

June 24, 2009

## **BioForesight CEO Zhu Shen On Being A Matchmaker In China And Bridging Gaps Between East And West: An Interview With PharmAsia News (Part 1 of 2)**

**BioForesight CEO Zhu Shen spoke to PharmAsia News along the sidelines of the recent Shanghai R&D Summit about managing relationships with CROs in China and opportunities being created there. San Diego-based BioForesight is a strategic consulting company providing partnering, investment and outsourcing advisory services as well as cross-cultural communication and negotiation training for clients in North America, Europe and China.**

**PharmAsia News:** *What types of services are you seeing the biggest need for in China right now and how does BioForesight fit into the picture?*

**Zhu Shen:** Most of the deals I'm working on have to do with China. Then I also advise venture capitalists on attractive deals they should look at for possible investment. Then I would also advise start-up companies that are in need of funding. I'm a matchmaker in many different areas. I also do matchmaking between CRO companies and their clients because I know most of the leading CROs well.

**PharmAsia News:** *Do local clinical trial service CROs have some advantages over multinational CROs?*

**Shen:** Chinese CROs tend to have a much better understanding of the local environment, how to work with physicians and principal investigators for the trials, and it's really a very different kind of setup how physicians conduct trials here and how they manage the logistics versus those in the U.S.

In China, physicians really want to be taken care of. You prepare all the documentation, get them binders and things and have everything well organized so that it makes their lives easier and they can be much more efficient and dedicate more time to the more important things on the clinical side. Some local CROs are also helping overseas companies, and there was one company that was really interesting in how they help overseas pharma or biotech to get better results with their Chinese SFDA filings. They actually would hire advisors or members that are part of the review committee of the SFDA, which is legal.

**PharmAsia News:** *So, they're hiring them almost like consultants?*

**Shen:** Yes, consultants, essentially to have them translate filing documents. Actually, the CRO would hire them to help with the translation because what they can do then is to essentially help the company get all the necessary information into the document, and then point out the gaps that exist from the first draft, and guide them along the way. By the time the translation is done and all the information is ready, it's a complete package that will have close to a 100-percent success rate because they know what they're doing.

I think the multinational CROs are not so savvy about that, and they don't know, so the local companies understand that because they're here. They know how things are done and they know the laws and regulations, so they can leverage this knowledge and connections and help their clients be much more efficient. Also, their cost is lower than the multinational CRO companies with offices in China. From what I have heard, the multinationals are not necessarily the best ones to go with, again, because they lack the local knowledge and intricacies of how things run in China on the regulatory side. And they have often higher - much higher - turnover rates for their CRAs [clinical research associates].

**PharmAsia News:** *Would you say then that is an area for growth that venture capitalists would be likely to invest in here?*

**Shen:** I think in terms of the clinical trial CRO space there are lots of opportunities for entrance. I think I've seen some solid companies, newer ones that are being funded by VCs that are doing well. The other aspect is, I think the Chinese government is very keen on getting the quality of homegrown CRO companies on the clinical side up so that China is at the forefront of global trials, because it will be good for China in terms of getting access to new drugs and getting more approvals, and gaining knowledge about new classes of therapeutics and what standard to use for evaluating the

efficacy and safety of truly novel therapies.

Also, the other aspect is that once you have conducted more global trials, you gain experience and it helps the country overall in understanding the regulatory issues and ramping up the knowledge and expertise to the next level.

**PharmAsia News:** *Do you see multinational companies acquiring local CROs? Would that be the next step where they come in and really start acquiring local CROs and blend them into their culture?*

**Shen:** Yes, I think that's certainly a possibility, especially I think for maybe the newer entrants. If they do not have a well-established presence in China yet, and if they have a small operation to start with, but they want to grow aggressively and they want to have new product launches in the very near future, then this could be a valuable strategy for them.

