Pius S. Hornstein – Country Chair, Sanofi China



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Pius Hornstein, Country Chair of Sanofi China appointed in March 2019, shares his initial impressions on the fast-changing Chinese market; his mandate to drive a transformation of the organization in line with their mid- to long-term strategy; his priorities of launching a new portfolio, building up the organization, and spearheading digital innovation; as well as his personal excitement to be leading Sanofi's second-largest market globally.

Pius, having been appointed Country Chair of Sanofi China following a dynamic and varied 21-year career with Sanofi globally, how do you interpret your mandate?

Overall, Emerging Markets with China being the lead, alongside Specialty Care, are the two big growth drivers for Sanofi globally. I came to China from Brazil, where I managed Sanofi's second-largest Emerging Market for four years. There, the assignment was to engineer a turnaround and build up a new affiliate that is ready to grow in a dynamic marketplace. My mandate in China is very different. China is not only Sanofi's largest Emerging Market, it is the second-largest affiliate for the Group globally, ranking only after the U.S. and representing eight percent of global sales. In terms of growth, we represent an even greater proportion of global figures. In Q2 2019, for instance, we grew over 17 percent.

Established 37 years ago, only three years after China's opening-up in 1979, we are one of the first pharma companies to enter China. In the past four decades, Sanofi China has done a fantastic job in building an extremely successful affiliate largely based on our legacy portfolio. This success has taken courage and vision, and today, we need the same ingredients to drive future growth.

It is clear that 2019 will be remembered as the key year for healthcare policy change in China. The government wants to fund innovation while generating healthcare savings through more effective budget management. Even during the brief period I have been here, I can already see the willingness to change and the speed of that change, from the more frequent updating of the National Reimbursement Drug List (NRDL) to new policies catering to established products like the 4+7 policy and the generics quality consistency evaluation (GQCE) – which we have seen in other countries but never in China. This means that many things will change for the industry, including Sanofi.

The next ten years will be radically different from the last ten years and Sanofi is committed to continuing to grow in China and over the mid- to long-term, we have set extremely high goals for ourselves. My mission is to connect and reshape our current business here with that mid- to long-term vision for Sanofi China's future success. Certainly, we will continue to grow but the growth will have to come from new levers, whether it is the acceleration of new portfolio or new go-to-market models and so on. What will not change is that Sanofi China will remain a very important part of our global business. We plan to increase China's share of sales from the current eight percent – and my personal mission is to overachieve 20 percent of global sales over the next decade.

How does Sanofi China plan to adapt to the near-term challenges of a changing regulatory environment?

I want to emphasize that China is a market of great opportunities. Nowhere else in the world do you see healthcare needs growing at such a scale and speed. These opportunities are linked with important challenges.

The main challenge for us is how to adapt as a large affiliate with nearly 10,000 employees to such a fast-changing environment, particularly as our global headquarters sit in a more mature market where the pace of change is not the same. This is not a challenge unique to us; many global players in pharma as well as other industries with HQs in the U.S. or Europe face the same challenge. We must have our long-term vision but we must also be flexible enough to align them to current events.

Take the 4+7 policy, for instance. It was first proposed by the government in late-2018 and the industry thought it might take a long time to implement but by April 2019, it was in place! Now they are revising the pilot program. What is impressive is that the government is extremely clear on their vision but also adaptive and very skewed towards learning. Their learning curve is very pragmatic and certainly much faster than in other markets.

The mission here is to initiate a transformation linked to our mid- to long-term strategy. A couple of years of changes or challenges linked to ongoing policy changes do not alter the fundamental potential of Sanofi China. For instance, the overall healthcare market in China today is EUR 1 trillion. Our internal projections say that this will double to EUR 2 trillion by 2030. The pharma market is EUR 120 billion currently and we think it will more than double to EUR 280 to 300 billion. In terms of overall GDP, we believe – in line with some external bank assessments – that China will overtake the U.S. by 2030.

While it will be foolish to discount any future scenario for China or for Sanofi in China, the reality is that in any possible future, China will maintain a fundamental role within the global strategy of Sanofi. It is not the first time we have seen portfolios come and go. This is simply a part of the business cycle. We need to continue to be courageous to invest through the uncertainty and fulfill our mission.

You mentioned that the future success of Sanofi in China will look very different to her success over the past four decades. What are your key priorities when it comes to building the new Sanofi organization?

We have a fundamental commitment to the country and the Chinese people we serve. This is already evident in the fact that Sanofi created a new Global Business Unit called ‘China and Emerging Markets’. This was a very deliberate and very smart decision demonstrating that we think of China as a distinct market. For me personally, I was extremely motivated and honored to come to China because China today is what the U.S. was in the 1990s. Within our industry today, our peer companies are no longer talking about U.S. and the Top Five markets but about U.S., China, and the others.

There is more understanding that China needs to be at the center of global development. China is already at the same level as the U.S. when it comes to clinical development. This also means that we might have to bring global talents for global functions to China. It is not just about ‘Global for China’ but ‘Global *in* China’. We already have our Suzhou R&D Center, which was inaugurated in

April this year, and we will continue to build our organization here.

We also need to think about how we can grow and invest responsibly in China. We are currently present in Beijing, Hangzhou and Shenzhen with three manufacturing facilities, and we recently decided to invest another EUR 23 million in our Beijing insulin production plant expansion. This is us making the bet. We believe that China has potential and deserves these investments. We are already discussing other investments with Industrial Affairs and hopefully we will have more news to share in the upcoming few months.

