

Interview with Sebastiano Castorina, CEO, Takeda Italy



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Takeda has more than 25 years of history in Italy and reached the 20th position in the Italian market- a striking performance in a context when it is still rare to see Japanese companies being very successful in Europe, with such a different culture. Which main guidelines of the Italian operation enabled such a success?

Takeda's Italian activities are divided between the manufacturing plant in Cerano whose workforce accounts for 150 employees, the commercial division in Roma employing another 150 people, and the scientific information segment with 300 sales representatives covering the whole country. The main driver behind such a success story has been the strength of the industrial side of the business. Until 2003, the Cerano plant was only manufacturing products for the Italian market and carrying third part production for Sigma Tau. But a re-organization of the model has been implemented in the past years, moving from one to two working shifts (even going up to three shifts for part of the year) in order to increase productivity- though maintaining a very good collaboration with unions, by working together as to take into account the worker's needs and find the right solutions. As a result, Takeda's central production division transferred all the manufacturing activities aimed at European markets in the Italian plant- Germany being the first market, followed by the UK, France and Italy. Cerano is now the group's second biggest European manufacture, and achieved significant successes in terms of quality and productivity, developing the right production and packaging processes to be applied to raw materials coming from Japan. Looking at Takeda's commercial activities, the company had to face in the past six years several price cuts representing a total of 65% of the initial prices, together with the entry of Lansoprazol's in the generic's market. Despite such impactful factors, the company's turnover jumped from Euros 140 to 225 million in 2008, relying on the new business model, the increased productivity and the

reorganization of the field force. A unique performance was achieved in Italy after the expiration of our molecule Lansoprazole: whereas 300 000 units used to be sold each month when the product was still patented, the monthly sales have now increased up to 1 million packs, thanks to an effective cooperation between Takeda and the Local Health Authorities.

Which elements of the company's Japanese culture have helped, and how challenging has it been to apply them to the Italian context?

The first of them is the concept of 'mid-term plan', which encourages shortening the time frames in which targets are set up and results achieved. The second element that Takeda Italy imported from the Japanese culture is the 'Don't Kill the Future' motto, which is against the idea of getting short term profits by cutting costs and reducing the workforce without considering the most strategic actions to be taken in order to achieve sustainable growth in the future. The concept of Takeda-ism represents the values of the company. Among these are performance's ethics, perseverance towards improvement and results, and team work. In my opinion, the era of self-made men ended with Bill Gates – and for this reason, Takeda's philosophy is to work together as a fully integrated international group. The workforce's acceptance of the recent changes implemented in the company relied on our ability to explain in a simple way the values and principles of the company, quarterly giving a clear view of the targets and objectives, addressing not only the sales force, but the employees as a whole. As a result, applying Takeda's mission and values in the Italian affiliate has been an easy process.

Could you describe the strong identity of the Italian branch and its relative importance in terms of revenues and growth for Takeda from a global perspective?

Takeda's most important affiliate is the Japanese one, followed by the US and Germany, and then Italy and France competing for the fourth position. Therefore, Italy is a main priority for the group. Firstly, the Cerano Plant is recognized as a manufacturing hub for all the European markets, which makes it one of the group's major production sites. In addition, the Italian market's specificities – in terms of culture, market access challenges, and regionalisation dynamics- make it a good laboratory to put in place some experiments. For instance, the example of our molecule Lansoprazole could be followed by other products whose patent will expire in the coming months.

What was the rationale behind choosing the Italian manufacturing site as a centre of excellence and a production hub for Europe, and how do you adapt your investment policy to maintain the plant's profitability?

While companies tend to relocate their production facilities in countries where tax systems seem to be more advantageous, Italy can offer a good balance between cost, productivity and quality. Such a focus on quality, together with the 'Italian creativity', is the main reason behind the success of the Cerano plant. But in order to maintain this competitive advantage in the long term, the government

has to take some actions to attract more FDI in the fields of R&D and production- by adapting the tax system, improving the relationship with multinationals, and working towards more transparent legislations. In order to maintain our site's excellence, a lot of investment is dedicated to human resources. As Cerano is traditionally a land of textile industries, Takeda took advantage of the hiring opportunities offered by the recent crisis of this sector to attract the best talents and convert them from textile to pharmaceutical production- which is, in my opinion, the best key to success. In addition, Takeda Italy is continuously investing in new production lines and state-of-the-art technology, in order to increase both the plant's productivity while maintaining a high level of quality.

Despite the legal framework not being adequate yet in Italy, how challenging is it to convince Takeda's headquarters to keep investing in Italy?

A main factor of success of Takeda Italy which kept convincing the headquarters to invest in the country has been the company's ability to develop very good relationships with unions and delegations, and successfully anticipate the workforce's will, in order to avoid problems such as strikes. For instance, when the production successively moved from one to two and three shifts, the employees understood that this is the future of production, and did not protest. Another important feature of the Italian branch is the hard work it puts into clinical research activities.

How do you assess the environment for R&D in Italy?

