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# Exclusive: Takeda Tsunami hits Japan pharma

13-04-2016 P REED MAURER

It's difficult to think of a corporate restructuring that evoked more emotions, arguments, and commentary than the changes in Takeda Pharmaceutical (TYO: 4502), Japan's largest pharma company, during the past few years.

If you do not pay much attention to the Japan pharma market in general and Takeda specifically, here is a brief overview of a home grown, family managed, more Japanese than any other Japanese company, writes P Reed Maurer, long-time Japanese industry watcher and president of International Alliances Limited in an exclusive article.

The founder Chobei Takeda I started a brokerage business for Chinese and Japanese herbal medicines in Osaka in 1781. For the next 222 years Takeda family members occupied the president's chair, 10 men in total. The last president from 1993 to 2003 was Kunio Takeda, son of Chobei Takeda VI.

In 2003 Kunio Takeda moved up to chairman and appointed Yasuchika Hasegawa, a board director with overseas business experience, as the next president and chief operating officer. Mr Hasegawa pointed out that Takeda's organization has not broken out of the mold common to businesses operating only inside Japan, and said, "... I will quickly attempt to change the way of our thinking as a global company."

**The rebranding of Takeda**

Thus began a 10 year process of corporate rebranding that drove an aggressive M&A strategy worth more than $20 billion. In 2008 the company bought Millennium Pharmaceuticals of the US, then in 2011 acquired Switzerland-based Nycomed.

But Takeda struggled with how to manage these foreign drug makers. The result was a 58% fall in pretax profit for FY2012, due in part to its failure to rein in Nycomed's operating costs.

To turn the situation around, Mr Hasegawa in May 2013 laid out plans to slash costs and recruit foreign executives to take charge of implementing the changes. He was incredibly blunt in saying, "Japanese business leaders are ill-equipped to handle this kind of job. To achieve our goals we need executives with experience working in global companies."

Then in November of 2013 Mr Hasegawa made the unthinkable, unbelievable decision to appoint a 47 year old French man from UK based GlaxoSmithKline as his successor.

**Shock and awe**

Having worked and lived in Japan for the past 46 years in the pharma industry, I have been subjected to lectures about why only Japanese can manage a business in Japan more times than you can imagine. Not just from Japanese executives but also foreign company home office types who believe going native in Japan is the only way to go.

How do you rationalize Takeda's actions that go against what is considered common knowledge? It seems you cannot. Therefore, what we hear is, "Takeda is finished as a leading company," "All the good people are leaving Takeda," "Hasegawa has ruined the company." Strong words from people who are usually soft spoken.

Late last year in a move that rubbed salt into the wounds of the traditionalists, Takeda announced the formation of a Joint Venture with Teva, into which Takeda would put its long listed (older) drugs that are facing generic competition. Furthermore Takeda's share of the JV is 49%, a dreaded minority position in its home market.

Once again criticisms came immediately, "Takeda will be taken over by Teva," "A good Japanese company never divests products, a process akin to cutting off your legs."

**The other side of the story**

Although Takeda was founded in 1781 it was not until 2003 that the company got serious about competing outside Japan. This is not surprising given the size and benefits of the Japanese pharma market. Staying home was not uncomfortable. Think of USA- based companies versus their Swiss competitors.

Because of this home bound culture Japanese pharma companies did not, and many are now not, developing global talent. Consider the disaster of Daiichi Sankyo's acquisition of Ranbaxy. There are many Japanese non-pharma companies competing globally, but they spent years developing people with global mind sets to accomplish their objectives. The pharma companies will also learn but it will not happen simply by teaching employees to speak English. Meanwhile, employing foreign senior executives as mentors is a faster way up the learning curve.

Putting your older products into a generic company sends a clear message to every employee: Our future is not on the back of old technology. We must focus our entire resources on innovation, game changing technology. It is difficult to exist as a hybrid having both old and new technology under the same roof. The cultures, cost structures, and promotional strategies of the two businesses are entirely different. You can be one or the other but not both at the same time in the same place.

**Not yet the end of the story**

The Takeda story is still being written. In fact, we are only in the early chapters of a business remake worthy of a Harvard Business Case Study for future executives. It will undoubtedly continue to attract attention from two sides of the aisle. Those who would like to see Takeda go down the proverbial tubes so they can continue to preach the "Japan Is Different" sermon. And those who know the world has changed, and is changing, and that Japan cannot rest on its achievements of the past.

My money is on the latter crowd because they are younger (not just in years).