

Home Offices still don't get Japan – by P Reed Maurer

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Many, fortunately not all, senior managers of foreign pharma companies in Japan constantly struggle with their home office colleagues in a lose/lose game, *says P Reed Maurer, long-time Japanese pharma industry watcher and president of International Alliances Limited (IAL), in an exclusive article for The Pharma Letter.*

If all is going well in Japan, there are lots of headquarters' people who claim some responsibility for the results. If sales and profits are down in Japan, local management is to blame in spite of all the wonderful support provided by corporate.

Most, again not all, top people in Japan came to their positions through successes in their present companies, or were recruited from other companies. Thus, their instincts as to how to manage a successful business are generally good. It most often boils down to common sense which has been refined by experience.

Of course common sense must be executed in the Japanese cultural environment, business traditions, and employee expectations. As one executive told me, "It is a matter of playing the right game on the right playing field." In other words, you don't play baseball on a rugby field, or football on a softball field.

This struck me as an excellent analogy because local managers generally know their playing field and execute accordingly. Unfortunately the home office often asks for actions that fit their playing field but not the one in Japan.

To illustrate let's look at a few real life examples I heard about this past summer and fall when I met 37 senior executives of foreign companies in Japan.

Recruit and hire people who speak English

The company in Japan needed well qualified regulatory affairs, and clinical development specialists, some of the hardest people to recruit. Through personal contacts several good people were identified and were willing to leave their present

positions to join the company. However, before an offer was made each candidate had to be interviewed by home office staff via a video telephone link at 10:00 pm Tokyo time (convenient home office time).

The candidates did not speak much English and needed an interpreter during the phone calls. Because of this the interviewers deemed the candidates unfit for the vacant positions. This battle is not yet over, but it is a clear example of an attitude that says, "On my playing field qualified people speak English." But on the Japan playing field English ability may be a person's only qualification.

Move to lower your office rental costs

On the home office playing field it makes good economic sense to move out of New York City to a New Jersey suburb or out of Boston to Cambridge or Lexington, or out of Chicago to Evanston. Therefore, the home office bean counters suggested moving the Tokyo office to a distant suburb. The local manager agreed this was a feasible option, but if executed most of his staff would look for jobs elsewhere.

In many countries it is most common for sales people to work out of their homes. In Japan there are district sales offices where MRs report to work to begin and end their day. So everyone has a desk. Corporate types eager to demonstrate their ability to cut costs regularly recommend closing the sales offices in Japan which incur very high rental costs. In cases when the local manager did not push back against these recommendations and agreed to close the sales offices, morale in the sales force plummeted. Homes in this playing field do not have room for promotional materials, a desk, copy machine, etc. And what would the neighbors think of a person who does not have an office address?

Where does it say that?

In a heterogeneous society like the USA, regulations are written out in detail, and an army of lawyers help to explain the rules. In a homogeneous society like Japan much is understood through prior practice, and regulations are loosely written so as to permit flexibility in execution. Therefore, personal contact with Ministry of Health officials is critical in understanding what data will be required for their review and approval of a new drug.

A good example of this difference is the current status of developing and registering a biosimilar product. One home office simply could not believe the process in Japan is essentially akin to registering a new drug. They wanted to see the written regulations and could not understand the meaning of administrative guidance which is largely unwritten.

What is the solution?

The executives I meet who do not suffer from ill advised home office “advice” have benefited from some of the following actions:

1. Have a boss who knows Japan and gives local management 100% support vis a vis less knowledgeable colleagues.
2. Have the company CEO and his direct reports come to Japan and get a good briefing from people inside and outside his own company on the nature of Japan’s playing field.
3. Do not complain about silly requests from headquarters, but encourage local staff to explain the reality of Japan in clear logic versus simply stating “Japan is different,” which says nothing.
4. Welcomes visitors but also provides opportunities for the Japanese staff to spend time in the home office.
5. Recognizes but does not get sucked into the political games that all too often permeate a corporate culture.

Those who succeed in Japan appreciate there are two job descriptions for senior management. One is doing business with the home office, and the other is doing business in Japan. For a win/win outcome neither must be neglected. Most often this requires two different people because it is the exceptional individual who can do both jobs well.