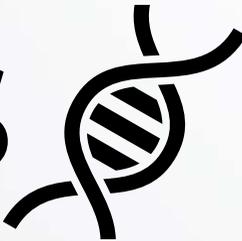


A. Stotz



BUSINESS  **DNA**
WITH ANDREW STOTZ

MEGA WAY

...is to build a **THINKING** organization
which will
CHANGE before it is forced to
and
and **GROW** beyond each of us



Interview with **Vivek Dhawan**

CEO of Mega Lifesciences PCL

LEADER DNA



After earning his MBA in the US, Mr. Dhawan joined Medicap, a producer of soft pharmaceutical capsules in Thailand, in 1986. The company later became Mega Lifesciences after it began to branch out into self-branded products in the mid-1990s. Since then Mr. Dhawan has built a large, publicly-listed company that is the number one supplement maker in both Thailand and Myanmar.

What Mr. Dhawan shared:

The future of Mega Lifesciences

Through Mega's Wellness We Care Center and We Care range of foods, the company has started a new segment which aims to reverse and prevent disease by providing customers with diet plans and products so they can eat right.

Crisis is an opportunity

By facing a crisis and being forced to deal with it yourself, you will find ways to become stronger. See the fight for survival as an opportunity to improve.

Make a quality product before you try to make a cheap product

Don't cut corners. Don't focus only on saving money. If quality is bad, then inspect and reject 50%, then sell the 50% that are good. By doing that, you convince people over time that you make a good quality product.

Building a knowledge-based workforce

A very important part of the business culture is to help workers learn and expose them to the world of knowledge. At Mega, a lot of time is spent on sharing knowledge and bringing in world-renowned speakers.

Limiting your risk

For Mega, limiting risk means to focus your efforts on what you're really good at. By avoiding doing things that you're not good at, you avoid a lot of risk.



Vivek Dhawan

Title: CEO & Chief Coach,
Mega Lifesciences PCL

Education:

MBA from Southern Illinois University; Bachelor of Engineering from Delhi College of Engineering.

About the company:

Mega Lifesciences Public Company Limited is a manufacturer and distributor of pharmaceutical, nutritional supplements and fast-moving consumer goods. It has a presence in more than 30 countries and has manufacturing facilities located in Thailand and Australia.

Welcome to Business DNA, a chance for us to dig in to 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 Vivek Dhawan, who leads Mega Lifesciences.

by **Andrew Stotz**



So tell us a little bit about yourself.

I was born in India in a very small town. My father was a chemical engineer, and he worked in a fertilizer plant.

I was very independent during my childhood. I remember my mom and dad telling me to ride a bike to the store and shop for them when I was about three years old.

