

# Life Sciences Report: Riding the Economic and Demographic Wave in Asia



The importance of the APAC market for the Life Sciences sector cannot be overstated. Earlier this year, Christine Lagarde, Managing Director of the International Monetary Fund, noted that Asia “is the world’s most dynamic region, [accounting] for 40% of the global economy. Over the next four years—even with slightly declining momentum—it stands to deliver nearly two-thirds of global growth.” The IMF predicts economic growth in the region will hold steady at 5.3% per annum through 2017.

For Life Sciences companies, the promise of Asia lies in its pace of economic development, population growth and shifting demographics. By 2050, a third of Asia’s north east population will be over 60 and a quarter under 15, driving an increased demand for medical products and services. This growth will be evenly spread across all income classes, challenging the sector strategically and in terms of resource allocation and ingenuity.

From trade liberalisation under the Trans-Pacific Partnership to regulatory shifts in China and increased competition from local start-ups, the Life Sciences sector is in for a raft of complex new challenges. Well-developed local leadership with deep market insight is more essential than ever for MNCs seeking to stay ahead of the competition.



## Are MNCs Taking the Most Intelligent Approach in Asia: Two Years On

In Late 2014, Odgers Berndtson published a paper called “Are Multi-National Companies Taking the Most Intelligent Approach in Asia?” in which 63 APAC leaders of MNCs reflected on the issues, unique to APAC, that affected their companies’ performance. They were from global companies spanning multiple sectors. Two years on, we have asked the same questions to 22 APAC leaders of global Life Sciences companies, including Pharma, Medtech and Consumer Healthcare.

A lot has changed. The themes that emerged in 2014 – Communication, Talent, Competition, Strategy and Corruption – still resonate as you would expect, but there has been an interesting change in focus and attitude:

All of the leaders we interviewed have internalised the idea that Asia is made up of a multitude of diverse individual markets that require different strategic approaches. As one executive noted, “There is no APAC strategy for us. Australia and Japan are completely different markets. APAC is just a time zone.”

### So, what has changed?

Communication, Culture and Understanding challenges are being met head on and for most, this is not easier, but there seems to be a new attitude.

Talent remains the biggest issue for MNCs, but the approach to solving this issue has changed significantly and links directly to a focus on productivity and leadership.

Competition, Expectation and Economic realities is still front of mind.

Strategy and structure gives way to productivity and leadership as the biggest focus and links directly to talent. “Leadership, innovation and productivity are the big issues.”

Corruption and Compliance issues remain, but companies are better equipped in this area. One executive explained, “We faced compliance issues in China, Vietnam, India and the Philippines. It’s taken a lot of work to fix this and achieve the standards expected.”

The front of mind themes from the 22 interviews over recent months can be summarised into the following five broad themes, which were identified as key to successfully riding Asia’s economic and demographic wave. They are all interlinked:

1. Speed of Change
2. Execution, Productivity and Innovation
3. Local Competition
4. Regulatory
5. Talent and Leadership

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## Theme 1: Speed of Change

Fluency in information and communication technology is vital for doing business everywhere today, but adoption is faster in Asia and MNCs are having to work at keeping up.

“My whole regional team and country GMs are in a [mobile messaging app] WeChat group together. We constantly update each other in real time.”

“Younger doctors in APAC prefer electronic touch-points.”

“We have used technology in growing APAC. We now use sales reps more efficiently and can reach doctors more effectively online. [Technology has] also significantly reduced our compliance risks as we no longer fly doctors to seminars.”

### And a comment about how technology is helping to bridge cultural gaps

“Accept the diversity and also accept the commonality. Technology creates the commonality.”

It's not just technology disruption that is driving change. Change in every way seems to be the only constant in APAC. As the Asian Development Bank notes, “With constant development within the region, its people have grown up with change and see change as the only constant in their lives.”

The APAC leaders we met with are saying that they are having to drive change faster in APAC than they would need to in Europe or the US.

