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Takeda: The governance of strategic transformation (A)

At Takeda, a generation's worth of strategic transformation, both at the corporate level and within the global research and development (R&D) function, has been compressed into three years. Since 2015 the 237-year-old Japanese stalwart has narrowed its strategic focus from six to three therapeutic areas (plus vaccines), concentrated its R&D footprint in three sites, and engaged in over 180 new partnerships across multiple modalities of drug discovery. The aim is nothing less than building a global pharmaceutical powerhouse that is fit for the next 20 years.

Takeda's far-reaching recent efforts to transform the R&D function (as part of its overall transformation) are the focus of this case study series. The actions that Takeda R&D has taken to make up for years of tentative adaptation represent an attempt to leapfrog the competition. Whereas some pharmaceutical companies around the world responded to the industry-wide challenges of depleted pipelines and innovative technologies earlier, Takeda remained attached to its Japan market mindset and small-molecule specialisation for a long time. Changes were made – purchases to enhance the pipeline and broaden the skill base, reorganisations to achieve efficiency gains and campaigns to improve research productivity – but the basic modus operandi was maintained until 2015.

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A primer on the pharmaceutical industry

For decades, the companies collectively known as 'big pharma' enjoyed a sustained run of exceptionally high profitability.[1] Protected by multi-year patents on billion-dollar blockbusters, benefitting from rising demand, exercising considerable freedom to set prices, and reducing rivalry by creating therapeutic area oligopolies, large-scale drug development and marketing has long stood as a textbook example of an attractive industry. Over the last 20 years, however, the industry has seen the rise of multiple threats to its traditional business model: the increasing difficulty of gaining regulatory approval for new drugs; the advent of competition from generics for off-patent drugs; and the growth of new modalities for drug discovery in biologic and genetic technologies outside 'old-line' pharmaceutical companies' established areas of competence. At the same time, third-

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