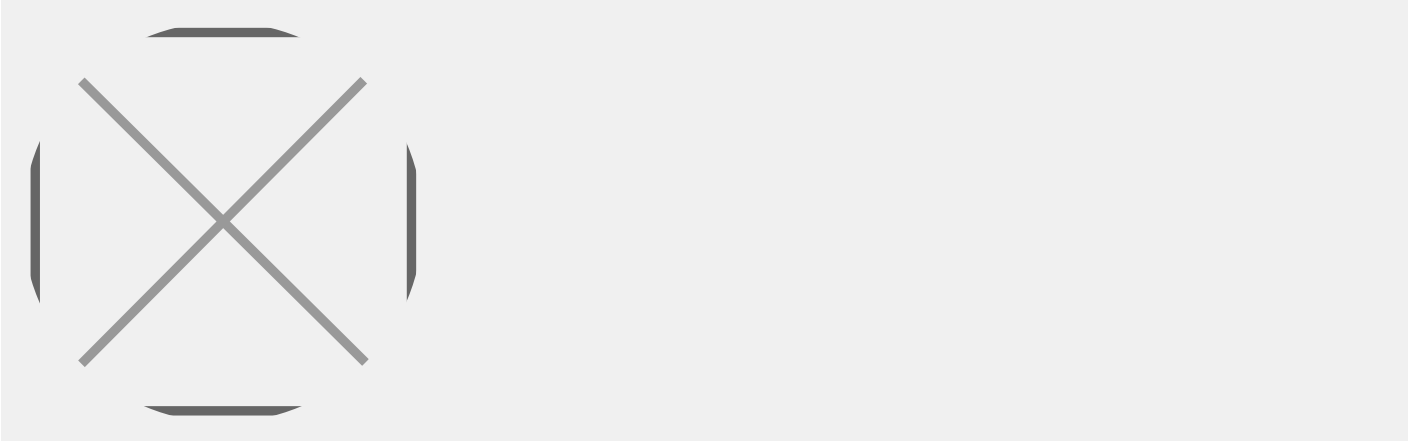
Interview with Christian Deleuze, President, Daiichi Sankyo France



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christian-deleuze-president.jpg

Well we met your Italian c league, he noted that they had tripled their turnover in a five year period. You haven't done badly yourself in the relatively short period of time you've been present in the Market. Is this a European-wide phenomenon for Daiichi Sankyo or is there something special going on in France?

They may have tripled in Italy but in France we've gone from €16 to €130 million which is eight times growth. The first secret is that we have good medicines allowing us to enter some therapeutic areas where the need may not be fully unmet because they are best-in-class products. Daiichi Sankyo has a long history of competent molecule development.

Secondly, due to our history of successful products it is easier to create confidence in physicians. When you have a history of drugs like Pravastain its much easier for those prescribing medications to accept your new products as best-in-class.

We are a small company here which allows us to maneuver difficult environments but there is also strong support from Japan. To add, I feel the Japanese culture of the company gives us a long-term vision and confidence in management that may not exist in our competition. For example, if you look at the heads of the pharmaceutical industry in France in two years you will find someone new in many American companies. Conversely, if you look at the Japanese companies present here; many have had the same managers for half a decade if not more. We're here to see the results of our actions so as a result establishing a mid-term strategy is easier in Japanese companies.

Daiichi Sankyo has a long tradition of successful medications. Recently have launched several new ones in France, the most recent being Efient in collaboration with Eli Lilly. Can you speak to what your hopes are for these products in the market?

At the moment we have narrow indications which provide us with a good opportunity to establish our superiority in a niche field that has a high level of medical necessity. In the case of Efient, people are dying from their pathologies and while Plavix is an option on the marketplace some patients have a resistance to the treatments currently available. Currently, we have a dominant hold on for this first indication but looking three years forward we believe there is the opportunity to have 80% of the target population treated by our offering. This is a positive way to set the stage for our next, broader indication and the best way to enter a big pathology market as you need to clearly demonstrate efficacy as well as safety. All together we should make between €30-40 million in the coming four year period

Daiichi Sankyo's European headquarters is based in Germany where the group has been present since 1989. Meanwhile, France has managed to become the premier affiliate in a seven year period; how did this happen?

