

JOB MARKET

China as R&D Center: The Second Wave Requires a New Kind of R&D Team

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Multinational pharmaceutical companies like GSK, Lilly, Novartis, and others in China are moving into a more mature phase of development in the R&D space, from focusing on late-stage drug development and R&D outsourcing to setting up a second wave of more fully integrated R&D capabilities here. They are doing so with much more commitment than in the past, due to the growing strategic importance of the Chinese market, the country's competitive advantage in attracting high potential talents (mostly at the junior level), and improving technical capabilities, government regulations and intellectual property protections. For example, Novartis alone has announced its intention to build a 400 person R&D center in the next five years.

There is growing demand for heads of R&D who are able not only to set up task forces and oversee large teams from the discovery phase through to late-stage clinical trials, but also who are operationally savvy and can handle regulatory and medical affairs, as well as oversee IP challenges. While IP protection is improving slowly, proactively managing risks requires tight internal controls and people familiar with the legalities and enforcement protocols. Finding one person to take on all of these is no short order in such a fast-moving environment, and the demand for seasoned and skilled HR heads also has risen as a result.

As Chinese consumers' profile on the world stage continues to improve, the R&D function has evolved from a MARKETING focus (i.e., rolling out global products to local customers) to a MARKET focus, with an emphasis on developing products and drugs more appropriate for people living in Asia and China than their counterparts living abroad. A recent study revealed that the rate of liver and stomach cancer was much higher amongst Chinese living in China than in the U.S., for example. This trend has encouraged closer collaboration and integration with companies' global R&D efforts, and they want the best of the best indigenous talent in China to take part in the broader, global R&D efforts.

Again, though, this is a huge challenge, as the bulk of the readily available talent in China is at the junior level, or falls into the "Ph.D./Scientist" category that typically has done lab work but not managerial work. Due to the earlier focus on sales and marketing, local R&D efforts typically concentrated on re-engineering and developing generics, not on developing new drugs. As a result, in addition to the technical capability, there is a lack of senior-level talent skilled in project management and people management.

Naturally, to compensate for these gaps in talent, HR directors turn to the pool of "returnees" or potential "returnees" of Chinese origin, living outside of China especially in the U.S. or Europe. While this might seem like an obvious solution, it is not as simple as it appears to be. First, though there are a large number of Chinese doing drug R&D in

the US and Europe, most of them are in senior scientist roles and do not have enough management experience, which is essential for developing R&D centers in China.

Secondly, those who do have relevant experience will have to be willing to come back to China for the medium to long term. Depending on their family situation and other factors, this may or may not be realistic. Moreover, while MNCs might be able to woo these professionals more effectively today, eventually they will face heightened competition from local pharma companies, aspiring to become more competitive by enhancing their product portfolios through innovation. Some of the leading Chinese pharmaceutical companies hoping to make their mark on the global stage in the next five to ten years are also actively looking for experienced executives in the R&D space in China. They will target MNCs for their talent acquisition. At the same time, MNC pharmaceutical companies are also competing with emerging biotech companies, as well as Venture Capital funds for talents with both strong bioscience knowledge and management capabilities in the China market.

Another common assumption is that R&D is like manufacturing, where it is still possible to hire a rural worker and train them. Clearly, the growing complexities of the pharma R&D market in China makes this impossible, and in many instances, the pay scales are even more than what they would be in the U.S. for the top slots. Meanwhile, junior-level people may still be relatively "cheap," but will require an investment in training and development for the short, medium and long term.

War-for-talent will likely to continue in the R&D space in China, presenting challenges for employees, but huge opportunities for high potential talents.



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