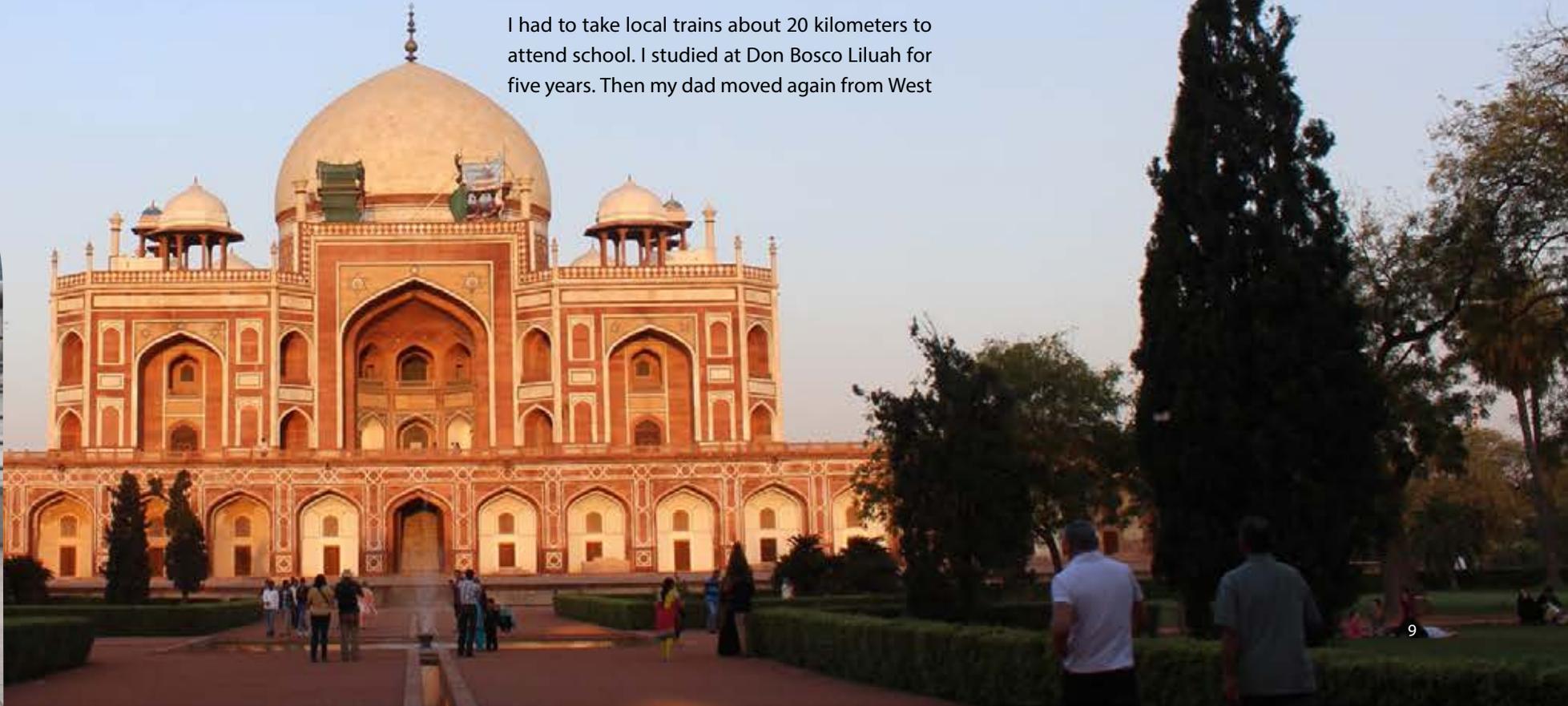
Then my dad moved. Being an engineer, he wanted to do a lot of different things. He had this love for building new projects, so we moved to another small town in West Bengal called Rishra where there were industries along the Hooghly River. He was setting up chemical projects in the fertilizer area.

I had to take local trains about 20 kilometers to attend school. I studied at Don Bosco Liluah for five years. Then my dad moved again from West

Bengal to Delhi, and I changed schools again. The great thing for me, I think, with all these things was that I learned to make friends very easily.

They say India is homogeneous, but it's not. Bengal is different from Punjab, and Mother Ignacia School was different from Delhi Public School.

So I met many different people along the journey of my youth. I learned to be friendly. I had to go through my education as well as sports—making friends, living, surviving.



That was beautiful. I think that's another part of life's journey that makes you very adaptive, and I think I learned that in my life.

With my father as an engineer, setting up new projects, I saw him doing new things and that he was always excited about building new things. And so, that was something I learned as I went along.

And I learned the virtue of treating people well. While we were living in Bengal, it was very communist at the time. It still is, but in those days, they would have strikes where a factory would be closed. A factory manager could be hung or locked up and couldn't go home for weeks. But my father managed to survive by being good to people.

So we also saw the good in treating workers well, in spite of having the pressures of running a business. I learned my dad's values which, over time, got into me as well.

Finally, in 1977-78, my dad moved to Thailand. He was handpicked to set up projects in Thailand in the chemical sector. He put up projects here—carbon black, sodium tripolyphosphate—some large industries. And that's the journey he went on, and I went as well.

I did my mechanical engineering degree in India after that. Honestly, I'm not a great engineer. I just did it, because my dad was an engineer. My dad said, "What else but go into engineering!" Getting in and getting out was not very difficult. But in my heart and soul, I'm probably not an engineer.

After that, I did my MBA in the US and then came back to Thailand not knowing what I would do or what I wanted to do.

Fortunately, I came back to Thailand when Thailand was in that stage when everybody was looking at Asia. The Asian Tigers and all that. There were industries being built here. My father also wanted to get into some industries. That was when I got an opportunity to go to a small plant that had two machines.

What year was that?

