Interview with Honggang BI, Corporate VP, General Manager, Covance China

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You have had significant experience at GSK and Pfizer, and also at Frontage Labs doing more entrepreneurial work. What ultimately brought you to Covance?

I worked in Big Pharma for about 14 years, which was the longest phase of my career. I have a strong passion for drug development – in fact, I consider myself a drug developer. I went back to China in 1998 after spending many years in North America. What sparked my interest to permanently return to China were the many changes I began to observe, for instance, Volkswagen established their operations in China when their cars started to take over the market. I recognized the benefits of having a pharmaceutical industry presence here for the global market. I actually wrote a letter the members of senior management at a leading pharmaceutical company, telling them that they should set up R&D centers and listed out a few options for them. Unfortunately, I think it was premature. Intellectual property was a huge concern at that time, and there was no way they were going to move into China under that circumstance. It had been my longest running dream to come back to China and contribute to the country. At the same time, I felt a strong allegiance to the United States, being an American citizen. I wanted to help both countries. In 2005, the Frontage Labs job opportunity emerged. The founder, Dr. Song Li, is a friend whom I've known since the nineties. He called me up one day and told me that they were opening a new lab in China and there was a role for me. It represented an interesting career move as it meant I would shift my focus from a scientific role to assuming a more entrepreneurial role. Starting its Chinese labs from scratch was a welcome challenge, not to mention being responsible for the business as the CEO of the company. I was flying back and forth between the US and China seven to eight times a year

and oversaw rapid growth. We took the labs in China from shell space to a brand new, operational laboratory in a few months. I also recognized the need to significantly invest in infrastructure and resources, otherwise it would be impossible to become a full-blown drug development company. While individual services are an instrumental part of drug development, my passion is in the full process of drug development. During my time at Frontage, I got to know some people at Covance and learned of their interest in establishing operations in China as part of their integrated global drug development strategy. I was also attracted to the idea of coming back to China permanently to build something and fulfill my dream. I have been able to apply my experience in building operations from the ground up at Frontage, and similarly, I am building the Covance operational infrastructure in China from scratch. However, at Covance we have so many different service offerings and the added challenge is to integrate these services specific to the China market. In some ways, I have to be very entrepreneurial, while staying consistent with the broader company goals. Even if you're GM or CEO of a China operation, it's still important to focus on a number of details and remain hands-on with the day-to-day operations. Covance has been in China for some time, and the strategy has been in flux: first entering the country in Beijing, then moving down to Shanghai with a longer term strategy, then looking at a JV with Wuxi, and now building out a fully owned facility.

Why has Covance gone through so many different approaches to the market, and what are you now doing to set the direction firmly for the future?

Covance's presence in China dates back more than 12 years and was originally focused on offering clinical development services. We then got into the central laboratory business in the nineties, because our clients were requesting laboratory support for global clinical trials. We first partnered with Hua Shan Hospital. We did the project management and logistics work and they did the assays.Two years ago, Covance decided to establish a comprehensive set of service lines to support all drug development activities in China as we do around the world. We wanted to be a full-fledged drug development partner in China not only offering clinical and central laboratory services, but also preclinical and bioanalytical services. Since the shift in our China strategy, we've had many visits from global clients who want to come to China and are looking for our support in this market. Providing that support is our overarching vision — we go wherever our clients want us to go. The local CRO industry is booming in China with some top quality Chemistry CROs and a set of emerging companies in Biology.

How do you position your firm against these local competitors?

The majority of chemistry CROs in China conduct discovery-based chemistry work. For the most part, there isn't a lot of GLP or GMP involved. It is only now that they are getting into GLP. However, Covance has been conducting GLP studies for many, many years. If you look at the drug development lifecycle, there are three core phases: discovery, preclinical and clinical development.

Nonclinical development is very much regulatory-driven and is very different from the discovery-to-candidate selection phase. We believe that we have the best expertise and experience in the industry. We have very strong experience in toxicology, DMPK services, and regulatory affairs. This is precisely what I think is missing in China. We have a track record and many years of experience in conducting GLP studies. We are also the world leader in central lab services, touching more than a quarter of clinical trials in the world. Our clinical trials business has been growing and we are around nine to ten times larger than we were two years ago in China, albeit off a low base. This growth stems from increasing client demand, and we are working to continue to build our infrastructure and expand operations to meet our clients' needs.It seems much of your work involves working with global clients.

Will there be a point in the future when you will see local companies as a growth driver?

It's not a matter of if, but a matter of when we start adding major Chinese clients. As the local industry matures, we will certainly see a number of opportunities with domestic companies. In fact, we are already working with a few local companies. Many Chinese professionals are coming back home and setting up biotech companies. They are going to generate lead compounds and development candidates over the next few years and will require development services, especially from companies like Covance that can do all of the drug development work. This is what makes us unique. We can help our clients wit the development of their compound from a drug development perspective — from preclinical to proof-of-concept. The transactional service providers simply do one study, in one phase of development, and then walk away. A lot of these new biotechs will require our services because they don't have the expertise or the full cadre of experts to guide them through drug development. We manage hundreds and hundreds of these types of programs globally and we can do the same here in China.

