Asgar Rangoonwala – President, Xian Janssen, China



China can really change healthcare globally through many different factors – investment, AI, cloud computing, big data and government policies. An environment is being created where innovation will improve the quality of life

22.04.2019

Tags: China, Strategy, Janssen, Innovation

Asgar Rangoonwala,

president of Xian Janssen, Janssen's Chinese affiliate, shares the key milestones for the affiliate in the past two years, how Janssen is investing in bringing new innovations to the Chinese market with a phenomenal 14 new products approved in 2018, and their commitment to working with all stakeholders in China to deliver on their credo and their ethos of 'patient-centricity' in order to drive better patient outcomes.

Asgar, prior to arriving in China in 2016, you were managing director of Janssen Turkey and have also previously worked with Janssen in Germany. How do you compare these different markets?

Both Germany and Turkey have fully reimbursed pharma markets, while China is different. Of course, I was prepared for this before my arrival, but it is important to note this fact because Janssen has – or had – a very different strategy in those markets. Xian Janssen has a long, proud heritage in China, and remains committed to delivering transformational therapies. We are working to continue deploying new strategies and forward-looking investment to find game-changing medicines in China.

When I first arrived in China in 2016, Xian Janssen was essentially playing in the OTC space. In the past two years, in line with regulatory developments in the country, we have continued building our

heritage brands while also moving into innovation – a fact that can be seen in the 23 new approvals and launches we have had since 2017.

We have been helped by the Chinese government's reforms in healthcare. China can really change healthcare globally through many different factors – investment, AI, cloud computing, big data and government policies. An environment is being created where innovation will improve the quality of life.

The government has done great work. Patients can now get earlier access to innovative medicines, and we are changing to meet the changing environment. The size of our market access team has tripled and we have doubled the size of our medical affairs team. These were bold decisions to take in 2016 but were definitely the right things to do. There are huge unmet medical needs in China – for life-saving innovative drugs, not so much generics or 'me too' drugs. We are already seizing the opportunities provided by these recent reforms as well as working to support China's aspiration to become a leading global pharmaceutical innovator.

Taking rare diseases as an example: in February, the Chinese State Council announced that preferential value-added tax rates would be applied on rare disease drugs as of March 1. Coupled with that, the National Health Commission put out a list of 21 drugs needed for rare diseases. UPTRAVI® from Actelion, a drug for pulmonary arterial hypertension (PAH), was on the list and has now been approved for use in China.

This is an example of positive government regulation that is helping to change lives. It will certainly help PAH patients in China as well as their families.

So, the things we have been focusing on and the changes in policy have made a major difference in China. 2018 was our strongest year for the last two decades and we were the fastest-growing multinational in the country. We had 14 new product and indication approvals, making a big difference to society and to Xian Janssen.

Globally Janssen is known for its ethos of 'patent-centricity'. What does this mean in a country of 1.4 billion people? How can a company stay true to 'patient-centricity'?

The fundamentals do not change, it is only the scale that changes. Being patient-centric, as Janssen is – is not about the number of patients but the individual patient. I will take the example of schizophrenia because this is an area in which we are very strong, not only from the sales standpoint but also in terms of our passion for and focus on this disease area. If you visit a patient

with schizophrenia, you see the same unmet medical need – across the world. The difference is that in Turkey, you have around 500,000 schizophrenic patients while in China, the figure is at least eight million.

Therefore, the question we ask is, what can we do to solve the healthcare problem of every single individual? Now, you may think that is mission impossible. Nevertheless, we cannot stop thinking about that because this is how we fulfil our credo and our purpose. The scale of the unmet medical needs is huge in China, and we certainly cannot do it alone. This is why we form collaborations with key players.

For instance, we believe that the only way to help the healthcare system in China is digital. This is why we have a strong collaboration with Alibaba Health and other companies in the digital space. The Chinese government is very smart to be pushing the use of technology and AI, particularly in healthcare, because you can never build enough brick-and-mortar hospitals in China to serve the whole population, especially in rural areas. The only solution is to leverage modern technology.