In Germany, the business was founded on an acquired company two decades ago and perhaps they had to learn how to change their business model to fit. On the other hand France had the benefit of starting from scratch which can be easier because you have the opportunity to see exactly what you have to become in order to be successful in the market. Therefore I would say I had the easier part of the job as I had all of the choices.

When we started in 2003, there were five people in the office and I have met every single person we have hired since then. We have built a company of individuals that share the same desire for adventurous work. This is an organization of builders and in many ways has the energy of a large start-up. Most importantly we have the respect of one another because this is the only way to create a true long-term exchange of value between the company and the employee. You cannot only look at the shareholder's side of the business; as a manager you have to consider both parties interests.

Do you feel this comes from the Japanese influence?

No, this is my personal sentiment but made possible by the fact that this is a Japanese company. I'm allowed to put in a lot of my own local insight to make these operations as efficient as possible. Japanese companies tell you where they want you to go but will leave you the flexibility to go about doing it. This is very different than a US company that may have to deal with guidelines handed down from the top.
Compliance is a good example of this difference. In most US groups it's driven by the memories of scandals past where as in Japanese companies it's prompted by clear laws.

Daiichi Sankyo is one of a handful of companies hiring in a difficult market. How do you distinguish from the crowd to find the employees with the qualifications you are looking for?

Five years ago we were small in the marketplace and we had to hire a lot by word of mouth. Today, due to the ongoing market scenarios there is a lot of choice for us including many candidates from big companies some of which are already out and others who are looking to leave!

The important thing is to be clear in during interviews as to what the mandatory qualities of the job are. A fair deal happens when both parties state what you will and will not find. This is why we are very clear that there is little in the way of comfort here; we have grown too fast to install amenities you may see elsewhere in the industry. You need to have a bigger sense of responsibility when working with our company because we are still young in this market. Most of all we look for candidates who clearly show their abilities and not overstating who they are. Authenticity is an important base to trust and when it comes to management trust is at the center of everything.

Historically, many Japanese companies used Japanese managers to run their European affiliates. Of course, this is no longer the case in France, why is this?

Generally speaking managers here are French doctors because they have the respect that comes with the Hippocratic Oath all doctors must take. The notion of ethics doesn't enter discussion because we already swore 20 years ago that everything we do will be based on what is needed by patients. Moreover, the money we earn will only be as a consequence of the wellness we give to our patients. This is an important principal that aligns with the Japanese understanding of how to run a business.

Technically speaking, I was not hired by the Japanese but rather the Germans from our European headquarters. My hiring process was fairly quick because I already had an idea of what I wanted to do after seeing other pharmaceutical companies. I knew I wanted to do things differently than what I had experienced and was convinced that a network of competencies would work better than expertise alone.

Did it ever cross your mind that this was a Japanese company rather than an American or European one?

To be honest, the portfolio was much better so I was not obliged to look for what I had to buy to survive!

That being said I feel that Japanese companies have the capacity to accept that they don't know everything about everything. For instance, when they conduct clinical studies they understand that different populations have different genetic composition which is something they have to consider with every development. With this particularity clearly in mind they have an innate understanding

that their culture and lifestyle may be perfect for Japan but cannot fit in other locations. Rather than try to change you they give you the freedom to adapt to the local culture.

There is a Japanese pharmaceutical association here in France, is this due to the way the French government approaches Japanese companies or is it just a forum for similar companies to discuss? Why create this group?

