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„Strategy and Structure of a Multinational Company with
a Case Study of Chiesi farmaceutici S. P. A.“

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Neda GHARIB-NORSEN

„Nur wer sein Ziel kennt, findet den Weg.“ Laozi (legendärer chinesischer Philosoph)

Mein Dank gilt all jenen, die mich während meines gesamten Studiums begleitet und
unterstützt haben.

All jenen, die mich durch Höhen und Tiefen begleitet und immer ein offenes
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1. Introduction

As we all know the strategy of a firm is one of the most important tools to be able to strengthen the position on the international marketplace.

But what is strategy?

“Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Decisions to expand the volume of activities, to set up distant plants and offices, to move into new economic functions, or to become diversified along many lines of business involve the defining of new basic goals. New courses of action must be devised and resources allocated and reallocated in order to achieve these goals and to maintain and expand the firm’s activities in the new areas in response to shifting demands, changing resources of supply, fluctuating economic conditions, new technological developments, and the actions of competitors.” (Chandler, 1962: 13)

Because of these factors the management has to obtain the best strategy for the firm. But because the environmental factors and organizational capabilities keep changing the strategy of the corporation also has to revolutionize. This in turn affects the size and structure of the enterprise and the company has to go abroad to be able to access larger markets and thus become international. This is the point when the firm is considered as a “Multinational Company”.

A. Chandler (1962) was one of the first scientists taking a closer look at the strategic tools of companies. In his survey *“Strategy and Structure: Chapters in the History of the Industrial Enterprise”* (1962) he puts up the thesis that structure follows strategy. This will be the main part of this thesis, whereas the theory of many other academics such as Stopford and Wells, Egelhoff and Bartlett and Ghoshal will also be reviewed, to ensure a diversified perspective to this issue.

The main intention of this thesis is to reveal the basic phenomenon of Multinational Corporations (MNCs) and their corporate strategy and how strategy can influence the

structural appearance of the MNC. The organizational form of this paper is as follows: In the preliminary phase I will review the structural analysis of the main forces of the theory in order to show the different strategic possibilities on how to manage a firm. This will be followed by the explanation of the organizational investigation of the structural forms, which can be found either in theory or in empirical studies. The last chapter is dedicated to a case study on "*Chiesi farmaceutici S. P. A.*".

2. Strategic Analysis of Multinational Companies

As the structure of MNCs is a main issue in the scientific literature since the early 1970s it is imperative to review this chapter in detail. Beginning with the analysis of the different strategic structures mentioned in the early studies, later I will revise evolutionary models such as the internationalization model of Stopford and Wells (1972), the structural evolution of non conglomerate US multinationals of Daniels, Pitts and Tretter (1984) and the relationship model by Egelhoff (1988). Finally I will point out the traditional structural forms and I will give a review over the studies of Bartlett and Ghoshal.

2.1 Early Strategy Studies

2.1.1 Chandler's Strategy-Structure Thesis

Chandler surveyed in the 1960s approximately a hundred of US firms, focusing especially on their structural development from 1909 to 1959. During his investigation it became evident that changes in corporate strategy led to a transformation of the organization's structure. First the companies started in centralized set ups, because most of them just offered one single product or a sole product line, which enabled to manage the organization's strategy tightly. With an increase in demand the companies could not afford offering limited product lines. Thus the product lines increased and eventually the structural form of the company also had to be adapted to ensure the competitive advantage. When the development of the firm progresses further the company has to evaluate product diversification, which implies efficient distribution of resources, coordination between entities and accountability for performance (Chandler, 1962).

Robbins (1990) argues in his book "Organization Theory: Structure, Design and Applications" that Chandler only focused on large US companies but did not review small- and medium-sized organizations to ensure the findings are valid for all firms. Another drawback of this survey is that Chandler only focuses on the size of the firms but ignoring their profitability, financial strength or the company's competitive

advantage. In the following chapter I will next enlight a multi-dimensional approach which also includes the points missing company characteristics of Chandler's survey.

2.1.2 Miles and Snow's 4 Strategic Types

In the survey of Miles and Snow et al. (1978) the focus is set on the rate of change of the products or markets.

They divide the strategy-types into:

- Defenders,
- Prospectors,
- Analyzers and
- Reactors

When a company chooses the **defender-strategy**, trends and developments are primarily ignored and the plan is to grow through market penetration and limited product improvements. The firm usually has only a few products and is operating in a niche market. This position is defended with every possible tool, whether it is very low prices or high product quality. The cost efficiency is a key issue, thus centralized control, detailed communication protocols and horizontal differentiations are the most important strategic patterns of these companies (Robbins, 1990).

Prospectors situate themselves at the other end of the spectrum. They are innovators, who try to find new products and seek to exploit new markets. This is the reason why innovation overrules profitability. In other words prospectors have a wide range of products and they prefer to act instead of react. Therefore the company's most important asset is the employees who find new potential opportunities in the environment. Because the people working for such a company have to have the freedom to generate new ideas, it is important that this type of firm is flexibly structured. As a consequence control is decentralized, communication is not standardized and formalization is low (Robbins, 1990).

Analyzers try to place themselves in between the two strategies mentioned above. Their focus is the minimization of risk and maximization of profits. Well-positioned and well-accepted products invented by “prospectors” are imitated after the feasibility has been proofed. Because these types of companies are imitators, the profit margin is also smaller than those of “prospectors” although the efficiency is higher. Similar to the “defenders” position in the market is protected.

Because these firms are a mixture of defenders and prospectors, they also need a diverse strategy structure. Most parts of the systems have to be standardized with a high degree of formalization, whereas other parts have to be flexible to ensure the dynamics (Robbins, 1990).

Last but not least Miles and Snow mention the **reactors**. Reactors do not really have a strategy, their way of planning only executes poorly. This can be due to miscommunication of the management to make the strategy of the firm clear or due to the fact that the strategy chosen does not fit the structure of the business (Robbins, 1990).

