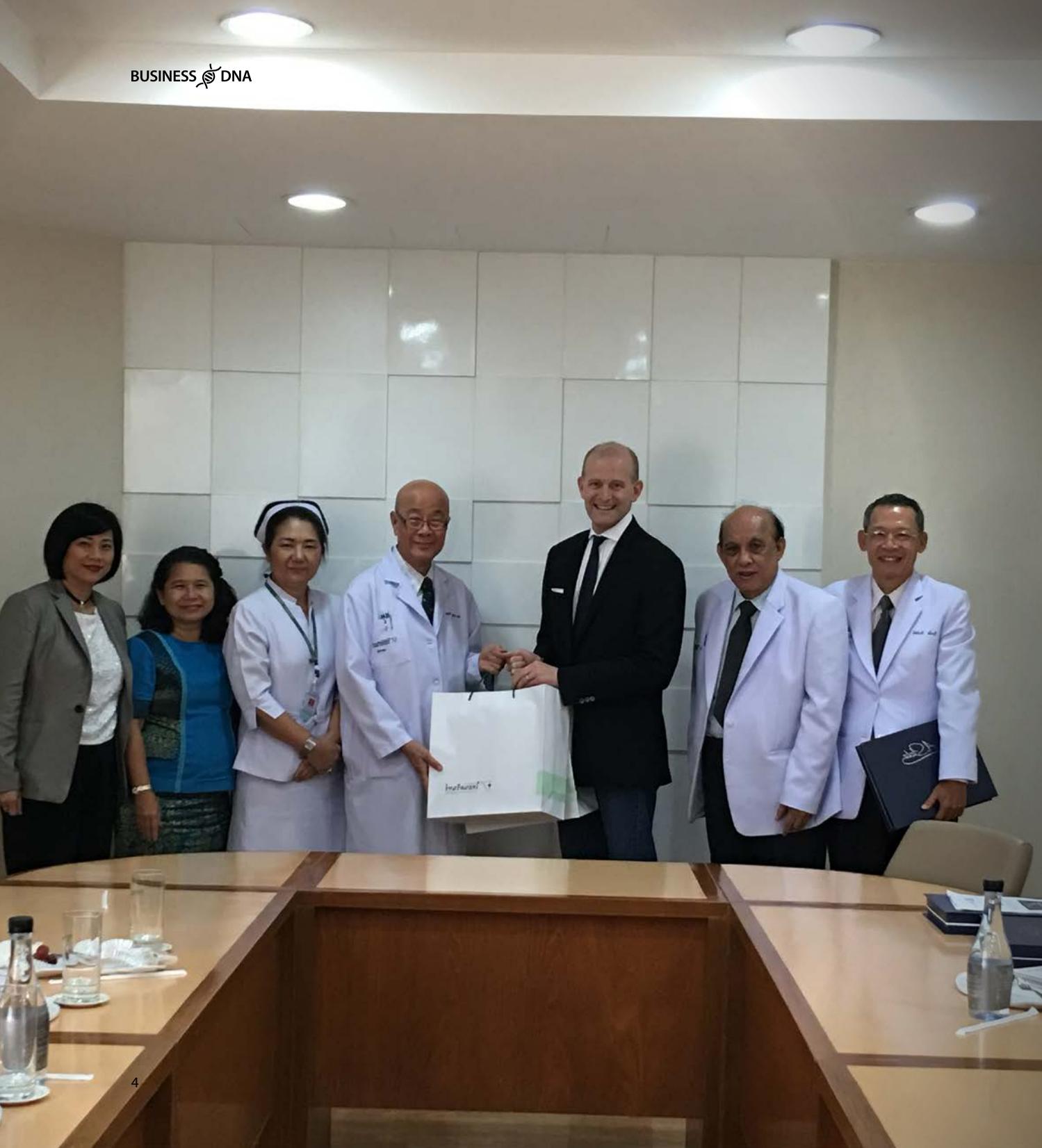


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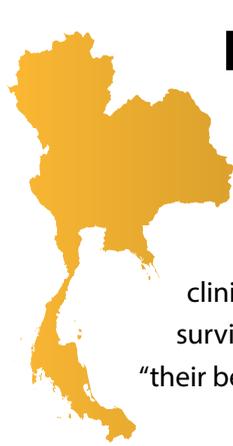


