Alan Chen – General Manager, Ipsen China



Having the right organization and the right people is critical to success

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Alan Chen, general manager for Ipsen China, shares the exciting journey of Ipsen in China in the past few years as the third-largest affiliate for the group globally, upcoming innovative product launches, the reorganization and HR strategy he has headed to take Ipsen China to the next stage of its growth, and his thoughts on running a commercial organization in a large and complex market like China.

Alan, having joined Ipsen China in August 2016 as general manager after extensive experience across various multinational pharma companies previously, the past two years have seen significant transformation not only for Ipsen as a global organization but also in China's healthcare regulatory environment. What have been the key learnings for you?

From a GM perspective, fundamentally you have to ensure that your organization design is the right one. After all, if you do not have the right machine, no matter how powerful it is, you will not generate the right momentum.

I am originally from Hong Kong and started my industry career there but came to mainland China 13 years ago. I have worked in and with many departments for many different multinationals, so I understand what kind of structure works in China. One of the critical learnings for me was how to change the Ipsen organization here. China's healthcare landscape is changing and evolving, so

structure is key to ensuring your organization really fits the needs of the market.

When I joined, Ipsen only had seven departments. I increased it to 16 to fully capture all the needs of the organization. A simple example: if you do not have a ‘new product launch’ department, you will not be able to launch new products successfully. People cannot focus on both the present and the future. If their job scope involves both areas, they will always focus on the present, more urgent needs, instead of the future, more important ones. Therefore, when we restructured the organization, it was with a focus on the future of Ipsen in China.

Having the right people is also important. I have a HR background, so I am very passionate about this topic. Organizations in China are very large, one department head will manage 10 people, sometimes 30, and even up to 280 people! The influence of the department head is huge. Having the right organization and the right people is critical to success. You cannot have hospital people working in the retail segment or market people working in sales, they require different skill sets.

A lot of strategy has been invested in building an organization and structure here at Ipsen China to position the affiliate for the future and take it to the next level. That has been my main learning from the past two and a half years.

Multinational innovator pharma companies are in an interesting position in China because the bulk of their revenues continue to come from off-patent products because the penetration of innovative products in China is still limited. At the same time, companies like Ipsen have a great pipeline of products to launch. How do you structure your commercial organization here to manage that conflict?

This can be broken down into three aspects. Firstly, distribution has to be a part of your commercial strategy in China. This is an issue that many of my colleagues in other markets in the West or even Asia-Pacific do not think too much about because in most other markets, distribution is a matter of logistics done by the few key players in the country. But in China, distributors are key to your product coverage. If you select the wrong distributors, your coverage in that region will be problematic. Part of our success in the last two years has been the willingness to put our distribution partners in a more strategically important role as necessary. In China, you need to consider your sales, your marketing and also your distribution channels in order to be commercially successful. This is for the current portfolio.

For our new and upcoming products, the strategy is different. For oncology and rare diseases products, for instance – and this is not unique to Ipsen but across the industry in China – a major channel will be the 'Direct-To-Patient' (DTP) through pharmacies. Patients in China can go to pharmacists to receive these products, which can be reimbursed. This means the products could conceivably go from our manufacturing plants directly to pharmacists and then to patients. Therefore, setting up a proper DTP network will be very crucial for us.

Community care will also become an increasingly important area of consideration for pharmaceutical companies, especially as price reduction policies take effect on off-patent products. As for Ipsen, we need to develop a consistent strategy to expand our coverage in community medical centres.

If I can summarize, it is all about distribution. Make distribution part of your strategy. Make sure your organization – and you – understand distribution very well. New portfolios will require new distribution strategies and channels.

What new innovative products are you looking forward to Ipsen China launching?

Since global CEO David Meek's arrival and the executive team's focus on Big Markets like China in 2016, China has become more important to Ipsen in terms of new product launches. For an international company with headquarters in France, usually, the first markets to launch are, for example, European markets. Today, China is regularly taking a similarly competitive position as major EU countries. Of course, the recent regulatory reforms have also been very helpful in making our case. But the executive team has also undertaken serious efforts to understand the Chinese market and also to encourage the rest of senior leadership to understand the Chinese market better and clarify any misconceptions about the Chinese market.

The majority of our current portfolio are products that have been available on the market for more than a decade or so. But we are very excited about the future with many great products due to launch, such as Cabozantinib; Somatuline® Autogel; and other products for rare diseases.

It is time for Ipsen to take advantage of the new environment here. The government is being very supportive. Just to give one example, in the area of rare diseases, the government has made it possible for companies to launch a product and complete post-approval studies instead of running clinical trials, which are usually extremely difficult and expensive to run for rare diseases because of the small patient population. Now that we may launch our product first, this is a great

opportunity not just for Ipsen but for Chinese patients to receive access to innovative, life-saving medicines.

This is why I was extremely grateful that just two weeks after our CEO and executive team visit to China in the second week of September, on 29 September 2018, we received strong support to launch our new products. This is a big vote of trust in Ipsen China.

On the patient journey aspect, many new innovative products expected to enter the Chinese market as it opens up are much more complex whether in terms of the science behind it or the healthcare provision aspect. Does the Chinese medical system have the capabilities to meet those demands and how can companies like Ipsen support the patient journey in China?

This depends on the product portfolios. For prescription drugs, for instance, companies cannot communicate directly with patients as a matter of ethics and compliance. We therefore strongly support doctors in their care of patients. If there are any areas where we are able to support initiatives or programs in a compliant manner, we will do so.