Strategy	Goal	Structure
Defender	Stability & efficiency	Centralized, formalization high, tight control
Analyzer	Stability & flexibility	Low centralized control but tight control over current activities
Prospector	Flexibility	Decentralized, formalization low, low division of labour

Table 1 Strategy Typologies by Miles and Snow Source: adapted from Robbins
Stephan P. (1990)

2.1.3 Porter's Competitive Strategies

In his study "*Competitive Strategy. Techniques for Analyzing Industries and Competitors*" (1980) Porter first introduces the 5 forces, which define the competitive intensity and the attractiveness of a market. In the second part of his article he investigates on the different possibilities to apply the strategy relating to the competition.

He identifies three types of strategy:

- Extensive cost leadership
- Differentiation and
- Focus

The factor of the **cost leadership** was initiated in the 1970s. It was important to reach a prominence minimizing the costs, no matter if it is the rigorous control of variable and general costs or the setup of huge manufacturing plants. The dominance of cost reduction in this type of firm is so strong, regardless of how strong the price pressure of the competitors are, the company still leaves with a surplus.

However it is not only the competition that has an influence on the firm, but also the suppliers because the firm is still flexible when prices rise. Another advantage is that the entry barriers for other competitors are higher, as it will be hard for them to negotiate the same conditions as the company with the cost leadership.

Differentiation is a strategy, where a product is so extraordinary, that no one else in the market is able to copy it, especially not the same quality at the same price. This product is considered unique. Examples for firms applying this strategy would be: Toyota (reliability), Ferrari (performance) or Häagen Dazs (quality ingredients) (Robbins, 1990).

The **strategy of focus** is the last mentioned by Porter (1980). In this case it is important to find a niche where the firm can be positioned. The focus is set on the satisfaction of needs of this target group. When trying to please customer's needs

and wants the company either differentiates itself or tries to reach a competitive advantage by minimizing costs.

Below the strategy concept of Porter (1980) is visualized.

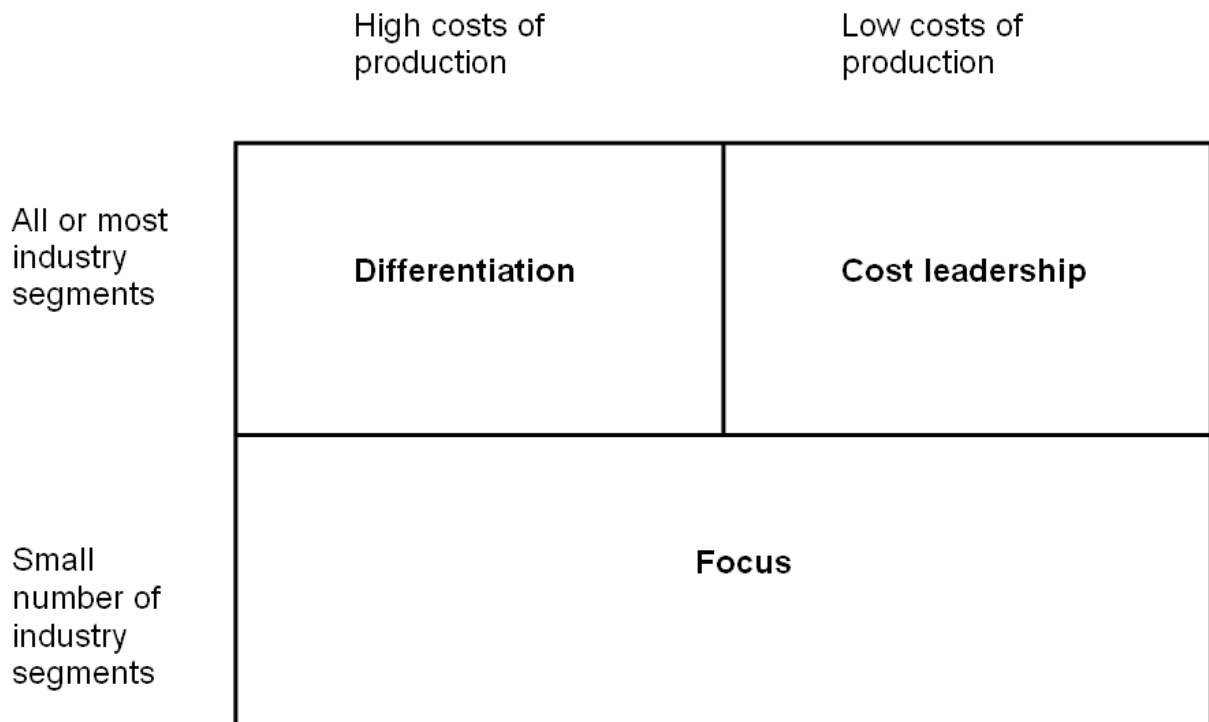


Figure 1 Porter's Three Competitive Strategies

Source: adapted Porter 1980

Porter (1980) also mentions the problem of the so called "stuck in the middle" which some companies have to face. These firms cannot gain any competitive advantage which hinders them to reach long-term success (Robbins, 1990).

2.1.4 Strategies relating to Management Orientation

Because every company starts business differently and has an altered history, variable factors play a major role when considering strategic planning. Reasons could be the circumstances of the birth of a firm, the administrative practices, the leadership style of the CEO and the company's culture. Perlmutter (1969) was the first author who started distinguishing between the different multinationals. He

introduces 4 different executives who all think their company is a multinational because they see this as prestigious. They all vary a lot from each other, because they concentrate on unequal facts such as organizational structure, nationality of the personnel, foreign direct investment, etc. Because "the attitudes men hold are clearly more relevant than their passport" (Perlmutter, 1969, pp.11), he presents a scheme with three different attitudes regarding various issues, so that this discordance can be settled.

