

# Sandoz Yakuhin: Ready to Face Test of Independence

By Nagami Kishi

**T**he biggest reason for my joining Sandoz Yakuhin K.K. was the total five-day workweek which was already implemented at that time. Although it is no longer a rare system, it was very uncommon at that time." Masashi Misawa, personnel department manager, is talking about his motive for joining Sandoz Yakuhin K.K. in 1973.

The five-day workweek was introduced by the company in 1965, and a retirement pension system was introduced in 1978. Those employees who have served for 15 years or more at the age of 55 or above can choose either a retirement allowance or a lump sum. The necessary funds are accumulated by taking 1% of the basic salary of employees every month, as well as an accumulation of the same amount by the company. Around 50% of the basic salary at the age of 55 is paid as a pension allowance to those who work until the retirement age.

One of the attractions of the labor conditions of Sandoz Yakuhin is its holiday system. Besides the early introduction of a five-day workweek, it also introduced a block holiday system from 1988. When the Labor Ministry requested companies to urge employees to take more of their holiday entitlement, in response to criticism from abroad of Japanese overworking, the president, Jacques Raclou, wrote a letter to employees advising them to take holidays due to them.

Although employees at foreign-affiliated companies in general take more of their entitlement of paid holidays than other Japanese workers, it still averages only 20-30%. In contrast, the rate at Sandoz Yakuhin is 45% of the entitlement.

Sandoz Ltd., the parent company, is the second-largest pharmaceutical company in Switzerland. It is ranked 18th among the world's leading chemical companies.

Sandoz, starting out as a dye company in 1886, had succeeded in extracting ergotamine, the main ingredient of an un-



Jacques Raclou, president of Sandoz Yakuhin: "Good products, our tie-up with Sankyo, and good employees have played major roles in our success."

identified ergot (feared as the source of a disease which could cause gangrene of the limbs when eaten), a parasite on wheat. Ergot affects the central nerves, the peripheral nervous system, blood vessels of the heart and the uterus. This success helped Sandoz develop into a worldwide pharmaceutical company.

## Modern diseases

One of the strengths of Sandoz is that its drugs are effective against such contemporary diseases as "adult diseases" and "diseases of old age," an area that is rapidly increasing. Its major product, Zaditen, is an antiallergy drug that can restrain various allergies. Various allergic symptoms are observed in the human body as the living environment and eating habits change. A typical example is "pollinosis," which affects one-fourth of Japanese.

Zaditen is also effective against atopic dermatitis, a children's disease. The anti-allergy drug market was expanded to ¥73.4 billion on an NHI (national health insurance) price basis in 1987. It exceeded ¥100 billion in 1988. Zaditen, being an

oral anti-asthma and allergy medicine, holds nearly 30% of the market.

Besides Zaditen, the company's major lines include Ternelin, which relieves strained muscles and pain and is effective against stiffened limbs that result from infantile paralysis and cerebral apoplexy.

Sandoz Ltd. discovered Cyclosporin in Norway and introduced it as Sandimmun, a drug that helps prevent rejection after an organ transplant, such as in kidney transplants. Although organ transplants are carried out mainly in Western countries, and are expected to expand much more, the biggest problem is the rejection of the foreign substance. It has been found that this drug is also effective against incurable diffuse collagen disease, Behcet's disease and virus hepatitis.

Sandoz Yakuhin K.K. was founded in 1960. Hidemasa Tanaka, the present manager of its General Affairs Department, joined the company in its second year. He said, "The office was a rented house of the president in the Azabu area of Tokyo, with about 10 employees. We moved into a building in the Minami-Aoyama district when the number of employees was increased to about 30."

Coinciding with its establishment in Japan, Sandoz Yakuhin joined hands with Sankyo Co., Ltd. and depended on Sankyo for marketing. Sandoz was strong in particular fields, and its products did not conflict with those of Sankyo. Sales grew well, since employees of Sankyo were very cooperative in promoting and selling products of Sandoz.

Raclou says, "Good products, our tie-up with Sankyo, and good employees played the major roles regarding our success."

A training program called "Benefit Selling" was developed in Switzerland for employees of Sandoz. It aims to teach them how to respond to hospital doctors, emphasizing the need to grasp what problems doctors face and how to draw out information from them. Benefit Selling is called a mirror question method, since



Inspectors at the Saitama factory of Sandoz Yakuhin

during training questions are asked while facing a mirror and thinking of the reflected image as a doctor. It started to bring results since such a sales method did not exist in other companies, which were mainly engaged in a "hard sell."

