IN JAPAN, GOOD PEOPLE ARE AVAILABLE

By P Reed Maurer

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The one-two punch that guarantees success in Japan's pharma market is a new drug and good people to execute its development and marketing. One without the other is like a kiss without a squeeze, writes long-time Japan pharma watcher and president of International Alliances Limited P Reed Maurer in his exclusive column for The Pharma Letter.

Ever since Japan opened its doors to the West, it searched the world for the best technology and brought it home to make it better. New is better than old.

An every-day example is the absence of old cars on Tokyo's streets. Also, it's not easy to find a used car dealer. One never sees a garage sale and flea markets are rare except for antiques. Laundromats are scarce. Who wants to use a machine used by someone else?

Government money allocated to promote generics (old technology) pales in comparison to money spent on research. Given the recent Nobel awarded to Dr Honjo for his work in immunotherapy and his plea to put more money into science this trend will continue.

Readers familiar with the Japan pharma market will know it has taken a long time for generics to be accepted by both doctors and patients although various incentives were offered to pharmacists.

Innovative drugs are also encouraged via fast track approval procedures and virtually no restrictions on their use once approved. This results in rapid market diffusion which yields an attractive early pay back of the R&D investment.

Given this state of affairs and the size of Japan's pharma market, the best strategy for any company is to do business in Japan versus to Japan via licensing deals. But to be here you need boots on the ground, so let's talk about the availability of good people.

The early days

Until the mid-1970s foreign pharma companies could not own more than 50% of their businesses in Japan. This forced anyone wanting to enter Japan into a joint venture with a local company. Regulations aside, the reality was foreign companies could not hire local people, so the JV partner supplied people to run the business. It should not come as a surprise that people seconded to the JV were not on a fast track in the Japanese parent company.

When the restrictions on foreign ownership were removed, the JV model faded away. None are left today and any company with a will to enter Japan would make a serious mistake if it formed a JV as an entry strategy.

Entry level employees

As foreign company operations in Japan matured recruiting new employees was critical. But the hurdles were high. Professors and family members did not know the reputations of foreign companies. Recruiting activities followed strict timing rules (these guidelines will be abolished for university students entering the workplace in 2021). In a word, parents, advisors, and students were most concerned with job security versus job satisfaction.

This has changed. Young people are well aware of the new product potential of pharma companies. They want to help bring new drugs to patients and ensure the success of their chosen companies. They believe a company without new products in the pipeline is on a going-out-of-business curve.

It is my personal observation based upon close contact with the presidents of foreign pharma firms that recruiting entry level employees is not a problem.

Mid-career employees

When building a business, you cannot rely solely on entry level employees. You need experienced people to lead the way, particularly in product development. And these people are the hardest to recruit because they must be pried away from their current employers.

This is the stage when head hunters enter the picture. The 35 to 45-year-olds are, like everywhere else in this world, looking for advancement in terms of responsibility and compensation. In Japanese companies it is typical to have an escalator type salary package and advancement via seniority. Compensation differences between people of the same age and years in the company are minimal. Thus, they are attractive candidates for a move out and up.

Late career employees

You might assume 45 to 55-year-old employees are locked into their present employers and will not move. It is true that many late career people are set in their ways and do not welcome change. That's OK because foreign companies do not need many people at this age level.

Nevertheless, experienced people in an organization are a valuable resource. They know the system and how to get around obstacles. They can mentor younger employees and provide stability in the organization. In short, a well-qualified, experienced, older employee can be a valuable resource.

The question is, how do you recruit such people? The answer can be found in the low retirement age of most Japanese companies, usually below 65 at around 62 or 60. Since these rules were set in place the longevity of Japanese has increased. A fifty year old today can expect to live another 30 years.

So if your prospective candidate is healthy and wants to die young as late as possible he will be attracted by an older retirement age and the opportunity to contribute instead of occupying a desk by the window at his present company.

To sum up

I can remember when a foreign company in Japan would hire any warm body that showed up at the door. Today the situation is drastically different. It was once almost impossible to attract a doctor into a pharma company. Very different today. Well qualified people at all ages and levels of experience are not only available but eager to move into companies with a promising future based on a pipeline of new products.

Whoever says Japan is a tough, difficult place to do business hasn’t been here for a long time. Old impressions die slowly particularly if you have a bias against change. Japan is open for business.