

Research on the Core Competitiveness of Jiangsu Heng Rui

Mingda Song

Economics and Management School, Jiangsu University of Science & Technology
Zhenjiang, Jiangsu, China

Abstract—The competition among pharmaceutical companies in the future is the competition of the core competitiveness of enterprises. The purpose of this study is to improve the core competitiveness of Jiangsu Hengrui Medicine. Through the macro-environmental analysis of Jiangsu Hengrui's core competitiveness, Porter's five-force model analysis and SWOT analysis, the problems of its core competitiveness are pointed out through the product revenue structure, human resource management, sales channel terminal, and pharmaceutical R&D investment. This study aims to enhance the core competitiveness of Jiangsu Hengrui Medicine from five aspects of intellectual property protection.

Keywords—Core competitiveness; Hengrui medicine; Strategy; Competition

I. INTRODUCTION

To realize a long-term and stable development, core competitiveness plays a critical role in an enterprise. Highly effective research has been done by scholars, in respect of the core competitiveness of an enterprise: C. K. Prahalad and Gary Hamel (1990) held that core competitiveness is the complete set of skills and technologies seeking benefits for customers. D Leonard Barton (1992) held that core competitiveness refers to the action capacity formed by an enterprise in long-term development. It is also the key to provide commodities or labor service to consumers. Jinfu Bai (2003) held that core competitiveness refers to effectively integrating corporate resources by certain mode and method, and forming competitive advantages. Xiaojun Wang (2016) held that enterprise culture can decide the core competitiveness of an enterprise to a large extent. Yongsheng Yang (2016) implemented modularization design on core competitiveness, and provided referential method for the international competition of Chinese enterprises. But there are still rare case studies about the core competitiveness of listed pharmaceutical enterprises. This paper plans to analyze the problems in the core competitiveness of Jiangsu Hengrui Medicine Co., Ltd. (hereinafter referred to as Jiangsu Hengrui Medicine) based on the competition environment of the pharmaceutical industry, and put forward corresponding promotion strategies, hoping to benefit the development of pharmaceutical industry in our country.

II. ANALYSIS ON THE CORE COMPETITIVENESS OF JIANGSU HENGRUI MEDICINE

Founded in 1970, Jiangsu Hengrui Medicine is a pharmaceutical enterprise engaged in the R&D, production and promotion of pharmaceutical innovation and qualified medicines. It was listed in Shanghai Stock Exchange in 2000, and had above 20,000 employees nationwide as of year-end 2018. Besides, it is equipped with rich experience in producing anti-neoplastic drugs, and also undertook major work in our national anti-neoplastic drugs technical innovation product alliance, and is a famous pharmaceutical production enterprise in China. The company realized RMB 17.42 billion operating incomes and RMB 3 billion taxes in 2018.

A. Analysis of Macroscopic Environment

1) Analysis of Legal Environment

To build a sound development environment in pharmaceutical industry, the government has released series of policies and regulations. In 2007, our country released the *New Drug Registration and Management Method*, which had largely improved new drug approval standards, and decreased the approved quantity of new drugs. In 2009, new medical reform was gradually implemented, the coverage scope of medical insurance payment was expanded, and "the separation of clinic from pharmacy" was implemented. In October 2010, Ministry of Health passed the revision and transformation of new *Drug Production Quality Management Regulations*, stipulated stricter and frequent pharmaceutical enterprise review steps, and make the production of relevant enterprises more standard. Since January 1, 2016, our country has shut down pharmaceutical enterprises without extraction capacity, and prevented behaviors of consigned processing.

2) Analysis of Economic Environment

China's economy has developed fast over 40 years since the reform and opening-up. In respect of the vigorous promotion of supply-side structural reform, the contribution of innovative industry and emerging technical industry to GDP constantly increases. Meanwhile, as people's consumption capacity and health awareness increase, their demand for a higher level of healthy life constantly increases. The trend of increase is of good

sustainability in the health industry, which is a typical blue ocean market with high growth and big increment, and the market space is huge.

3) *Analysis of Social Environment*

The absolute increase of Chinese population slowed down, the total fertility desire was low, but population aging status was increasingly serious. Urbanization in medical sanitation industry has accelerated over the years, and a sharp increase was shown in the total quantity of medical resources. Due to the acceleration of urbanization and the increasingly serious problems of population aging, medical expenses per capita are gradually increased. The rural market is further expanded, and rural market will become the most potential purchasing group. The upgrading of consumption structure and industry structure is a huge challenge and opportunity for our pharmaceutical industry.