That was in 1986. In August, I came back after my degree. I was already married, fortunately. My parents got me married in 1984. As Indians, it was partly arranged. I knew my wife since we were kids, but we never had any intention of getting married. But we have ended up happily married.

So we came back to Thailand, and I had this chance with this small facility with two machines and ten people trying to make soft capsules. And I was asked, one day, "Would you like to work here? We will pay you 25,000 baht a month. We'll deduct taxes, and you'll end up with some 20,000 baht or around there. Go there and see what you can do."

So I went there and started my life in the plant. The owners left us alone. The only thing I could do was improve it, and the owners gave me all the independence I wanted. There was the freedom to try and build up something that currently wasn't working. The plant was hardly able to produce great capsules and hardly had any customers.

"A factory manager could be hung or locked up and couldn't go home for weeks. But my father managed to survive by being good to people."



So I got this great chance in a small company called Medicap. It was not doing well. It was losing money. The share capital was wiped out. There was hardly any production. Unfortunately, I did not come from the pharmaceutical industry. I had to find ways to do it on my own. I think that was where my life began, where my life's work began.

In total, approximately 20-25 million baht was invested in Medicap by '86 or '87, minus 10 or 11 million baht in loans from the shareholders, and we were only doing 2 to 3 million baht in sales a year. We had to ask ourselves, "How do we get this going?"

So you really started from scratch?

Yes. That was when my business life began. I had to go out and say, "I'm going to survive. I'm going to make this work."

For me, it was not a burden. I was not scared. It was just an opportunity. I had this chance in my life. I said, "Hey, I can only do better."

So we just went and tried things. People were trying to save money because when you are in trouble, what do you do first? Well for most people when they try to save money, they cut corners.

I went there and said, "First, let's make good capsules. If we make good capsules, more people will buy because, at that time, the German and Australian capsules suppliers are making us look bad."

So, first things first: Make good capsules. Don't cut corners. Don't focus on just saving money. Inspect and reject 50% and then sell the 50% that are good. By doing this, the customer will feel that we make good capsules.

And then I had to convince our customers that we were serious and now had a good product. At first they laughed, but then when they saw the new capsules, our business started to get better little by little.

"So I got this great chance in a small company called Medicap. It was not doing well. It was losing money. The share capital was wiped out. There was hardly any production. Unfortunately, I did not come from the pharmaceutical industry. I had to find ways to do it on my own. I think that was where my life began, where my life's work began."

In that case, you moved from production to sales. How can you sum up the most important thing that we should take away from this story?

I think the most important thing in that phase of my life was learning that when you take on a new project, don't carry baggage from past experiences with you. Often we have a lot of knowledge, and we keep thinking that the solution lies in what we know. But I think the solution lies in what we don't know. We've got to try things that have never been done before.

And I had this great thing in front of me, because I didn't have to carry any of that baggage. I could challenge every norm. I was left alone so I could experiment and tinker. I loved that.

Sometimes we try to correct a lot of things all at once. I think it's more important to focus on which one thing will have the biggest impact and focus on that one thing.

In 1992, Medicap became the only Thai company that had Australian TGA approval, which is the FDA of Australia. Nobody believed that that could be done. And we went out and did it.



Can you give us a clear description of your business as it is today?

Our business originally was a capsule manufacturing business. We made soft capsules, capsules with liquid inside. I constantly asked myself, will I remain a contract manufacturer all my life and keep selling capsules at a cheaper price? Is that my goal? For that, I'll have to create 10 to 20 factories.

Or I could go and build my own brand.

So about 1994, I decided to build my own brand. We bought out one of our customers, Medicraft, that sold to the local market.

So that journey began.

As you look at Mega today, we actually became a branded company selling our own brands of

vitamin and mineral supplements. In Thailand, we are today one of the largest supplement brands in the country.

We knew that we could not become the biggest drug company in Thailand, because there were already 120 other drug companies. So we went into an area where there were fewer players. And we used our knowledge working for British and Australian companies.

We were not the smartest kids in town, but we were just smart enough to become the top supplement business in Thailand. And then thought, where can we build a future? Let's go to Myanmar. Let's go to Vietnam.

So we went to Vietnam and Myanmar in '92 and '93, and we opened small offices with one table and one person and started from nothing. What

you see today is that Mega has offices in more than 30 developing countries where we have our own local brands.