Do you have any particular areas that you are targeting or specializing for here in China?

For example, GSK has its neuroscience center here, and oncology and cardiovascular are particularly hot these days. Our preclinical expertise is toxicology and DMPK. We will also be looking at pharmacology, but aside from those studies or service lines, our services are in non-therapeutic areas. Obviously there are some differences between drugs, such as looking for toxicity in certain areas for neurology as opposed to oncology or cardiovascular. However, you don't need to specialize in neuroscience to conduct a particular toxicology study.

With multinational research centers, the growth in the biotech scene, and a CRO boom, what do you do to attract and retain the best at Covance?

Everybody is facing the challenge of talent attraction, development, and retention. I believe that recruiting is only the beginning of the whole management challenge. When you bring people into the organization, these new hires need to feel that they are coming home. They need to feel a

passion about what they do and that Covance provides them with a place to grow, learn, and excel. We face an added challenge, because while the talent pool claims to speak English, it's not always true. This is especially important when working with global clients. The talent war does exist everywhere, but facility with the English language is an extra problem we have to deal with in China.There are people in this industry who complain about employees jumping ship, but I maintain that nobody jumps ship simply because the other company offers a higher salary. That certainly is a consideration, but I believe there are other major factors that come into play. First and foremost, people leave because they aren't happy. Happiness on the job comes when you are learning, growing, and exceling in your work. This is perhaps a very American approach to management, but it's equally true here.

If Chinese employees don't feel that they are contributing and are part of the team, if they don't feel like they are making a difference, how can you make them feel good about what they do?

When they feel this way, they will leave and try to find a place where they can feel good about themselves. This becomes a big challenge because the country is so full of opportunities and recruiters call employees everyday. The key is constantly providing growth opportunities at the workplace. At Covance, we have a Compelling Offer philosophy that demonstrates the many ways we develop and retain our employees.

If employees feel like they can grow in their current role why would they want to leave?

I've relocated a number of times and it's not a fun thing to do. When I relocated from Pennsylvania to Michigan, my boss told me that one of the biggest stresses in your life is relocation. It is so true. I think nobody really wants to move to another job, if they have a great work environment.Much of your work experience has been in the US.

Have you had to adapt a lot of your management practices to China or do you operate in more or less the same fashion?

There are certainly differences, but over time, I have gotten used to them. When you come back for the first time to China, these cultural differences are noticeable. The good news for me is that I'm Chinese so I recognize these differences, even though I spent so many years in the US and have adopted the American management philosophies. However, fundamentally, I can relate and understand people here in China. I do use some of what I learned in the US to communicate clearly and effectively, so my background provides a good combination of skills. For instance, Chinese employees are often reticent and won't come forward with their complaints or feedback. They work hard and they are certainly aware of what's happening, but they won't offer feedback directly unless you ask. You need to proactively elicit their feelings and perspective. Otherwise, you'll hear nothing and think everything is fine. Then suddenly, you get a letter of resignation. In the Chinese

culture, complaining and bringing attention to oneself is discouraged, hence, there are a lot of introverts in China. Whereas in the US, if you're not an extrovert, it can be perceived as career-limiting and you have to try to develop that skill. I remember my Meyers-Briggs evaluation, which is a personality test, over the years, my results evolved from being an Introvert, iNtuition, Thinking, Judgement (INTJ) to an Extrovert, iNtuition, Thinking, Judgement (ENTJ). These changes occur because you build self-awareness of your gaps, and learn new behaviors, even if you're intrinsically still an introvert. In China, a lot of people don't go through this soft-skill training and this development is critical in order to succeed. At Covance, we put a lot of effort in this area. For instance, as a global company, it is common to work in virtual teams and a matrix environment. Employees are on team teleconferences almost every night and do not always have the opportunity to have regular face-to-face meetings. Having the right communication skills to successfully working in this environment becomes extremely important for these folks. In our organization, I see people growing and it is really encouraging. It's a by-product of what you do as a leader. Purely looking at the human side of our business, it's a great feeling to be focused on developing people. This is really my dream job — I can work to fulfill the business goals, do personally satisfying work, and also fulfill the people around me. Once you look at the legacy, when you look back on things many years later, you will remember how you built organizations and developed a lot of people. These are great accomplishments.

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

China is an emerging market and you will be surprised by what you see, both good and bad. However, there are great rewards in this country for those who are patient and persistent. You can't get caught up on differences and challenges. In these emerging markets, there is a long ramp-up period, but eventually business will take off. Don't let yourself get discouraged too easily.

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