

## Maurer's Healthcare Insight (128)

## 10 Bad Business Decisions

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Anyone doing business in or with Japan should be aware of the bad business decisions made by people who preceded you to these shores. This is a quick way up the learning curve of making good business decisions. Otherwise you are doomed to repeat the same mistakes, an all too common exercise of foreign companies.

This happens for three reasons. First is the lack of a corporate memory. People change frequently so there is no history. Second is that people who were responsible for Japan are most often moved to positions where they have nothing to do with Japan. How many company heads in Japan have bosses who lived and worked in Japan? Finally the shifting priorities of headquarters. There was a time when Japan was a priority market. Now the hot button is China or the so-called emerging markets.

Those with access to the numbers should take the dollar growth of the Japan market. Not the total market which we all know is the second-largest country market in the world, but just the growth portion. Then compare this number to the total size of other markets. This exercise might help to get the priorities straight.

1. & 2. It's a bad business decision to give Japan the same amount of time and resources as any other market except the US which is still the big elephant in the room. This means it is bad to organize Japan as part of Asia. The issues and challenges are so different. Does anyone organize the US with Mexico?

So, the first two bad business decisions are first, send a guy to run Japan and other Asian countries. Second, after three years move him to a job with no Japan responsibility.

3. A third bad decision is to license out the expensive and hard-earned fruits of your research to Japanese companies. Why do people make this mistake? Two reasons are often given. First is the need for cash, and second is an assumption the company will never do business in Japan.

While these reasons were compelling at one time, they proved false over time. A new generation of executives want to be in Japan to make much more money than can be made from royalties. The problem is they cannot get their products back from the licensees. The lesson is to own your assets which means the product registrations.



4. A fourth bad business decision is to downsize based on a corporate decision to share the pain on a global basis. For example, the US business goes bad so everyone must cut back. Ditto for across the board expense reductions. Amazing how home office staff people get their kicks from dictating expense cuts. Probably because it is beyond their control or capability to dictate sales increases.

5. I was thinking to list as a fifth bad decision sporadic rather than consistent recruitment of personnel. My rationale is

that professors often are most influential in directing their students to certain companies. If you take one of these students one year there will be more referrals next year. But if you stop because of arbitrary imposed head count restrictions, you may never get a referral again.

However, seems as though I am out of date. The president of one foreign pharma company told me they recently completed the selection of 30 new employees who will be hired in April, 2011. I asked how many candidates they had for these 30 openings. His answer was, "Around 3,000." My argument obviously does not hold for this company with a well deserved reputation in Japan. Still, I will include the bad decision for companies less well known by prospective applicants.

6. A sixth bad business decision relates to ways you evaluate employees. One is to keep women in secretarial or tea-serving duties. This may be due to your old-fashioned, chauvinistic Japanese male employees who believe women are only employable until they get married. Whatever the reason you are losing the benefit of much talent.

Second is to highly evaluate a person based on his or her ability to communicate in English. Speaking good English may be that person's only ability. English speaking ability can be acquired more easily than leadership ability.

7. A seventh bad business decision is to do all your business the Japanese way. Or just as bad, do your business exactly like you do in your home country. I watched many try both approaches without success. The optimum course is to take the best from both worlds. In genetics this is called hybrid vigor, that is, an offspring that is more vigorous than either parent. Inbreeding in business and reproduction leads to less desirable results.

8. The eighth bad business decision is a failure to recognize Japan as a source of new product ideas or technology. Japan is like an untapped oil or gas field waiting to be discovered. Unfortunately few exploratory wells are drilled. Foreign company research labs in Japan were shut down (moved to China?), and people responsible for "external research" are not familiar with Japanese university researchers. They meet with companies but do not go to campuses.

Recently it was brought to my attention that much of the innovation in medical devices has shifted to Japan, most notable in cardiovascular interventions like catheters. A few smart people are securing the distributions rights for these products outside Japan. No one else is bidding against them.

9. The ninth bad business decision is not to start new drug clinical trials in Japan on a parallel basis with studies outside Japan. When we talk about the drug lag we should look at when clinical trials were started in Japan versus other countries.

It might be nice if you could do all your trials in countries where patient entry is fast and the cost per patient is low. Then use the data for your registration in Japan. Harmonization is making some data sharing possible, but the idea of no clinical trials in Japan is a pipe dream and definitely not good for business.

10. A 10th bad business decision is to have a residence in Japan but leave every chance you get, i.e. home leave, holidays, business trips. Or to have an office in Japan but rarely get out in the field to meet with doctors, reps, patient groups, wholesalers, and pharmacists. Wrapping yourself in a protective cocoon can relieve your stress of coping with the language and strange cus-

toms, but leave you clueless about your environment. This is not a prescription for survival.

*P. Reed Maurer thought he knew everything about Japan after one year here. The following 39 years proved him wrong.*