“Healthcare in Asia is at the start of a revolution. Everything will be different.”

“I am balancing resources to move investment to the growth platform from the declining ones and people struggle with change.”

### But is this really a challenge?

“Change management is not an arduous process. It's just a matter of explaining why it needs to be done.”

“Our workforce has only known change. This makes a difference. It's easy to get people to change as long as they can see why. Execution and transformation in Asia is quicker.”

“APAC staff have less of a prima donna attitude than EU staff, and have an openness for embracing new things.”

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## Theme 2: Execution, Productivity and Innovation

Two years ago, the conversation was around strategy and structure; the focus has shifted to execution, productivity and innovation.

**Some executives do not see execution as a major roadblock, while others say they are grappling with this issue. Our observation on this topic links back to seeing APAC as multiple markets that each need their own strategy.**

“In APAC, once the staff rally around, the execution is as good, if not better, than in Europe and the US.”

“There is no lack of intellect here. There are lots of people with good ideas and an ability to execute.”

**There was agreement that productivity and innovation are key challenges in a world of shrinking budgets and intensifying competition.**

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“US and European companies focus too much on strategy and too little on execution.”

“The percentage of GDP spent on healthcare is growing and there will not be enough money. Innovation and productivity are the only answer.”

“Healthcare costs are growing much faster than GDPs because of ageing.”

“We want our productivity to come from growth.”

“This is a conservative industry. You cannot get constant productivity gains through focus on costs”.

“The good old days are gone. Now we need to pick our winners. No more resources will be forthcoming if that’s not the company’s focus.”

Innovative approaches being taken by Life Sciences MNCs in the region range from pricing strategies to consumer funding.

“It’s about process innovation for us rather than product innovation.”

“Innovation can come from Asia as there are more unmet needs here. Not just client needs but also business model innovation, as Asia can accept change faster.”

“We are working with credit card companies to fund five year pay-offs for cancer treatment.”

“Tiered pricing is the only way to deliver to markets in Asia. I also see personalised pricing and personalised medicines in the future.”

### **Sometimes the most innovative approach is not coming up with something new, but fixing the basics.....**

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“In China, I took the business back to basics: removed corruption, put the right metrics in place to hold people accountable and rebuilt the team. This took us from negative growth to 2.5 times the market rate; we just needed to fix our execution.”

“If we terminate a country leader for compliance issues, it takes a couple of years to clean up. Getting the groundwork right in Asia is critical.”



## Theme 3: Local Competition

Today, the market is tougher and the competitors are getting better. Some regional executives feel that the strength of local competition continues to be underestimated by head offices.

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“US start-ups are good at entrepreneurial risk but the big companies are conservative. In Asia, big companies are good at taking risks. Their capital structure allows them to take more risks.”

“We have huge Asian clients where the entrepreneur is still leading the business. In contrast, most MNCs are led by professional managers.”

“Some of our competitors bought local companies to compete locally. This worked in the past, but today with the rise of strong local competition, they are finding it tough.”

“The global teams don’t necessarily understand why it’s different and we need to tweak things.”

“There are nationalistic policies that support our local competition.”

“Our growth is challenged in Asia by reimbursement issues and a huge rise in local competition in China – price cuts mean margin cuts.”

“Market conditions today are definitely more challenging than they were three or four years ago.”

“Local competition and MNCs don’t have the same [compliance] standards.”

### Nevertheless, some companies believe they have the right formula:

“Our success in Asia has been our business model. We are outstripping our competitors by a huge margin and achieving double digit growth on more than \$1 billion.”

## Theme 4: Regulatory

The regulatory landscape in APAC is complex and constantly shifting. Emerging issues include the yet-to-be-ratified Trans-Pacific Partnership, which will have implications for biologic drug patents and the development of generics, and protectionist patent licensing rules like those introduced last year in China and Korea. Navigating the regulatory obstacle course in Asia also entails execution and compliance risks.