Secondly, we are in the consumer health arena with products like pain killers that are also sold in pharmacies and prescribed by doctors. That has become our core business in 30 developing countries.

We have selected our markets carefully. We took our culture, went to those countries and started our own branded businesses. We went to all the Commonwealth of Independent States, Sub-Saharan Africa and all the Southeast Asian countries. That's our business today.

But when we did this in '93, '94, '95, we also went to Myanmar and Vietnam and we said, "Hey, there's something that is missing here. We do manufacturing. We can market the product. But we cannot get it to the consumers because the industry was a wholesale model."

We looked at the Zuellig Pharmas of this world and said, "Hey, they came to Thailand a hundred years ago and became distribution houses for foreign companies. Can we do the same thing in Myanmar and Vietnam?"

While they are doing a little bit, they are not number one there. So we went and did the same thing as what they did there.

We started this second distribution business in Myanmar and Vietnam at about the same time in '94 and '95.

We built a model of warehousing, delivery and storage. And we also built our own software. And especially in those markets, when you go early, it's not about logistics. It's about marketing and sales. It's about the complete service.

"And especially in those markets, when you go early, it's not about logistics. It's about marketing and sales. It's about the complete service."

So we are a complete marketing, sales and distribution house. And we did that with partner companies who grew with us, and a lot of them still continue to work with us.

We have two businesses. Today, within Mega Life Sciences, we have Mega We Care, our branded business that we market to the retail pharmacies,

to the doctors. We also offer a whole range of pharmaceuticals such as medicinal supplements, over-the-counter drugs and prescription drugs.

And for distribution under Mega Lifesciences Public Company Limited, we have a division called Maxxcare. That's our distribution business which does physical logistics as well as services of all kinds—marketing for other brands.

Now I want to dig into your Business DNA. Recall that DNA is the molecule that encodes the genetic instructions used for the growth of any living organism. And of course, a business is very much a living and growing organism. So take a moment to explain what the Business DNA is of your company.

A very important part of Mega is our culture. A very important part of our culture here is to help our workers learn and expose them to the world of knowledge. So we spend a lot of time sharing and bringing in the best speakers in the world, like Curt Coffman of *First, Break All the Rules*.

This whole culture is very critical to Mega. We want to build a thinking organization that will change before it's forced to.

We don't stay stagnant. We moved from a manufacturing company to a branded company to a distribution house. Now we are going

into foods, into health and wellness.

So we have the courage to change. That can only happen by thinking.

Finally, I think it's very important in our whole DNA for this to live on and grow beyond us.

I have a lot of people who have worked with me for 20, 25, 30 years. Actually, they own this place. They run the businesses independently.

We are like a republic. We are not a company. Everybody runs their own business, and they are owners.

We've been audited many times over 25 years.

Our books are always clean. We pay taxes correctly, so we sleep very well. We do the right things. We speak the truth. We trust the people who work with us. And we respect every culture, every religion, every size, every shape, woman or man.

As a listed company, you get analysts and investors sizing you up. And most of them don't know your story. What would you say is the most common misconception about your company?

I think investors come, and I'm sure they have their views. They want to make money on their stocks, of course.

But different investment companies have different views. Some are long term. Some are looking for short-term objectives, and they keep looking at what's happening in this financial quarter.

We try and tell them the same story again and again. We are a long-term company, and we are building brands in developing countries. You

have to believe that whatever we're doing is not short-term.

Over the last 30 years, we have built a brand. We're not leveraged at all.

Our brands are very strong in the countries where we are. If you travel around Myanmar, Vietnam, Cambodia or Thailand, Mega We Care is a well-recognized brand with both pharmacies and customers.

This brand building takes time. People understand that this is a long-term, sustainable business. But the markets are different, they go up and come down.

Generally, I think we don't have a huge 30% dip in sales in any one year. That doesn't happen. But it's not growing at 20%. It's growing at 5% to 7%.



"We do the right things. We speak the truth. We trust the people who work with us. And we respect every culture, every religion, every size, every shape, woman or man."

Can you share what motivates you and gives you inspiration during difficult times? Tell us about the time when you really had to dig deep to get that inspiration.