BUSINESS  **DNA**
WITH ANDREW STOTZ



Interview with **Dr. Charoen Meensook**

Chief Medical Officer and co-Founder,
Thainakarin Hospital



LEADER DNA

After becoming a Doctor of Medicine in 1967 Dr. Charoen moved abroad and spent time in both the USA and England. He then returned to Thailand to start practicing medicine and has done so ever since. Dr. Charoen ran his own small clinic before he co-founded Thainakarin Hospital in 1993. He helped the hospital survive the Asian financial crisis in 1997 by encouraging his employees to always do “their best and expect the results to follow”.

What Dr. Charoen shared:

The future of Thainakarin Hospital is expansion

Thainakarin purchased the land around its current hospital facility in order to build a second hospital. The company also has a new management team to lead this expansion and eventually take over from the first generation of managers.

Safety first

“The first thing, in our minds, is always the health of the patients, and so their safety comes first.”

No one man show

Dr. Charoen remembered when he ran his own clinic and faced serious health issues: “I have learned from this that whatever business you do, you should not do it on your own, you should do it as a team.”

Solve problems correctly and efficiently

At Thainakarin they schedule a regular meeting of both the doctors and the nursing staff to discuss all current problems together and find solutions as a team. The person who gets responsibility for the problem will implement the solution based on group consensus.

Do your best and results will follow

Perform with your best effort and hope for the best outcome even if you can’t always control that outcome.



Dr. Charoen Meensook

Chief Medical Officer,
Thainakarin Hospital Public Company Limited

Education:

Doctor of Medicine, Siriraj Medical School, Bangkok, Thailand 1967; Diplomate American Board of Internal Medicine & Subspecialty Board of Gastroenterology, 1973; Diploma of Tropical Medicine & Hygiene, Liverpool University, England, 1974.

About the company:

Thainakarin Hospital Public Company Limited (TNH) was established in 1993 and provides 24-hour medical services at its hospital in eastern Bangkok. It has about 380 doctors and 540 nurses with capacity for 190 inpatients and 2,000 outpatients per day. Its facilities incorporate 24 departments, including oncology and heart surgery.



Welcome to Business DNA, a chance for us to dig into the essential makeup of business leaders and their organizations. Our focus is not on the short term but rather on understanding the driving forces of a business. Our guest today is Dr. Charoen Meensook who is Chief Medical Officer of Thainakarin Hospital Public Company Limited.

