

# Jens Ewert – Life Science and Health Care Industry Leader, Deloitte China (2020)

---



The current hot topic is China’s focus on ensuring that healthcare innovation does not only depend on foreign innovation but how it can be translated and create domestic innovation

---

17.01.2020

Tags:

[China](#), [Deloitte](#), [Consultancy](#), [Healthcare](#), [Innovation](#)

---

*Jens Ewert, Life Science and Health Care Industry Leader at Deloitte China, shares his perspectives on the growth of China’s Life Sciences and Healthcare market, the strong presence of Deloitte within China as a consulting firm, the recent trends of the market and their commitment to delivering comprehensive solutions to their clients.*

**Jens, having worked with Deloitte in China for 17 years, could you briefly introduce yourself and your area of focus at Deloitte?**

As a firm, Deloitte works through all industries and sectors across our five different business functions, but we consider a few industries particularly strategic to our operations. Therefore, we invest exceptionally more in such strategic sectors in people, research and special projects. In China, we have decided already since a few years that Life Sciences and Healthcare (LSHC) industry was important and “strategic” for us (as well as Deloitte globally) and I lead this sector in China.

To put it into perspective, we have 16,500 people in China network across 22 offices, working in close collaboration with Deloitte globally and Deloitte Asia Pacific. Amongst these 16,500, there are ca. 800 professionals that want to be recognized as primarily focused on the LSHC sector. This

---

might sound like a small figure overall but many of them are highly experienced and senior people within Deloitte. Among them there are around 100 Partners within our LSHC practice covering consulting, risk and financial advisory, tax & legal and audit & assurance services. My job as the industry leader is to bring all these people together in a cohesive way across our business functions as well as to ensure that we provide the right solutions to the right clients and that we continue to grow. After 30 years in the professional services industry myself, I continue to be passionate about what I do and I wake up every morning excited about the LSHC industry in China.

As a firm, we work with both multinational companies and domestic companies. While our overall exposure in the industry is fairly balanced, MNCs and domestic companies have quite different needs and we adapt to them. Usually, domestic companies come to us with respect to systems, technology and processes because they are looking to build their own state-of-the-art organizational frameworks. MNCs are more focused on market access and regulatory compliance: they want to understand how to enter the market faster and how to stay within the boundaries that China has outlined. Of course, these needs are fast changing and we continuously adjust and adapt our teams.

We also play an important role in capital raising. In addition to making sure that our clients find the right financial partner, we help them if they are interested in listing or raising funds for their development in mainland China, Hong Kong or other overseas markets.

**Having been in the Chinese healthcare market since 2002, and seeing the market dynamics that make China today the second largest pharmaceutical market in the world, in hindsight were these dynamics expected?**

It is important to understand that the Chinese government's highest interest is in maintaining social stability throughout the country and its system. One of the building blocks of this is by delivering the best healthcare to the largest portion of the population at the most affordable cost. China has benchmarked themselves against many different systems across the globe, having made a deliberate choice not to follow the US model, where healthcare expenditure as a percentage of GDP is very high, while still spending more than other emerging countries, such as India. China has decided to stand somewhere in the middle and they believe this is the best approach for meeting their long-term objective: providing the best healthcare to the largest portion of the population at the most affordable cost, but with a clear focus on ever-growing important innovation and new products in LSHC.

The current hot topic is China's focus on ensuring that healthcare innovation does not only depend on foreign innovation but how it can be translated and create domestic innovation.

Domestic innovation can be two-fold. Firstly, it can be MNCs investing in local innovation. China, for them, represents an ever larger innovation & research development ground. This is clear from recent announcements by Big Pharma CEOs during the November 2019 China International Import Expo (CIIE). Secondly, the domestic ecosystem can be supported by universities and investments. The government is pushing very hard to ensure that their reliance on foreign innovation does not continue increasing, but rather, domestic companies become credible market players and competitors.

With regards to the recent biotech boom, China has decided that, instead of on investing in multi-billion blockbuster molecules, biotechs are now focused on targeting faster and more precise solutions.

---

**The biotech sector in China is flourishing with aggressive VC activity and talents returning from abroad. Will transactions such as Amgen's recent \$2.7 billion acquisition of a stake in Chinese biotech BeiGene to expand its oncology presence in China become the norm?**

There is a huge domestic appetite for finding partners either for partnering and collaborating or for carrying out financial transactions. Companies are also interested in accessing know-how and expertise. Also, companies that have become cash-rich need to find a use for that cash and manage shareholder returns. The Amgen-BeiGene transaction is a good example of the Chinese ecosystem looking to access knowledge while allowing others to access the market. This is a win-win situation.

Other trends that we see are linked to the pricing pressures of older products, this is related to the volume-based procurement we see in the 4+7 purchasing policy. In late 2018, China adopted a novel procurement scheme, 4+7, with the aim of dramatically cutting the costs of off-patent genericized drugs. Today, MNCs operating in China are seeking to speed up innovation, and to use other channels to boost their older products. We help them find solutions in that regard.

**What are the compliance issues that such foreign investors will face?**

In the China context, compliance business-related areas have always been a big topic even 17 years ago when I first arrived. Nowadays, the system has become much more sophisticated and companies are much larger, so the exposure and business risks have increased in that sense. The level of investment to ensure regulatory compliance has also increased.