Honestly, we don't do things that we are not very good at. Thereby, our difficult times are limited. The risk to be taken is within what we can afford to do.

Years ago we went to Australia hoping to build a brand, and we tried that for five years. It didn't work out, and we came back home. Knowing that we were doing \$100 million in turnover, we could afford to lose \$2 million.

You take risks with very good knowledge and enter those areas with completely wide open eyes ready for the worst case scenario.

But then there are things that happen that are beyond your control. We have an office in Yemen, and the place was bombed out. I had four people living there. I had to find ways to get them out of the country. How to get my people out was very harrowing for me. It bothered me a lot.

We lost some money there. But today we have people in Yemen who still import and sell for us. That's the kind of love and affection we have within the countries where we are.

We were in Ukraine for 10 to 15 years, and our business was good. But after this war with Russia, I went to Donetsk myself. Half of the turnover was gone, because Crimea is gone. These are very sad moments for us in our journey.

The lesson I'm getting is that you are a very careful risk manager. A lot of people think of entrepreneurs and business owners as risk takers. But in fact, it sounds like you've got a good system for taking risks.

I have a different view on risks. I only take risks in an arena that I understand well. So the risk that's taken in the area I know is only going to be so high.

Can you tell a story of your biggest mistake and how you faced it?

We entered the Indian market many years ago, and we thought we'd start a local brand. We started in Delhi. We had a partner there, and we opened our own office to launch our Indian brand with the assumption that we would slowly move into other parts of India.

Being early in that area of health supplements, we knew that there must be a way to do it.

But after getting in there and spending a few years, we realized that India was a tough market. The model that we had in place was not the right model.

And then we analyzed the whole situation. After a while, we realized we should get out of India. It wasn't for us.

That was a business challenge that we went into and realized that maybe we didn't do enough homework to understand that we were competing against Indian companies with 5,000 medical reps across the country. We were competing against companies who could produce everything locally. We were competing against people who make very low margins.

How did you personally handle that? I mean, you're originally from India. It makes sense that you'd go to India and be successful. How did you personally overcome that.

I am Indian, but I've lived in Thailand for more than 30 years. More than half of my life, I've lived here. I'm about 56 years old now. Leaving that aside, I think one has to make a business call: Can I succeed in India or not?

At that time, I didn't have the right answer. So after we left, we realized that we hadn't asked the question, "Why would people buy our products?"

Now the supplement industry is booming in India. I think we were too early. We didn't go to the right city either. Delhi was not the right place to

start. We didn't have a large enough team. We could have partnered locally with some other people and built it up successfully, but instead we went in by ourselves.

So we were a little bit stubborn as well, because everywhere we went, we built things on our own. We weren't used to partnering with anybody anywhere.

But we have learned from this mistake.

That's a great example of taking on a challenge and then having to reassess it.

I think, sometimes, we don't want to stop failures. But if you ask me, we did a hundred things. We are here because fifty of them worked, and those that worked are successful.

We also started a brand in Thailand in 1995, and today it is number one. We're number one in Myanmar.

But in many other countries—Australia, Russia and India—we didn't succeed. Out of 25 countries, we had three failures, and we lost money there. So you learn.

But do you stop doing things? You don't.

What is the proudest moment in your career?

Every step, I think. I felt proud the day we made the first beautiful capsule that came off our production line. I still remember that we had a business partner that made a capsule for heart medication, for angina.

When we started, we were not very good. The capsule would be a little bit crooked.

And she told me one day, “My dear son, my dear friend, you have to make good capsules. And then we can do a lot of business.”

I said, “Please, give me time. I’m going to do it.”

In those days, we used to use gelatin. After processing, it was common practice to reuse part of the rejected portion to make sure our costs were lower. That was what everybody did. It was a normal practice.

So I went to the guys in the factory and said, “Why don’t we do this? For this product, we use only a hundred percent fresh, clean and brand new gelatin. Let’s try and make good capsules and then inspect and remove what is bad. Even if we have a 30% rejection rate, just throw that rejected material out. It doesn’t matter.”

And then, when we gave the customer that 70% of perfect capsules, I got this feedback from her: “Wow! This is fantastic.”

With that, our business grew. They grew. We grew. And that’s when Medicap’s, or Mega’s, growth started.