Another example is our work in multidrug-resistant tuberculosis (MDR-TB) through our global public health operations, beginning notably with our 2009 collaboration with the Global Alliance for TB Drug Development. This is not a commercial organization at all; we provide our drug for free, but cannot provide it for free to everyone because of the lack of infrastructure. So, we have to work with other stakeholders like the Gates Foundation and the National Center for Tuberculosis Control and Prevention (BCTB) in China to educate doctors as well as to distribute the medication where it is most needed.

What I have learnt in China is that time is not the problem. The healthcare problems in China are problems that will have to be solved over generations. We cannot expect to solve them alone or in one shot. But we must start the journey so that one day, we will arrive at our final objective. We must do what is right.

What are some of the innovative partnership or collaboration models Xian Janssen is participating in?

China is pretty much at the forefront of digital technology globally. The country has tech giants like Alibaba and Tencent that are really experimenting with and testing new healthcare models, far more than their American counterparts like Amazon. As a localized company, we possess the huge advantage of being able to work with them and run pilot projects that could one day be exported to

other markets. For instance, we run projects with Tencent and Alibaba Health to develop 360-degree disease management programs from disease education and awareness, access to healthcare practitioners either virtually or in person, e-prescription, online ordering of medication, home delivery and so on. This is something you cannot find in any other country at the moment because the e-health infrastructure is not as mature in other markets. In many mature markets, there is simply not as great a need for such a digital health infrastructure because most people would have access to a physical pharmacy or doctor.

Local stakeholders in China expect companies like us to provide expertise and have a long-term strategy in place. Particularly when it comes to a company of our size, whether we are talking about Xian Janssen or the entire Johnson & Johnson (J&J) organization, they expect that we do not chase after the short-term dollar. Many people would be surprised to hear that Alibaba has a larger market capitalization than J&J. For corporations of our sizes, we must think about doing the right thing for patients and people. It is not just about short-term business expansion.

As Chairman of Xian Janssen, my role is not only to run today's operations but also to think about the future. It is clear that the future healthcare setting in China will have many digital elements. If we do not learn how to leverage them now, we will not have a successful organization in China in the future. Today, the tech companies are sitting on a lot of healthcare data, but they need us to provide the expertise and perspective.

We are working to ensure that we fit into this new landscape by investing heavily in collaborative innovation and R&D models. We have partnered with Legend Biotech to develop, manufacture and commercialize a chimeric antigen receptor (CAR) T-cell drug candidate. We want to continue accessing breakthrough science globally and accelerate transformational medical innovation, and I believe data will be at the heart of this.

As they say, if you do not ask the right questions, you will never get the right answers!

For sure there is a lot of strategic elements to Janssen's presence in China today, but what about the daily operational aspects or commercial aspects? Overall, what is the strategic significance of China – the world's second-largest pharma market – to Janssen globally?

> There has always been a clear understanding that China is not just any market for Janssen

Our headquarters are extremely supportive of the Chinese affiliate. There has always been a clear understanding that China is not just any market for Janssen or J&J, but a highly relevant market – and this goes far beyond the sheer market size. J&J has historically been very successful in the US and G5 markets but we have always understood that we need to be equally successful in different country archetypes – and China is definitely a very different country archetype! A very clear indicator of the importance of China is simply the fact that our CEO visits us regularly – and more often than he visits Germany, which is a larger affiliate in terms of revenues.

Everyone has to balance between today's results and tomorrow's strategy – from the CEO and the executive committee to the middle management level to the frontline employees. Everyone has to deliver today and plan for tomorrow. At the end of the day, our mission is to solve healthcare problems and I strongly believe this is what gets rewarded, not pushing your products the hardest.

