Interview with Darren Ji, CEO, PharmaLegacy

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Tags: PharmaLegacy

Could you give us some personal background and tell us why you choose to come to the CRO side after a successful career at a multinational?

A lot of people ask why I chose to make this transition after being at a pretty good position at Procter & Gamble, with the safety, compensation and prestige that comes with such a position. However, the answer to this question is that it wasn't difficult at all to make the decision to go out on my own. The opportunities in China have been extremely attractive. While I was managing Bioscience Business Development in China and the rest of East Asia, these opportunities continued to arise in a way that was unprecedented compared to my experience in the US. This moment provides a tremendous opportunity to not only do something for yourself, but also for the industry and for society. Once that call came in, it was a quick and easy decision to make. The CRO business is riding a wave of industry demand for new drugs. The multinationals and other companies in Western countries are facing some really big challenges and companies in China, pioneered by Wuxi Pharmatech, have stepped in to help solve those challenges. The business model is proven and effective and these companies are providing international quality services. Chinese CROs have a huge advantage over much of the international community in terms of talent supply, speed, capacity, and cost, all with the ability to be international quality vendors. Thus there is no real debate about the fact that this industry is still growing rapidly and that China is providing a partial solution if not the entire solution to the pharmaceutical industry's challenges. India is also a very strong player in Chemistry, manufacturing and clinical trials. China is getting stronger in Chemistry and is already quite strong in Biology, and as things move along, I can see clinical trials

as a key area to watch as well.
Thus we liked the segment here in China, and believed we could bring a lot more to the industry. However, there are already a lot of CROs in the country, and we felt the need to specialize in order to stand out. We chose to really focus on the preclinical pharmacology area. There is decent infrastructure in place for Chemistry, toxicology and DMPK work, but I saw that the missing link in the R&D chain is animal disease model based preclinical pharmacology. Pharmacology needs a vast expanse of industry experience and knowledge as well as know-how in drug discovery. That's where we believe PharmaLegacy can stand out. We've been around for just over a year and we're still in what I call our 'teenager stage.' Every piece of feedback that we've received from the industry has been very positive and these services are in high demand in the CRO ecosystem. Shanghai especially is the frontier for the CRO industry worldwide.

Many companies are starting to move toward an integrated services model, positioning themselves as a one-stop-shop for drug discovery and clinical services. How are you positioning yourself in opposition to this trend as a specialty CRO?

My personal view is that the jury is still out on the integrated services, one-stop-shop model. There wont be a clear, single model for a long time and we will see a parallel track in the industry for the next 3-5 years. There are companies like Wuxi Pharmatech and Chem Partner who are providing these integrated services, and others like Sundia Meditech who want to play in a wider space as well. In the meantime, however, we still see specialty shops thriving. PharmaLegacy is probably one of the best, if not the very best in its area of expertise. Everybody can set up a good banquet, with every type of dish available. But there's still a market for a great coffee shop, and we want to brew the best coffee in town. You can have a great banquet, but come over here afterwards for a drink. Multinationals and other big companies would like to have a one-stop-shop, but the industry isn't ready to provide an integrated model with top quality services at every stage of the R&D process.

The relationship between the CRO ecosystem and multinationals is evolving. Some companies are setting up research centers, while others are choosing to go the virtual route. Some people see a shift in the way research is conducted, for example taking a multi-shot approach and sending many more molecules into the clinic. How do you see this trend evolving and how will it affect the way you position your business?

There is certainly a change occurring in the R&D value chain. The fundamental struggle in industry is the search for a new paradigm for pharmaceutical research. Here in China there have been some recent changes, such as the growth in the risk-sharing model. This is refreshing in the sense that

people are leveraging Chinese talent to move the industry forward. The challenge that I see there is whether this is really a paradigm shift or simply an extension of a preexisting model. It's clearly a good idea to come to China for certain advantages, but I haven't yet seen a change in creativity. On the one hand, Chinese companies are now good at providing lower cost solutions at a faster pace than foreign counterparts. But the other component in increasing productivity is an increase in creativity. Thus the industry has found the partial solution in China and India, but the creative component is still at large. However, in the short term to medium term, working in China is certainly a key part of the solution.

As a specialist company, how are you looking at building your business? Will you be more focused on partnering with the likes of Wuxi, or Venturepharm, or will you be focused on gaining business directly from the multinationals?

We are always trying to work directly with clients. We do have alliances with firms such as Venturepharm, where we would like to be the preclinical shop to work with them while they focus on the clinical work. However, in our specialty areas, we work with clients directly. Over the past four months, we were audited by seven multinationals from the US and Europe and at this point we have inked collaborations with six of these companies. By year-end, we will likely have ten multinationals working with us. When I reviewed this with our board of directors, they found it to be breathtaking. This tells us that if you are positioned as a specialist, and if you can truly provide the promised expertise through high quality systems, then you will have no trouble building your business. We will never win by selling our service as a commodity and I don't even see us becoming an integrated service provider. People used to say the CRO market in China is a hot market, and that you should just get out there and start something. As if it were some Wild West, free for all where you just need to stake your claim. However that model will only work if there are no other players aiming for that space. The CRO industry in China is already quite crowded and if you don't have the quality to defend your position, there isn't room to thrive. At the same time, we are actively looking at other things that we can do adjacent to solidly building up our service offering.