Can you boil down everything you’ve learned over the years to a short statement?

I have three sons who are also very young. I tell them all the time that, most importantly, to play together in a great team, everybody has to feel good. Everybody is important. But everyone is

not good at everything. Accept this and let other people have the glory. Let people enjoy every moment of this place they call “work.”

Let work not become work. Let it become fun. When people come to work and forget it is work, and they bring their hearts to it, magic happens.

I think this is very important.

What’s the one personal habit or daily activity that you do that you believe is part of how you achieve success?

I’m not a very habitual person, to be honest. I’m not very disciplined. I’m an undisciplined human being. I do things by the moment. I love what I do.

But I definitely read a lot. I read everything. I read history. I read a lot of contemporary novels and authors. But I also read a lot of business books and management books—all these guys who have the courage to challenge what we all think is right.

I don’t read authors who tell me: “I know it, and I’m going to tell you in a very nice format.” I read people who challenge the status quo, who have the courage to challenge what’s happening in this world.

I read books like *Maverick*. The author is a Brazilian guy called Ricardo Semler, and he runs a company called Semco Partners. He also wrote a book called *The Seven-Day Weekend*. Every day is a holiday.

The best book I’ve ever read is called *First, Break All the Rules* by Marcus Buckingham and Curt Coffman.

I constantly buy books and give them to all my top teams.

What’s something that you’re doing in the business right now that you’re most excited about?

The great thing about our business is that there is always something new happening. We are running this business in 32 developing

countries, from Nigeria to Ethiopia, and I keep visiting our teams.

Starting off in a new country is the fun part.

The other part is we’re developing a lot of new products in new areas.

In our existing business, we are growing in new markets, putting out new products, doing new things in the market to grow what we have.

But at the same time, we are going in a completely opposite direction on the other extreme. We are building a brand new business based on what we call a “plant-based, whole food product range.”

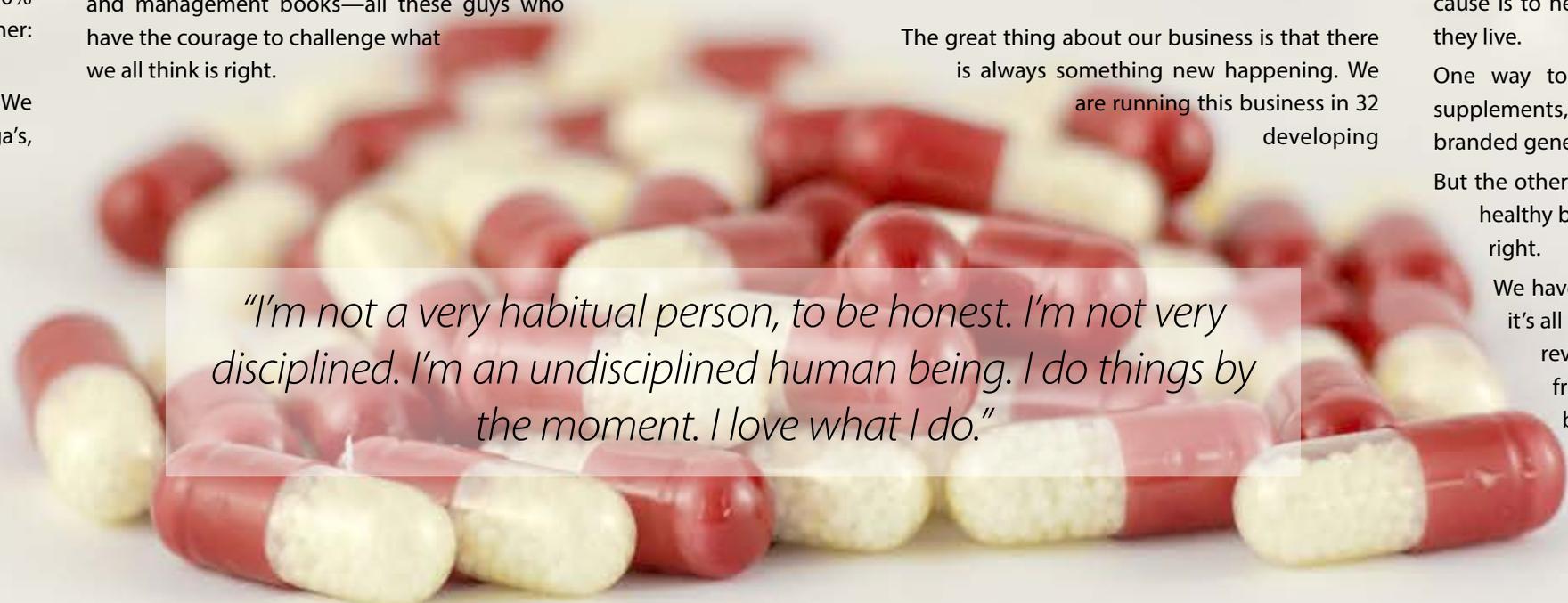
We have started a wellness center, which is called Wellness We Care Center in Thailand to help prevent and reverse disease.