I also think that different companies, again, have different philosophies, as we have seen, in how they choose to work on the R&D center aspect. We've seen many of the European drug companies like GSK and Novartis are adopting the bricks-and-mortar type of models. And then on the other side, Merck and Pfizer and Eli Lilly, the U.S. companies, are trying more of the network model, the FIPNET [fully integrated pharmaceutical network] model. Then I think Roche is somewhere in between. They have about 200 R&D scientists, and also do quite a bit of outsourcing. I asked some high-level people at Novartis and GSK why they decided to adopt this model versus the pure network kind of model, and they said they felt that when they hire Chinese scientists in-house and train them from the beginning that they have much better control over the process, and there is a certain expectation of quality once you go through that rigorous training process.

**PharmAsia News:** *And what is the Chinese expectation? Is there more trust on the Chinese side when they see the bricks-and-mortar building? Is there a greater level of confidence there?*

**Shen:** That's a good question. That could help, I think, if they're dealing with people who don't know the company's reputation as well as others, then that could be a factor because there is something tangible that you can touch and feel. The other thing is, once you train a lot of people in-house and grow them, people who are in those companies have a stronger sense of ownership because they're building something very exciting for the future. I think that could possibly also help with morale and with employee retention as well.

**PharmAsia News:** *Relationship-building is so vital to business in Asia isn't it? But how would the two R&D models compare when it comes to building trust?*

**Shen:** So, for virtual networks, that is tougher, but on the other hand, I would say they have probably more flexibility. I think in the network type of model it is critical to develop a deep relationship with your preferred service providers and to have them really become a partner with you in your R&D efforts, rather than just a vendor. I think a lot of companies are realizing that and are, indeed, developing these deep relationships, and I know for larger companies like Wuxi PharmaTech, they have dedicated people to work for certain clients day in and day out.

They have a strong relationship, and they have certain expectations and understanding of how people work in those companies. So, that would also, in turn, make their projects more efficient because you don't have to start from scratch each time getting to know the other side about the projects, about the people and how they run things. I think that's also another related trend for the future in the CRO space.

**PharmAsia News:** *So, if I'm a multinational company coming into China, not only am I coming into a new space, but then there are physical cultural differences as far as ethnicity and then company cultures as well. How do you bridge all those differences?*

**Shen:** Well, in fact, one of the services BioForesight provides is in cross-cultural communication and training. I've done a lot of that for different clients in the past. I feel strongly about the value of that type of training where people from a different country, different continent, different background and cultural heritage can build an understanding and trust of each other, which is so critical. Because otherwise, things bog down, and you have misconceptions about the other party's motive - it's just so counterproductive.

**PharmAsia News:** *Can you talk about some of those examples?*

**Shen:** Sure, let's just use an example of a Big Pharma company in the U.S. and partnering with their CRO in China. I think a really good way for a Big Pharma company in the U.S. to manage this would be to leverage their existing staff,

who are Chinese scientists because then these people would naturally have the same background and similar experience as staff from their Chinese CRO partner.

In fact, what a lot of companies are doing today is to have their staff scientist, usually a reasonably high-level person, a manager or associate director-level person who speaks the same language as the CRO partner, to manage the CRO relationships because they can understand what's going on. They could also easily communicate the feedback from headquarters back to the Chinese CRO, and then also, just give them feedback in terms of how they can improve on their delivery and on their way of communicating and so forth. Then also at the outset it is a good idea to set up a standard procedure, if you will, where each side will agree on how they communicate and how frequent they communicate.

**PharmAsia News:** *Good idea. Ground rules for the relationship, in a way?*

**Shen:** Exactly. So, each side has clear expectations of what will come in the next weeks and months and so forth and how the project will be managed and how questions and problems can be addressed, as well as the proper channels to go through.

**PharmAsia News:** *What do you recommend as far as communication? Do you recommend video conferencing?*

**Shen:** Video conference is very good, especially at the outset when you're facing two new teams, new to each other. It's always difficult when you don't see that person face-to-face, so when you have video conferencing, at least that's the next best thing without seeing them in the same room with you. Because a lot of times, in terms of communication, it's not just in the words - it's in all these nonverbal cues that you can observe and sense from a more direct contact. So, I would think that would be really valuable early on.

Then for the day-to-day maintenance type of communication, I think conference calls are fine, but they need to be set at a time that is convenient for both, which is challenging. There are only certain limited hours in the day where both sides could reasonably be available at the same time.