First of all, it is difficult to assess the potential of Phase I and II clinical studies in Italy. Despite this segment being the most strategic, it is not very developed yet in the country, due to legal difficulties and long delays for the projects approvals. On the other hand, Phase III and IV studies are critical to assess the potential of each drug in Italy, according to the country's habits and lifestyle. Despite the legal framework not being very helpful either, with long approval delays from the Local Health Authorities, Takeda insists in increasing the number of clinical studies conducted in Italy, as well as strengthening collaborations with the main research centres in the cardio-vascular and cardio-metabolic fields to develop studies about cardio vascular diseases, diabetes, and the possible complications between both. As AIFA is increasingly working in adapting the legal framework to increase R&D investments, Takeda Italy is willing to further develop this segment in the future, betting on research to keep entering new therapeutic areas such as oncology, inflammation therapy and erythropoietin. 'Growing together with Italy' for Takeda goes beyond productivity and research – the company also promotes health through a number of initiatives related to art, launches risk awareness campaigns for chronic pathologies and voluntary initiatives towards environment protection.

What do these projects say about Takeda's commitment to the future of the country and the health of its citizens in the long term?

I strongly believe that to secure their future, pharmaceutical companies don't only have to work on their product portfolio, but also put efforts in building a strong brand equity. For this reason, Takeda is willing to develop very good relationships with the Local Health Authorities, the National Government, as well as, of course, Italian citizens. In this context, a number of initiatives have been launched in public places such as airports and train stations to raise the awareness of the metabolic syndrome and launch educative messages about the importance to have a better life management, and the actions that people can take in their daily life to improve the cardio-metabolic drugs efficiency. The last 'Capodanno d'Arte 2008' in Milan was a success, and similar initiatives will increasingly be taken in the future.

How important is it to carry such activities not necessarily related to the traditional pharmaceutical activities, in terms of building the company's image?

In the future, having built strong brand equity might be a significant added value for pharmaceutical companies. Success will depend on their ability to be recognized not only by doctors and specialists but also by the local population- and getting such recognition requires to be specialised in a number of fields like research, development, risk management, quality, and pharmaco-vigilance, above manufacturing activities themselves which are the core business of generics companies. By really making the difference, innovators can generate successes such as the one of our molecule Lansoprazole, where patients prefer to pay a little bit more and choose a product they fully trust, instead of the generic version. In the case of Takeda Italy, the very complete portfolio offered in the LHA, oncology and erythropoietin areas, covering both specialist and primary care and combining quality and value of the products, also contributes to the company's image. Takeda is also well-known to be a company which focuses on the internal growth of its employees as a main driver for the group.

How do you apply the principle of 'Takeda-ism' to the organization of the Italian workforce?

Talking about values is difficult and sometimes sensitive because people are not always able to concretely assess some concepts such as perseverance or team work. Takeda tries to implement these attitudes in the employees' daily work, by organizing activities such as the 'Month of Takeda-ism', distributing gadgets that remind the Takeda-ism principles, allocating special premiums, and above all trying to explain clearly the company's expectations. In this way, the workforce can understand how being 'ethic' is all about slightly transforming some modes of action, and being 'perseverant' mostly relies on continuously working towards increased efficiency. Some concepts such as 'team work' are more difficult to implement, but overall, after one year of Takeda-ism, I can say that the main values are now part of Takeda.

Looking at the future, where do you want to take the company in the coming years?

The future is not easy to describe in a pharmaceutical industry that has been completely reshuffled in the past years, from R&D processes to business models, implying changes in the workforce's mentality. All the companies currently have to consolidate their structure and reinvent themselves, in order to face emerging threats but also to take advantage of the many opportunities still offered by the market. Unlike in the past decade, the first phase of a product's introduction in the market is now marketing, followed by the Health Technology Assessment, and then the sale itself. It is then important for a company like Takeda to work on the post-sales processes: develop the relationship with clients and Local Health Authorities, and demonstrate the products' added value, which is Takeda main focus at the moment. In addition, Takeda is currently in the process of progressively adapting the business model and action mode on the field to evolve from a primary care focused company to a specialist-focused one. In the case of the Italian market, primary care is still significant- but its is worth mentioning that as pharmacists are increasingly important compared to GPs, new strategies are being put in place in order to better target them. As for specialty care, I personally believe that the specialists' market will evolve in the same way as primary care did in the past, with growing competition stemming from the increasing number of compounds developed by most companies in the fields of oncology and CNS. On the other hand, 'super specialists' will emerge as the most specialised market, while orphan drugs will become the new important business line to be developed. Primary care itself will take the same direction as the mass retail sector, with low prices, high volume and low profit. And a new type of competition might come from the recent wave of laboratories developing 'phood'- like for instance yogurts claiming to lower cholesterol. Food groups don't have a good knowledge of the legislation and the doctor's mentality, but know very well the market- which provides them with promising opportunities in the sector.

On a more personal note, what is the best lesson you learned from your international career, in terms of management stile?

I consider my various and international experiences as the most important and tangible value of my carrier. It enabled me to witness different types of business models- with for instance Italian companies being more focused on growth, French on planning, Swiss on market share, and American on profit. As a Japanese company, Takeda focuses in 'not killing the future', which is, according to me, the best philosophy towards a brilliant and sustainable success.

What would you say is the secret to succeed in the pharmaceutical industry?

There is no other secret than passion. Whereas growth was easy to achieve in the past, people now have to be able to work in a different way to face the competition, which is only possible if they accept challenges and keep working with passion. I believe that this is the most exciting part of life as well as the best part of Takeda's mindset.

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