Although Sandoz has been favored by good conditions for nearly 30 years, it also experienced difficult times twice. One was when it was in deficit for three consecutive years due to currency exchange losses caused by the strong dollar after what in Japan was called the Nixon Shock, when the U.S. eliminated the gold standard in 1971. Since the currency exchange profit or loss was to be absorbed by the respective company of the Sandoz group, the exchange fluctuation directly affected the Japanese company's performance.

The second difficulty was in 1981 when its business performance sharply deteriorated, again due to currency exchange losses and the reduction of NHI prices. At the time of the first difficulty, bonuses were still paid; when the second problem arose, no special bonuses were paid, and it affected the employees' income.

## Achieving targets

They had bonuses twice a year, in summer and winter, as well as special bonuses. Sandoz used an annual salary system like other foreign-affiliated companies, and paid bonuses regardless of the business performance, by simply dividing the annual salary by 17 or 18 in order to adapt itself to the bonus system in Japan. But while other companies increased

bonuses handsomely in the period of high economic growth, the salary at Sandoz, which was once considered to be higher than others, started to become lower. Sandoz decided to establish a special bonus system in 1977 in order to reward individual employees for their performance and sales efforts.

When this special bonus was later discontinued, the morale of employees decreased, and there was an oppressive atmosphere in the office. Then the president at that time and the management team set an objective called "Awasete 45." This was in 1985, the 25th anniversary of the company.

It was a three-year plan, aimed at putting Sandoz among the top 20 companies in the industry in terms of sales, and being ranked among the top 20 companies in terms of salaries in three years. The figure 45 was derived by adding the 20 of the 20th place and 25 of the 25th anniversary.

Regardless of achieving the target, salaries were increased every year in order to abolish earnings differentials within three years. The presentation meeting of Awasete 45 was held at Tokyo Metropolitan Gymnasium with all employees attending in an athletic meet style. The employees were inspired by the firmness of the company's resolution and achieved their three-year objective within only 18 months.

Currently, Sandoz Yakuhin is proceeding with a five-year mid-term management plan which will continue until 1992. The objective is to increase the annual sales from the present ¥70 billion (\$467 million at the rate of ¥150/\$) to a target of ¥100 billion (\$667 million). It also aims at increasing its 1.6% market share to 2% and nearly doubling the number of sales representatives to 800.

In order to back up its research and development efforts, Sandoz Yakuhin is planning to complete a new laboratory in Tsukuba in 1992. It already has a laboratory beside Lake Kawaguchi in Yamanashi Prefecture. Sandoz plans to increase researchers at the Saitama plant and Lake Kawaguchi to strengthen its functions and activities.

"We would like to contribute to the development of products not only for the

Japanese market, but also for Sandoz in general, by strengthening ties with universities and other research institutions, while trying to strengthen the preclinical studies that meet the market demand," says Racloz.

A decisive point regarding the success of a foreign-affiliated company is good communication with the head office and foreign branches, as well as good communication between foreign managers and Japanese employees in Japan.

Racloz said, "Japanese staff members do not know the head office, and the head office staff members do not know the workers in Japan. It's not only our languages that are different, but the business practices and thinking are also different. I am not the only one to serve as a pipeline. We regularly send about 30 people abroad, from the top management level to younger members of 24 or 25 years old. We also receive personnel from abroad in all departments including marketing, research, accounting and so on."

They also take care to ensure a good communication flow in the company. They have a buffet party every two months attended by the president and other directors. "The president talks to staff members who he normally does not have a chance to talk to. He seems to be collecting information," says A. Kadota, manager of the President's Office.

Sandoz Yakuhin will celebrate its 30th anniversary in 1990. The company reached an agreement to cancel the marketing tie-up with Sankyo in October 1989, just before its 30th anniversary. The products of Sandoz that are currently sold by Sankyo will be switched to own sales by Sandoz over four years starting in October 1990.

This agreement was reached since Sankyo has been bringing up its own products, and Sandoz has been increasing its sales power. It will be a test in a true sense for Sandoz when it becomes independent from the network of Sankyo. ■

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