That Janssen managed to receive approval for 14 innovative products in 2018 and become the fastest-growing pharma MNC in China is a result of our excellent collaborations with the Chinese ecosystem. We not only run global trials in China but also a lot of local trials, which generate relevant local data to support our drug approval dossiers. This is rather unique and has helped us in terms of securing faster access to our medicines.

On top of that clinical development work, we also have a discovery center in China, which is already generating important innovations that serve local needs like Hepatitis B. Furthermore, our R&D organization in China is fully integrated into the global R&D structure. As you have probably heard our CSO Paul Stoffels say, 'the world is our laboratory'. We are agnostic about where we do R&D. We simply look for the best laboratories, institutions and academic partners, and we develop our science and innovations where they are.

For sure some of the best talents are in China but the talent pool is so intensely competitive here. How does Janssen manage this challenge?

Definitely, the talent pool in China is amazing: very educated, very internationalized, and it would be a colossal missed opportunity for Janssen to not leverage this. Competition for talent is certainly not unique to China but it is far stronger here. This is simply a fact we need to accept. It is no longer just the MNCs competing with other MNCs but also the emerging local biotechs. Across all functions from R&D to medical affairs to commercial, people move quickly. Personally, as a Janssen veteran – and a German – I sometimes struggle with this but as general manager, you do need to accept this as a market characteristic, to some extent.

What we try to do is to give people a home at Janssen. We focus on offering many opportunities for career development, not just in China but also globally, and across the different business divisions at J&J, not just in Janssen. We usually prefer to promote internally. We also tend to recruit people with a strong sense of purpose and alignment with our credo and our ethos of patient-centricity. When you join Xian Janssen, we stress that you have a marvellous opportunity to do something different and positive for your fellow citizens!

We also encourage our people to be the healthiest workforce, as we think that is the best way to get the healthiest business. We have a 'Healthiest Workforce 2020' strategy which focuses on building a better work-life balance, maintaining strong relationships within the workplace and at home, and maintaining physical health to benefit our people and our company.

We are also guided by the Johnson & Johnson Credo and our duty to serve. We are responsible for supporting our employees and place focus on spiritual, mental, physical and financial health. For every business, large or small, employees are the key ingredient to success. It is their commitment, diversity and bold thinking that help to foster an environment where ideas can push boundaries and lead to innovative breakthroughs.

One of the things I think is at the heart of this is having diverse views and opinions to create these breakthroughs. We need a culture of engagement where people from diverse backgrounds feel valued, supported, included and connected to the business.

Of course, we strongly believe that we work for the best company in the world. But we must expect that people will make different choices. In any case, even with the double-digit attrition rate in the industry in China, companies still manage to run successful operations!

Janssen and J&J are very strong brands globally. How are they viewed in China?

At J&J, we are fortunate to be able to focus on our different brands' strengths. We have the flexibility. J&J itself is, of course, a mega brand globally, mainly carried by its consumer business and products, which are ubiquitous. In China specifically, Xian Janssen is also a very well-regarded brand, beginning with its history as the first pharma MNC to enter China and the touching story of our founder, Dr Paul Janssens' love story with the Chinese people and Xi'an city specifically, and over the years with the broad penetration of our OTC products. People know our products, and they trust our products. There is a lot of brand loyalty.

Additionally, our heritage brands, especially those in the OTC area, are now being complemented by our continued investment in launching truly outstanding, innovative products very quickly. We constantly look back to our company vision – being trusted by customers, loved by employees, recognized by the community, and respected by our peers in the industry. I think to achieve these aims, we must continue strengthening the cornerstones of our business in core products and look to the future through innovation.

We are also committed to being a thought leader in the healthcare sector. We have taken a significant step this year, and in February, I was honored to become Chairman of the China Association of Enterprises with Foreign Investment (CAEFI)'s R&D-based Pharmaceutical Association Committee (RDPAC).

On another note, you were recently appointed Chairman of RDPAC, the innovative pharma MNC association. What have you defined as the strategic priorities for your term?

