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Santen's Head of EMEA explains why the company established their new regional headquarters in Geneva, Switzerland and highlights the three key strategic pillars on which he bases the growth strategy for the region.

As head of Santen EMEA, how important is your region today for the group and what key objectives and missions have you been given to develop the region further?

The EMEA region is the second largest ophthalmology market after the US. As Santen EMEA is not yet established to the full extent as it is in Japan, we are expected to provide significant profit and growth in the short-term future. Thus, we are of utmost significance from a pure financial perspective. Moreover, the European Union—as part of the EMEA region—is home to global quality standards, delicate HTA mechanisms, highly efficient manufacturing technologies and is a leader in many scientific areas. These are all non-financial assets we need to capture and strategically transfer across our global organization. The immense talent present here contributes to the strategic value of the EMEA region, which we believe will be a significant driver for establishing Santen as a truly global ophthalmology company. Two thirds of our employees are currently based in Japan. In order to achieve our Vision 2020—to be a global highly standardized pharmaceutical company—we need to diversify our talent, an area where the EMEA region will play a significant role.

The goal for your region is to account for 15 percent of global sales next year – what is your concrete action plan to achieve this objective?

The strategy to accomplish this goal consists of three dimensions. First and foremost, we need to create strong customer bonds across all the different markets within the EMEA region. In the Nordic and Eastern European markets, we have a history of over 20 years and today are recognized as a trusted partner. In other markets, where we only entered one or two years ago, local awareness levels are still too low and we need to change this. Due to different country histories the market position encountered by the local affiliates differs significantly. So for the first step, we need to achieve high awareness levels across the region; we must be known and recognized, it is as simple as that!

In the second step, we need to establish our full product portfolio in the entire region. In our traditional markets we are already very well positioned, in comparison to some Western European countries in which we are solely present through products acquired from the MSD portfolio. Therefore, while launching new products, such as a treatment for severe keratitis in adult patients with dry eye disease, we focus on R&D to provide more products. We are also considering additional acquisitions to inorganically enhance our portfolio.

The third aspect is market coverage. My region is comprised of over 50 countries; in some we are directly involved whereas in others we are only indirectly established; working closely with local distributors. I believe that until now, we have still not covered the whole market in an optimal manner. One example is our set-up in the Middle East, a market which is growing in significance and is soon to become a regional key market. There we are still using a traditional distributor set-up without adequate local marketing support. I believe this is not the ideal structure to tap into the unfolding potential of this market. Another example is Russia, a huge market in which we have been present for over 20 years now. Nonetheless, there is still significant leeway to gain market coverage. Therefore, in both established and non-established markets, we need to optimize our operations in order to capture all the opportunities each individual market has to offer.

Very recently, Santen chose to set-up its EMEA HQ in Switzerland, and I have to say that came quite as a surprise to us as outsiders, given your historic presence in Germany, and the fact that your two European R&D centres are located in France and Finland. Why was Switzerland chosen as a strategic hub or "brain" to implement and drive that

regional strategy?

The key constellation Switzerland has to offer is the ability to access and manage the diversity and complexity of the different markets. For instance, we need to manage commercial specialists in Italy, Germany and France while being in charge of the manufacturing in Finland, and all operations and cultural aspects differ considerably. From a managerial point of view it was essential to have a geographically and culturally central location. Of course, given our historic presence in Finland, Germany and France, we assessed a multitude of different locations to become our regional HQ… however, Switzerland remained outstanding not only from pure location aspects but also from the perspective of finding and acquiring the right talent. That does not mean we only hire Swiss people; but, the Swiss professionals have the benefit that they are already mastering the art of managing the cultural diversity, which is of utmost significant to us.

Basel is the traditional healthcare & life sciences city in Switzerland, with the headquarters of Roche and Novartis. Additionally, Zug offers very attractive fiscal incentives. With this in mind, why did you choose to base your operations in Geneva?

We indeed also assessed Basel, as it does have many local champions, a good location and good talent. But, the attractiveness of Geneva is simply that it extrapolates these benefits and expertise beyond the healthcare and life science industry, thus creating a healthy balance of talent. We realized we needed talent in different functions, supply chain management for instance, and Geneva offered expertise in a variety of fields. Moreover, it has excellent public infrastructure and a stellar level of cultural and social life which eases the process of attracting talent from the outside.

However, it seems that Geneva is losing attractiveness to the Canton of Vaud for example, due to uncertainties regarding corporate tax, immigration and more. Do you regret having chosen Geneva?