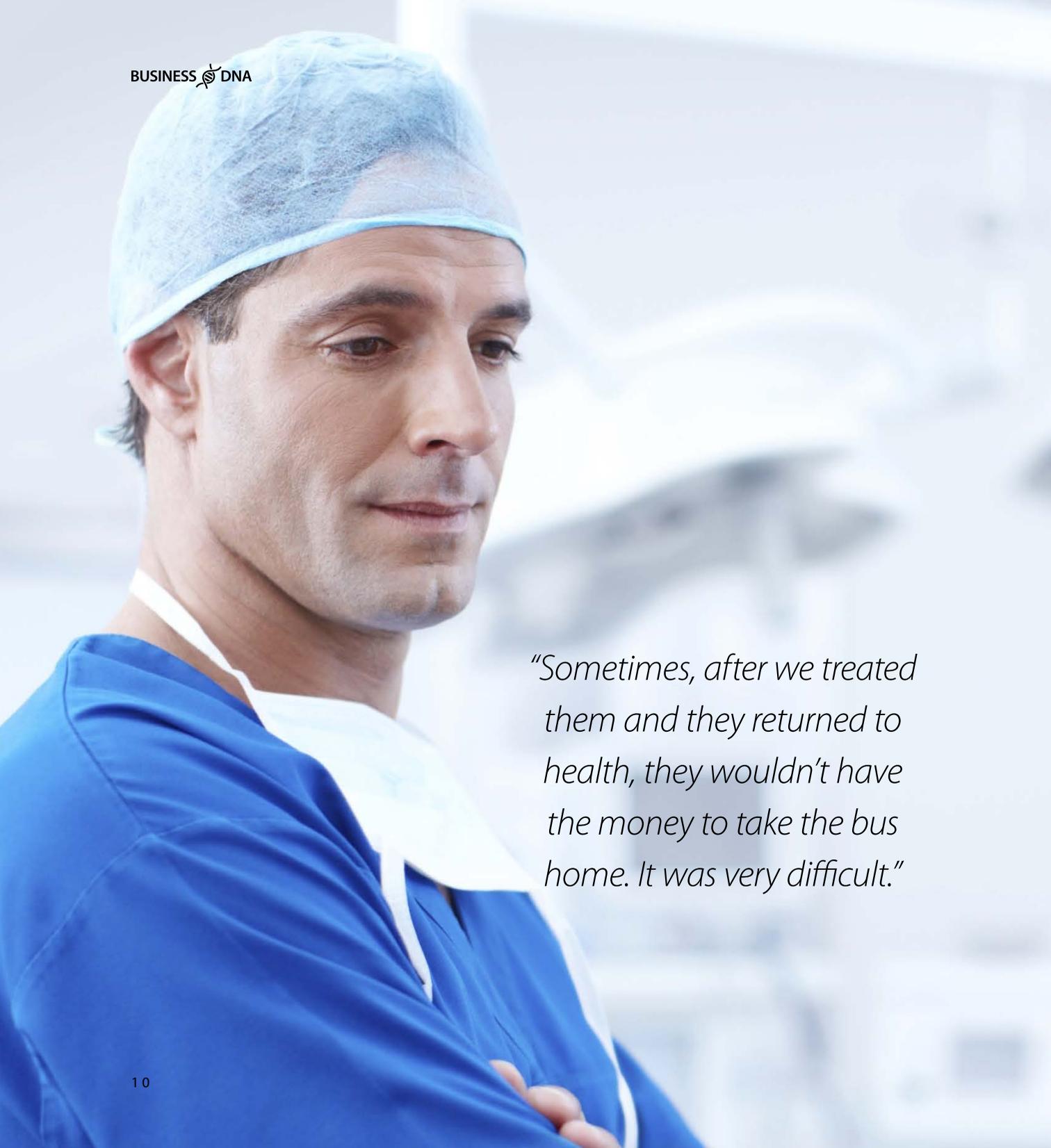
by Andrew Stotz

Please take a moment to introduce yourself and let us know about your experience

I am 74 years old and was born in Bangkok, Thailand. I graduated from Siriraj Medical School in 1967. After that, I went to the USA for post-graduate training for seven years. When I was done in the USA, I studied tropical medicine in England at the University of Liverpool; then I came back to Thailand to practice medicine, and have been practicing —since then.

Why did you chose medicine? What first interested you in the field? Did your father say, “You should be a doctor”?

Back when we were young, we didn’t have a concept of what we wanted to be when we grew up. Rather we just learned from our elders which professions were good. Listening to their experiences, I made up my mind to study medicine.



“Sometimes, after we treated them and they returned to health, they wouldn’t have the money to take the bus home. It was very difficult.”

What was it like at that time in Thailand to study medicine?

It was quite difficult, because there was so much competition. At that time, the medical schools only admitted about 200 students to study each year.

So you had the experience of being, at that time, one of a small number of people in Thailand who got the chance to become a doctor. Back then did you have to perform medicine in the rural regions?

When I graduated from the medical school, I went to Korat (Nakorn Ratchasima, a city 2 hours north east of Bangkok) to do a one-year internship. After that, I think most of the students who graduated from the medical school had to spend two years practicing in rural communities.

What was Korat like at that time? What was the hospital like? I’m guessing it was much more rudimentary at that time.

It was a small city. The only hospital was outside the city, and the hospital only had, I believe, four departments: medicine, surgery, OB-GYN and pediatrics. And they only employed a few medical staff.

At that time, the equipment wasn’t sophisticated at all. Really just the bare

minimum. So we would primarily treat the patients symptomatically.

What are some of the memories you carry with you from the start of your career?

At that time, most of the people who came to the hospital were poor. Sometimes, after we treated them and they returned to health, they wouldn’t have the money to take the bus home. It was very difficult. We often tried to help them, but it was a big problem. The economy at that time was very different compared to today. These days, it is getting better as people have more income, so they can easily go to see a doctor in the hospital who provides them with better care.

