Interview: Alexandre de Muralt – Managing Director, Merck Healthcare, Hong Kong; General Manager, Merck Biopharma, Taiwan



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Alexandre de Muralt, the man behind Merck's operations in Hong Kong and Taiwan discusses the nuances of these two local markets. In addition, he shares his insights on how Merck's transformation has impacted local affiliates.

Can you begin by telling us about Merck's strategic transformation in recent years?

We will be celebrating 350 years of Merck in 2018. Founded in 1668, it is the world's oldest pharmaceutical and chemical company. To make it through such a long period requires the ability to constantly adapt and reinvent. The latest transformation dates back to the beginning of this decade: Merck had grown to 50,000 employees through acquisitions and began to re-focus its business to secure sustained growth from within.

The success of this strategy is evident: When Stefan Oschmann became the CEO of Merck Biopharma division in early 2011, Merck's share price was around EUR 30. Today, he is the CEO of the Merck Group and the share price has more than tripled.

What happened on the way? Merck first underwent a comprehensive re-analysis of its operations to gain a better picture of the overall health of the company, across its three business segments Life Science, Performance Materials, and Healthcare, which represents nearly half of Merck's total

revenues.

Stefan has a strong background in Big Pharma. He first performed a benchmark analysis of our profitability against our peers in the industry to look where we could gain efficiency and get ‘fit for 2018’, as the plan was called. This exercise was not limited to our Healthcare division only, but touched our entire group.

In addition, Stefan, his peers from the other divisions, and our former group CEO, Karl-Ludwig Kley, decided to change our structure and our internal governance: from a decentralized model, in which the managing directors had the most decision-making power, to a much more centralized and matrix-like model. Today, functions like Regulatory Affairs, Quality Analysis, or Drug Safety have their own local, regional and global reporting lines. The same applies to all so-called group functions (HR, Finance, IT, etc.).

The second critical component of the restructuring was to look at our R&D pipeline and investments in this field. One of the main challenges we had to face in Healthcare back then was a lack of new, promising products in our pipeline. Our mission however, was clear: We want to help patients and consumers around the world to live a better life. As a result, we invested heavily in research and development to discover new treatments.

We identified three therapeutic areas where we see significant unmet needs and where we can bring significant value to patients: oncology, immuno-oncology and immunology. This year avelumab (Bavencio®) was approved in the US for two indications in the immune-oncology space. In addition, we received a positive CHMP opinion on avelumab and cladribine tablets (Mavenclad®) for the treatment of multiple sclerosis.

[Featured_in]

Our ambition is to become a global specialty innovator in Healthcare. Thereby we also continue to grow our core: in therapeutic fields in which we can differentiate ourselves through our expertise, such as in fertility, cardio-metabolic diseases and general medicine, we secure our leading position through ongoing investments and innovation. Moving from a drug provider to an integrated healthcare company, we also offer additional technologies beyond drugs to improve treatment outcomes using different models such as partnership, licensing, etc.

Operationally, what does that mean for the markets that you manage, namely Taiwan, Hong Kong and Macau?

In January 2016, Merck Biopharma reorganized its global operations. Previously, the region of Asia Pacific was stretching from Pakistan to Australia but excluded Japan and China, which reported directly to HQ. Since then, China and Japan have been included, with those two countries plus India reporting directly to our APAC President. The rest of the region has been divided into two sub-clusters: one being composed of the more “mature” markets such as Taiwan, Hong Kong, South Korea and Australia, while the rest has been allocated to the other sub-region. This first and foremost allows us to become more agile in our decision-making processes while it helps us to better allocate our resources.

Hong Kong, like most mature markets, is driven by the introduction of innovative products. Developing and implementing the right access strategy is therefore very important. Furthermore, with the recent organizational changes, it was important to ensure that mature markets adapted well to the new Merck model and company culture. This was in part why I was brought in to manage the Hong Kong affiliate after the previous MD retired since I had overseen the same transformation in the Taiwan affiliate.

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What lessons are you bringing to the Hong Kong affiliate?

It is mainly about fostering the company culture, which means to ensure that the team here receives adequate training and understands how this new matrix organization works. Ensuring people are empowered and at the same time accountable for the overall results of the organization is a cornerstone of the Merck culture. This is even more important now, since people in a matrix organization are depending on more than one leader.

Another area we are currently focusing on is to ensure appropriate medical and scientific support. In the past, it was not given sufficient emphasis, although it was recognized that the medical role is becoming increasingly important. Therefore, it has been one of my objectives to reinforce our medical organization in Hong Kong. We have recruited additional people to ensure optimal medical support to the commercial team and prepare for new launches. We also want to look at what can be done in the field of clinical trials.

In addition, the level of education being very good in Hong Kong, you do have a good pool of talented people that you can develop and potentially take to other places within a global organization like ours. This is something I would very much like to explore further.

For small affiliates, you need to deliver performance to get attention of global HQ. How are you advocating for the HK affiliate?

Looking at our performance: although we did not have new products for a few years now, we have managed to deliver very good results. This has helped to place Hong Kong in the sights of senior management. It may not be a priority location as a result of its small size. However, it is important to note that Hong Kong's registration pathway is much faster and less stringent compared to many other countries in the region. In a nutshell, once a product is approved in Europe it is possible to file using the same documentation.

As a result, access to innovative treatment is easier and faster. Along with the quality of the medical infrastructure, treatment and services, it is an attractive place for medical tourism, in particular for patients coming from mainland China.

Clinical trials are another area of strength. The level of scientific knowledge of Hong Kong's Key Opinion Leaders is at par with their European and American colleagues and it is not uncommon to have Hong Kong KOLs being part of global medical advisory boards. In addition, two Hong Kong medical centers have now been acknowledged by the Chinese FDA when it comes to recognition of clinical trials. So, if well-positioned and well-advocated, Hong Kong can attract the right kind of attention.

Having said that, it will still be important for Hong Kong to further ease the approval process for clinical trial applications as they can be a bit slow right now, with rather strenuous legal liabilities conditions. Hong Kong has a strong value proposition but it is facing intense competition from regional competitors like Singapore, South Korea and Taiwan so more can be done to maximally realize Hong Kong's potential.

Looking forward, what would be your strategic priorities as MD?

Firstly, we will keep leveraging our existing portfolio; we have very good products which have a lot to offer to patients. For the past 24 quarters, Merck has globally delivered growth without any new product launch. This by itself is a testimony of the strength and added value our existing portfolio can offer.

Next, we will prepare well for our future launches. For a long time, we haven't launched new products. Now we need to renew our efforts and expertise in bringing new products to market successfully.

In addition, we will continue to improve our internal processes and the way we collaborate as a team. My goal is to continue fostering a culture where people can bring their best. This is why, when hiring a new person, I pay particular attention to attitude and level of curiosity, as I believe both will ultimately drive new and innovative ideas in how we do things.

Finally, we want to continue positioning HK as a place of choice when it comes to clinical trials and we want to make sure our global development team considers including HK in global clinical trials when it comes to the development of our upcoming pipeline.

Across all this, we will continue to put the patient at the center of all our efforts. The idea is to drive value for our patients.

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