“The regulatory affairs function is the biggest headache in Asia as there’s no harmonization like there is in the EU, and the rules are constantly changing.”

“China is a moving target.”

“I spend a lot of time building business cases to drive our regulatory teams into emerging markets that have great potential.”

“In Asia, Government interventions lead to pricing changes, whereas market access was the only variable in the EU.”

“For us, Australia is the biggest market, but government policy is excluding us from bringing our latest innovations there.”

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## Theme 5: Talent and Leadership

Talent acquisition, engagement and retention continues to be a roadblock for MNCs trying to realise their potential in Asia. However, the focus of leaders in regard to talent has shifted.

“For our business, the underlying challenge and opportunity is talent and leadership is the fundamental success factor.”

Two years ago, it seemed that companies were looking for a magic bullet, trying to find a way to make the talent market fit their model. Today, we are finding an evolution has taken place and MNCs understand better that it is their brand, leadership and ability to engage a different workforce is the only way forward.

“We now recruit for talent as opposed to industry specialisation. We have built a strong developing team and can hire for talent and train. This is a big shift towards a stronger culture.”

“We focus on local capability in each market rather than regional capability. Part of this is language and part of this is local market relevance.”

“I don’t see a gap in the raw talent in China. The gap is in senior coaches and mentors in the company.”

“Coaching for local leaders is critical. They don’t get

corporate buy-in and don’t know how.”

“Asian talent is not fully understood by global; they can be a creative force.”

“Manage contradictions by using locals to navigate the environment.”

Leaders of MNCs in APAC have a complex task. There are many cultures across APAC, but a common expectation across the region, by local talent, that it is the employers responsibility to advance their careers quickly. This makes hiring and retention very tough.

“People here are hungry for career progress. They move so quickly that they don’t have the same depth as a US executive.”

“Desire for development and growth is higher in Asia than in the EU.”

“Young talent need to crystallize their understanding of the market by staying longer in their positions.”

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“It is easy to develop stars but not the next layer of talent.”

“Status of the brand is important for mid and senior management recruitment. As a mid-sized company, we struggle with this.”

“In China, people are attracted to local companies over MNCs. It’s easier for them to do business and they are more suited to their culture.”

“In China we need to hire younger people because those in their 40s and 50s were formed in a different time.”

“Our talent challenge is not attracting people, but retaining and developing them.”

“With regard to talent, India is our toughest market. People present themselves well, but you just don’t know.”

“Retention is an issue everywhere, but there are so many opportunities for people in Asia that we have to work hard to keep people. It’s about training, development and a good atmosphere.”

By far the biggest change we noticed over the last 2 years, is that leaders are speaking more about leadership. Interestingly, this seems to be the same in other sectors too. Our observation is that we have a shift from “how can we get people in APAC to fit our model?” to “What do I need to do to get people in APAC to what to be part of our business?”

“I lead by having the constant conversation – it’s not just me. All of us have to have the same message”

“Leadership is ruthless prioritisation – what we want to do and what we don’t want to do – communicated constantly.”

“Every day I ask myself, ‘how can I strengthen my leadership team?’”

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## Conclusion

The message from the 22 APAC Leaders Odgers Berndtson interviewed is clear: APAC represents unrivalled potential in terms of its economic and demographic profile, but the prize is not easy to win.

The five themes that echo through are complex today and will continue to be so, but the greater level of awareness that MNCs are bringing to these issues is encouraging. Volatile markets, regulatory red tape, a difficult talent market and ever-changing technology come with the territory in APAC.

As one executive points out,

“Asia has made me much more hands-on. You need to be good at everything. There is much more drama and volatility to deal with.”

.....and things are not always black and white.

“Going to China is like driving in a fog; you know where you’re going but not clearly.”

Surely, that’s all part of the fun!



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## ABOUT ODGERS BERNDTSON

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A truly global brand, Odgers Berndtson delivers worldwide executive search and leadership assessment solutions from more than 50 of offices in 30 countries.

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