Interview with Curd Lejaegere, Managing Director, Daiichi Sankyo Nederland

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“Two traditions one vision” was the phrase used to describe the 2005 merger that formed Daiichi Sankyo as it is today. While referring specifically to a corporate merger, its message of marrying two different cultures can be applied to the process of managing the Benelux region given the different market regulations and dynamics of each individual country. What is your strategic approach towards product placement, market competition, and managing the various subcultures in the Benelux region?

“Two traditions, one vision” reflects the pre and post merger parts of the Daiichi and Sankyo businesses. Generally, we in Europe did not feel the merger too heavily since Daiichi was only represented on the R&D side in London while Sankyo, traditionally, was looking for local partners with big and well known companies. The merger of Daiichi and Sankyo neither in Belgium nor the Netherlands has been very profound; it was more about where we came earlier from – the Luitpold business, which had a huge business in the Netherlands, bigger in fact than in Belgium. They were hit by the sale of the Luitpold business to Stada at the moment of the merger and have been further hit in the Netherlands than in Belgium.

The different cultures in Benelux are an issue indeed. The main ingredient for our approach is respect for local values, alongside integrity and innovation. We have to respect local values. For example, I will always be a Belgian in the Netherlands – always a foreigner. But I will never impose or implement Belgian culture or Belgian values in the Netherlands. This is the essence of the

regional concept at Daiichi Sankyo. Respect for local values is primarily done through our sales, marketing, and medical implementation units, while the support functions of finance, human resources, control, and information technology operate more broadly from a regional scope since there are “no borders” in their activities. But wherever the border does end, it is essential that you assess how the marketing organization fits into the local values. Mistakes come when approaching customer needs from a regional perspective, without respecting local needs and therefore not respecting your organization.

For example, the Netherlands and Belgium have approximately the same number of first-line physicians, but completely different systems for the organization of first line healthcare. There is an obligation to have a first line physician in the Netherlands, which is not the case in Belgium with its open access system. Similarly, not all doctors in the Netherlands accept industry visits. You therefore need to look at other ways to communicate with your customers.

We are constantly coming to understand the trends and challenges facing the Dutch pharmaceutical industry – long delays in getting products to market, discouraging reimbursement schemes for innovative products, and potentially steep budget cuts in healthcare, to name a few. What are the main trends defining the Belgian market?

I think the Belgian pharmaceutical market is just as challenging as the Netherlands, if not, even more complex. What we suffer from in the Belgian market are short term actions to control budgets. After linear price cuts come additional taxes and built-in systems in which industry has to pay for overruns in the healthcare budget in a pro-rate form. Those short-terms actions and delays in pricing, reimbursement, and registration are negative aspects of the system.

I believe the advantage in the Netherlands is their flexible regulatory system. They are also very advanced and efficient with their electronic processes for dispersing healthcare information – e-forms and e-education for example. These processes and procedures are very advantageous since they provide speed and flexibility.

On the other hand, it means that your customers want their independence, perhaps more than other European countries because they can independently look for and build up healthcare information within their own network.

The organization of first line physicians is also different because they have a tendency to group together and work with each other through pharmaco-therapeutic discussions amongst pharmacists and specialist GPs. Typically, one physician will take the lead for diabetes and another in cardiovascular risk, for example, with each specialist setting the guidelines for a larger group of

physicians. There is less competition because they are too few physicians for a large, fixed number of patients.

When our colleagues met with your counterpart, Antonio Reale, for the Italian report, he boasted about his affiliate's strong financial performance which tripled turnover in a five year period. Within these macro-parameters that you are describing and compared to other European affiliates, what has been driving growth in the Benelux region?

All over Europe, every Daiichi Sankyo affiliate head has been deliberately chosen for their respective position based on previous industry experience. While you see other big pharmaceutical companies shrinking or encountering difficulties with patent expirations, we still bring products to the market. We are in a "winning mood" to grow our existing franchises. The luxury that Big Pharma had in the 1990s launching new products every year is somewhat similar to what we are experiencing now, but in a decade of shrinking healthcare budgets which requires taking into account other parameters besides bringing a product into market. Today we must also consider the affordability of products and ever increasing price pressures.

What happened over the last four years was affiliate growth from €11.5 million in turnover to close to €20 million through a mixture of new launches and a taking over of raloxifen (Evista) from Lilly. The difference in financial performance that I see in the Netherlands is that the Dutch market typically has slow uptakes, but continuous growth. Other markets have initially steep curves which eventually flatten out after two years. Initial returns and results take longer in the Netherlands, partly driven by entrance guidelines or initial market accessibility constraints.