4) *Analysis of Technical Environment*

Our country started late in R&D technologies of drugs, lacked in innovative resources, and had big technical difference with international pharmaceutical enterprises, with serious R&D repetition phenomena, and unsound pharmaceutical technical innovation system. Our medical products have big problems in quality, and problems involving false medicines and inferior medicines are serious, in respect of pharmaceutical products. The corresponding information channel should be further perfected in the pharmaceutical market, to give timely feedback, in respect of international pharmaceutical market information.

B. *SWOT Analysis*

1) *SWOT Matrix Construction*

Build SWOT matrix of Jiangsu Hengrui Medicine as shown in Figure 2 based on the external and internal environment of Jiangsu Hengrui Medicine.

2) *SWOT Global Analysis*

Based on SWOT matrix analysis, it can be seen that Jiangsu Hengrui Medicine's advantages outweigh the disadvantages as a whole, and opportunities are bigger than the challenges. Four strategies are about to be adopted, (1) SO strategies: Master the good prospect of current pharmaceutical industry, seize the opportunity of consumption demand market and national industry structural adjustment, give full play to personal advantages, improve the efficiency of cooperative work, and formulate scientific and reasonable marketing combination strategies. (2) WO strategy: Have a correct understanding about the existing disadvantages, improve income structure, reinforce human resource management, carry out online and offline multi-channel product operation channel, deepen marketing network construction, and conduct scientific and systematic brand publicity. (3) ST strategy: Seek for multi-approach cooperated technical innovation, deepen brand influence, stabilize current passenger sources, and ensure market share. Develop and innovate the business model, and reinforce the core competitiveness of the enterprise. (4) WT strategies: Define brand connotation, seize its own uniqueness, control management cost, and decrease enterprise risks.

TABLE I JIANGSU HENGRUI SWOT MATRIX

Strengths (S)	Opportunities (O)
<ol style="list-style-type: none"> 1. Core products take lead in the market. 2. The products are well received in the market. 3. Manufacturing technologies can meet international certification standard. 4. Good financial status. 	<ol style="list-style-type: none"> 1. Expanded demand of pharmaceutical market. 2. Expired patent for a batch of drugs. 3. Adjustment of industrial structure.
Weaknesses (W)	Threats (T)
<ol style="list-style-type: none"> 1. Unbalance in income structure. 2. High cost expenses. 3. Backward internal management. 4. Singular sales channel terminal. 	<ol style="list-style-type: none"> 1. Fierce industrial competition. 2. Difficulties in the R&D of innovative drugs 3. Increasingly strict drug administration. 4. Channel terminal decentralization.

C. *Main Problems in Core Competitiveness*

As can be seen from Porter's Five Forces model analysis and SWOT analysis result, the main problems in the core competitiveness of Jiangsu Hengrui Medicine are as shown below.

1) *Product Income Structure is unbalanced*

Jiangsu Hengrui Medicine respectively created RMB 7.395 billion, RMB 4.653 billion, RMB 2.324 billion and RMB 3.03 billion revenues in anti-cancer drugs, anesthetics, contrast medium, and other businesses in 2018. Jiangsu Hengrui Medicine's revenues in anti-tumor business can

occupy above forty percent of the annual revenue ratio, with unbalanced income compositions that can be easily influenced by the fluctuation of anti-cancer drug market, so the market development of other drugs should be further reinforced.

2) *Backward Human Resource Management*

Jiangsu Hengrui Medicine Co., Ltd. has relatively backward human resource management, and unsound performance evaluation. Taking the evaluation of marketing personnel as an example, Jiangsu Hengrui Medicine only evaluated based on three indexes, including

repayment, shipment and debt cycle. It has a simple evaluation mechanism, and fails to pay attention to client loss rate and other data. The problems in its performance evaluation have caused serious loss of marketing personnel, and frequent talent flow has restricted the establishment of its core competitiveness.

3) *Single Sales Channel Terminal*

The state gives great impetus to medical reform policies, and basic medical institutions develop fast. The total quantity of basic medical institutions will be largely increased and corrode the terminal market share of hospitals. The sales of Jiangsu Hengrui Medicine mainly rely on hospital terminal, with single sales channels, so competitive advantages cannot be obtained.

