

Maurer's Healthcare Insight (121)

All the News Unfit to Print

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Loyal readers know I occasionally take a look back at headlines and quotes to decipher the real news unfit to print. The rationale for this exercise is to learn there are many sides to every story, some more true than others.

Foreign Drugmakers to Benefit More from New Price Scheme

This article listed pharma companies by the number of drugs eligible for protected prices in the new pricing regulations. Ten of the top 11 companies were foreign with only Astellas in this elite list.

In response to apparent discrimination against Japanese firms, Mr Umeda, president of Pfizer Japan, said the pharma industry largely welcomes the plan. Why? Because it will expedite the development of new drugs.

No one said protected prices will lead to the discovery of more new drugs. Maybe everyone believes new drugs will be discovered in China and India then brought to Japan for development. Overlooked is the fact slow development of new drugs in Japan is not due to a lack of money. So now more money will be spent on a bad clinical development infrastructure, which might cost the foreign companies much more than what they will save with their protected prices. Makes one wonder who will benefit.

Merck to Storm Japan with Generic Biodrugs

This is an example of a headline that conjures up images of a foreign company preparing to wipe out Japan's small generic companies. But the article says, "Merck is planning to launch one generic erythropoietin in 2012 or later." Sounds like this is a mild breeze rather than a storm.

Merck also struck fear into the hearts of local companies by announcing they would ditch the corporate name Banyu in favor of the more well known and easily recognizable name MSD. Once again we must be impressed at how PR people make money.

Finally, Merck proudly announced it would rank eighth in the pharma market soon after its merger with Schering-Plough. Unfortunately everyone forgot it held this rank soon after purchasing Banyu in 1983. Welcome back to the top-10, and let's hope you stay there this time.

Suicides in Japan above 30,000 for 12th Year in 2009

Not much to say about this terrible loss of life, not to

mention the grief it causes those still living. Suicide is the end result of a depressive illness which need not be fatal. Because more men than women took their own lives, 23,406 to 9,347, the article concluded suicide reflected the economic slump. My own take is women are more likely to seek out professional help than men who are under pressure not to admit to any failure. Failure in Japan is penalized rather than considered a learning experience.

From Mr Isobe of the MHLW

"Original manufacturers must understand that it is useless now to continue to make efforts to sell long-listed drugs."

When asked what he thought a large percentage of Japanese pharma firms will do with their spare time he said he would think about it. Other observers apparently did not need much time to think. For example, Mr Shoda, president of Daiichi Sankyo, said, "This will be an extremely harsh framework for companies that can't develop new drugs."

Takeda Pharma Sees Importance of Foreign Talent

Mr Hasegawa, president of Takeda, believes they must build up their research capabilities by attracting more foreign personnel. He said, "The biggest problem is the lack of systems in which internal discussions are conducted in English."

Mr Hasegawa might take note that Executive Committee meetings in Eisai are conducted in English. Also Itochu is now putting their senior managers through an intensive program of English communication with the goal of having the entire company communicate in English.

The next step in this learning process will be to weed out those people who can speak great English but are terrible in business.

Japan's Population Declined by Record 183,000 in 2009

The decline in Japan's population is accelerating as deaths exceeded births in both 2008 and 2009, the first time this happened since WWII.

Meanwhile the elderly continue to increase, now accounting for 22.7% of the population. Elderly women actually represent 25.4% of all women in Japan.

A Quote I Like But Do Not Know The Source:

“A ‘corporate immune system’ lurks in most large organizations. Its role is to kill off intruding initiatives for fear that they might infect the rest of the organism.”

If this is true, the longer you stay in such an organization the more cautions you will be about proposing anything new so as not to risk losing face. You become a salary man.

Creating a New Style of Japanese Corporate Management

In 2009 the Japan Association of Corporate Executives published a white paper with the above title.

There is a lot of good stuff in this paper that should be required reading for anyone interested in Japanese management. One chart defines a near-future model of Japanese management as:

- * Less than 20% of sales are produced in Japan, while markets of emerging countries expand.

- * Ratio of employees with foreign nationality is more than half.

- * All functions are being multinationalized.

**IPOs Hit 31-Year Low in FY09 among Aging Lineup of Firms**

Only 19 companies went public in FY2009, 15 firms fewer than in FY2008 and the lowest in 31 years. In FY2006, 187 companies made their market debuts.

The most surprising news is the average age of com-

panies listed in FY2009 was 32.8 years. Daito Pharmaceutical Co., the final IPO in FY2009, has been in business for 67 years.

In the US the phrase IPO is typically associated with a start up firm that needs an infusion of capital to support its rapid growth objectives. Kind of like a young man with big dreams but not much money. Seems like in Japan only an old man can get money via an IPO.

Comments Worth Remembering

At a 2009 Kobe Conference:

“The easiest money to raise is the money you do not spend.” Great advice for every bioventure manager.

Stanford Graduate School of Business Professor speaking at a Japanese Stanford Alumni meeting:

“CIMITYM stands for Cash Is More Important Than Your Mother.” Wise words for any businessman to live by.

And finally these words of advice to those who want to start or invest in a bioventure:

“The entry strategy into a bioventure is easy. The difficult part is an exit strategy.”

P. Reed Maurer likes to recall this quote from Plato in The Republic: “Between knowledge of what really exists and ignorance of what does not exist lies the domain of opinion. It is more obscure than knowledge, but clearer than ignorance.”