While I will not comment on the particularities of this group, LAJAPF, as I am not longer president I will say it's a very fair organization. The presidency rotates every two years which means there is no campaigning or political discussion. Moreover, when you're the one running the group you're motivated to take care of the position because you know that in two years somebody else will be in your spot and you want them to do just as good of a job. In fact, I would say it's the most democratic pharmaceutical syndicate around.

Having such clear rotation system allows us to have real discussions about the pharmaceutical landscape in France and what positions we would like to defend in the LEEM. As to whether or not this is a Japanese particularity, I'm not sure but what I can say is that we are very efficient. This group is fairly small but we have managed to create some influence in the LEEM and shake up an older institution.

For a number of years Japanese companies were highly insulated preferring to stick to the Japanese market – which you can afford to do for a while when you comprise the world's second largest market.

Obviously you cannot survive on a single market in today's globalized world! For the last 100 years Japanese companies have enriched American groups with co-promotional and co-development agreements. Yet American companies began to compete in Japan which undermined their Japanese development abilities and pushed companies to invest in other markets to stay competitive. Today, Pfizer is ranked 3rd in Japan which shows that in order to survive Japanese companies have to penetrate other markets and take margins where they can find them. In particular this means going to the US where most of the world's pharmaceutical margins are made.

Even so, France is the third largest market so you have a lot of work cut out for you.

That may be true, but when you look at Daiichi Sankyo Europe, in units we are near even with the US affiliate but their margins are four times as high! Until a reform comes – which is probable – this will continue to be the case. The challenge will be when the industry has to learn to live without these margins.

Then you already have a head start here in France.

Europe has been ready for a long time and I feel like the real shock will be to investors rather than the employees of pharmaceutical companies. Many shareholders have yet to understand that the industry must shift from what it was 20 years ago.

What do you feel is the biggest issue facing the industry in France at the moment?

In all likelihood, the biggest problem companies are facing right now is ensuring that our innovation is recognized in pricing. When the innovation is recognized we can have a good price on level with the rest of Europe. However, the Haute Autorité de Santé (HAS) doesn't recognize your innovation in the same way as other markets so proper recognition is difficult.

The HAS is understandably intended to be independent from the pharmaceutical industry but there is a difference between experts and expertise. If you have never been involved in a clinical trial it's hard to truly understand the process and – as far as I know – in order to have experienced clinical trials you had to have been in a pharmaceutical company.

This is not just specific to France; it's a worldwide problem. How do you ensure the independence of experts while not excluding the best experts in the world who are in the pharmaceutical companies?

If the government wants to continue to enable patients to access the best products at the earliest possible period then there needs to be a recognition of innovation and an acceptable price for companies to continue R&D. Should this not be resolved the industry will be in trouble and neither the patient nor the system has anything to gain from such a situation.

You've been very successful in founding this affiliate; what are you ambitions for the coming years?

Last year we doubled the employees in our affiliate and it took about five years to reach 250 employees all with a shared vision and culture. It will probably take another five years that 250 new people come to the same level of performance and understanding. My clear mission is to make sure all of these people can work together and be happy as a part of Daiichi Sankyo.

I generally remind my colleagues, we are too small to change the world but at the very least we can change the world we have control over. If I can manage to make better lives for the people working within my organization compared with those outside than I will be absolutely pleased.

When we started this group many of my managers had possibilities to develop themselves in other companies but instead chose to stay with on our team over the years. I feel a responsibility toward these employees who followed me years ago to ensure our operations continue smoothly and that they benefit from the satisfaction of our shareholders. This reflects the traditional Japanese mentality that when a company does well it should translate into benefits for the employee yet

should things go poorly it should also impact the employee. This philosophy goes without saying in Japan and is not the case in many Western companies.

In line with this ideology I want to participate in the global vision of Daiichi Sankyo to become a Global Pharmaceutical Innovator and increase our foothold in the market. Worldwide the group is ranked 20th with the ambition to become 15th in the next five years. There is no reason why in one of the biggest markets with a healthcare system that recognizes innovation and guarantees access to patients that we cannot be a part of this growth.

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