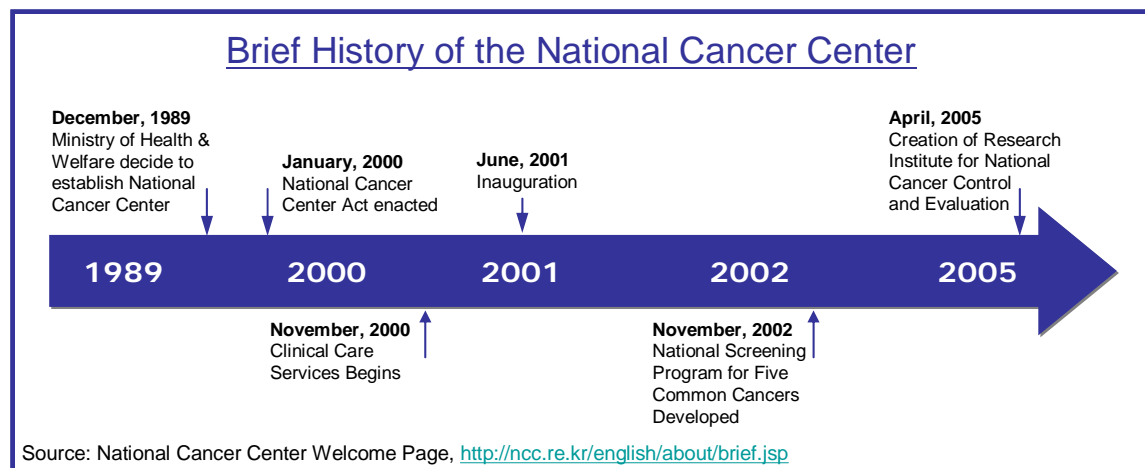


Korea: Understanding Local Markets To Build R&D

Concerned about the rising burden of cancer due to the aging of its population, in 1989 the Ministry of Health & Welfare in Korea set forth a plan to create a National Cancer Center (NCC). The Center would conduct research of its own design, but it would also facilitate and support research being undertaken by local scientists. The Center's main research areas were:

- "Building national infrastructure for cancer research"
- "Developing of innovative prevention, detection, and treatment technologies by multidisciplinary approaches, and"
- "Enhancing the infrastructure for clinical cancer research with the outcome of improved patient care."¹



Though 1989 marked the start of the process, the planning and roll-out for such an immense and complicated undertaking as cancer control for a nation of almost 50 million people takes time. By 1996 the South Korean government had created a 10-year plan to control the disease. At about the same time, South Korea adopted good clinical practices (GCP) and by 2001 had also adopted the International Conference on Harmonization standard for GCP (ICH-GCP).

As a result, the number of global trials in the country exploded from just five trials in the year 2000 to 95 in the year 2005. The scientific research and development infrastructure the country was seeking to build was well in place. In November 2006 the National Cancer Center set as its goal for the year 2020 to be "The World's Best Cancer Center."

¹ National Cancer Center, <http://ncc.re.kr/english/about>

Local Customs Define Local Practices

Gift-giving is often a key component of paying respect in order to maintain positive interactions. In many cultures, not giving a gift as part of certain events is considered rude and is unlikely to build the trust necessary for an ongoing relationship. Studies "...indicate national culture has a strong influence on business managers' ethical attitudes."² Koreans, not unlike people in Western countries, operate in a culture that expects gifts to be given in personal settings, such as celebrating a new home, a wedding, and holidays. Additionally, gifts are expected in business settings:

"Gift-giving is a common practice within Korean business settings. Generally given at the first business meeting, gifts are often used to acquire favours and build relationships. You should allow the host to present his gift first and be sure to accept the gift with both hands. To avoid loss of face, gifts of similar value should be exchanged and gifts of greater value should be given to the most senior person respectively."

From South Korea Business Culture Report, UK Trade & Investment, 2007

If gifts are accepted, and are also expected, should foreign companies alter their standard operating procedures when doing business locally?

Common Goals, Common Practices

Korea spent the decade from 1995 to 2005 building a world-class clinical research enterprise. Hospitals and universities were conducting a basic research and clinical studies to improve the detection, prevention, and cure of the country's most debilitating and deadly diseases. In 2005, Pfizer had worldwide scientific and manufacturing operations, but had limited presence in Korea. While the firm had conducted some trials in the mid-1990s, it was prior to the government's commitment to building a scientific infrastructure. When researchers from the firm visited Korea in 2005 the science they were shown by local experts was impressive. Many department chairs and hospital administrators had been trained or served as faculty or department heads in the United States. Hospitals and medical centers were clearly first-class and included malls and supermarkets in an effort to provide patients and their families with as normal of an experience as possible while seeking medical treatment – a truly innovative approach to health care.

