

Old perceptions of Japan persist



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By P Reed Maurer

Japan may have the dubious distinction of being the least understood pharma market in the developed world, writes long-time Japanese industry watcher P Reed Maurer, president of International Alliances Limited, in his exclusive column for The Pharma Letter.

This is strange given the fact Japan has been open for business since the end of World War II. Ignorance is not bliss when competing for market share in Japan's large market. Old perceptions sap the energy of executives sent here to build and lead organizations, that is when they are not back in the home office trying to explain the how and why of differences in Japan.

Is Japan different?

During a recent lecture given to graduate students at a business school in a Japanese university, I asked if they believed Japan was different from the West. The unanimous response was YES. We then proceeded to discuss a few of the differences.

After arriving in Japan 47 years ago I started a list of actions and expressions, both verbal and non-verbal, that were different. The list grew longer every day until I decided it would be more productive to adapt to the differences rather than identifying them.

Is Japan changing?

While there is general agreement that Japan is different from the West, there is disagreement regarding both the pace and direction of change. In my experience there are three opinions.

First are the people who believe nothing changes in Japan. Their favorite phrase is “same old same old.” Those holding this opinion have a hard time adapting to what works in this culture. They become more and more negative over time and lobby for a transfer out of Japan.

Second are people who believe Japan is changing to become more like the US. Those who hold this opinion focus on the Japanese who eat with a knife, fork and spoon, wear Western clothes, sit on chairs, hang out at Starbucks, and prefer Western style toilets where you sit instead of squat. These people only know Tokyo and eat at the American Club. This is akin to Japanese who live in and enjoy New York City but rarely go further West than the Hudson river.

Third are people who recognize Japan is changing but maintains its “Japaneseness.” Young people have different views, objectives, and interests than their parents. They prefer to travel with close friends rather than in large groups with a flag waving leader. They adapt quickly to the digital revolution and new technology. But underneath the exterior they are slow to change traditional values, and the basic structure of a very civilized society.

Business perceptions from afar

Consider the desire of a visiting home office executive to talk directly with the CEO of a Japanese company. He believes this is the only way to get a quick decision to justify the time and expense of traveling to Tokyo.

This perception fails to appreciate the typical process of decision making in a Japanese company. Basically, it is a bottom up consensus procedure versus the top down process with which our visitor is most familiar. Both decision making methods have their disadvantages and advantages, but most often result in a similar time lapse between initiation of the process and execution of the decision.

It takes more time to reach a bottom up consensus versus making a decision at the top. However, during the process of reaching a consensus everyone gets behind the execution of a decision. A decision at the top can be done quickly, but getting everyone on the same page is problematical. This delays effective execution.

Evaluating a license or buy proposal

New products drive growth in the pharma industry worldwide. In Japan new products are essential for the survival of any company. Several reasons are:

- Japan has always and will continue to reward innovation with a combination of high initial prices, strong patent coverage, timely regulatory review, and rapid diffusion/adoption in the market.
- Over time prices are reduced, so the only way up the price curve is to launch something new.
- Older, off-patent products face a going-out-of-business scenario as the share of generics increases with government support.

The days are past when a pharma company could rely on its own internal R&D resources to provide a steady flow of new products. Thus, companies must reach out to outside sources for new ideas. They include academia and start-up companies which are located worldwide because no company or institution has a monopoly on original innovations.

This process requires a strong licensing in team to identify and secure new product opportunities. Many companies have the same objective, so the competition is fierce. The winners are those who:

- Can identify and understand the science behind new product ideas.
- Focus on limited therapeutic areas. No company can be interested in everything.
- Calibrate and understand the risks of developing a new idea into a product, that is from the lab bench to a patient
- Make go/no go decisions faster than the competition.

Given what was said earlier about the consensus style of decision making in a Japanese company, one can clearly recognize the disadvantages of this procedure in evaluating a licensing or acquisition opportunity.

Companies with new technology who want to license out to a Japanese company must understand the decision-making process to conclude a win/win deal. The old adage of “Know Your Customer” never goes out of date. Forget what Japan was yesterday and appreciate what Japan is today.