Regarding R&D facilities, besides Shanghai, we have also added Chengdu as another location, where we will establish our digital R&D hub. We were one of the first MNCs to invest in Chengdu. Here, we already have an R&D center working on data management for global clinical trials and we will establish our digital go-to-market model here as well. Chengdu is a great emerging city with good universities and a good talent pool, as well as a lower cost of living compared to Shanghai, which makes it very attractive for talents. In addition, in Suzhou we will be setting up our first research institute in China.

On the portfolio side, we plan to launch 20 new products in the next four or five years – three to four times as many as we have launched in the past decade! You can imagine that these new products across Specialty Care, diabetes, vaccines and other disease areas, will be transforming our portfolio from mature products dominant to innovation driven. This will be a key success factor for Sanofi’s future.

Related to that, we would also need to build up the capabilities of our organization here, especially on the digital side, which I will elaborate on later. That is another important priority of mine: to hire, train and adapt our organization here more positively. We want to recreate the same kind of fantastic story Sanofi China had over the past ten years but it will be a different story.

Digital innovation is a very big focus for Sanofi globally and there is perhaps nowhere better to explore and advance this than China. What are your plans to spearhead digital innovation at Sanofi China?

Two months ago, Sanofi nominated a Chief Digital Officer that had a medical background. When I was in Brazil, I created a digital structure for the affiliate separate from Europe – as the first affiliate to do so – and since arriving in China, I did the same. We will have our own dedicated digital structure focusing on topics like innovation, data analytics, go-to-market models, multi-channel

models and so on. China is the place to do it because you have scale, speed and expertise.

We want to create China as the third big pole for digital innovation within Sanofi. Our new Chief Digital Officer has outlined a big vision with a global strategy and China is significant enough to move fast within that global framework with some autonomy. We certainly can be the spearhead for global digital innovation in line with global priorities.

For instance, we want to be more open to the external start-up ecosystem in China. We want to connect medical science with local innovations to serve patients. For instance, we are recently working with a local start-up. They have developed these stabilizing utensils for patients with Parkinson's disease that can collect data on patient usage and lifestyle patterns. The data collection will be done through a third-party, naturally, but I hope the data will help us better understand the daily activities of patients with Parkinson's disease and ultimately develop new therapies or initiatives that could serve them better. As a large company with nearly 10,000 employees, it is not easy for us to interact with a start-up of 90 people but we have to be disciplined and flexible if we want to co-create something wonderful.

I hope that in 24 or 36 months, Sanofi China will be recognized as the number one pharma company in the digital space in healthcare in China – not just because we are doing this transformation but because we have tangible indicators of success, including patient outcomes, revenue and profit models. Ultimately, we want to leverage on digital tools to make our therapies more efficacious. For instance, we announced a deal with Ping'An last year to explore ways to combine medical insurance data, AI and pharmaceutical expertise to deliver more value within the Chinese healthcare system. We are exploring new models of go-to-market, new models of sales and marketing, and new models of medical education.

Since talent and organizational structure is another priority of yours, could you comment on how important China experience is for future global pharma leaders?

In general, we need to strive for diversity of talents. Certainly, for global pharma companies, they will increasingly need to have management with China experience. If not the CEO, then others in the management team. Otherwise, it is difficult to have the necessary insights to set the global strategic priorities. Up until a couple of decades ago, European pharma companies often did not have Americans on their management teams or boards. The situation today is the same with people from China and/or with China experience. We cannot ignore 20 percent of the world's population.

What is interesting is that 20 years ago, many people wanted to move out of China to have a global career. However, over the past few months, I have noticed that some of the top talents here in China are not necessarily excited to go overseas. To them, the show is happening in China! They want to stay here. However, it is important to them to have a global career so as an organization, we need to start to consider if we can give top talents in China that global career and global exposure! This is also important because as exciting as the China market is, the leaders working here have only experienced the extraordinary period of continuous growth and investment that occurred over the past ten years. As the industry has dynamic cycles, it is also important to experience and learn how to manage these ups and downs.

At the same time, we also need to bring external talents into China in order to cultivate that ecosystem of future leaders with China experience. It is not necessarily about bringing senior executives into China to lead business units but also about importing young talents a few levels below senior management to experience China for a couple of years. This is why I have already created an initiative called ‘Ten In, Ten Out’ to export ten Chinese talents globally and to import ten global talents into China. One of my indicators of success is to see how many people we can take through that talent cycle and how diverse a culture and environment we can cultivate here in China over the next few years.

A final message?

Having been with Sanofi for many years, I am very passionate about working at Sanofi. I firmly believe that a company is only as good as you want to make it and in my time with Sanofi, I have been blessed to change physical locations eight times, across different countries, continents, cultures and roles, experiencing different challenges and new horizons.

Looking globally, Sanofi is among the top 10 pharma companies in terms of revenues but I do not believe this ranking means much. Size alone is a legacy of the past and not necessarily a predictor of future success. The ability to learn and the ability to change is much more important than your current size. If people believe in the company and have a certain amount of entrepreneurial spirit to respond to the inevitable challenges and business cycles, and focus on grasping new opportunities, the company will succeed. I am confident that Sanofi China has a very strong base that will allow us to advance and grow further in the years to come.

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