Admittedly, Daiichi Sankyo is still a small player in the Dutch market. But we have solid and healthy foundations in place and a bright future in front of us. Difficulties naturally arise from competing in markets with a high volume of generics. That produces a completely different setting for the Dutch environment compared to other countries. The Netherlands has the reference pricing system and open biddings where you see that your product is active in a therapy area where there is already generic competition. This goes in a different league since doctors are directed by the healthcare system to start prescriptions with generic products. In the hypertension-ARB market where we are active, we are 7th in the market. Essentially the last four entrants are fighting for 10% market share with the first 80% being split up amongst the first three entrants. If those go off patent one after another, then you are in a completely different setting, which doctors prefer since they are driven by generic prescriptions.

Looking at mid-term targets, Daiichi Sankyo's European Group goal is to average 10% annual growth and €1.2 billion in net sales by 2012. Would you say that Benelux is a large and important driver of European Group growth?

I would be delighted to say yes. Realistically, however, we are limited by our population. I cannot change the fact that we are only 25 million people here; not like Germany or France with populations of 80 and 60 million people, respectively. But if we compare Benelux with other regional performances then we are more than comparable to the leading European affiliates. The top 5 markets are responsible for more than 80% of that €1.2 billion goal with the rest of the countries in Europe contributing to the other 20%. Within the region, Benelux is more than favorably competing with the UK and our turnover is in fact higher than theirs.

We are a young, growing company that has decided to bring to market our own research starting with Olmesartan. We previously supplied the pravastatin compound to Bristol-Myers Squibb (BMS), but here in Belgium we could take a second brand, which was not the case in the Netherlands or the UK. We could also take products from Novartis, which are cash cows here, in the cardiovascular area. Our approach is to be a bigger and more prominent cardiovascular player, which we have made lasting strides in as a company overall and within the European region specifically. We have done a lot of good things both globally and in Europe to demonstrate that we are becoming a more prominent player in the cardiovascular field.

Leveraging the synergies of the U3 Pharma acquisition, Daiichi Sankyo now has several oncology compounds in various phases of development. Oncology is an area that is drawing significant pipeline activity from many of the major innovative companies in Europe. How do you see your products fitting into a crowded and competitive oncology landscape?

If I am well informed, there are more than 300 compounds being investigated in oncology. It would be a pity if we as a company could not play a role in oncology. Will we be a major player? Probably not. But for the future it is crucial that we develop a second and third field of expertise after cardiovascular care. I believe it is a very wise decision of the company to deliberately choose oncology as the market to concentrate our R&D activities next to cardio metabolic therapeutics. If our company wants to see itself as innovative, then this is a huge and optimal field where development and progress can be made. However, we need to be careful in choosing the right therapeutic areas within oncology to focus on; otherwise we can venture too fast and too far in areas where there are more established and represented players than us. I believe that we can make a big difference in areas such as carcinoma or more difficult to treat cancers, as opposed to colon or breast cancer where there are already many established players.

Daiichi Sankyo's hybrid model is spreading this company out functionally across many therapeutic lines and geographically throughout various global markets. The company is seemingly transforming itself into a "one-stop shop" for everything from generics to biotech products. Do you subscribe to the philosophy that the biggest is the best? Do the two necessarily equate?

First in class or best in class is an ongoing discussion. You have to approach this from the perspective of having the complete access to the full life-cycle of a product, from early stage R&D to commercialization and post-patent phase. Post-authorization is something that we left to generics in the past; but with current price pressures and the changing environment, we want to retain patients as long as possible since we still have something to offer following post-authorization. That philosophy lends itself very well to the hybrid model since we will be hit by price reductions and competitive biddings, depending on the country. This also allows us to keep your experience and expertise within the company. I see this happening with some of the products that have already been compiled. The pravastatin compound was brought into the broader world – outside of Japan – by BMS. However, in Europe, we went with our own second, branded generic when the patent expired.

We often discuss this issue with research-based companies – that there is a thinning line and increasing activity in the field of generics.

When I started 20 years ago there was trade media announcing that they would never advertise for generic companies, but instead, only deal with innovation. That policy is now completely gone! I believe it is driven by affordability issues and what is considered "good health." A company cannot tell its patients that it is in the company's best financial interests to deny certain products; it has become an ethical question. On the other hand, there are limited budgets, depending on the healthcare system. In this region we have two super, excellent healthcare systems: one with total free access and another with controlled access but excellent medicine. People are very well treated for and it is one of the advantages that will never be given up. Otherwise, when you touch on access to treatment and medicines, you risk being perceived as intervening in peoples' lives.