2.1.4.1 Ethnocentric Orientation

The ethnocentric attitude can be defined as the home-country oriented. The executives' tenor is that the people from the home-country are supreme and authentic. This leads to the fact that most of the people of the headquarters nation are hired and the products are home-made because the subsidiaries in other countries cannot fabricate the product as good as in headquarter. The consequence is that the process flow or the cultures difference are not taken into account, because the standard is predetermined by headquarter. Based on the thought "What works at home, has to work everywhere around the world!" only people from the home-country are recruited, and as a result motivation of the employees in the foreign subsidiaries shrinks.

2.1.4.2 Polycentric Orientation

Companies which act upon the polycentric view, have the standpoint that all cultures vary and that the customers and employees in the host country are difficult to comprehend. So the connotation is that only people from the same country or region know how to fulfil the desires and wishes of the customers. The control over the subsidiaries is still kept by headquarter. Especially the finance or controlling department is located in the home-country and their attitude is to leave the subsidiary in peace as long as the profit fits. Because of the polycentric point of view mostly the marketing department is located in every country where the firm operates in to make the customers feel that the product is national. But the other side of the coin is that no local manager will ever move vertically in headquarter. This circumstance results

from the fact that "...polycentrism is a virulent ethnocentrism among the country managers." (Perlmutter, 1969, pp.13)

Finally it is important to mention that this orientation is often seen in Europe, because the multinationals have a local manager positioned in the host country, who is trustworthy and familiar with the local government.

2.1.4.3 Geocentric Orientation

The last point of reference of Perlmutter's survey is the world-oriented concept, which is not defined by nationality but by the qualification and abilities the person has. This type of orientation does not focus on the citizenship. In such a company the subsidiaries are as important to the whole corporation and headquarter. Thus budget, knowhow and information are divided equally. The board's chairman of Unilever once said: "We want to Unileverize our Indians and Indianize our Unileverans." (Perlmutter, 1969, pp.13). This involves that subsidiaries are neither seen as ancillaries nor as too important affiliates, but belong to the whole system which makes the company work. This results in a distinction by function, products or the location. Country managers have to find help all over the world to fulfil the wishes and needs of the customers in the operating country and this raises the need of increased communication.

In order to motivate the managers of the different subsidiaries not to act opportunistically but in the interest of the firm, it is necessary to implement a remuneration system.

Finally Perlmutter (1969) argues that in the geocentric company the nationality is not a subject to preferment.