- Tamra Sami (t.sami@elsevier.com)

**[Editor's note: This is part one of a two-part interview; look for part two in an upcoming issue of PharmAsia News.]**

**Contents copyrighted © F-D-C Reports, Inc. 2009; protected by U.S. Copyright Law.**

Reproduction, photocopying, storage or transmission by magnetic or electronic means is strictly prohibited by law. Authorization to photocopy items for internal or personal use is granted by F-D-C Reports, Inc., when the fee of \$25.00 per copy of each page is paid directly to Copyright Clearance Center, 222 Rosewood Dr., Danvers, MA 01923, (978) 750-8400. The Transaction Reporting Service fee code is: 1530-1214/04 \$0.00 + \$25.00. Violation of copyright will result in legal action, including civil and/or criminal penalties, and suspension of service. For more information, contact [fdcreprints@elsevier.com](mailto:fdcreprints@elsevier.com).

**June 25, 2009**

## **BioForesight CEO Zhu Shen On Being A Matchmaker In China To Bridge Gaps Between East And West: An Interview With PharmAsia News (Part 2 of 2)**

***BioForesight CEO Zhu Shen spoke to PharmAsia News along the sidelines of the recent Shanghai R&D Summit about managing relationships with CROs in China and opportunities being created there. San Diego-based BioForesight is a strategic consulting company providing licensing, partnering and outsourcing advisory services as well as cross-cultural communication and negotiation training to clients in North America, Europe and China.***

***[Editor's note: This is part two of a two-part interview. Part one, which appeared in PharmAsia News June 24, 2009, discusses the benefits of using local Chinese CROs. In the second part of the interview, Shen discusses the opportunities in China and the value that Chinese returnees, known as "sea turtles" are bringing home.]***

**PharmAsia News:** *Can you talk a bit about how Chinese returnees are helping to bridge the cultural gaps and shape the landscape here in China?*

**Zhu Shen:** Many of the Chinese CROs are founded by overseas returnees, the "sea turtles." So, they understand very well how things are done in the U.S. and they have clear expectations of their clients' needs. Of course, each client would have nuances of how they do certain things, but overall, they would have clear expectations of what the other side would think and would need.

In that case, communication is easier, and they can then train their managers on the ground rules and what kind of expectations clients should have. So, I think another related point is that it's critical for the Chinese CROs to do a great job in training their own staff on a continual basis, not just ad hoc, but where it's part of their corporate culture of how to deliver superior quality services to their clients. Because it's such a competitive field, as you know, with so many companies trying to get the business.

**PharmAsia News:** *Is there some sort of accreditation among local CROs to prove to multinationals that they are up to international standards?*

**Shen:** I'm not aware of any. I think so far what I have heard is usually just by reputation - people ask around. Especially just using San Diego as an example, there are hundreds of biotech companies and some Big Pharmas, so I would say most of them use CRO companies in China or India or from Russia. It's such a small and close-knit community; people talk all the time. So, they will say, "How is this company? Which company would you choose for these types of services?"

People have a pretty good sense as to which ones are good in terms of both the quality, time of delivery, pricing and how they respond to questions and issues and also in terms of expertise. So, I think it's a pretty good network out there if you know who to contact. Again, since I know many of the founders and CEOs of Chinese CROs well, and have a good understanding of which company excels in which areas, I can help my clients make better decisions when it comes to CROs to work with.

**PharmAsia News:** *With the global financial crisis and growth projections more favorable in China, you must see scores of Chinese nationals - the sea turtles as you said - flocking back to China. Have you seen that pace accelerating more in the last year?*

**Shen:** Yes. In fact, a lot of my friends felt that way, and that's why they decided to come here to start their own companies or join a new start-up because of the vast opportunities that are available to them in China in comparison to what's available in the U.S. Also, the global economic crisis that started late last year has significantly impacted the life science industry. There had been massive lay-offs at biotech and pharma companies, especially in the US. Many who are laid off are seeking new opportunities in China, even including non-Chinese scientists. I think I would not generalize, but I would say that many Chinese scientists feel there is a certain hurdle once they reach a certain level in the corporate setting in the U.S., and then they can only go so far in those positions.

