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Cultural alignment and trust are paramount considerations when exploring collaborations or investments in the Chinese biotech sector

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In recent years, global pharma's Business Development (BD) operations in Asia have evolved from primarily managing global agreements locally to engaging in more complex tasks like contract negotiation and due diligence. Servier's Asia BD Head Cynthia Xin Wang explains how this shift reflects changing market dynamics and the growing importance of local capabilities and innovation in China, moving away from the conventional U.S.-centric BD setups. She also explores China's growing influence in the global pharmaceutical landscape, particularly in oncology, and notes strategic alliances and an emphasis on innovation as key drivers for partnerships.

Could you shed some light on the evolution of the Business Development (BD) role for multinational pharma companies in Asia, especially given that such roles are typically located in the US or near company headquarters?

The presence of a BD role for Asia based in China marks a departure from the conventional setup often seen in the pharmaceutical industry. This unique positioning has roots dating back to the inception of the China Healthcare BD Association in 2004, facilitating collaboration among BD professionals in the region. Initially, BD in China primarily involved managing global agreements implementation locally, ensuring compliance, and overseeing standards. However, as market dynamics shifted, BD evolved to encompass earlier stages of the value chain, also participate in

contract negotiation and due diligence.

Notably, around 2010, a significant shift occurred with the emergence of partnerships between multinational companies and Chinese Contract Service Organizations (CSOs), aiming to leverage local capabilities for broader market penetration. Joint ventures, exemplified by the Pfizer-Hisun collaboration, further underscored the strategic imperative to access diverse markets and foster innovation.

This trend continued until around 2015-2016 when the landscape witnessed a notable transformation, marked by the advent of volume-based procurement. This shift prompted BD to diversify its approach, exploring partnerships with digital and hyper-combination experts to boost sales. Concurrently, multinational companies began intensifying their focus on innovation, recognizing the pivotal role it plays in staying competitive in the rapidly evolving landscape since around 2015.

The genesis of this transformation can be traced back to around 2015 when significant policy reforms initiated by the Chinese FDA, now known as the National Medical Products Administration (NMPA), set the stage for fostering innovation. These reforms were necessitated by past governance issues, exemplified by the incarceration of former officials, signifying a paradigm shift towards a more conducive environment for innovation. Concurrently, increased investment inflows into the healthcare sector, coupled with the return of skilled professionals, colloquially termed “sea turtles,” armed with global best practices, further catalyzed this momentum. Moreover, China’s ascent to becoming the second-largest pharmaceutical market by around 2017-2018 bolstered confidence and investment in local innovation initiatives.

Against this backdrop, how has your own role evolved?

As all these factors coalesced, innovation began to gain momentum and flourish, particularly in the past two years. Reflecting on my own journey, I initially entered the field as an Alliance Manager, garnering invaluable experience during my tenure at J&J from 2005 to early 2012. During this period, I was immersed in various aspects of BD, ranging from licensing deals to more complex ones like co-development, joint ventures and mergers & acquisitions.

Transitioning to Pfizer, I further honed my skills, particularly in navigating the intricacies of the Chinese pharmaceutical landscape. Notably, Pfizer’s strategic decision to relinquish its vaccine division to Chinese partners exemplified the evolving dynamics of inbound deal evaluation,

emphasizing the stringent criteria set by multinational corporations. This strategic realignment was driven by the imperative to optimize existing infrastructure and enhance productivity in the Chinese market.

Personal experiences underscore the significance of these developments, particularly in navigating the intricacies of BD within China. Having served in various BD roles, including Alliance Manager and BD Manager for multinational pharmaceutical giants like Pfizer & J&J, I witnessed firsthand the evolution of BD practices tailored to the Chinese market dynamics. Strategic endeavors such as licensing agreements for vaccines and collaborations with local partners aimed at enhancing sales productivity underscored the adaptability and responsiveness of BD strategies to local exigencies.

Moreover, the strategic pivot towards disciplined operational expansion, exemplified by the recruitment of BD professionals in key global markets, including Germany, Canada, Japan, and China, further underscores the recognition of China’s burgeoning innovation ecosystem. Joining Servier amidst this transformative phase, I witnessed firsthand the company’s concerted efforts to enhance its competitive edge by leveraging external assets and programs. This approach proved fruitful, as evidenced by the successful execution of numerous licensing deals, including a longstanding partnership with Sinopharm, dating back to the late 1980s.

Moreover, the collaborative efforts between BD teams, bolstered by mutual trust and support, have been instrumental in securing impactful deals. These partnerships not only enhance market penetration but also contribute significantly to overall business performance. For instance, alliances executed prior to 2019 collectively accounted for 12% of Servier’s operations in China, highlighting their substantial contribution to the group’s global endeavors.

Furthermore, the synergy between BD teams and operational execution in China underscores the strategic significance of alliances in navigating the complexities of the local market landscape. By leveraging existing relationships and fostering new collaborations, pharmaceutical companies can effectively navigate regulatory frameworks and cultural nuances, thereby maximizing their market presence and driving sustainable growth.

How do you assess China’s current standing in the global pharmaceutical landscape and what strategic priorities are driving partnerships, particularly in the realm of oncology?