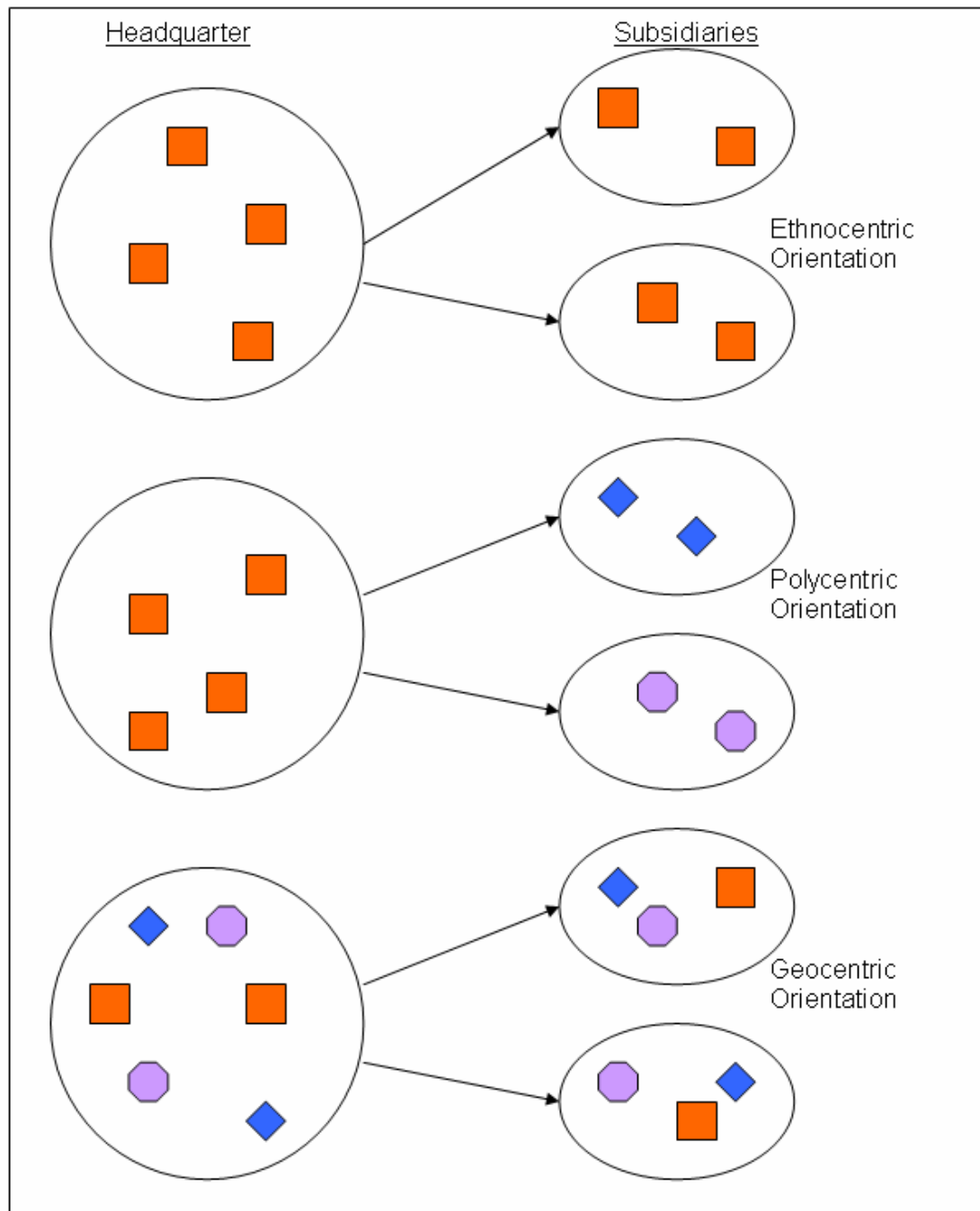


Figure 2 Perlmutter's Orientations

Source: adapted from Welge and Holtbrügge 1998: page 54

Perlmutter's (1969) observation was that most MNCs start out with an ethnocentric view, slowly evolve to polycentrism and finally adopt geocentrism as the organisation familiarises itself more and more with conducting business on a global playing field (see figure 3 below). This proves that the current situation of a firm is not inactive but just a point on the time axis during the long time in which the company is more and

more changing its attitudes to become a geocentric MNC. But at the same time he also mentions that the nationalism is expanding globally and thus this fact is a supposition for geocentrism.

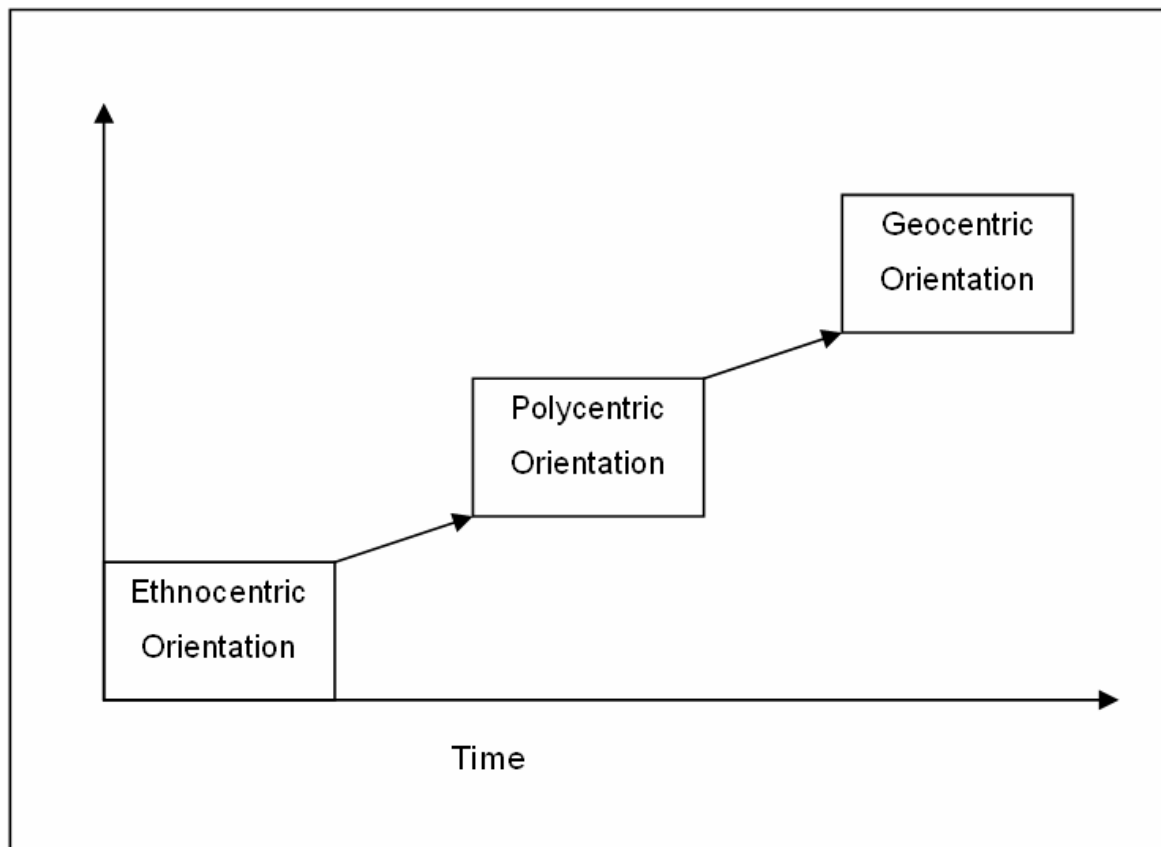


Figure 3 **The development of the management orientation**

He even mentions that orientation can vary in different departments of a MNC. As an example he points out that the R&D is very often geocentric, the finance department contra wise is mostly ethnocentric orientated whereas the marketing section is polycentric.

The following is a summary of the payoffs and drawbacks of every form (Hedlund, 1984, Gomez-Mejia, Balkin, Cardy, 2006):

The ethnocentric orientation:

Advantages:

- Overcome a potential shortage of qualified managers in host countries by expatriating managers from the home country
- Create a unified corporate culture
- International marketing
- Helps transfer core competences more easily by deploying nationals throughout the organisation
- Adaptation on the domestic market

Drawbacks:

- Practices and policies of headquarters become the default standards to which all subsidiaries need to comply
- It can lead to cultural short-sightedness and to not promoting the best and the brightest in the company

The polycentric orientation:

Advantages:

- Local people know what is best for their operation
- People should be given maximum freedom to run their affairs as they see fit
- Chance of culture myopia
- Very often less expensive to implement than the other strategies, because it needs less expatriate managers to be send out
- Centralised policies are maintained

Drawbacks:

- limited career mobility for both local and foreign employees
- Isolates headquarters from foreign subsidiaries
- Reduces opportunities to achieve synergy
- High possibility of waste of resources

The geocentric orientation:

Advantages:

- This attitude uses many resources such as human resources efficiently
- Help to build a strong culture and informal management networks
- Recognizes that the key decisions of a multinational should be estimated separately according to their impact on every country
- A world adaptation (international network)
- Global marketing

Drawbacks:

- National immigration policies may put limits to its implementation
- More expensive compared to polycentrism
- Global and strategic pacification
- Treat sometimes the problems of high priority of countries host in a marginal way

2.1.5 The EPRG Model by Perlmutter and Heenan

In 1979 H. V. Perlmutter and David A. Heenan added in their book “Multinational Organisation Development” a fourth orientation to create the EPRG model: the R represents the regiocentric approach, which falls in between a polycentric and geocentric orientation. This type of course is defined as a functional validation on a more-than-one country basis. Subsidiaries are clustered into larger regional units. These units correspond with some natural boundaries, such as America and Europe. As you can see in table 2 the two mixed approaches request a minimum of corporate integration but allow more local responsiveness.

	Ethnocentrism	Polycentrism	Regiocentrism	Geocentrism
Mission	Profitability	Public acceptance	Profitability and Public acceptance	Profitability and Public acceptance
Authority; Decision making	High in HQ; top down	Relatively low in HQ; bottom up	Balanced; mutually negotiated between regional HQ and subsidiaries	Collaborative approach between HQ and subsidiaries; mutually negotiated at all levels of firm
Structure	Hierarchical product division	Hierarchical area division with autonomous national units	Matrix organization	Network
Control	Home standards apply for everyone no matter of nation or race	Determined locally	Determined regionally	Standards are universal and local
Communication	Orders, Commands and advices from HQ to subsidiaries	Little among the HQ as well as between subsidiaries	High with subsidiaries and regional HQ but low with mother company	In both directions and between the subsidiaries
Identification	Nationality of owner	Nationality of host country	Nationality of region	International and national interests
Recruiting	Employees from home country; Expatriates	People from local nation	Employees from the region	Best men counts beyond nationality
Marketing	Needs of home country customers are decisive for the rest of the world	Local products for local needs	Standardizes within region	universal product with local deviations
Finance	Profits are returned to home country	Deduction of profits in host country	Reallocation within region	Globally equally redistributed

Table 2 Source: adapted from Perlmutter H. V. (1969) and Chakravarthy B. S. and Perlmutter H. V. (1985)

2.1.6 The Hypermodern MNC- A heterarchical Model by Hedlund

Constitutive on Perlmutter's EPRG model Hedlund (1986) wrote his article about the non-hierarchically organized MNC. He argues that the heterarchical MNC differs strategically as well as in the type of structure. A heterarchical MNC seeks to exploit competitive advantages gained in the home country and also tries to increase the advantages from its global extension. In terms of structure it can be said that the heterarchical MNC first classifies its structural properties and then tries to find the right strategic option (Hedlund, 1986)

The main findings of Hedlund (1986) are:

- Because the heterarchical MNC has its competitive advantage in more than one country, the firm has many centres. It can also be said that in excessive situations one single subsidiary is the centre for performances within one field.
- The centres mentioned above should be different, which means that it comprises a mix of organizing standards. So there is no branch or subsidy prior to the others.
- The managers of the subsidiaries have a strategic role within the whole MNC, and not solely for their own subordinate. Thus the strategy has to be formulated and put into practice in a geographically spread network.
- Also the flexibility of the organization plays an important role. A subsidy, for example has the opportunity to decide weather it purchases components over headquarter or externally. However it is not only the freedom of purchase but also the flexibility to choose the governance mode. Thus the heterarchical MNC has the opportunity to externalize production or contract a joint venture, without the need of strong communication with headquarter.
- Another important issue is that information is not centred in headquarter but every subsidiary has the same Know-How-level of the company's business. Because of this the knowledge generation is not only placed in the centre but every branch is welcome to generate new ideas.

- Last but not least Hedlund (1984) mentions that alliances with other firms are rather common in a company following the heterarchical mindset.
- In terms of Human Resource Management it can shortly be said that the employees are one of the main corporate advantages of the firm. Thus the core of the heterarchical MNC is the member of staff, who can provide long experience. The motivation of these people cannot only be achieved by simply promoting them but by enabling to move between the centres. This leads to a heavy shifting in personnel.

2.1.7 Linking the EPRG Model to other theories

2.1.7.1 Linking the EPRG to Product Life Cycle

This theory can also be combined with the supposition of Vernons product life cycle model (Melin 1992: 103). The first stage of the product life cycle is the introduction. This phase is characterized by the fact that the product is unknown to customers and requests high marketing efforts to promote the item. Because this needs heavy investment, the firm will probably do this in the home market and thus have an ethnocentric orientation.

After establishing the product the growing stage will begin, which is the time when sales rise and direct competition starts. According to Melin (1992) exports will start off and foreign direct investment will increase especially in overseas markets where the demand for the product is expected to be higher than in the home country. So this phase can be identified as a mixture of a polycentric and a regiocentric orientation because the firm will peel off its focus on the home market and also concentrate on the needs of the foreign customers. As the company has probably no awareness of the overseas culture, it will employ people from the local nation, who are familiar with the wishes and needs of their own public.

The next stage is the maturity phase, where sales are constant and some competitors are forced to leave the market, because the main markets are mature

and the company's product is standardized over the globe. This phase can be identified as the geocentric approach, since it is a universal product with local deviations.

In the final phase of the circle the product will die due to too high competition, poor state of economy or new trends, which the firm does not realize.