For our OTC products including our flagship Smecta® product, we have more approaches to communicating with patients about disease knowledge. For instance, we have e-channel communication platforms including WeChat related to diarrhoea and relevant disease knowledge. Patients in China are very active online and are used to searching for information on the Internet. By creating this online platform, we are able to further develop a professional and vivid brand image.

Nevertheless, while the regulatory environment has improved greatly, pricing and reimbursement reforms have not been completed. What is the cost-benefit analysis for MNCs between price reductions on their off-patent products – still the bulk of revenues for most MNCs – and their upcoming product launches?

The reforms are coming from the very top. Healthcare reforms are being taken seriously by the highest level of government. Our leaders understand that the Chinese market is extremely complex. I always suggest to my international colleagues that they should recognize the capabilities of China’s government. They understand the key problems existing within the healthcare ecosystem and the government is solving them according to the right agenda.

The reforms that China has put in place are well-thought out. They want to reduce prices of off-patent products to free up the budget to pay for new innovations, in order to stop healthcare expenditures from ballooning. As MNCs, this is something we should respect because ultimately this creates room for the future launch of our innovative products, which are required by Chinese patients.

That said, for companies for whom a large part of their revenues derives from off-patent products, the adjustment will be tough no matter how quickly you launch new products. Even if the approval timelines have shortened considerably, to finish the tender cycles and deliver the products to patients would still take around two years – whereas prices can now be cut in a very short time. The timelines are different.

You mentioned that Ipsen China received significant support to launch new products from HQ. A common topic is how China, while a large and high-potential market, is also complex, which means HQs sometimes have unmet expectations for the Chinese affiliates' performance. What role will China realistically play in Ipsen's 2020 objective of reaching EUR 2.5 billion in revenues and how do you manage expectations from HQ?

Communication is the key. It is necessary for global management to spend time in the market in order to understand China. In the past two years, our CEO has visited a few times. The CFO has also visited a few times. There are 11 people in the Executive Leadership Team (ELT) under the CEO and seven of the 11 have come to China in the past two years. Ipsen China has also undertaken a very structured approach to keep our HQ teams updated. Since Q1 2018, we have sent monthly and quarterly newsletters to explain new developments and their context.

For our CEO and executive team September 2018 visit, we arranged a full three-day schedule to take him to meet doctors, consultants and other key stakeholders to the team can understand as much as possible. Next year, we plan on launching a tailor-made seminar program updating China's developments thrice a year on different subjects so different executive leaders can choose the session most relevant to them.

We are trying to establish a common understanding of the Chinese market with everyone so that all subsequent discussions can take place on the same page.

We always provide HQ with different scenarios of the future based on different factors, and both the maximum and minimum growth based on existing resources. That way, the Group can

understand our decisions regarding the right investment level and resources.

Finally, we have to perform and demonstrate to the HQ teams our improvement (back to positive and double-digit growth for the past two years)! Therefore, they were able to take the decision to increase our resources. Looking forward, with increasing support from HQ, we are committed to delivering more results and success.

Coming to your favourite topic of HR, competition for talent is fierce in China. How does Ipsen China remain competitive on the HR side?

To give you some idea of how dynamic the HR market in China is, let me share some figures. I have 16 department heads working with me. Most of them joined us within the past two years. Below that level, 100 people report to those 16 department heads. Half of them are either new to the company or the position.

This means three things. Firstly, we need to select the right candidates, especially for senior positions. We are taking recruitment extremely seriously and will organize multiple meetings before the final decision. This means that we are more cautious during the hiring process.

Secondly, we need to set the right expectations internally. Given the competitiveness and the movement of people, we cannot expect to only headhunt candidates from other MNCs, especially as a mid-sized company. This means not looking for a candidate that is necessarily 100 percent perfect, but instead looking at the candidate with the right must-haves and meeting most of the requirements, and then implementing a talent development plan to train them the rest of the way. This is also good because it means these employees are more loyal to the company as they develop themselves along with the company instead of just seeing it as a job.

Finally, even a company with 1000 employees like Ipsen China needs to have succession planning. For instance, I will organize lunches or leadership meetings with my team or send them a management book to improve their career capabilities.

These are all initiatives we have launched since 2017 and will continue to implement.

On a final note, what skills do GMs in China learn that could be relevant to the role of a global CEO?

This is very interesting. I think there are a few things to be learnt from managing the Chinese affiliate that could be useful in the global context.

Firstly, China is large in scale and very complex from both government and market perspectives. Success is not just about implementing a strategy based on your own efforts. You need to have systems in place so your strategy can cascade down and impact the hundreds, if not thousands of people in your organization.

Secondly, after communication is strategy and implementation. In China, strategy and implementation need to be cautious because the impact is big. If you are wrong, you will be very wrong. If you are right, you will be very right! I have noticed that GMs in China, therefore, develop a strong business intuition to take the right decisions instead of relying simply on data or reports. There is just too much data out there and particularly now, when the pace of government reforms is so quick, if you do not get the business intuition, you will be too slow to adapt. GMs in China, therefore, rely on a reasonable analysis and their hunches to take the right action quickly.

Finally, China’s domestic market is very diversified. In other developed countries, the commercial approach may be relatively straightforward, so the GMs will design a plan and execute. In China, however, GMs need to have plans A, B, and C, and then adapt to circumstances. They need to have a willingness to be more prepared with different scenarios and consequences.

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