Though large pharmaceutical firms were familiar to the Korean government, scientists and public, there was an overwhelming perception that multinational

² Christie, P, et al., "A Cross-cultural comparison of Ethical Attitudes of Business Managers: India, Korea and the United States," *J Bus Ethics* 46: 263-287, 2003.

pharma corporations were in the country only to make money and not to contribute to the research efforts of local scientists and physicians.

The perception was certainly not helped by the firms who engaged in the common local practice of paying “landing fees.” Although the relevant industry code in Korea binding all pharmaceutical companies to ethical conduct forbids providing samples to physicians after the first year the drug is available, hospital physicians would request free samples or donations so they could perform small local studies testing the efficacy of a specific drug in a certain hospital population. In return it was often the case that the pharmaceutical company’s medicine would get listed or “land” on the hospital formulary. It is important to point out, such conduct is not illegal, nor strictly unethical, but at least one company saw it as “un-business like” and sought a different model for interaction.

Advancing Research by Understanding Local Markets

Pfizer’s local team was concerned about how the company could compete in Korea when other firms were playing by the local rules and Pfizer seemed to be playing by its own rules. “Other companies were doing what the institutions asked of them, and we weren’t. Frankly, we seemed arrogant,” explained a team member. From the point of view of the research and development experts there was another problem. The scientific research being conducted by Pfizer focused on diseases and conditions affecting its primary markets that is, the United States and Western Europe. In conversations between Korean researchers and Pfizer researchers about obstacles to conducting clinical studies there was a simple admonition, “care about what we care about.” This insight was the catalyst for Pfizer’s new approach in Korea.

Top 3 Sites of Cancer Deaths

U.S.	Korea
1. Lung	1. Lung
2. Prostate/Breast	2. Gastric
3. Colon & rectum	3. Liver

While lung cancer is the top cancer killer worldwide, the next most prevalent sites vary by country. Since Pfizer is based in the U.S. it had been focusing most of its R&D efforts on the top three cancer killers in the country: lung, prostate for men, breast for women and colon and

rectum cancer. The Korean researchers were asking Pfizer to put its considerable expertise to work on the cancers that most affected its 50 million residents. Yes, lung cancer topped the list, but could the company also assist local experts in the detection, prevention and cure of gastric and liver cancers?

Trust, Professionalism and the Furthering of Science

The size and multinational nature of Pfizer made for a slow decision-making process which was a hindrance in Korea where relationships created trust and corresponding expectations. Sales had been trying to meet the immediate needs of the customer and get a decision about whether Pfizer would commit to financial support. The local marketing group knew they faced a situation requiring close attention to the expectations of the Korean scientists, researchers and physicians with whom they had strong working connections. In close coordination with Pfizer's R&D colleagues, the decision was made to convene a symposium inviting Korea's best oncology researchers and physicians to try to come to a common understanding of what a collaborative relationship might look like.

Typical medical association events in Korea with pharmaceutical companies would often include a request for donations to support studies, information technology or data management projects. Instead, Pfizer invited all of the members of the prestigious Korean Cancer Study Group to a session that more closely resembled an investigator meeting than an association conference. Government officials with expertise in epidemiology were invited. Pfizer's Korea Oncology Advisory Board was part of the agenda and senior medical and business executives from Pfizer flew in from New York. Both the Study Group participants and Pfizer participants agreed to keep confidential the proceedings from the meeting.

What happened next was truly extraordinary. Pfizer R&D leaders walked the participants through its entire pipeline. More than 80 studies in Pfizer's various clinical programs were presented and discussed. Professors, physicians and researchers from local hospitals and academic institutions presented preliminary data from their own ongoing studies. Why was this interaction so exceptional? On both sides, there was an expectation of scientific expertise and professionalism. The scientific exchange created a culture of trust, which in turn furthered the ability of everyone involved to share information about research that could eventually improve patient's lives. Instead of business acting only in a profit-oriented fashion, it became clear Pfizer was also interested in building a long-term scientific relationship and in helping Korea reach its goal to be The World's Best Cancer Center.

Discussion Questions

1. If it is a cultural norm and legal in the country in which the firm is operating, should a multinational firm “pay-to-play”? Should there be a threshold payment level?
2. Are there any instances when gift-giving is appropriate in a business setting or should it be banned outright?
3. Are there different expectations for ethical behavior for firms that conduct scientific research? For firms that provide some kind of health care?