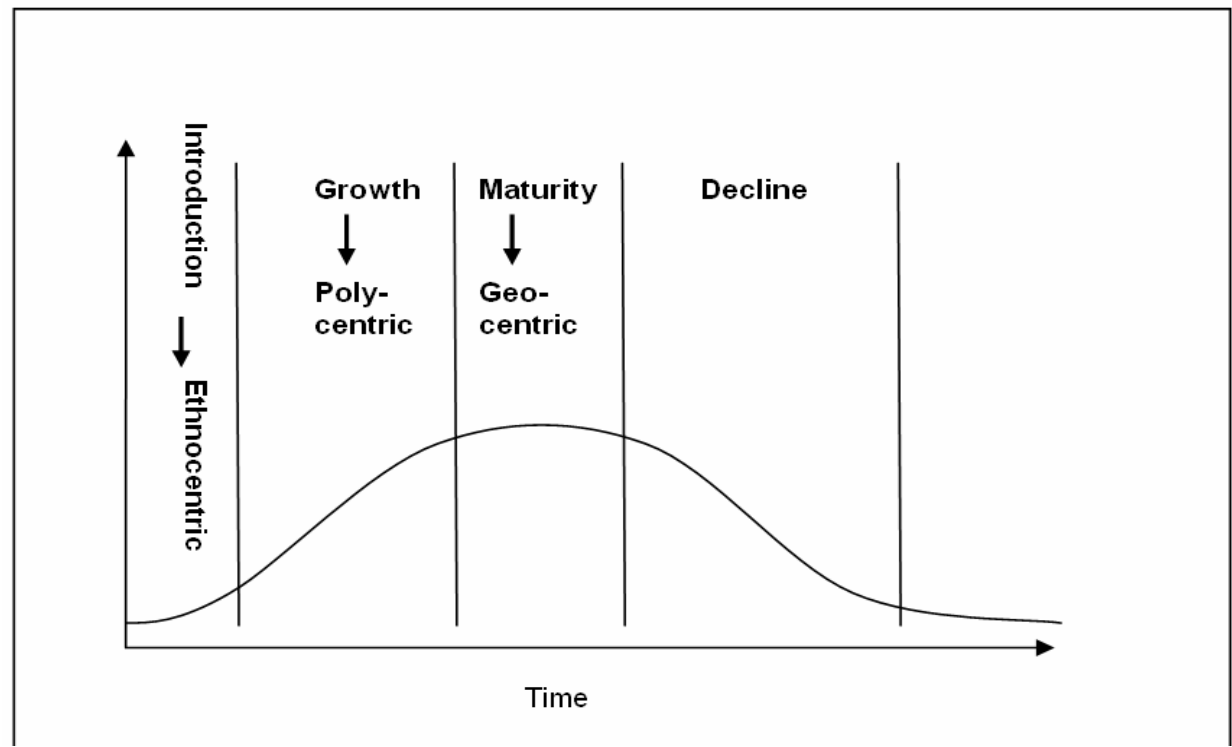


Figure 4 Possible connections between the management orientation and the product life cycle

2.1.7.2 Linking the EPRG with Marketing Orientation

In an earlier survey H. V. Perlmutter, Y. Wind and S. P. Douglas (1973) also published a paper concentrating on the EPRG model and relating it to marketing issues. According to the authors, the attitude of the MNC depends on different factors, which have to be taken into account: One is the size of the company. A small firm, which is most likely ethnocentric oriented, will make inroads into a market, with similar needs of the customers. Bigger firms instead have higher funds and thus can do more research in foreign markets. This allows to implement a more geocentric management style.

The second fact mentioned by Wind et al. (1973) is the experience gathered in the foreign market. A firm takes less risk when entering an overseas market with an ethnocentric attitude, because further development and research, which includes higher costs, is not necessary. Although when Know-How and experience will be necessary, deciding to apply a geocentric strategy.

The next item is the size and degree of heterogeneity of the potential market. If the market overseas is smaller than the domestic, it will not make too much sense to propose a special strategy for this market, because the costs would in all likelihood exceed the revenues. But whenever sales rise segmentation will be relevant to meet the customers taste.

Overall it is important to mention the fact that the nature of the product also has to be considered. Different cultures have different tastes and regulations and this has to be taken into account. For examples in the food industry: An Indian company will not be able to sell the same spicy dish in Europe like in the home country because the flavouring differs.

According to Wind et al. (1973) the perfect EPRG mix cannot be identified, but the positioning rather depends on the individual company, its intentions and the particular situation. They suggest first to settle on the degree of involvement in the internationalization of the firm and then set Marketing targets within the limitations of the chosen strategy. Nevertheless, as you can see in figure 5 the ethnocentric orientation has no target to reach. This is due to the fact that customers' needs and desires are not investigated in the foreign country and thus the marketing efforts of this firm are relatively low.

