Interview with Amit Makwana, Managing Director, Astellas Pharma Ltd.

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Astellas's European headquarters is based in the UK. What does the UK market represent for the company?

Speaking from a global perspective, 60% of Astellas' business is based in Japan and Asia. Approximately 20% is in the U.S.; and approximately 20% is in Europe. So Europe still represents a vast—and growing—proportion of our business, especially considering that the U.S. is normally by far the largest market for most global pharma companies. European operations are quite critical for the company. Currently, we are finding that growth in the U.S., Japan and Asia is a challenge because of recent price cuts, amongst other reasons. But we have been able to grow our European business quite significantly.

Within Europe, the EU-5 countries—France, Italy, Germany, Spain, and the UK—represent 2/3 of our European business, so they are our core on the continent. Astellas is also experiencing a huge growth rate in Russia, which is very difficult for us to keep up with, whereas the challenge for Western Europe is to sustain its growth levels. Moreover, Europe also looks after the Middle East, South Africa, etc., it thus has got quite a broad responsibility.

Having said that, I will say again that the EU-5 countries still represent a large portion of our operations. Out of those 5 countries, the UK represents an especially large European proportion. Within Astellas Europe, the UK is one of the fastest growing, although it cannot quite match the growth of other markets like Russia.

Growth in the UK has been quite critical. When I took over the organization in 2008, our turnover was GBP 78m. This year—2009 to 2010—we had a turnover of around GBP 130m. It is also very important that we have grown not only in terms of sales, but we have actually matured as a group of people. The medicines, the buildings etc. make up the hardware of the company, but the more variable component is the software which consists of the human resources and their skills and capabilities. At Astellas Pharma Ltd., the software has reached very high quality levels at this point in time.

We have now created an organization where coming up with new ideas, trying new things and learning from other industries has become something that we get excited about.. I am not particularly interested in what other pharmaceutical companies are doing, I am interested in raising questions such as: how do companies market and differentiate their commodity products like food.

How do companies introduce new technologies? How do they learn to better understand and adapt to their customers' behavior?

A great example is that I went to Disney in the U.S., and learned about how they do their market research. Disney actually follows people and families around their theme parks to study what people do three minutes before and after every purchase. Their business is planned around really knowing how their customers behave. The pharmaceutical industry does not generally know what a doctor does three minutes before and after they prescribe their product: so this is how much we have to learn and grow as an industry. My ambition is to facilitate, within Astellas, that kind of thinking—to say,

'We have a great insight into what our patients and customers are doing, thinking, and feeling, around the time they use our products?' How much would that change our business?

Because other companies, in other industries, seem to be able to do that.

There is a challenge in how we understand our customers, in how we understand our patients, and in our ability to understand and learn from admirable practices in other industries. pharmaceutical industry usually thinks.

Another example is the way companies hand out bonuses. Now, most pharmaceutical companies include a bonus inside the salary package. However Virgin, for example, gives its employees a credit card. Using that credit card, its employees can take out the bonus in cash or for example pay with it in shops. That is innovation. So we are now thinking how can we be more innovative in how we deliver our bonus payments.

You recently made a significant investment in the UK. Can you elaborate on this?

One of our therapy areas is bladder disorders. Currently, there are more people suffering from bladder disorders than asthma or diabetes in the UK. One of the issues with the disorder is that it that makes people think they have grown old, or they are generally too embarrassed to address the problem. We felt that, since we are now a leader in this area, we are really going to advocate patient treatment. My team put together a large program, including TV advertising, radio advertising, and a lot of other public-level activities, all to make people aware that this is something that is not necessarily part of ageing, but that it is natural and can be treated. This campaign represents Astellas' faith in the UK.

Astellas has strong commitment to urology. At the same time, we see the company still expanding in its other key niche, transplantation, following a recent option agreement with Alavita at a global level. Are these two areas still the main growth drivers for the UK, or will we see a changing balance?

Urology and transplantation are still the two main pillars that we have, but we have also started building other business units that will offer additional growth. For example, we have just launched QUTENZA for neuropathic pain management. This is a patch that needs to be applied for an hour and will consequently give pain relief for three months, a brilliant innovation coming forth out of a real patient need area. While we are now building up this business slowly, I believe this will become a significant product in the UK.

We are about to launch two new products in anti-infectives, which will drive our specialist business further. There are also new products coming out inurology, with products in therapeutic areas such as prostate cancer. This will also begin our business in oncology! Our challenge as an organization is now deciding how to grow and manage these new areas, while maintaining our growth rates. The big challenge is how to get the right software in to make all this work. The fundamental success factors are always brought back to having the right people.

You have said that you prefer to be a sales manager first. What are the elements that a good sales strategy should have in the UK?

I think a good sales strategy always starts off with having people in your company who are genuinely interested in their customers. Do they have the ability to talk to their customers—their doctors—and really have empathy with them? Do they have empathy for the patient? If you do not have that, you cannot always train it. You can train skills You can train skills, knowledge and processes like selling. But if the salespeople are not interested, then it is not going to truly work. The fundamental question is one of interest—then you can put the strategies together regarding selling, sales materials, the process, etc.

The challenge wihtin the pharmaceutical industry is that it hires people with business degrees, people with science degrees, people who have technical knowledge. These are not necessarily

people who can sell, or who can communicate! To truly differentiate it means we have to acquire people who see the world slightly differently, and can communicate effectively. We can teach them everything else.

