

“CHINA VERSUS INDIA” – REALITY CHECK FOR PHARMA R&D

China v. India

- MNC Commitment Differs According to Tax and Other Policies to Lure FDI
- China’s Infrastructure Better Due to Government Commitment
- India’s Local Talent More Sophisticated in Terms of Language and Training

Did you know?

More and more Indian talent is being pulled to China to fill key roles, especially in the active pharma ingredients space.

By Ling Li, Lan Kang and Shilpa Gentela

Amidst all of the enthusiasm about the prospects for businesses entering or expanding into China and India, there is a growing need for education about the unique challenges and opportunities presented in each country. Specifically, this paper examines the differences in the R&D space for pharmaceutical companies operating in these markets, to provide some perspectives for executives at headquarters in the Americas or Europe. It also looks at the similarities in terms of the search for leading talent to fill the key roles that pharma companies need to succeed.

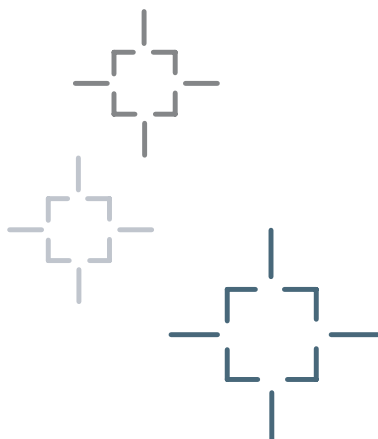
China as R&D Center:

“The Second Wave” Requires a New Kind of R&D Team

Multinational pharmaceutical companies like GSK, Lilly, Novartis, and others in China are moving into a more mature phase in the R&D space, shifting their focus from late-stage drug development and R&D outsourcing to setting up a second wave of more fully integrated R&D capabilities here. They are doing so with much more commitment than in the past, due to the growing strategic importance of the Chinese market, the country’s competitive advantage in attracting high-potential talent (mostly at the junior level), as well as improving technical capabilities, government regulations and intellectual property (IP) protection. For example, Novartis alone has announced its intention to build a 400-person R&D center in the next five years. According to executives from five of the top pharma companies operating in China who were polled by Korn/Ferry International’s Life Sciences team in late 2007, their organizations plan to build their R&D capability in China by at least USD 100 million in the next five years.

There is growing demand for heads of R&D who are able not only to set up task forces and oversee large teams from the discovery phase through to late-stage clinical trials, but also who are operationally savvy and can handle regulatory and medical affairs, as well as oversee IP challenges. While IP protection is improving slowly, proactively managing risks requires tight internal controls and people familiar with the legalities and enforcement protocols. Finding one person to take on all of these areas is no short order in such a fast-moving environment, and the demand for seasoned and skilled HR heads also has risen as a result.

As Chinese consumers’ profile on the world stage continues to improve, the R&D function has evolved from a MARKETING focus





“[Finding] leaders with balanced skills and experience to manage the scientific and business aspects of drug R&D [is one of the top challenges facing companies seeking researchers to fulfill their R&D plans in China]. In addition, they also need to be comfortable operating in a highly dynamic environment.”

Mr. Steve Yang
Vice President
Head of R&D,
Asia, Pfizer

(i.e., rolling out global products to local customers) to a MARKET focus, with an emphasis on developing products and drugs most appropriate for people living in Asia and China. A recent study revealed that the rate of liver and stomach cancer was much higher amongst Chinese living in China than in the U.S., for example. This trend has encouraged closer collaboration and integration with companies’ global R&D efforts, and they want the best of the best indigenous talent in China to take part in their broader, global R&D efforts.

Again, though, this is a huge challenge, as the bulk of the readily available talent in China is at the junior level, or falls into the “Ph.D./Scientist” category that has done lab work but not managerial work. Due to the earlier focus on sales and marketing, local R&D efforts typically concentrated on re-engineering and developing generics, not on developing new drugs. As a result, in addition to the technical capability, there is a lack of senior-level talent skilled in project management and people management.

Naturally, to compensate for these gaps in talent, HR directors turn to the pool of “returnees” or potential “returnees” of Chinese origin living outside of China, especially in the U.S. or Europe. While this might seem like an obvious solution, it is not as simple as it appears. First, although there are a large number of Chinese conducting drug R&D in the U.S. and Europe, most of them are in senior scientist roles and do not have enough management experience, which is essential for developing R&D centers in China.

