

OPINION

The Scuttlebutt on Pharma Takeovers

Philip Carrigan
Partner, Optia Partners
philip@optiapartners.com

An effective way to learn about a company is to meet its people. It's also helpful to survey the business community and gather as many views as possible. Philip Fisher used the term "scuttlebutt" in his classic book, *Common Stocks and Uncommon Profits*, the name given to the art of digging up investment information through the investor grape vine.

In fact, the term was used more than 200 years ago and denotes a water butt on the deck of a ship where the crew could drink water and catch up on all the gossip. It was the original water cooler conversation.

Fisher said scuttlebutt was the process of finding information about a stock. The process was simply a matter of asking the right people the right questions until you believed you had enough information to make a judgment about a company's intrinsic value.

One of the easiest ways to discover the real story about what's happening inside a pharmaceutical company is to ask its people.

The scuttlebutt on Takeda is certainly consistent. Our clients' eyes light up when we introduce a Takeda guy. After all, the candidate comes from Japan's premier pharmaceutical company. Takeda carefully selects its staff from the nation's best schools and often pays its employees 10 to 20% above the market rate.

The scuttlebutt regarding the Amgen executives is mixed. Some see the company's recent acquisition as an opportunity to seek greener pastures while others are excited about the prospect of being part of Japan's number one pharmaceutical company.

The recent acquisition of Amgen K.K. got me thinking about our candidates who have been in similar

merger situations.

Roche (culturally acquired), Pharmacia, Fujisawa and Aventis candidates all expressed sadness about the passing of their companies. The initial excitement is often replaced by the realization that the paths to future advancement will most probably be taken by employees of the company doing the acquiring. The dominant company, at the end of the day, makes the big decisions.

After examining our database, I discovered that more than 60% of the 600 candidates involved in acquisitions later joined new companies. These figures include candidates who were given financial incentives to leave.

When Pfizer acquired Pharmacia there was an exodus. About 70% of my candidates who had worked at Pharmacia, joined other companies rather than stay with the world's number one drug maker.

The Pharmacia/Pfizer figures were also reflected in the culture acquisition of Roche. If the candidate were a Roche staffer then he or she would be a star. However, many found the domestic culture stifling.

When Sanofi acquired Aventis and moved into Pharmacia's offices in Shinjuku, more than 60% of the Aventis candidates we had met decided to move to greener pastures.

The same percentages were seen when Yamanouchi acquired Fujisawa, only 40% stayed. The pain of the Fujisawa candidates was obvious; there was little loyalty for the new organization.

Although these numbers are not an accurate account of retained employees, the "scuttlebutt" is that a significant number of candidates do move once their company has been acquired.