> Fundamentally, as innovative companies, we need to ensure faster, more sustainable and predictable access for our products

The nature of businesses within RDPAC is to work continuously on serious illnesses – such as tumours, chronic diseases and rare diseases – and devote themselves to bringing the most advanced drugs and therapies to patients in China. RDPAC members, together with the Chinese government as well as local enterprises and partners, are committed to making China a global leader in pharmaceutical innovation. RDPAC hopes to work more closely with the Chinese government to realize this commitment and benefit more patients in China as well as overseas.

Fundamentally, as innovative companies, we need to ensure faster, more sustainable and predictable access for our products. In the short term, this means that we need to work on the backlog of global innovative products that are not available in China yet. I am sure the Chinese government shares this interest. In the middle term, it is China having parallel access to new innovations as the US and G5 markets, instead of the two to four years later we see today. Access is the first priority.

Secondly, it is about pricing and reimbursement. We need to have a transparent and predictable pricing system, and a faster reimbursement system. The Chinese government is already doing an outstanding job here and they are clearly driven by the excellent intention of finding better

solutions for Chinese patients. I have not seen a country with such a huge population size move so quickly from a self-pay to a reimbursement market!

The third is about product quality. This is a problem in China as well as globally. It is a huge shame that patients sometimes suffer, and in the worst cases, die, from the products that are supposed to treat them because of their poor quality. In China, because of the sheer volume that moves through the system, there is a critical need to ensure that only high-quality products, whether they are originators or generics or OTC or Traditional Chinese Medicine, enter the market. This is also something already quite high on the government's agenda, which is positive.

Last but not least is IP protection. The situation is already much better than before but still needs some development.

What is hugely positive is that in all our dialogues and our communications with local stakeholders, including both industry and government, we see that our priorities are completely aligned with the Chinese government's intentions and objectives. I personally have been very impressed by the way the Chinese government has advanced the industry. Certainly, no one denies that there is a need for the industry to see fair profits to ensure sustainable growth and investment in future innovations.

Of course, from an industry standpoint, we recognize that we need to first earn the trust. This is normal. At Xian Janssen, we have demonstrated that commitment for over 30 years, for instance. We work in such an important area: healthcare. Everyone knows or has been a patient. When you are sick, you just want a solution. In China, we are very happy that there is a common ground on which all stakeholders stand. The rest is all about managing the processes and systems better.

Looking forward, what is your vision for Xian Janssen over the next few years?

Personally, I find China the most exciting country to be in – not just for business but in general. I love Janssen, I love working with my team here, and I love what we are doing in China. For sure, in the future, we want to continue bringing new products to China. However, I also strongly believe that we have to play a far bigger role than that. We need to help and support the healthcare system to have better, more holistic solutions for patients. For instance, looking at prostate cancer as a single example, the reality in China is that they are often diagnosed very late, the follow-up is limited, and access to the right medicines is lacking. Our role here must be to optimize the end-to-end process.

It is not enough to just be the supplier of the product. We want to be a company that ensures better patient outcomes. From doctor education, patient education, diagnosis optimization, patient pathway optimization, referral pathway optimization to multidisciplinary doctor teams, many different elements work together to ensure that, at the end of the day, the patient survives and recovers. We want to support all of these different elements to the best of our abilities. For instance, in schizophrenia, our value lies not just in selling our three-month long-acting injectable but also in our work with different doctors and local governments to establish community care centres to act as a bridge for patients transition from hospital to home.

Meanwhile, we will continue our investment in R&D. Currently, our R&D teams monitor clinical trials in more than 300 sites, including more than 100 hospitals across 32 cities. Four new drug applications and eight approvals which are anticipated by April 2019 have been because of our R&D teams.

In Shanghai, our discovery centre runs research programs on small molecule drug discovery and trials for a range of serious conditions. Ten discovery projects are already underway, and we hope to deliver one new clinical candidate per year.

As I mentioned, time is not relevant to us. We want to be recognized as a company that is committed to supporting all relevant stakeholders to improve patient outcomes.

See more interviews