**PharmAsia News:** *And they can go farther here in China?*

**Shen:** Much further here, yes. In fact, that's the number-one reason for them to want to relocate to China because they can do a lot more interesting and challenging things and given more responsibility. They feel empowered, and their bicultural understanding and experiences become valuable assets rather than a barrier.

**PharmAsia News:** *Is that due to bureaucracy of multinational companies in the U.S.? Or is it because of discrimination?*

**Shen:** I think it has to do with the cultural differences and how they fit in. It also has to do with communication and also just being politically savvy. Not every Chinese scientist has that - how to play corporate politics and how to influence people. I think many people reach to senior scientists and some to maybe principle senior scientist if you're on a scientist track, and then some maybe to director, associate director, at most, senior director. That's about top. Very few are in vice president roles in companies that they are not co-founders of.

**PharmAsia News:** *And that status changes when they return to China?*

**Shen:** Here in China they can get sometimes two or three levels of promotion compared to what they have in the U.S. Then they also get to do many more interesting things. Scientists here can do business development in China in these

Chinese companies because they have the know-how and they have the connections in the U.S.

Also, they can train the younger generation. So, they have truly just blue sky and open field to play with. In fact, quite a few people would consider even taking a pay cut to come to China because the opportunity is so huge and also because at certain companies they will get stock options.

**PharmAsia News:** *What other trends do you see among multinational companies in China?*

**Shen:** I'm seeing multinationals intensify their scouting efforts, which is quite interesting. That's a fairly recent phenomenon. I'd say probably only in the last one to two years they're doing this.

Roche started very aggressively, with Merck following, and then Pfizer has been doing that for a number of years, and I think that will be a trend. Then Lilly, of course, is very unique. They have their own Asian venture fund scouting all the time for new deals, and I think that's very smart because as the early entrant they get to pick and choose the cream-of-the-crop type of opportunities. Also, with them being here physically day-to-day, they develop deep relationships with companies, and people have this general awareness about what they do. So, then it's a part of branding too.

I think only time will tell whose strategy is the most successful, and again, each company has its own unique situation and circumstance. But I think what they're all doing now is looking ahead at overall challenges for global R&D efforts and commercialization as far as what the major hurdles are, and given their company's own unique strengths and weaknesses and their assets and their vision, how can they modify what they're doing now to better reflect what's going to happen in the future and to try to get there in a most efficient manner.

**PharmAsia News:** *These are interesting times in the sense that change only really comes in the face of adversity, or when your back is against the wall, so to speak, doesn't it?*

**Shen:** Indeed. I'm sure you are aware of the Chinese phrase: "Where there is danger then you have the opportunity." So, it's the two sides of the coin, or yin and yang.

**PharmAsia News:** *One of the things I like about being in Asia is that it flips business around to be a bigger life picture in the sense that relationships are such an important aspect of doing business here. Do you think China can change how the world does business in that sense, maybe show a more human face?*

**Shen:** We're increasingly in this interdependent world, and the world is getting smaller in a sense because of all the connectivity through technology, the internet, and new social media tools like LinkedIn, Facebook and Twitter. It's also very helpful if American executives show some gesture in showing their interest in Chinese culture, perhaps by learning some simple phrases and greetings that will break the ice, and then Chinese people really appreciate that because they feel more respected by seeing a genuine interest in learning about our culture. Here, a little goes a long way.

- Tamra Sami (t.sami@elsevier.com)

**Contents copyrighted © F-D-C Reports, Inc. 2009; protected by U.S. Copyright Law.**

Reproduction, photocopying, storage or transmission by magnetic or electronic means is strictly prohibited by law. Authorization to photocopy items for internal or personal use is granted by F-D-C Reports, Inc., when the fee of \$25.00 per copy of each page is paid directly to Copyright Clearance Center, 222 Rosewood Dr., Danvers, MA 01923, (978) 750-8400. The Transaction Reporting Service fee code is: 1530-1214/04 \$0.00 + \$25.00. Violation of copyright will result in legal action, including civil and/or criminal penalties, and suspension of service. For more information, contact fdcreprints@elsevier.com.

**[Click here](#) to start your 30-day, risk-free trial of PharmAsiaNews.com — Essential competitive business intelligence from the publisher of "The Pink Sheet."**