Interview: Armando ‘Ace’ C. Esguerra, President, CHIRA Pharmaceuticals, Philippines



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Armando Esguerra, President of Chira Pharmaceuticals, Philippines, explains the concept of chirality, why it is relevant and extremely important in the pharmaceutical industry, and what have been the major challenges and successes of the company since its founding.

CHIRA Pharmaceuticals as a company was founded on the concept of chirality. Can you further explain this science?

Chirality is a property of molecules that was originally observed by French scientists Jean Baptiste-Biot and Louis Pasteur in the first half of the 19th century. The term chirality comes from the Greek word for hand, χειρ (kheir), describing molecules that exist in racemic forms—i.e., in right- and left-hand mirror-imaged isomers. Often, only one isomer or “hand” is active against an illness, while its twin may be inert, or has a totally different mode of action, or could cause untoward effect. Science has found a way to render molecules more efficient by retaining the relevant “hand,” and discarding the “impure” isomer or “hand,” thereby creating “chirally pure medicines.”

Why is this important? In the 1960s, there was a big catastrophe in healthcare with a drug called Thalidomide, which pregnant women took to relieve morning sickness. Thalidomide’s right-hand isomer was effective against nausea, the reason infanticipating women used it; unfortunately, its left isomer could alter body cells. That isomer affected fetuses adversely, resulting in thousands of

babies born deformed, i.e., without hands or feet or with some other defects. The drug was eventually banned. Probably learning from that horrible experience abroad, the USFDA recognized the importance of chiral purity and in 1992 strongly stated that, from then on, it would only approve drugs containing the relevant one isomer, unless otherwise pharmacokinetically and pharmacodynamically justifiable.

The good part of the Thalidomide story is that by the time chirality was being better understood, scientists got the idea to use its cell-altering feature in treating cancer. Thalidomide is now an effective anti-cancer drug.

What was your idea behind the creation of CHIRA Pharmaceuticals, Inc.?

When we founded the company, the industry was clearly delineated. On the one side, you would find the big MNCs with highly priced innovator drugs. On the other side, there were the generic companies that would copy off-patent innovators and market them at about half the originals' prices.

We at CHIRA asked: "Can't the Filipino get the best of the two sides?" Thus was CHIRA Pharmaceuticals conceived. On the platform of the exciting science of chirality, we started to make chirally pure medicines available at affordable prices.

How successful have you been at convincing the medical community of this differentiation?

The medical community found our message interesting—giving birth to our tagline "Exciting science for new kind of caring"—especially that we had the vice president then of American Society of Hypertension as speaker for the concept. His session was "full house" during the local counterpart society's convention. But ours became an aborted initiative. Let me retrace.

When we were registering our flagship product with the Bureau of Food and Drugs (now Food and Drugs Administration), it caught the attention of a big pharma company which must have seen our product as a threat to their market-leading racemic brand. Mysteriously, it took us almost three years to get BFAD approval—and got it only through the intervention of a then newly appointed deputy director. So we missed on the opportunity of being early on the market. When we finally obtained our CPR, mysteriously again one drugstore chain crucial to our business refused our product for no clear reason. At that point, we were already training 36 reps—called Health Advocates on the suggestion of a cardiologist whom our science inspired—for our launch. It took us five months to get our flagship product available in this outlet's branches. In the interim, our

prescribers' scripts kept on bouncing off at these drugstores. Naturally, our supporters stopped prescribing later. This drained our resources and threatened our very survival.

Luckily, many businessmen, partners and doctors believed in our products. (Our pipeline was attractive enough to an MNC that its management proposed to buy us. During our cash-flow crisis, business friends volunteered to become franchisees. Though this is a novel business model, we have managed to survive.

What has been your approach to reinvent the company?

We are working hard to reach critical mass in sales and generate sufficient funds to afford a full-strength organization. Also, we have been securing new exciting products that uniquely address present and future healthcare needs. We aim to introduce them within two years.

