Interview with Chen Chun Lin, Co-Chairman, Medicilon/MPI Preclinical Research Shanghai

04.04.2012

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You completed your higher education in the US and worked there for a period afterwards; what caused you to move back to China and start this company?

A lot of people are now returning to China after gaining extensive experience in the US. I personally enjoyed the vast experience that I received while working with Vertex. Given that I was raised in China, I always anticipated returning with the knowledge and experience that I gained in the US. Upon returning, I had intentions of building a new company that offered innovate techniques. I am a preclinical scientist and during the time that I returned chemistry pharmaceuticals began to take off with a clear gap in the market for preclinical companies based in China. In the development of Medicilon, I was lucky as my family is involved in the private hospital business, and were eager to invest.So these three factors of funding, experience and opportunity came together for me at the right moment. I now see a trend among companies in the region starting with chemistry based services, adding preclinical services and then expanding with biology services, which makes me proud to know that Medicilon was one of the first companies in the region to go in this direction.

You spent sometime working at Vertex but before that you had extensive academic studies; was it a challenge for you to become an entrepreneur and start this business? What did you learn from the process of returning and creating a new company?

The move from scientist to entrepreneur requires true determination. Often I reflect upon how difficult it was. One has to trust that the company is working together because everyone wants it to succeed. I have learned that as an entrepreneur, you have to be honest with your team and let them know that there will be challenges as well as victories while building the company.

Do you believe there are some specific characteristics about China that make it either easier or more difficult to work with than elsewhere? How would you compare it to your expectations and experiences

I had the advantage of coming from China. Knowing the culture and customs simplified things for those of us returning. I found that the workforce in China respect the Western experience which allowed us to balance cultures and practices internally.

Currently, integrated services or the virtual research model is booming. There is far more outsourcing now than there used to be, as companies look to reduce their costs. What do you believe is going to be the next big change after research and development outsourcing?

Outsourcing will continue to grow, there is no question about that. Currently, in China, more and more companies are thinking about the domestic market, which previously did not merit as much consideration. Secondly the Chinese returnees, who have been in the US for more than a decade, are recognizing the increasing opportunities as well as the availability of financing.
The current wave in CROs will be followed by booms in the Biotech sector. I foresee an increased number of viable start-up companies as the bio-eco system and workforce matures in China. Many of my colleagues in the service sector, and in pharma positions, are frustrated entrepreneurs who eventually want to start their own companies to launch novel biologics and pharmaceuticals.

We’re already observing a boom with companies such as HD Bioscience, Hutchison Medipharma and BioDuro in the market. There are also a lot of multinationals building there research centers here, so while you do have a first mover advantage the playing field is becoming much more competitive. What are you doing to adapt?

When looking at the CRO sector in China there are probably 150 to 200 companies. But if you look deeper, the majority of these companies focus on the chemistry. There are very few companies, operating on international standards, that specialize in biology and preclinical areas.
There is a lot of interest in an integrated service offering, which is why Medicilon/MPI Preclinical Research-Shanghai, was one of the first joint ventures to put the necessary components together. In the past there have been skeptics, but today, biotech and large pharmaceutical companies are moving forward with this model. I believe that the key to the competitive advantage lies within our

knowledge, experience, high quality results and innovative practices.

What was your thinking behind the joint venture with MPI Research? As you were saying, China is booming and everything is happening here. Why would you go back to the US with a joint venture?

The joint venture, between MPI Research and Shanghai Medicilon, Medicilon/MPI Preclinical Research-Shanghai operates out of Shanghai.
MPI Research came to China in 2005 strategically looking for a partner that met their needs and maintained their values. At the same time, Medicilon had been looking for a partner to help strengthen their preclinical services to offer multinational pharmaceutical companies higher standards of quality, equipment and animal welfare. Medicilon recognized that they would need help from a US company, operating with Good Laboratory Practices (GLPs), in order to meet the needs of this growing market.
In December of 2007, the two companies came together to form Medicilon/MPI Preclinical Research-Shanghai. The joint venture conducts preclinical research and drug discovery services to meet worldwide regulatory standards. The new company has reached US GLP standards and will soon to receive an AAALAC accreditation.

There is a mixed history of joint ventures here in China. What have you learned from joint ventures that have failed in the past and how are you structuring your partnership with MPI Research to avoid those mistakes?

I have learned that it takes strong leadership and willingness to adapt to succeed. I believe that the joint ventures that have failed did so because of poor leadership and unrealistic expectations. Cultural differences are self evident but the overall goal should remain the same; to operate a strong and profitable company that helps the quality of life.
MPI Research and Medicilon entered into the agreement with this common goal. We wanted to bring US FDA standards and GLP compliance to an Asian facility to meet the needs of the pharmaceutical and biotech industries. We have built our structure with equal representations from both companies to carry out these interests.

Can you give me some examples of how a successful hybrid culture has emerged between Medicilon and MPI Research?

Success has come through vigorous training. We implemented the GLP Advisory Board, a multi-disciplinary team from MPI Research to bring the company GLP compliance. This team is on-site in Shanghai and continues to conduct extensive training.
The Chinese work ethic is strong, and our team has done an excellent job at adapting to the US

practices. We encourage our employees to overcome common challenges and empower them to be curious and to ask many questions, allowing them to inevitably learn more.

In terms of the product side, there are a number of companies that are combining outsourcing services along side developing an in-house profile such as Hutchison MediPharma. Are you looking at developing your own drugs as well or will you stick with the outsourcing model?

We are committed to offering our Sponsors contract research services.

Do you think this payment structure will evolve or is this likely the model that you will use in the future?

We are never going to be a biotech. As a CRO, we have a technology platform and we will continue to leverage that in the expansion of our business.

Many of the people we have talked to including Howard Sui from Merck Serono believe that there is a ‘talent war’ going on for the top talent. How are you looking to bring them here instead of them going to other CROs, Biotechs and MultinationIs?

We are committed to being the best company within our industry. While we maintain our dedication to quality work, we know that the best talent will want to be a part of our team.

Can you tell me the commercial results of the last year and your prospects for 2009; does this year look like it will match your original plans for the year?

I believe we will meet our 2009 targets, although the first couple months of the year were slow, the atmosphere has now picked up very quickly to the pace of early 2008. I expect the end of this year to be great and there is no question 2010 will be positive as the Chinese market will begin to boom which should compensate for any problems in the US market.

Of course, over the next 5 years the company will continue to grow in an upward trajectory but are there going to be any strategic changes? What is your vision for the coming period?

Medicilon/MPI Preclinical Research-Shanghai, is among the largest CROs in the Shanghai area, and currently we are one of the few based on organic growth. This has proved challenging for the first few hundred employees but we will continue to grow our operations, specifically to provide integrated services.

It must have been a difficult step moving from the US back to China so when you see the success of the company today, what is the thing that makes you the most proud?

I think there are more returnees like myself who had to sacrifice family life but we feel very proud of a few things. Firstly, when you return you have ample opportunity to network. You also have the ability to employ and develop the careers of many people. We are proud of our involvement in international drug discovery. We teach our employees to see they are not only working for a living but that they have the potential to help improve the quality of life, and that is truly something to be proud of.

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