

Interview: Simon Liang - Chairman and CEO, Glory Medical Group, China



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Simon, you established Glory Medical back in 1998. What was the main rationale behind this significant decision?

When we started, the Chinese healthcare and medical industry was really behind global standards. There was a huge gap between the needs of the people and the hospital and medical facilities available in China. I observed this personally as I had a close friend in the UK and went on a tour of leading UK hospitals like King's College Hospital. Separately, it was also during this time that Shenzhen underwent its economic reforms and opened up its economy. The Shenzhen government then made plans to construct the first hospital and aware of this gap between Chinese and international standards, wanted to build a hospital that was better than the existing Chinese standards.

This was what inspired me to start Glory Medical. Fundamentally, I wanted to play my part in helping improve healthcare conditions for ordinary people. Every company has their own perspective on the industry. Mine was that a hospital is a place where you save people's lives, so if we are able to do this, in a commercially sustainable way, that would be a great contribution to society.

We started with the smaller, hospital-use medical products based on specific needs we noticed within the Chinese market. For instance, many domestic hospitals had very outdated and rundown

operating theatres with old products that were not able to handle the needs of large and complex surgeries. As a result, infection rates in some areas were quite high. Our first focus was therefore to modernize operating theatres. Next, we also wanted to upgrade the oxygen supply systems, because hospitals were still using industrial oxygen delivered in individual tanks! These sometimes even had to be manually carried upstairs to patients on the higher floors due to the lack of a ventilation system!

Through the successful experience of our work in the first Shenzhen hospital, we saw that our business model was viable. From this humble beginning of providing surgical and operating instruments and oxygen supply systems, we have now extended our offerings to the entire area of hospital engineering, construction and installation. Thus far, we have participated in the construction of over 1,400 hospitals in China. We also own, manage and operate 12 hospitals ourselves.

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As you are no doubt aware, many Chinese businessmen like yourself go overseas, see the gap between the Chinese and Western markets, and try to bring new technology or expertise into China. But given the competitiveness of the Chinese marketplace, not many have seen the success that Glory Medical has seen. What do you see as the key factors behind your success?

First and foremost, there needs to be space within the market – particular needs of the market that have not been met. Secondly, as a company, we needed to not only understand the market needs but also stay focused on how we can meet these needs consistently. Unlike many other Chinese companies, we do not jump from one sector to another as they start trending. Many Chinese companies will tend to follow the money and change their business depending on what is “hot”. On the contrary, Glory Medical has been committed to our hospital and medical services segment for the past two decades. We are confident that as long as you commit to something, you will succeed.

HR is also very important. We recruit heavily and also invest heavily in our people. Every year, we will recruit hundreds of fresh graduates whether at the Bachelor’s, Master’s or PhD level, and from each batch, we pick the best performers to send overseas for training and hospital conferences. This exposes them to global best practices and trends that they can then bring back to Glory Medical.

The key to our success has been our ability and commitment to research, innovate and then adapt good ideas to the specific needs of the Chinese market. In this way, we are able to ensure that we

deliver products and services that our clients want.

During this process, we have accumulated a significant amount of experience, and we quickly realized that in order to really succeed in this industry, we have to integrate the entire industry value chain. In 2010, we finally felt that our foundation was strong enough to start pursuing this, so in 2011, we IPOed on the Shenzhen Stock Exchange.

The successful IPO allowed us not only to raise the necessary capital to take Glory Medical's development to the next level but also provided a welcome platform to better align our business to rigorous standards. It made Glory Medical more transparent and strengthened our fundamentals.

Through this process, today Glory Medical offers a turnkey hospital project solution, delivering all aspects of hospital construction from design to engineering to construction to procurement, as well as financing, through wholly or partially-owned subsidiaries. What do you see as the advantages and disadvantages of this business model and is it sustainable for the foreseeable future?

The sustainability of the business model ultimately depends on how the market changes.

In terms of our strengths, the obvious one is our scale. For such huge projects like hospital construction, to be able to deliver a one-stop solution, your company needs to be large enough to handle such projects. This scale also extends to your human resources: you not only need to have enough people to deliver, you also need to possess a diverse range of skills and expertise in a variety of disciplines. You will obviously also need to be able to offer a portfolio of services and products.

The one-stop turnkey model is particularly suited to the Chinese market because the Chinese mentality is that it is better to hire one company to handle all aspects of the project because it is more efficient and cost-effective, ultimately bringing time and cost savings. If many companies are involved in a project, there is a tendency for the project to become very messy - and with more companies involved, the margins also decrease.

A company like Glory Medical that can deliver such a turnkey solution is therefore extremely competitive in this market. It helps position us as a market leader. For instance, we have reached such a scale that smaller product-focused medtech companies often rely on us as a platform to take their products into public hospitals, as otherwise they will find it very difficult to win so many hospital tenders.

This even applies to international giants like GE Healthcare, with whom we had established a sole strategic partnership in 2007, because they saw the value in using us as a distribution platform. At the same time, of course, this partnership does not limit us in terms of working with other medical devices companies like Siemens and Philips.

The disadvantage is the huge capital this business model needs, though at the moment the silver lining is that it also prevents other companies from being able to copy our model. At the moment, I suspect we are the only company in the whole country that is able to accomplish this. This also means that we are able to offer financing and capital services to our clients.

Glory Medical is able to provide project design and financing support. This solves two main problems for the government when it comes to public hospitals: capital allocation and project design, since they are not experts in the sector. All they need to do is award us a contract and we can deliver them the hospital. This provides huge value to often cash-strapped and overburdened governments.

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Glory Medical also operates internationally. With such pressing healthcare needs and huge growth within the domestic Chinese market, why does Glory Medical still want to expand internationally?

My conviction is that to be a successful company, you cannot limit your operations to one country. We aspire to be a globally renowned medical services platform provider offering good and quality services at reasonable prices.

Of course, we will base our internationalization strategy on global market needs. In this space, I think it is countries with large populations that offer the most opportunities for us, such as Asia, and also along The Belt and Road countries. We already have operations in Sri Lanka and Pakistan, and are exploring projects in Indonesia and Bangladesh, as well as in Latin America and the Middle East. Some of these places really need the technology, expertise and capital that we can bring. Over the past two decades, we have successfully cultivated strong relationships with major banks in China as well as overseas, and our status as a publicly-listed company also gives us a lot of credibility.

I think we have an enormous amount to offer different markets. Some less developed countries may even lack hospital design and construction industry regulations so we can provide some value to them by offering them our business model, which already has a successful proven track record.

In more mature countries where the industry is already very established, we will participate actively and adapt our business model to market realities. This will in turn also help us to find and bring more good practices back to China.

Do you have a final message for our international readers?

Glory Medical is all about win-win partnerships. We welcome interested parties to reach out to us. Our mission is to become a globally recognized turnkey hospital, medical engineering, medical equipment configuration and construction service provider. We hope to introduce our successful business model to more readers, governments and companies abroad that may be interested in partnering with us to improve the lives of people globally.

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