If you could turn back time, as an entrepreneur, would you have done anything differently?

Yes, many things. First of all, we got carried away during our startup year. We deemed our growth potential so big because of our unique value and believed competition could not halt it. Well, the industry took notice and one big company apparently made things difficult for us.

Because of the novelty of our proposition, sales and marketing people from MNCs excitedly rushed to join us. So our first hires were experienced people from MNCs. We mistakenly premised our hiring on a shortcut in their learning curve. We sadly discovered later that the sales people's paradigms formed in an MNC setting were not fit for a startup company like ours. Worse, these paradigms were very hard to change. Also, these people's supposed previous relationships with doctors were, to say the least, irrelevant in the new setting. We should have stuck to our original plan of recruiting only spirited novices and training them ourselves.

Furthermore, we should probably have started smaller. Instead of initially targeting only the most potential areas, we opted for nationwide coverage on the idea of leveraging our first-mover advantage on chirality. Well, we were brimming with confidence, trusting that the ensuing sales revenues would justify our aggressive and costlier nationwide thrust. We failed to factor in how competition could thwart our plans in a battle of attrition!

What is your take on the fact that MNCs find it increasingly difficult to innovate, while generic players are increasing their foothold in various markets around the world, including the Philippines?

The USFDA has made it increasingly difficult for the MNCs to register new products. Consequently, the MNCs are increasingly discouraged by the justifiably more stringent and consequently more costly FDA requirements for wider clinical trials. For example, new anti-diabetes drugs have to be tested as well for possible serious cardiovascular side effects. And the MNCs are facing a dry pipeline.

More and more, we see big pharma partnering in research with Indian companies. The cost of research of a new molecule sits at around USD 1 billion for MNCs today, while highly competent scientists can engage in similar research in India at reportedly 10 percent of that cost.

This partnering trend is new because, until 2004, MNCs could not formally forge strategic alliances with India-based companies due to India's disregard for intellectual property rights (IPR). In 2005 India joined World Trade Organization and therefore had to start respecting IPRs, such as patents. Since then leading Indian companies have steered away from their traditional practice of copying, and embarked into active research of new molecules. Predictably, many new compounds will come from India in the near future.

In the meantime, MNCs are forced to compete in the generic segment for lack of innovative products. The old delineation between MNCs and generic companies has been blurred.

The Philippine market is flooded with Indian companies and Indian managers. Despite a very large market, Indonesia barely hosts any. What is your reflection on this disparity?

The Philippines is a very open market with low barriers to entry. Indonesia, on the other hand, is more restricted. For instance, I understand that in order to gain access to Indonesia, companies are required to manufacture in the country. This is a significant investment that for many companies does not make economic sense.

The Indonesian government is more restrictive of marketing practices. The Philippine pharmaceutical market is freer and mostly self-regulating. In addition to that, it is easier to monitor sales performance and access sales data here than in Indonesia.

English is widely spoken in the Philippines. Thus, Indian expatriates must have found it easier to communicate and relate with Filipino co-workers. And, hey, don't forget that we are world-renowned for hospitality! Plus it's more fun in the Philippines, like our tourism authorities proudly advertise.

What is your final message to the business community in the Philippines and beyond?

Industries typically get caught in trends. In the past, the MNC strategy in the pharma industry was to develop innovative drugs to differentiate their value. Lately, the MNCs, because of their dry pipelines, have joined in the generic fray.

Now everyone is into this generization. Yes, it’s a boon to patients because of low prices. But remember: It is human nature to look for something different. Soon, doctors and patients will begin asking for differentiated value.

Strategy, says strategy guru Michael Porter, is the creation of an important and unique position. In the generic environment, which the proverbial angels formerly feared to tread, but into which they are rushing now, what value would one offer when all are the same?

At CHIRA we constantly search for ways to differentiate ourselves. We are very excited about the prospects we have.

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