I mean, when you see Mega, first of all, you see We Care. It’s the words we use—Mega We Care. So we care for human wellness. Our company’s cause is to help people stay healthy as long as they live.

One way to do it is to provide medicine, supplements, over-the-counter drugs and drug-branded generics.

But the other side of it is that you can also stay healthy by not doing a lot of stuff, by eating right.

We have started a whole new area where it’s all about eating right, planning a diet, reversing and preventing disease from even happening. And we are building a whole new model from the Wellness We Care Center to our We Care range of new foods.



“I’m not a very habitual person, to be honest. I’m not very disciplined. I’m an undisciplined human being. I do things by the moment. I love what I do.”

We are getting into plant-based drinks—all natural, no preservatives, no colors, no chemicals. We run a program internally in our company called “Good Health by Yourself.”

If you’re successful, will it cannibalize your current business?

It doesn’t matter. I think it’s always good to destroy. In order to create, you have to destroy. But this is only one to two percent of our business. So by the time it grows to five to ten percent, it’s a new area. And I wish it will grow. It will reduce the burden on government of hospital costs. The world will be a better place.

So there’s a lot of excitement in Mega. We constantly excite ourselves with new things to do.

We have an innovation incubator, and this is one of our new areas that we are working on. It’s a lot of fun.

How do you compensate your people? How do you think about compensation?

We have a different model. We have a strength-based model. We don’t focus on the past—“You did this or that. I gave you a target.”

We look very positively at what we can do together, thereby enhancing your performance and, in the end, the outcome.

And we work with employees on a monthly and quarterly basis to help them reach their goals.

And second, when we have good people in place, and we get the right people, we guide them. We constantly help them to stay focused, to do the right things.

And the reward is very simple in our company. We have a very simple reward structure here for both me and everyone else.

So if they make a hundred, an employee may get two to five percent of the profit that they make as an incentive. It’s linked to the profitability that they create.

Employees get a salary which is commensurate—nearly as good as the market or slightly below the market. We may not be in the top percentile, but we’ll be in the 50 percentile in terms of salary.

Salary plus an incentive, a share of the profit that you make—that’s for the leaders.

Other people as well have incentives linked to outcomes. An outcome is generally either linked to profit or linked to the area that they control.

But it’s all aligned to the same end goal. Employees are not paid for doing their job alone. If they do their job very well and they get paid, but

Since 1998, about 27.5% of our share holdings has been held by employees. We only got listed in the Stock Exchange of Thailand three years ago.

Our philosophy is to share wealth with our people. We have 400 shareholders in the company.

This did not happen because we got listed in the stock market. This is a philosophy of sharing wealth through shareholding, through incentives, through profit sharing and through income.

Before we were listed people didn’t even know how their Mega shares were valued. They had them. They had no clue what would happen. They know now.

We have 4,500 people. Maybe 500 or 800 are owners. If another 1,000 become shareholders, will it feel the same way?

Our model companies are Nordstrom and Southwest Airlines.

These are model companies who have created this passion among their employees, because they love what they’re doing.

And making money is an outcome of this.

“Our philosophy is to share wealth with our people. We have 400 shareholders in the company.”

they don’t give a damn about the whole, that is not what we want. In creating that wealth, you are part of the whole. So you have to make sure you direct your energy, time and effort in the right areas to achieve that end goal. And you get rewarded that way. So there’s a profit share. There are incentives over and above the salary.



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