Another factor is clarity. Clarity about the type of customers you want to see, and how you want to understand them. All pharmaceutical companies do the same kind of research on their customers, pretty much. You can take a piece of research, change the company name at the top, and it will be the same piece of research. The challenge, then, is to understand the behaviors of our customers, and our consumers, in a way that nobody else does. How can we be the Apple of the pharmaceutical industry? Companies like Apple are successful, because they have the ability to truely understand human behaviors and can apply their learning the best. That is why when you buy an Apple product, there is no instruction booklet. You pick it up, you switch it on, and you are ready to use it. They have understood you before you know it.

How can we get our own people to understand their customers and their consumers so well?

I think the challenge we have in the UK is that it is probably the most conservative market in Europe. When you see new product launches, the UK initially is often last for uptake. Because of this conservatism of the UK market, you have to understand your product and your consumers very well. There are different dynamics in different markets. The exciting thing about the UK market is that you have to work hard for the customer to get married to you. But once the customer marries you, they do not normally divorce you that easily.

Again, it is hard to win the consumer, in the first place, in such a conservative market. It’s a bit like Nordic markets in that sense. And the UK is very regulated, as well. The British love regulation, and process—and there is more regulation coming, because it reduces spending for the government. The industry is going to have to change the way it does business. Not fundamentally, but it’s going to have to learn to learn. Previously, companies had a model that has worked—you produce a drug, you get it licensed, you do some marketing programs and activities, you get some opinion leaders, you do some studies and you launch. And if you have enough representatives on the road, enough talk going on, your sales will start going up. Those days are finished. Nowadays, you have really got to understand what these customers are about, what their feelings are, what their issues are. And you must know your market much better than your competition in order to be successful. You do not know your market better if you do the same research.

We have now set up a whole department, called the “Insights” department, in place of a “market research” department. We are hiring insight managers, who are going to be responsible for understanding behaviors, and translating those behaviors into strategies. Without this understanding, we cannot do anything that is different, or meaningful to the people to whom we are

trying to promote our products.

You noted that Astellas Europe is also responsible for several emerging markets. How does Astellas UK support the growth of those markets?

By trying things. I have a team that is very excited about trying new ideas, and taking risks with their thinking. I am a great believer in taking risks intellectually. Our staff can take a risk and then see what comes out. My team constantly comes up with ideas, and different ways of doing things, and then we put our neck on the line: we say ‘give us the money, and we’ll deliver the sales.’ Other countries sometimes also benefit. For example Finland has just taken our market development program, for implementation at their own offices. I think that markets can always benefit from looking into what has been successfully applied in other markets, in other countries. Take for example a place like Hungary—some of the work they have done with their web based systems is just phenomenal. It is a young, developing economy, but they have had significant achievements. If you have got skills and abilities, but no imagination, it will be very difficult to succeed at a significant level, and really compete. This is what we can show and teach to our emerging markets.

Looking at your counterparts in Greece and in Germany, they mentioned it was difficult to create a unified culture after the 2005 merger that formally created Astellas… How do you implement a company culture that demands imagination from its people?

It starts at the top. If you show people, ‘this what we do, this is what my management team does,’ they understand. It is about doing things, not talking about it. My management team is a model of how we go about business.

One of my directors spent a week out of the office with Microsoft, with Google, with Diageo, with Innocent—with the management teams of all of these companies—to learn, and to absorb. One of my other directors spent a day with Microsoft, and Cisco—I went to Cisco as well—just to learn what they do, and bring some ideas back, to try one or two things. Innocent—their motto is “The main thing is the main thing.” It makes it very simple for people. It is important the management team are able to show ‘This is what innovation looks like. This is me doing it. This is what I want you to do’. Showing the way, knowing the way, and then going the way.

How does your company portray itself as an employer of choice in attracting its employees?

For the right people—this company is not for everybody—for people who are interested in new ideas, for people who want the freedom to try new things, who are passionate about an area of the business, who have imagination and the will to see things through, for people who have the intelligence to capitalize on their initiatives—we offer a great environment for them to flourish and utilize those competencies. The people we look for can be summarized in the SWAN acronym: S for smart people, the W is for people who can work hard, A for adaptable in their thinking and

approach, and the N is the most important bit—nice people. When you have nice people in the company, who can also perform in the ways I have mentioned, you create a positive culture where you can actually have arguments about issues—because arguments are important—but those arguments are constructive and honest, and lead to progress instead of embitterment. For people who want that kind of atmosphere, this is a great place, because we want to do new things, we want to grow, we are ambitious, we want to have fun, we want to develop our people. Another advantage for people who want to work here is that we can do everything that big pharma does, but we have the ability to do it differently, faster, and more efficiently. Recruitment is crucial because finding the right person is like finding gold.

It seems that you have accomplished almost everything you have set out to do at Astellas UK. What is next for you before you attempt to climb further up the company ladder?

I enjoy where I am. The next step for me is the question of how I generate growth in the organization, without loosing the culture that we have created. It is not just about revenue growth—although we have to have a very clear goal in that respect. My first goal was to achieve GBP 100m in turnover, and we have done GBP 130m. Now my next goal is to reach GBP 300m, cumulative by March 2012. I have made that a very clear goal. That is where we want to be; now we need to figure out how we are going to do it. This now becomes an exciting journey on how we can grow and learn.

What is your final message to the international readers of Pharmaceutical Executive?

We are in a context now, in the UK, of tough economic times, and tough healthcare times. For me, this is an exciting time for the pharmaceutical industry to show what it can really do. For the right people, now is the time to take risks and shine.

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