The recent Ministry of Finance inspection, which was widely publicized, identified 78 companies wherein three of them were foreign MNCs. This is one of the angles that the Chinese government is taking to ensure no one forgets the regulatory compliance framework. What is interesting is that only three foreign companies were selected out of the 78, which suggests that the Chinese government might also be looking to benchmark standards and processes between local and foreign companies.

China is now the second-largest pharmaceutical market in the world, so everyone is very aware that scrutiny is heightened and the need for compliance and transparency has increased accordingly. This will continue to ensure that compliance remains at the top of every general manager's mind.

**As a global firm, Deloitte is always at the forefront of the life sciences and pharmaceutical industry. One of the major trends we see today is the introduction of AI into clinical trials, drug discovery and data collection. What is the relevance of this in China?**

When it comes to using new technologies, China is not behind. It is true that the ecosystem around digital technologies in China is very specific, and one has to adapt and adjust to it. In China, the trend of implementing technology in healthcare is evident, and we see that healthcare, pharma market players and Chinese consumers are all connected.

MNCs are looking at how to deploy various technologies to speed up clinical trials and market access, as well as to facilitate the engagement with consumers and doctors. Deloitte China is also offering this type of solution through ConvergeHEALTH, our digital platform connecting the entire life sciences value chain, from research to market deployment.

When it comes to data, the obvious consideration is IT security and data privacy in relation to China's framework. It is nice that people want to deploy technologies that store and use data;

---

however, in China, there is a huge regulatory framework as to how you use this data – there is a higher level of control coming from regulatory authorities. It can go as far as prohibiting access and no longer being able to commercialize certain products. I therefore advise companies to first understand the Chinese framework before thinking of deploying new technologies.

The government's drive to bring the best products at the most affordable price is an incentive for companies. At this point in time, everyone has announced very ambitious plans for product launches – these range from 50 products in five years to 20 products in three years. As a firm, we are well equipped to help them carry these launch campaigns through a China market perspective.

**China's historical growth records have given impetus to global MNCs. This is clear from Sanofi's investment in Chengdu's data centre, Bi's increasing manufacturing scale and AZ's global R&D Center and AI innovation center. What is the risk of it all being simply a –honeymoon period–, as previously seen in industries like aviation and green energy?**

In that regard, China is very pragmatic. This is related to the issue of their dependency on foreign innovation, as I mentioned earlier. As long as the government's objectives continue to be met – i.e. by bringing the most innovative solutions at the most affordable prices – I do not think the honeymoon period will end. Of course, the day you stop innovating, you make yourself irrelevant in the eyes of the consumer – and that will be day your business will be vanish – for any company in any industry in any country.

Currently, the growth of both MNCs and domestic companies is remarkable. I do believe that the proportion of MNCs-labelled products and domestic-labelled products will change over time and evidently, there will be more local competition coming up. Overall, in my opinion, there will always be room to operate for non-Chinese companies, as long as they keep in mind the essential pillars and objectives of the country.

**We understand finding talent is a struggle. How are companies looking to overcome the challenges of acquiring talent in China?**

Operating models change, as well as the skill sets that you need and want from people. The talent pool does not necessarily always adjust as fast as the market needs; there is always a time gap. On the technology front, the pharmaceutical and healthcare industry needs to focus on how to attract the talent that they need – considering the fact that this talent has many opportunities elsewhere. The issue is that there is more money flowing into pure technological companies than into Life Sciences and Healthcare, which might discourage this talent from entering the industry. For them, there are many considerations besides money, such as career prospects and work autonomy.

I expect the high industry turnover to continue, especially now that many companies want to double their sales force and the competition for talent is huge – everyone has very similar growth ambitions. Therefore, the key is where to find the right people, how to train them and how fast you do it.

**What direction is Deloitte taking in LS in China?**

---

We have been growing rather nicely over the past 17 years. However, we feel that can grow more and at a faster rate. To achieve this, we will continue to speed up and to invest significantly in our in-country teams and expertise through various channels.

Firstly, by elevating our collaboration model in the Asia-Pacific region to bring in capabilities from around that region, and also from the globe.

Secondly, by building a local talent pool that will help us grow in the country – we believe in having a home-grown firm. In addition, we have set up an innovation center in the north of Shanghai with extraordinary capabilities for a consulting and accounting firm focusing on innovation, design creation, and of course, technology development.

Thirdly, we will open new offices in response to the size of the Chinese market and, of course, we will continue catering to MNCs and domestic needs.

It is clear that our business will evolve. Today, our largest business segment in China continues to be our audit and accounting business. Nonetheless, the fastest growing business is our consulting business. As a matter of fact, the consulting business is growing three times faster than the others – it is not a question of *if*, it is a question of time.

Overall, we need to continue to invest while making sure that quality delivery is maintained. In that sense, we are back to square one: finding the right mixture of talent.

### **Seeing you have been in China for 17 years and 30 years in the industry, what is your main motivation?**

My main motivation is people’s positive outlook in China. At the end of the day, we are in the – people’s business – you speak to people on a daily basis to help them succeed, create value, and make an impact. What is really energizing in China is that the Chinese people have a very positive outlook. Generally, they believe that – tomorrow will be better than yesterday –. I truly enjoy working with people having such positive attitude and tendency to look forward rather than backward. It is also nice to see people’s willingness to work as a team and try their best at all times. Their appetite for knowledge is tremendous. There truly is great potential in this country.

[See more interviews](#)

---