The issue of the immigration quota is a Swiss rather than a Geneva issue which we would face in every canton of Switzerland. It is true that some companies have moved their headquarters to another canton for the sake of taxes, however, in our case taxes are not —although important—the top priority for the company. You have to understand that, before the acquisition of the MSD portfolio, we did not have to worry about taxes at all as we were not generating profit. Recognizing the positioning of our headquarters as a long-term strategic decision, it is more important that the location offers long-term and healthy growth, rather than where we pay the least taxes. Besides, comparing the tax rate here with the tax rate in Japan, we see that we are still in a favourable position.

What is the scope of support functions coming out of Switzerland to drive the growth of the different affiliates within the region today?

It was important to us to find the right balance between regional and national responsibilities. It is obvious that we cannot have everything nationally for the sake of costs and efficiencies. On the other hand, we cannot centralize everything due to cultural, language and regulatory differences for instance. Our aim for the regional HQ is to support the country businesses by creating and giving the strategic direction and making key decisions, in addition to creating a platform that contributes to a region-wide lean management. We consolidated what we could and streamlined in-country processes wherever possible – thus considerably reducing the workload the country managers spend on back office tasks. These developments were central to us upon establishment and now the business is operating well in the different countries.

What will be your key markets in the coming years for this EMEA region you handle?

Obviously the G5 markets are the most important and in those, our market share is still not maximized. For instance, we have 40 percent market share in Finland – therefore we conclude that 40 percent market share is not impossible to achieve in other European nations! Nonetheless, in some of the Western countries, we are still at around five percent market share which means we are not yet a significant player in these countries which must change; and it will change by raising awareness and bringing more products to these markets. Other priority markets in the midterm future include the MENA region and Turkey which have become increasingly attractive in the ophthalmology segment. In terms of sequencing, however, we need to scrutinize and evaluate the markets to identify in which we can become the number one or number two quickly. This often largely depends on assessing with whom we will be competing in these markets.

Santen is acting in a very competitive environment here in Europe, with some already very well established ophthalmology players… so just how exactly are you raising

awareness of the Santen name here?

Santen is an R&D orientated company, and as such the obvious method to strengthen our presence is via R&D related activities. This includes collaboration with KOLs and key research institutes in the manifold of activities under the R&D umbrella, such as clinical trials, pre-launching and launching activities and much more. One of the recent examples is our collaboration with University College of London, where we established a partnership with the University’s ophthalmology department. The second aspect is the general commercial activities such as the field teams conducting and participating in European congresses, symposia or scientific education programs which all channel our commercial activities.

You have said that one of the main reasons for choosing Switzerland as your ‘brain’ was the ease of attracting the right talent. However, many other interviewees gave us the exact same reason. Switzerland only has a population of eight million people and seemingly ‘the war for talent’ is on. How do you go about differentiating yourself from this competition and retaining the best talent?

Two years ago, we started out with two people of which one was me, and today we employ more than 40 people in our Swiss affiliate. Santen–especially in Switzerland—has a lot to offer for highly talented professionals. The fact our Swiss office is also the EMEA HQ can be very attractive to many, as our focus is regional, diverse and exciting. Structurally, we still have a very “start-up” oriented mentality, allowing talent to have a genuine impact in shaping the company’s future, but without the start-up risks; Santen already has a very healthy business, thus we are combining the best of the start-up and the MNC world. Moreover, with only approximately 3,400 employees worldwide, the visibility of the individual is much higher than in these huge pharmaceutical companies. Finally, as a Japanese company, we are atypical in that we do not force the Japanese culture and Japanese mindset on new employees–quite the contrary! We are seeking for and engage in a genuinely global mindset and working environment and we make clear that new employees do not need to fear some of these ‘Japanese Legends’.

When we come back to update our report in a few years, where will you have led the company in your region?

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We are currently finishing up the pre-investment and integration phase. From a pure managerial point of view, we are finishing the “honeymoon” phase and thus need to deliver sales. As happy as we are with the integration and start-up success we are not oblivious to the fact that we must produce solid results now. The reality, however, is that we are still facing many challenges across EMEA and the global pharmaceutical environment – whether that be political restrictions, price pressures or investment decision making being slow, the competition still being fierce and so forth.

The solution is to really implement and transform ourselves in accordance with the three strategic pillars I described earlier: building our customer bonds, product portfolio and market coverage. As we focus on implementation, we also need to focus on more rigorous management and more cooperation. We employ some 600 people in the region, so it may not be too big a surprise that I still identify missing links in terms of cooperation and these need fixing. Our sales employees, who are hardworking—and whom I highly appreciate—can still improve in the quality of their work. We therefore need to have more training to strengthen their expertise and skillset. Furthermore, we recently engaged in an employee survey which brought many issues to our attention and I believe will help us to continue improving and to create an even leaner and more efficient organization.

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