Secondly, those who do have relevant experience will have to be willing to come back to China for the medium to long term. Depending on their family situation and other factors, this may or may not be realistic. Moreover, while MNCs might be able to woo these professionals more effectively today, eventually they will face heightened competition from local pharma companies aspiring to become more competitive by enhancing their product portfolios through innovation. Some of the leading Chinese pharmaceutical companies hoping to make their mark on the global stage in the next five to ten years are also actively looking for experienced executives in the R&D space in China. They too will target MNCs for their talent acquisition. At the same time, MNC pharmaceutical companies are also competing with emerging biotech companies as well as venture capital funds for talent with both strong bioscience knowledge and management capabilities in the China market.

Finally, another common assumption is that R&D is like manufacturing, where it is still possible to hire a rural worker and train them. Clearly, the growing complexities of the pharma R&D market in China makes this impossible, and in many instances, the pay scales are even more than what they would be in the U.S. for the top slots. Meanwhile, junior-level people may still be relatively



“cheap,” but will require an investment in training and development for the short, medium and long term.

FINDING THE BEST RETURNEE TALENT AND ENSURING THEIR SUCCESS

Look in the Right Places

Today the best talent is still found predominantly in the U.S. and Europe. Alumni networks and overseas Chinese pharmaceutical and biopharmaceutical associations are channels that can be leveraged to source them. Korn/Ferry International’s regional Life Sciences team has strong ties with such channels, including the: BayHelix Group; Chinese American BioPharmaceutical Society (CABS); Chinese Biopharmaceutical Association (CBA); Sino-American Biomedical and Pharmaceutical Professionals Association (SABPA); and Sino-American Pharmaceutical Professionals Association (SAPA).

Prioritize Competencies and Screen Carefully

Even if you think you’ve culled from the crème-de-la-crème, it is imperative to screen every candidate extremely carefully, assessing not only their technical and language skills – which are perhaps more crucial in China than elsewhere – but also how they will perform in a “start-up” environment. At the same time, we advise clients to be mindful of the fact that, for example, scientific knowledge and commercial skills do not always go hand-in-hand. Given that the number of “ready to be used ideal candidates” is very limited, it is essential to evaluate competencies and true potential, shifting the search strategy from being purely “experience focused” to more “competency based.” Our Leadership Development Solutions group combines validated executive behavioral assessment and developmental tools with an understanding of the skills and experience required for success. Through a comprehensive approach, we provide a range of talent management solutions that help clients maximize the effectiveness of their talent and align critical competencies with organizational strategy.

Support Executives from HQ

For R&D executives from abroad to succeed in China, it is critical for them to have very clear milestones and sufficient time in which to meet them. We recommend managing their expectations and yours about what is possible in the early stages and mapping out a clear coaching, training and feedback plan to help them grow along the way. In addition, it is essential to provide them with a clear career path and ensure that they are treated as critical members of the global R&D leadership team.



Did you know?

Korn/Ferry International has an “Asia Desk” as well as a “China Desk” based in the West Coast of the U.S. to help facilitate the search for the best returnee minds in R&D pharma and other industries.

CASE STUDY

A company that has managed to overcome some of the challenges of the China market is Hutchison Medipharma. Dr. Samantha Du, the Managing Director, returned to China in 2001, having spent many years with Pfizer in the U.S. Like herself, many of her research and development team are Western trained, with a track record of success and expertise in Western and Chinese pharmaceutical development. Combining a tripartite discovery chemistry strategy aimed at creating a diversified portfolio and the ability to carry out faster and lower cost trials in China, Hutchison Medipharma has a clear competitive advantage since many of Dr. Du’s direct reports have a similar background and were attracted to return because of the growth of the China market and subsequent “slow down” of big pharma abroad.

India’s Changing R&D Landscape: The First Wave

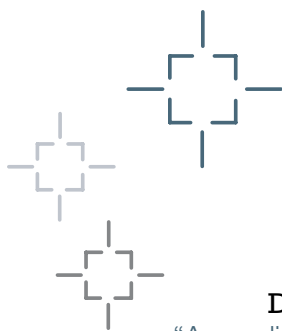
According to various sources, India’s pharmaceutical industry is one of the fastest growing segments of the Indian economy and is projected to grow at an annual average rate of between 15 percent to 20 percent from 2005 to 2010. Traditionally, the focus on “reverse engineering” amongst pharmaceutical companies in order to provide affordable medicine to Indian consumers has limited the amount of truly “innovative” R&D happening there.

However, with the beginning of the Product Patent Era in 2005, leading Indian pharmaceutical majors started to place a greater emphasis on R&D and the discovery of new chemical entities. In addition, as levels of disposable income have risen, so has demand for new “lifestyle” pharma products, preventative medicines and even healthcare tourism. All of these factors have combined to prompt locally-based companies including Advinus, Glenmark, GVK Bio, Nicholas, Sun, Suven, Torrent and Wockhardt, amongst others, to increasingly focus on research, which industry leaders such as Dr. Reddy’s and Ranbaxy have been doing for some time now.