China’s trajectory in the global pharmaceutical arena is rapidly evolving, positioning it as a significant contender alongside established players such as the US, Russia, and France. While

Russia holds a distinct place owing to its historical strengths, China is poised to claim the second position this year, reflecting its robust growth and strategic advancements.

Reflecting on our journey, Servier has transitioned from a focus on chronic diseases like vascular medicine to a concerted emphasis on oncology since 2015. This shift has been facilitated by a series of strategic alliances and licensing agreements, underscoring the pivotal role of partnerships in driving innovation and expanding therapeutic offerings in the oncology space.

In 2015, we embarked on our journey with a deal with Japanese company-Taiho, marking our initial foray into oncology. Subsequently, our acquisition of Shire Oncology in 2018 further bolstered our presence in the oncology space.

However, our trajectory took a transformative turn in 2020 with the acquisition of Symphogen in Denmark, which granted us entry into the realm of large molecule therapeutics. Building upon this momentum, in 2021, we made strategic strides into precision medicine, cementing oncology as our primary focus area.

This strategic shift towards oncology reflects our commitment to addressing unmet medical needs and driving innovation in high-impact therapeutic domains. Within China, we have observed a convergence of research and development efforts towards oncology, positioning it as a focal point for both domestic and international biotech endeavors.

Our overarching strategy revolves around leveraging our existing global presence and capabilities to fortify our oncology portfolio. Key focus areas include gastrointestinal cancers, solid tumors, and hematological malignancies. Our priority lies in sourcing late-stage assets in China to enrich our global pipeline, emphasizing collaboration and partnerships across Asia, including Korea, Japan, and Australia.

Furthermore, our commitment to innovation extends beyond oncology to encompass therapeutic areas such as neuroscience and immunology. We actively pursue research collaborations and licensing opportunities to reinforce our R&D capabilities and ensure alignment with our strategic focus areas.

Many Chinese biotechs are in advanced stages of development with products in phase two or three trials, but with deflated stock valuations. In this context, it is somewhat surprising that there have not been more significant acquisitions from either Chinese or multinational companies. Could you shed light on why this might be the case?

Indeed, despite the advanced stages of development and promising pipelines of many Chinese biotech firms, substantial acquisitions have been notably absent, prompting inquiry into the underlying factors at play.

One prevailing explanation lies in the historical trajectory of these biotech companies. Prior to the pandemic, many Chinese biotechs primarily focused on in-licensing deals, leveraging external innovations and incubating them through development stages. However, they often lacked the ambition or infrastructure for full-fledged commercialization efforts. Consequently, this paradigm shift in strategic focus led to a de-prioritization of commercialization endeavors, diverting attention towards survival and efficiency.

Moreover, cooling investment sentiments further compounded the situation, prompting companies to reevaluate and streamline their operations. As a result, there has been a trend of divestment, with companies shedding non-core assets to refocus on core competencies and accelerate development processes. This strategic realignment, while prudent for the companies involved, has contributed to an environment where commercial assets are underutilized or undervalued.

Interestingly, this market phenomenon presents unique opportunities for strategic collaborations and investments. For instance, collaborating with Chinese commercial assets or partnering with tech innovators to expedite development processes and enhance regulatory strategies has emerged as a viable option. Additionally, the current market conditions, characterized by significantly low valuations, present an opportune moment for strategic investments in promising biotech ventures.

However, it’s essential to recognize the inherent risk-reward dynamics akin to startup investments. While valuations are currently low, strategic investments must be grounded in a comprehensive understanding of the long-term potential and strategic alignment with overarching business objectives.

In essence, the absence of significant acquisitions in the Chinese biotech sector can be attributed to a complex interplay of strategic realignment, market sentiment, and evolving investment landscapes. Nonetheless, these dynamics also present unique opportunities for forward-thinking companies to capitalize on undervalued assets and drive strategic growth initiatives.

In considering potential collaborations or investments in Chinese biotech firms, there’s an essential aspect of cultural alignment, vision and fit. Given geopolitical complexities

and uncertainties, how does your organization navigate these challenges to foster trust and ensure successful partnerships in the Chinese biotech landscape?

Cultural alignment and trust are paramount considerations when exploring collaborations or investments in the Chinese biotech sector, particularly given the geopolitical intricacies at play. As the overseer of China's strategic vision within our organization, we acknowledge the significance of this aspect and undertake rigorous assessments to gauge compatibility and mitigate risks.

Internally, we conduct comprehensive scenario analyses and cross-functional evaluations to assess potential joint ventures or equity investments with Chinese counterparts. These initiatives are critical in addressing governance complexities and uncertainties inherent in such partnerships. While we are deeply committed to fostering innovation, we exercise prudence in navigating the intricate landscape to uphold trust and integrity.

It's worth noting the substantial volume of programs in development within the Chinese biotech sector, with approximately 1,500 trials underway, both domestically and internationally. However, the representation of Chinese innovation in regulatory bodies like the FDA remains relatively limited, with only a handful of innovative drugs approved. This underscores the need for a balanced approach, ensuring quality and efficacy while accelerating development timelines.

Moreover, the rapid expansion of programs may indeed reflect cultural inclinations towards efficiency and agility. While advantageous, this accelerated pace also introduces inherent risks. Therefore, our approach prioritizes diligence and strategic alignment to harness the benefits of agility while mitigating associated risks.

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