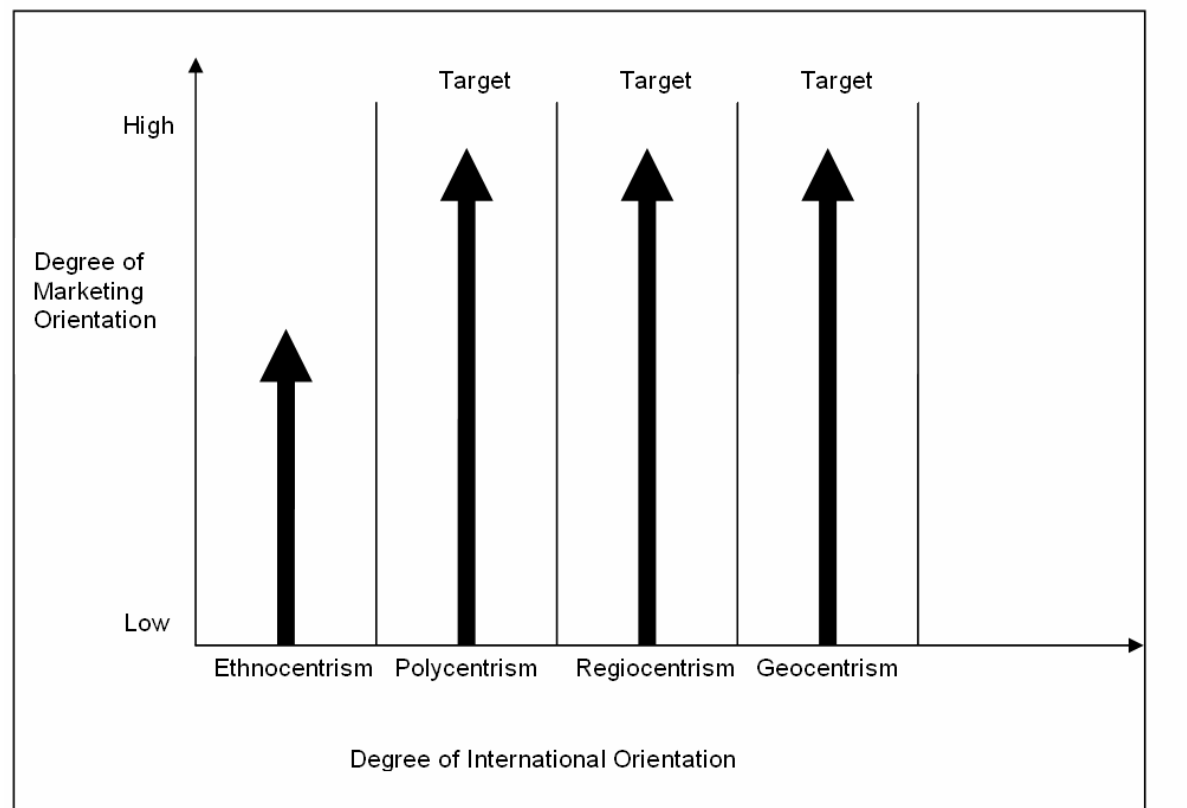


Figure 5 Relationship between Marketing and Management Orientation

Source: adapted from Wind, Douglas and Perlmutter 1973: page 22

2.1.7.1 Linking the Management Orientation to the corporate structure

In their survey “A Strategic Contingency Model of Multinational Corporate Structure” Lemak and Bracker (1988) link the management orientation of Perlmutter with the possible corporate structures by the findings of reviewed literature. Their model starts with the generic strategy of a MNC. In this stage the main focus is the volume maximization, which is the effort to make returns by increasing the volume of export for finished goods and the increase of value added while at the same time decreasing the rate of imports of raw materials. The next steps expressed by this model are the domain parameters. In this phase the product diversity and the dependence on foreign operations is taken into account. Then it is the management orientation by Perlmutter which influences the strategic contingency model. Finally the corporate structure can be defined. When combining the management orientation and the multinational corporate structure there can be found two different groupings. These 24 possible mixtures can be seen in figure 6 and figure 7, which I will not mention in detail.

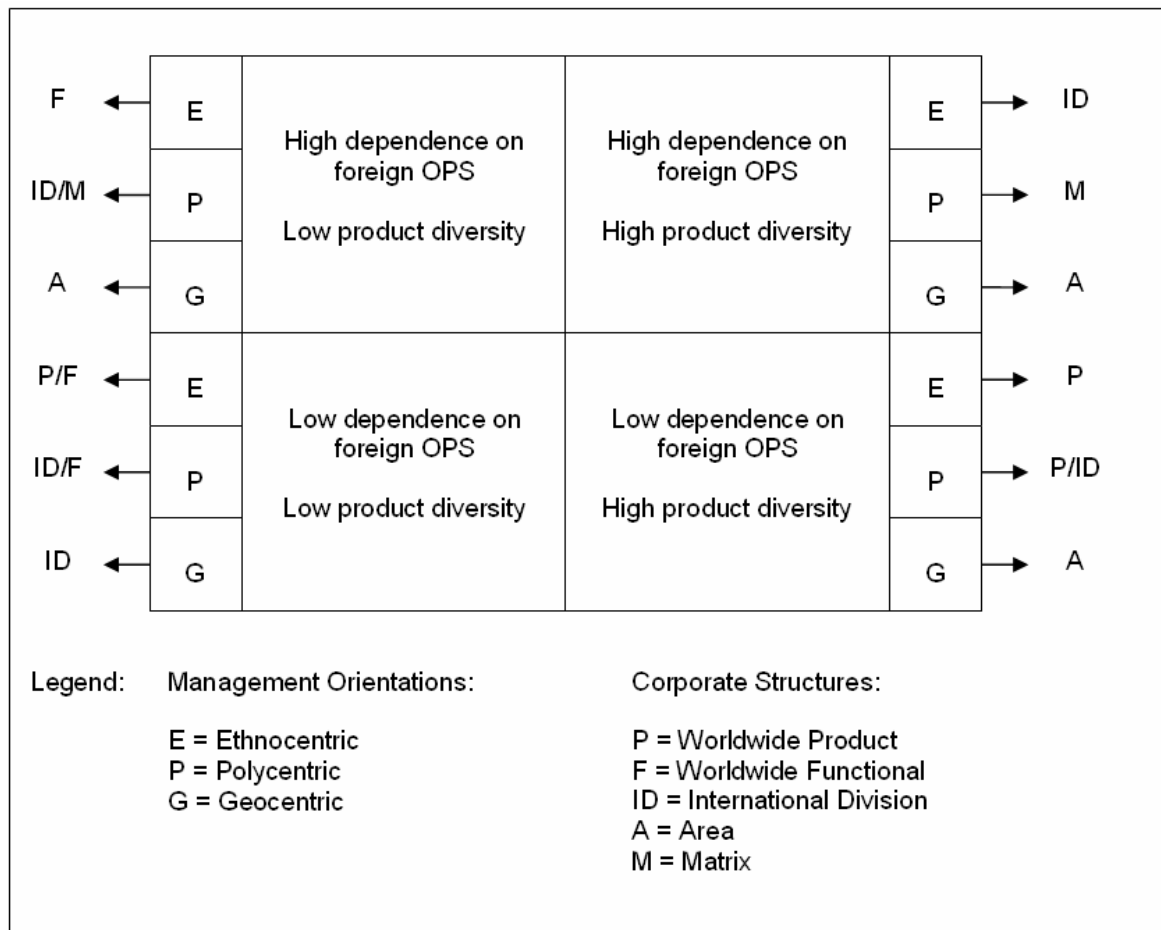


Figure 6 Volume Maximization Strategy
Source: adapted from Lemak and Bracker 1988: page 524