The expansion of India’s patent protection system to include products as well as processes has started to bring MNCs back into the fold, as they face pressure to boost profits amidst an otherwise sluggish product pipeline while the popularity of generics has eaten into the financial gains reaped from their signature brands.

Did you know?

“According to the most optimistic industry predictions, there are currently at least 60 molecules in various stages of development in the pipeline of Indian pharma.”
(*Business Today*, January 8, 2008)





DESTINATION INDIA: THE PLAYERS

Local Pharma Brands	MNCs
■ Biocon	■ AstraZeneca
■ Dr. Reddy's Laboratories	■ Bayer
■ Glenmark	■ Eli Lilly
■ Nicholas Piramal	■ GSK
■ Ranbaxy	■ JanssenCilag
■ Torrent	■ Novartis
■ Wockhardt	■ Pfizer
■ Zydus Cadila	■ Sanofi-Aventis

The buoyancy of the pharma R&D space in India now percolates to the entire spectrum of competencies, from discovery to non-clinical and clinical services, process chemistry and formulation development. What is more, India has emerged as a hot spot amongst Western companies for off-shoring their R&D processes – especially in terms of research process outsourcing, clinical trials and basic research, which have been strengthened by government support and funding. Of all the opportunities for global pharmaceutical companies looking towards India, outsourcing the clinical development phase of the R&D process appears the most promising. In fact, around 30 local and international players – including Covance, Divi's Laboratories, iGATE, Jubilant Clinsys, Quintiles and Synchron – established clinical research organizations (CROs) between 2000 and 2005.

Building an "Intelligent" Workforce

India is inherently strong in process development, although it still needs to address significant talent gaps in "biology" and "basic research." Specifically, finding people suitable to fill top Chief Scientific Officer positions to drive original research has become a challenge over the past decade, as there were only a handful of professionals in the country who might have this type of experience working for the well-established local brands. This expansive demand-supply gap for R&D talent in the country is driving Indian pharma companies to lure mid-career expatriates (returnee Indians) to head their research activities. These professionals might come with the relevant technical and research expertise but may not necessarily bring the management experience needed to oversee successful initiatives. In addition, while companies are trying to address their immediate needs with non-resident Indians ("NRI's"), compensating them adequately as well as re-orienting them into the local culture remains a challenge.



The India R&D Powerhouse

- Over 200 science and technology universities and a chain of national laboratories such as the Central Drug Research Institute, National Institute of Science, Technology and Development Studies and the Indian Institute of Science
- About 1,200 in-house R&D labs
- Only one-fifth the cost of western R&D

Indian pharma companies are trying to address their mid-management needs in Innovation R&D by attracting NRI's who are pursuing their doctorates / post doctorates overseas. Again, though, while this segment might indeed bring the relevant research experience, they do not necessarily have strong project or people management skills. As Dr. Surendera Tyagi, Chief Scientific Officer at Dabur Pharma noted, "Skill-set assessment is not very easy."

The reality is that R&D spending contributes to the bottleneck in attracting the right talent into India. With annual sales of about a billion dollars, India's R&D investments are still relatively small compared to the R&D budgets of Big Pharma in the West, somewhat limiting their ability to train and develop future leaders. Thus, to realize its full potential, the industry needs to work on building the pool of graduates for the long term while also enhancing current training and accreditation programs to fill gaps in the near future.

While traditionally India's advantage has been its people's advanced chemistry knowledge, process know-how, and language skills, it is evident that the need to start creating a strong pipeline of talent who can take on new and future challenges is the only way to keep its competitive advantage over the next decade. The opportunities in India's pharma R&D space are immense, but the question is: Can we move quickly enough to tap into them fully?



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About the Korn/Ferry Institute

The Korn/Ferry Institute was established in 2007 to commission, originate and publish ground-breaking research in the field of talent development. The Institute combines data mined through Korn/Ferry's preeminent position as the world's largest executive recruitment firm with an unparalleled library of behavioral research compiled by Lominger International, and Korn/Ferry's Leadership Development Solutions group.

About Korn/Ferry International Asia Pacific

Korn/Ferry International, with more than 80 offices in 39 countries, is a premier global provider of talent management solutions. Korn/Ferry was the first major U.S. executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973. Today it has 17 offices in key business centers throughout the region, including: Auckland, Bangalore, Bangkok, Beijing, Guangzhou, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, Mumbai, New Delhi, Seoul, Shanghai, Singapore, Sydney, Tokyo and Wellington.

Based in Los Angeles, the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent. For more information on the Korn/Ferry International family of companies, visit www.kornferryasia.com.