Is there anything about today versus the past that we’ve forgotten?

At that time, the patients who came to the hospital were much more respectful of doctors.

Today, things have changed. The primary reason is that the people who come to the hospital have to pay, and the medical costs are quite high. These days the patients who come to the private hospitals demand much more, and if you do something that they don’t understand, they’ll sue you.

How do you think about your business these days?

At the start of my career, nearly all patients had to go to government hospitals. Patients waited to see a physician for a long time. Some people had to wait even two or three days to see a doctor.

So we thought of building a new hospital that could provide service to those who could afford to pay for timely care. Since those who can afford to pay come to the private hospital, there is now more room for the poor people at the government hospitals. It's a win-win.

Was it easy to set up this hospital and run it for the first five years? I know the 1997 crisis became a major factor after that.

It was difficult, because several private hospitals collapsed during the 1997 financial crisis. We had no problem, due to our biggest shareholder, Mr. Jatuporn Sihanatkathakul. As the owner of Landmark Hotel, he supported us financially.

"It was difficult, because several private hospitals collapsed during the 1997 financial crisis."





The most difficult part of starting out was our shortage of doctors and nurses—quite the problem! When we began to operate the hospital, we only had a few doctors. I had to take calls almost every night. I worked so hard. But now, it's getting better. We have more doctors and a lot more nurses.

How many were there?

80 doctors work full-time and about 300 work part-time. Then there are 250 full-time nurses and maybe about 10 working part-time. Altogether there are about 1,200 staff.

To better understand your Business DNA can you please explain your management style or your beliefs about managing this business?

The first thing, in our minds, is always the health of the patients, and so their safety comes first.

The second thing is that we have to always do our best and expect the results to follow. So we perform our best effort, and then we hope that we get the best outcome even if we can't always control that outcome.

You get a very high score on my World Class Benchmarking measurement and this is not easy. Please tell me more about the way you think about managing this business from a financial perspective.

I'll tell you a story. When we started the hospital, we added about 400 new beds, which cost about 400 million baht. At that time, we sold stock worth 300 million baht, but it wasn't enough. So we had to use foreign loans that offered low interest rates.

We borrowed 20 million dollars, which equaled about 500 million baht at that time. Therefore, 800 million baht of capital was used to add 400 beds. At first there was no issue with the loan. But when the 1997 crisis hit, due to the devaluation of Thailand's currency, our foreign loan increased suddenly from 500 million baht to 1 billion baht. We were struggling at that time, since the number of customers also declined due to the economy.

However, we were able to fall back on great teamwork. We viewed the business as a partnership. Our major shareholder, Mr. Jatuporn, had worked on these issues for a long time, so we let him deal with the financial stuff, while I dealt with medical issues. We were able to reduce our costs and didn't have to lay off employees after all. Moreover, the bank could not repossess our hospital, and we were able to continuously grow. Businesses always need great teamwork and partnerships.

"But when the 1997 crisis hit, due to the devaluation of Thailand's currency, our foreign loan increased suddenly from 500 million baht to 1 billion baht."

So this is a good example of how a crisis forces you to improve teamwork to ensure that you keep the business going. What has been your experience as far as banks are concerned? Did you deal with many banks at that time or just one or two?

We borrowed from Bank of Ayudhya PCL, which was difficult due to trust issues. Soon after the 1997 crisis the bank came to interview all four partners about whether we would leave the hospital. They wanted to be certain we would not jump ship, and leave our partners, in order for them to lend the money. We accepted that deal.

How do you promote teamwork? Often teamwork is very hard to encourage among doctors. Doctors think for themselves, and they're not necessarily team players. How do you deal with this challenge?

We have a meeting that includes both the doctors and the nurses. At the meeting, we discuss all the problems together and find the solutions as a team. After that, the person who has responsibility for the problem will implement the solution based on the consensus. Hence, we solve problems correctly and efficiently.

What is something that people don't understand about your business that you would like to explain?

I think every private hospital has the same problem. The cost of running the hospital is really high, so the patients have to pay a really high cost.

Most people feel that private hospitals charge too much

in order to gain high profits, so patients want the hospitals to set a lower price. And often they sue the hospitals to reclaim huge rewards. However, in reality, all listed hospitals on the Stock Exchange of Thailand have generated net profit margins of no more than about 10 percent or so.