There is a huge debate about this issue in the Netherlands, since healthcare is essentially free. There are private insurance holders who pay their annual premiums, but who do not want to pay for medicine, so everything is expected to be free. The same issue does not exist in the US or Belgium where people at least pay 25%-30% co-payments and some products are not even reimbursed. In the Netherlands, if a product is not reimbursed then it does not sell. That still has to change or be challenged, I believe, but people are unwilling to give up on such beautiful access. We have been looking at models from the past and are today saying "it stops here," which is driven

by the fact that we still want to offer more to the patient through new models that come along that are integrated into new business units. This is all part of the new approach of how innovative pharmaceutical companies react to changing environments.

Daiichi Sankyo wants to build synergies across the full life-cycle of a pharmaceutical product. The Netherlands, meanwhile, is very well known for its research infrastructure and culture of scientific innovation. How can this company capitalize from and strategically align itself with Dutch research?

We see that there are more and more requirements for clinical trials to have local data. There can be an innovative product to a standard therapy which is in a setting. If you are talking about recruitment for your clinical studies, then there is already competition from Eastern Europe since Western Europe already has good treatment and tight protocols.

A second aspect is to get local registration for your value dossier. The advantage I see is that in countries such as the Netherlands where there is an excellent track of clinical trials and good clinical practices, centers that participate in trials build credibility throughout all of Europe and gain a starting point for local data. I feel that in the Netherlands it is even more important to have local data than in France or Belgium, for example. The Dutch authorities want to see what is really happening in their country since pharmaceuticals are a direct intervention into the healthcare system. To give an example, if a patient has a heart attack then an ambulance will come with its own protocols; the emergency room will have their specific protocols; then the hospital has unique protocols; and any referrals from one hospital to another will follow specific protocols. Similarly, before the system accepts products there is a need for local data and for people from that country to be involved in the clinical trial setting. How everything translates into practical guidelines and use is a different story. But above all, there needs to be experience with the product locally. Authorities do not easily accept fantastic trials from New England with fancy graphs. There needs to be a sense of local content and there are a lot of good ideas coming from strong cardiovascular research centers in Rotterdam, Leiden, Amsterdam, and Maastricht.

With 12 affiliates throughout Europe, Daiichi Sankyo has the largest presence of a Japanese pharmaceutical company in Europe. As more regionally managed affiliates pop up throughout Europe and their business models are constructed, what best practices do you think they can extract from Benelux? What trend would you like to set?

Interestingly, it has been a little bit of the opposite so far since this affiliate emulated the models of the German-speaking parts of Daiichi Sankyo’s affiliates – Germany, Austria, and Switzerland – for our set-up. Future affiliates, meanwhile, can learn from our experience in product launching

sequences. All of the countries lined up next to each other have launch sequences. Products can be spread all over Europe but you have to study how to implement them and extract the best lessons from the successes and failures, which is what we have gained considerable experience from in this region.

What we try to do, and hopefully it comes true to a greater scale in the future, are exchange programs. We would like to see more short-term European assignments with affiliates with whom we can share experiences and help other countries prepare for early launches. That is the advantage that I see in the operational side. Within the support functions, finance and HR can work closely with our headquarters since the group is small. So far, we struggle with the lack of job rotations within smaller affiliates. You can do a lot more for the development of your people by working from a regional model.

You mentioned earlier the importance of extracting the best lessons from your successes and failures. On that note, what advice would you give to someone coming into a managerial role in the Benelux region?

I would stress the importance of active listening. Go out in the field to listen and learn from your customer. Too often I have seen people thinking that they know things and applying hard work within the four walls of an office only to learn that their model does not match the customer’s needs.

Honestly, there are not that many hidden secrets as to how to run your organization well. Respect for local values and the long-term commitment that is inherent in Japanese companies gives us the relative freedom to act and to really bring something forward. I always say that from small little Belgium I have had valuable experience working with the US, followed by European experience, and am now benefitting from exposure to Asian culture. I have crossed the world by staying here! Working here I see three different cultures. I see the centrality of American operations through our partnership with Lilly, which is complimented by the long-term commitment of Japanese corporate culture.

Finally, a simple piece of advice is to keep your customers central.

What would be your final message to the readers of Pharmaceutical Executive and the international pharma community?

Be proud of your country and the company that you are working for. Specific to the healthcare setting, feel lucky that we have good healthcare systems here in Benelux. My aim with Daiichi Sankyo Netherlands is to contribute in a positive and appreciated way towards patients, doctors,

and healthcare organizations. I believe that we have the right products and we are working hard to develop them in order to realize their fullest appreciation and potential in the local industry. My aim is to achieve that full potential.

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