

Interview with Wu Xiaobing, General Manager, Pfizer China

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a lot to be happy about here: Pfizer is ranked number 1 multinational R&D-based biopharmaceutical company in China, where you also have two world-class R&D centers in Shanghai and Wuhan, business operations in over 200 cities and eight state-of-the-art plants in Dalian, Suzhou and Wuxi. Moreover, while emerging market growth was strong last year, the figures were led by the Chinese affiliate. There's a lot of good news but what's unique about Pfizer in China?

You're right in those statistics, and I may also add Pfizer is top in growth rate amongst the top 10 in the first half of 2012 the exceeding 30%! What's unique is, first of all, our people very, very good people, the best in the industry. We have a diversified leadership team, with Americans, Europeans, and local Chinese, with a global view and strategic vision, which they combine with local insight and networking connections that work very well together. Secondly, we are strong not only operationally, but as individuals, in the front end and on supporting functions to build the company's competency.

Pfizer's vision in China is to be an essential part of the healthcare system, and we are able to do that because, as you said, we're the number one R&D-based company in China, which allows us many necessary competencies, skills, and resources.

One example of how Pfizer China is essential, and strategically supports the initiatives China really needs, is the major project begun in 2012 named "Bending the Curve" the cardiovascular curve, that is. Cardiovascular incidents, like stroke and heart attack, are increasing sharply in China for various reasons, while in Western countries it's declining. Therefore, Pfizer China has worked with the Chinese MOH and doctor's associations and together, we said, "How can we work together to bend the curve, and reach a turning point?" The program covers a full range, including disease awareness, education, patient screening, diagnosis, treatment, and compliance. The government was very happy with this initiative. Pfizer China Cardiovascular & Metabolism Business Unit just held a general conference in Nanjing, and the passion was remarkable. This is not just a program that is a sales target that we will achieve next year and forget about it it's something that will be worked on over the next decade. It's something that makes people really feel we really work for this country, and you can imagine how passionate people are on this project. It's very unique. I am also happy to welcome other companies, my good friends, who have been happy to join Pfizer China's project and bend the curve together. And this is just one example.

How does Pfizer's responsibility dovetail with the ongoing healthcare reform, and how important do you regard meeting the "Healthy China 2020" goals?

Our view is that it's very important for our country. The reforms were initiated after the WHO, a number of years ago, ranked China 143 globally in terms of healthcare affordability and access. This is a huge problem. I personally know it, because if you want a doctor consultation, you spend hours at a hospital waiting for a two-minute consultation because there are 10,000 outpatients waiting behind you! This situation needs to be changed, from the standpoints of affordability, insurance, and social stability. The reforms are a good initiative, and to support them, I can provide another example that demonstrates Pfizer's uniqueness. Three years ago Pfizer recognized that because of China's size, many good products, such as high-quality generics, are necessary. China, in fact, is a generics-dominated market, with 70-80% penetration, and nearly 5,000 local manufacturers producing them. In several conferences, I've noted that China is a great exporter country. We export everything but not pharmaceuticals. China does not export any finished pharmaceutical goods to the developed world, or even to the developing world! API is another matter, of course, but that's the low value-added part of the chain. The reason for that is simple: quality. Therefore, we want the local pharmaceutical industry to not only produce a huge amount of pills but high-quality pills with good efficacy and safety profiles. We want to change this together with local companies. Therefore Pfizer has formalized, as one of the first MNCs to do so, a big generic company JV with Hisun, which has 51% share to Pfizer's 49%. Pfizer wants to support local industry, and wants to significantly increase quality to international standards and create an international competitor. All this is with a full understanding of the Chinese government's vision. The 12th Five Year Plan clearly outlines a desire to build strong generics companies, and Pfizer will be right there to help.

Pfizer recently inked a landmark deal with Hisun, a Joint Venture to develop high-quality branded generics. What was the selection process behind this partnership, given the nearly 5,000 domestic companies in China to choose from?

Before the Hisun deal, we screened through and talked with hundreds of companies. Pfizer identified Hisun as not only excellent in quality, but as having the same vision, and that's very important. This partnership is far beyond just commercial interests. We want to make big moves to change the landscape. If you would have experienced the negotiation, you would have very much enjoyed it. People in general are so excited and there is deep respect and appreciation on both sides. Hisun very much appreciates Pfizer's production know-how and quality assurance, commercial capability and global view. And Pfizer appreciates Hisun for their high quality and new facilities and the capability of their people. And Mr. Bai Hua, Hisun's CEO, is a high-level, ethical, and straightforward example of the very best of Chinese businessmen. This combination makes us very confident, and it helps that the Chinese government is very appreciative and supportive as well.

In an interview given in 2009 for The University of Pennsylvania's Knowledge@Wharton series, when you headed Wyeth's China operations, you said that it's very unusual to have a management team [like ours] that is very stable; in the past three or four years, no one has left the company. What is the HR situation in 2012 at Pfizer?