4) *Unreasonable Input in Pharmaceutical R&D*

Jiangsu Hengrui Medicine has unreasonable and small input in R&D, with slow R&D technical upgrading, and high repetitive rate of development varieties. According to statistics, Jiangsu Hengrui Medicine reached up to RMB 6.464 billion sales expenses, and merely RMB 2.67 billion R&D expenses in 2018. The contrast value of sales expenses and R&D expenditures was respectively 3.67 times, 2.94 times and 2.42 times in 2017 and 2018. Insufficient input in pharmaceutical R&D will cause drug homogeneity, the shortage of innovative drugs and drug structure, etc. We need to walk out of the vicious cycle that "focuses more on sales, but less on the R&D"

5) *Weak awareness of intellectual property rights protection*

For pharmaceutical companies, patent is the most important intellectual property right. Jiangsu Hengrui Medicine still fails to meet the current competitive demands, in respect of its intellectual property right protection system. The reason mainly includes two aspects. Firstly, our domestic pharmaceutical enterprises generally lack in the cultivation of intellectual property right protection awareness. Secondly, the practice and theory of intellectual property right in our pharmaceutical enterprise are unmatched, so drug enterprises have no referential experience when building intellectual property right protection mechanism.

III. STRATEGIES TO IMPROVE CORE COMPETITIVENESS OF JIANGSU HENGRUI MEDICINE

A. *Constantly Balance Product Income Structure*

Jiangsu Hengrui Medicine should reinforce the R&D of new products based on the current technical level, reinforce the R&D of new products, reasonably adjust product structure, realize relatively balanced product income structures, but there shouldn't be excessive dependence on the sales of anti-cancer drugs. Properly control the development of new drugs, and the sales time, and keep up with the market progress conditions in time.

The market life cycle for each pharmaceutical product is different. If new products can constantly join in the entire industrial chain, Jiangsu Hengrui Medicine can constantly update its product chain, and improve the core competitiveness of the enterprise.

B. *Perfect Human Resource Management in the Enterprise*

Employee capacity is related to the core competitiveness of the enterprise. Backward human resource management has largely restricted the development of Jiangsu Hengrui Medicine. The enterprise should transfer the original concept, transfer the emphasis of the reform to human resource management. Reinforce the training of employees in the enterprise, regard talent cultivation as an important investment, establish high-end talent selection, utilization and incentive mechanism and implement scientific talent resource management method. Only when human resource management level is improved can we make full use of excellent talents, and acquire sustainable competitive advantages.

C. *Adjust the Terminal Structure of Sales Channels*

Jiangsu Hengrui Medicine should gradually increase the market layout of basic medical institutions in channel terminal marketing. It is requested to classify products, and carry out marketing work as per different modes in combination with the specific conditions of sales terminal. Under normal conditions, sales terminals represented by top three hospitals should be classified into high-end market, and innovative drugs should be mainly sold in hospitals. However, basic medical institutions should be classified into medium and low-end markets, and are common drug sales areas. OTC drugs marketing is mainly oriented to drug stores and other retail terminals. Marketing personnel should match with different sales terminals, for instance, hospitals require composite marketing talents who can master pharmaceutical knowledge, but retail terminal only requires single marketing talents to complete the task.

D. *Practically Increase the Input in Pharmaceutical R&D*

Jiangsu Hengrui Medicine should reinforce the scientific research in funds, and constantly upgrade its pharmaceutical production technologies. It is requested to focus on applying core technologies and new techniques, and improve the technical contents and additional value of products. Expand market share by developing new drugs, meet the new demands of people, decrease corresponding production cost, reinforce the core competitiveness of the enterprise, and keep an invincible position in fierce competition.

E. Establish an Intellectual Property Right Protection Mechanism

Firstly, Jiangsu Hengrui Medicine should formulate scientific plans to protect intellectual property right, and take active measures in developing its own intellectual property right resources. Secondly, Jiangsu Hengrui Medicine should establish and perfect intellectual property right risk monitoring system, prevent competitors, monitor the risk of intellectual property right, protect intellectual property right from being damaged, and always regard the protection of intellectual property right as an important component of enterprise management.

IV. CONCLUSION

There will still be uncertain factors in the market environment of the pharmaceutical industry. Jiangsu Hengrui Medicine should reinforce its current core competitiveness constantly, keep competitive advantages and serve people's health career.

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