

## OPINION

## Why Japanese Executives Are Grossly Underpaid

**Philip Carrigan**  
Partner, Optia Partners  
[philip@optiapartners.com](mailto:philip@optiapartners.com)

Underpaying pharma executives in Japan is a significant reason why more biotechs have not gone public in recent years, according to one of Japan's leading venture capital firms. It is not because of science and the lack of breakthrough discoveries. It is simply because Japan's CEOs are grossly underpaid.

According to this venture capitalist, a significant carrot is needed to lure a candidate from the comfort of their present position and dive into the unknown. He explained that comparable positions in the US or EU are often paid twice as much. Are Japan's executives underpaid?

Our research shows this to be true. A CEO or CMO in Japan can expect to be earning between ¥20-30 million but in the US or Europe the figure could easily double to ¥40-60 million. Is there significant incentive for leading candidates to leave big pharma firms for a venture capital company?

For the first time since 2002-2005, when 11 biotechs went public, biotech companies are enjoying a rally in the market. Late October (October 24, 2007) the Nikkei reported "buying is focused just on firms with promising products in the pipeline or with partnership agreements with major drug makers." Maybe now is the time to address the perceived inequity of executive salaries.

Other venture capitalists have complained to Optia Partners about the lack of entrepreneurial spirit in Japan's biotech market. One believed there is a tal-

ent shortage. He theorized that the comfort afforded to many employees in Japan did not create a risk-taking environment.

The dynamic environment of western society reinforces to its employees that they need to be responsible for their careers, families and finances. He stated that unlike Japan, the *company* did not wet nurse or mother its employees.

The leading executive went on to say that a more open society and robust business environment would encourage Japan's top talent to be willing to take more risks. And who dares, wins.

Is the nature of Japanese companies a reason for some employees not being more adventurous? One can conclude that the spirit of entrepreneurship can well be flamed with a major boost in executive salaries.

Surmising that only salaries or company culture are the only factors responsible for more biotechs going public recently is too simplistic. However, according to the venture capitalist it is a significant contributor.

It may be the case of *the chicken or the egg* when it comes to entrepreneurial spirit, biotechs and salaries. Would a significant increase in salaries increase the talent pool? Is the market paying what they think the talent is worth? Are Japanese companies to blame?

We would welcome your comments at: [http://www.optiapartners.com/en/lifesciences/life\\_blog.html](http://www.optiapartners.com/en/lifesciences/life_blog.html)