It's a big challenge for the whole industry, and the turnover rate for the company as a whole is high but not above the industry benchmark, but not below either. I must admit I have broken my track record. At Wyeth, nobody in my management team left. In Pfizer, one person has left. That's one person, out of eighteen, over three years. It was a very good person, but that person was offered a job as a GM in another American company! In China, though the leadership team is very stable, company-wide HR remains a challenge.

What the management style that will keep people in the organization in the long-term, and can you define yours?

I believe I need to work with the best people, and that the best people are better than me. And that's a true belief. Therefore, first we select the best, and I trust them. I'm not too much for micromanaging, and if I don't see a problem I just leave my people alone and talk about vision and strategy. However when things don't work out I am quick to work with them, analyze the problem, and very much roll up my sleeves and get hands-on! Another important element is transparency and openness, for good and bad. Everytime headquarters calls I tell them my challenges like about the high turnover rate, for instance.

In the long-run, one of the macroeconomic transitions is from 'Made in China' to 'Created in China.' In our 2009 report we interviewed a number of law firms specializing in IP, who advised their clients against bringing core research to China. In 2012, does this stigma remain, and how far have we come in this regard?

It's improving, and there has been a lot of progress, but my view is that some hesitation remains. Many companies have already brought significant research assets to China, but definitely not to the degree they may have elsewhere. Another factor we must realize is that the R&D capability in China is building up very fast. If you compare today to 10 years ago it's day and night. 10 years ago, if you wanted to do your research you had to do it yourself. But today, there are many CRO companies, which means that you can get toxicology tests, synthesis, clinical trials, etc. all done to very high international standards. In Shanghai, at the National Laboratory for Antibody Research, you really feel as if you were in Silicon Valley, with the best-trained people and equipment. Many people are unaware of this, however. We see the split in market share between MNCs and locals at 25/75, and many in the industry say it's not likely to change. I agree!

Is a shift, to increase the reach of MNCs, a desirable outcome?

MNCs will certainly continue to bring innovative products to China, but China is a huge country and to change takes time. There's definitely desire. But ultimately it doesn't matter whether growth comes from MNCs or locals. I differentiate only between innovative products and generics, regardless of the source, and if it benefits people, everything it will be accelerated. The simple facts remain that generic products, regardless the source, must be made with high quality, at a reasonable price, with a high safety profile, etc.

I'm a Vice-Chair of RDPAC; I don't only sit there. I'm also on the boards of three local companies association, including CPEA and Pharmaceutical Brand of ACFIC. I have a lot of interaction with local companies; I listen to them and share experience. I think this is also something I personally benefit from, and thereby Pfizer as a whole, because we really understand what other people are really thinking and doing.

It's great to be number one, but all eyes are on the leader. How will you stay on top and how will you protect your leadership?

I've been waiting for this question since the beginning! But in the end it is not a question of ranking. I really don't watch the market share. Of course it's important, but it's far from the most important thing. I and the entire leadership team discuss how we can do the big landscape changes and how we can make the big moves. You can talk about productivity and efficiency increases, but at the end of the day it's incremental, and not enough. If you really want to pull away from the pack, you have to do something that's big. For instance, Pfizer is the number one antibiotics company in China. The Chinese government has recently rationalized the use of antibiotics to avoid the development of resistant strains of bacteria. And that's great. But we have to ask ourselves the question: do we really know how many deaths occur in China because of

bacterial or fungal infection? Do we know in which cities and regions region people die because of which bacteria? And do we know what kind of antibiotics are used to treat the infections? Do we know how doctors throughout all the different levels of cities treat and identify patients's infections? We need to figure this out for the whole country, by supporting doctor's associations and the MOH and CDC to figure it out. And we must figure it out. Pfizer, as the number one antibiotic company, has the duty. Then we can talk about rationalized use of antibiotics. Because in some areas, maybe antibiotics are overused. But in other areas, their use may be totally insufficient.

To answer your question, how to retain number one is not the most important issue. The most important question to answer is how can we utilize the company's competency to help this country to help the patient? This is not just a good word for the press - this is from my heart. The fact is that there are many unmet needs in China in healthcare. China's economy and society will move from export-driven and infrastructure-investment-driven to a more consumption-based, stabilized, educated society, one with stronger and stronger social security. China will make the change from a pure focus on GDP to a focus on less quantifiable measures, such as happiness and social harmony. Social security and multinational companies, and especially pharmaceutical companies, are a big part of that. It's important for the population to feel secure with healthcare, medical insurance, and pensions, and when they do they will then spend more of their savings - they will not feel the need to put 50% of GDP in their savings deposit! There's a lot of potential to unlock, and the pharmaceutical and healthcare industries will boom in the next five to ten years. There's a lot to do, and therefore everyone needs to think about how to support this country's transition and development, and how to utilize the competencies and associations to work together with the country. It will be a win-win situation, and exactly what we do as Pfizer in China today.

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