When you meet with sponsors, what are their concerns and what do you do to mitigate these concerns? For example, it can sometimes be a challenge to send samples internationally or there might be a tricky technical situation that requires a certain expertise that could be scarce in China.

The biggest and most essential concern is quality and consistent delivery. For a young company like us, that can be an obstacle because we don't have a long track record. We need to show that we don't just have a nice facility, because everybody has good infrastructure these days. The key

is to demonstrate that you have the systems, essentially the software and the operating system. As a pharmacology group, we set our standards higher than is actually required. We do animal disease models and efficacy testing with best practices following GLP. From day one, everybody is trained in GLP and every protocol is SOP-based. We are the first company in China to use Biobook, so every procedure is entered electronically in real time. During the first six months we created comprehensive procedures for every aspect of the business. So when we have audits, the SOPs and electronic database are open for visitors to see, except of course for proprietary information.
Clients usually start with a pilot study, and one pilot study in particular has resulted in over a dozen different contracts. These pilots help us establish a relationship and a clear line of communication, which later helps satisfy customer concerns. We can prove the quality of our deliverables, but establishing our consistency takes time. Thus it is important to make sure that your systems including SOPs, electronic systems, laboratory monitoring, and QA all ensure the maximum efficiency and accuracy rates.
One example is our animal facility with 67 cameras covering each animal room for remote monitoring. We have clients log in through our website to monitor operations. One client flew in a professor in their area of expertise, and he spent three days here and confirmed that we have the capacity to satisfy their needs. But they still wanted to watch how we conduct our operations. They streamed a live feed to two different sites in Europe. At the end of the procedure my chief scientific officer asked if they had any remaining concerns. The CEO on the other end, remarked that despite the fact that we are in China, it’s as if we were right next door. Additionally, Biobook allows real time login. Just five minutes ago my researcher did some work and the sponsor can now log in and review the data that was generated. The system is actually far more advanced than what I’ve seen in many US labs. We have been benefiting from the luxury to set things up from scratch.

I can see how these systems are very important in engaging with clients. However, I know that many CROs have had challenges in promoting open communication and dialogue directly with sponsors. How have you managed to create a culture of transparency at PharmaLegacy?

The issue of communication was indeed a challenge at first. It goes back to having the right role models. The Chinese education system has not been set up to promote efficient communication. Often students are taught to talk about results rather than the process. However, in the Western world, people look at both the process and the result. This eliminates surprises and when all the details of the process have been shared, we can then learn from problems. Additionally, if the sponsor can’t solve a problem based on the process, then it cant be blamed on us, but rather it’s a joint accountability. This is a mentality that we are constantly instilling in our scientists. However, from the mid-level upwards, all our staff has come back from the US, so we don’t have issues at

the managerial level. We do like to present our scientists to clients as much as possible to facilitate direct communication; scientists to scientist. At the beginning, most communication going out to clients is checked through directors to ensure that our scientists say when they actually mean. These people are hungry and as long as they understand that the work they do is for their personal growth as much as the good of the company, they really go the extra mile. Thus, ultimately, I don't see communication as a barrier in any way.

As a young company what are you doing to establish your brand and raise awareness?

We go to relevant conferences and present our work and our sponsors. We have been spending fairly heavily on the marketing side because we believe that at this stage its necessary. We really aren't shy in this area but are measuring ourselves against our progress. We don't claim to be the best in all things, but in some areas such as bone and orthopedic work, we really are the best. Not only can you look at the team, but also our data is clearly the best out there. We do profiles in Nature Drug Discovery and the BioPartnering China event. I'm also a board member of the BayHelix group, an organization of Chinese business leaders in life sciences. Bay Helix has helped shape the life science industry in China in a number of positive ways. We co-organized a major event here and I was put up as a poster boy in encouraging foreign players to come to the event, which also helped get the word out about PharmaLegacy.

One of the big challenges in China today is retaining talent. You've clearly managed to attract top people and train them in robust systems, but are you going to hold onto them while the multinationals come into town with their high salaries?

We remain competitive in terms of compensation with the multinationals. Of course we aren't competitive in terms of brand recognition – there are some people that just want to work at Novartis, and we can't provide the same experience. I generally classify people into two different categories. There are some who are bigger risk takers, but are also looking for higher rewards. Others are just looking to be stable and seek multinationals as a way out. We probably wont attract the second group of people. The scientists know where the growth opportunities are and can easily move up to managerial positions here, which simply isn't possible at the multinationals. We have been doing extremely well in terms of turnover. If you have experience in a position at a specialty firm like PharmaLegacy, you will have a very easy time finding the next position. Thus we are providing technical, managerial and communication education. Perhaps in 3-4 years some employees may become saturated, and we do have systems in place to retain people at that point. But I don't see that challenge arising anytime soon.

What is your vision for the next 5 years? Where do you want this company to be?

We have established our company as a premier provider of specialty services to multinational companies. We recently redefined our vision. We want to be the best in the world in our specialty areas. We are the best in bone orthopedic areas and we are the best immunology and immune disease organization in China. The advantage is that if we are the best in China, we will probably be very close to being the best in the world.

Do you have a final message for the readers of Pharmaceutical Executive?

It’s a very exciting time in the pharmaceutical industry. It is important for all the readers of Pharmaceutical Executive to remain flexible and realize that entitlements will no longer work.

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