As a sidenote, when we wanted to file our IPO 20 years ago, I gave my doctors the option to invest in this hospital, but they refused because at that time the savings rate was about 10% and risk free.

So the public is confused. One main benefit of the private hospitals was to induce the middle class to pay for healthcare and reduce the long waiting lines for the poor at government hospitals. People don't know that to build the private hospitals, we have to invest a large amount of our own money. The public hospitals receive subsidies from the government. This is the reason why the public hospitals can set a lower price.



“One main benefit of the private hospitals was to induce the middle class to pay for healthcare and reduce the long waiting lines for the poor at government hospitals.”

One other question I've got is about some hospitals in Thailand that are different from, let's say, hospitals in America. In America, at 5 PM, most of the doctors leave, and then everything shuts down except the in-patient corridor.

In Thailand what usually happens is that the doctors from the government hospitals come to the private hospitals to work extra hours in the evening.

The result is that a Thai hospital can generate more income than its American counterpart. Even on Saturdays or Sundays, you could go see your doctor. Is that also the case here?

Yes.

So that's a big difference between the hospitals in Thailand and maybe in Asia, in general, and in the West. This helps investors understand why hospitals in Thailand can get such a high level of profitability, because the same asset generates a greater amount of revenue by running longer hours.

As a matter of fact, we have more patients on the weekend and in the evening because the government hospitals close.

Can you share with us what motivates you and gives you inspiration during difficult times? I'm sure there are many days when you arrive at the office and you're not happy. You're frustrated. You're facing a big problem.

We once got sued by a patient for 150 million baht (US\$4.3m). He came to extract a tooth and get surgery on the impacted tooth. The cost was 5,000 baht. After the surgery, the patient could not speak fluently. He could only mumble because the muscles in his tongue were weakened. This sometimes happens for a short period of time, but upon recovery the patient can speak fluently again. However, this patient came to sue the doctor for 150 million baht. Our hospital helped this doctor by finding a lawyer. In the end, the court said we didn't do anything wrong. We know that this kind of issue happens often, so we have to be prepared.

How did this experience change the way you think about business or the way you do business in the future?

Our doctors have learned to be more careful of what they do. We also design procedures in a more systematic way to reduce errors.

"Our doctors have learned to be more careful of what they do. We also design procedures in a more systematic way to reduce errors."

Now, can you tell me a story about the biggest mistake that you've faced in your career—your mistake, something that you did. How did you face it? How did you learn from that mistake?

Before I founded this hospital together with my friends, I used to have my own clinic, which was very successful. I had around 100 patients per day. This clinic operated only in the evening. Once I had too many patients, I had the idea to open my own hospital and run it all by myself. I bought 8 shophouses for this project.

Unfortunately, I got sick myself and needed a complicated surgery. I realized that if I did not survive, there would be no one to operate that hospital for me. I have learned from this that whatever business you do, you should not do it on your own, you should do it as a team. It cannot be done by one person, since you always have to rely on others.

What was the proudest moment of your career?

I am proud that I have believed in the Buddha's doctrine. He said that we gain from what we have done. So I never think of what I have done that much, since it is the results of my attempt. I will always do my best and accept results.

For the young people who are out there who are looking at what you've accomplished, can you reduce everything that we just talked about to one or two themes to give them

advice about how they should manage their careers and how they should manage their businesses?

From my point of view, first, everyone should do their best and accept the results that they deserve. Second, don't spend too much money even if you can spend a lot. Always spend only as necessary.

What's one personal habit of yours that has helped you to achieve success?

Two things: exercising and studying dharma, the teachings of the Buddha. I have been listening to the Buddha's principals every day, as well as swimming every day, for about 10 years.

Excellent! Is there a one book or person that has influenced or taught you the most in your life about business?

Dharma is the best.

What's something about your business that you're really excited about right now, something that will have a real impact on the future?

We have leased this place for 30 years, and it's about to expire. Fortunately, we bought the land around this place to build our second hospital, TNH2, on for 14 rai (5.54 acres) of land. We are so proud that we can expand. We also have a new management team that we think will continue to manage our hospital successfully even without me and the first generation of managers.

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