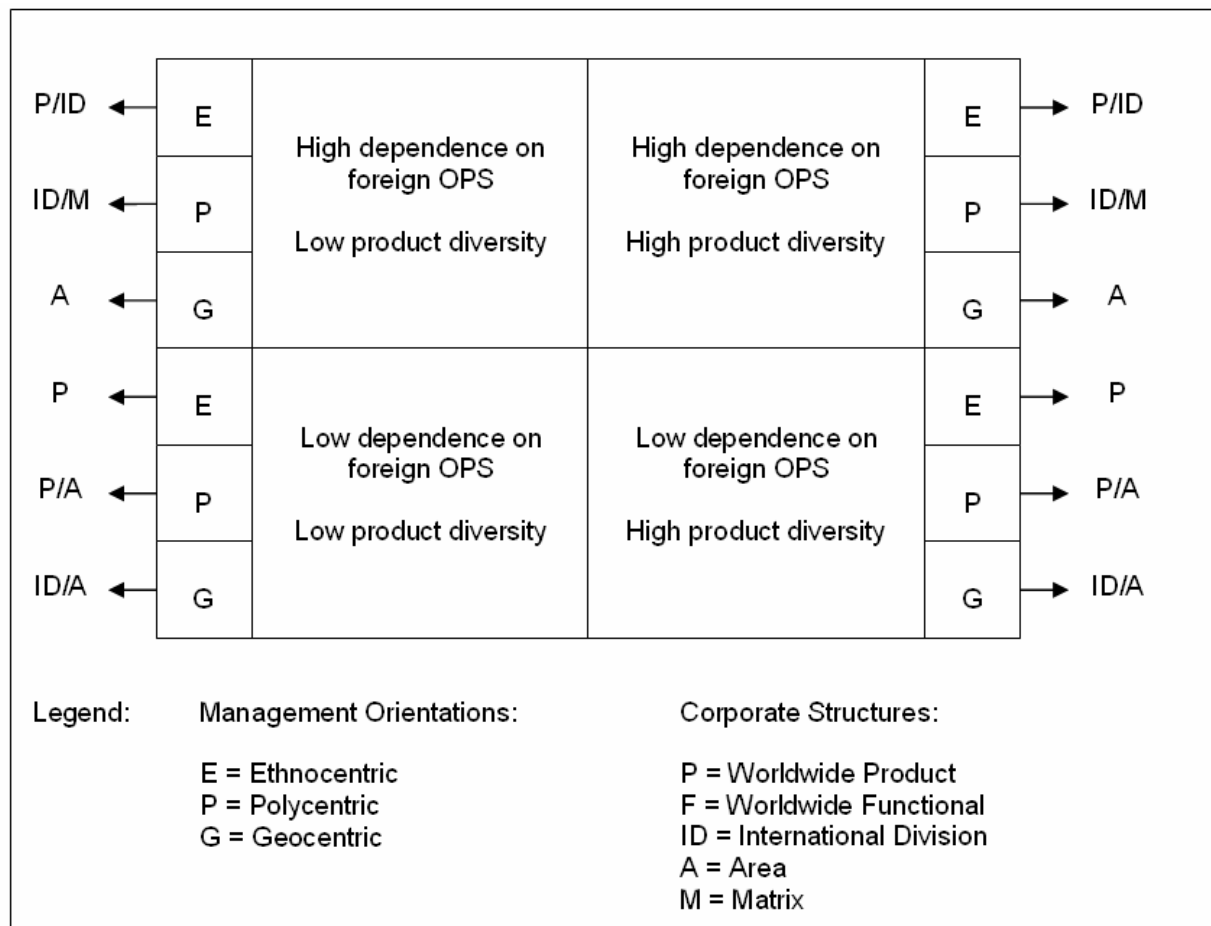


Figure 7 Value Added Strategy

Source: adapted from Lemak and Bracker 1988: page 525

It is important to focus on the hypothesis assumed by Lemak and Bracker (1988). Their first hypothesis is that ethnocentric firms will only operate in a product, functional or international division, but never in an area or matrix division. This can be seen as the result of the spotlighting of the companies management to centralize the decision making because when the decision making force is concentrated in the home office, the focus is either on the product or on the function, which might be the corporate advantage of the firm.

The second interesting proposition is that a geocentric oriented company will in all probability implement an area structure since it wishes to encourage the decentralization of the management. But the corporation might also choose the international division in order to avoid complicated operations in the host countries, when the complexity reaches a high level.

Also worth mentioning is the theory that the speed of the companies growth might play a role when looking at the structure in conjunction with the orientation. According to Lemak and Bracker (1988) when a firm expands slowly and does not need to implicate a lot of structural changes it can keep the decisions in the home country and thus be ethnocentric. But when the expansion is rapid the management does not have enough time to execute every single decision by the home office and eventually will need to rely on the employees in the host country. This means that the orientation of the firm is therefore geocentric.

The only missing aspect of this survey is that all these interesting hypotheses are not materially documented because there is no empirical study added.

3. Structural Analysis of Multinational Companies

3.1 Evolutionary Models

Westney and Zaheer (2003) state in their article *“The Multinational Enterprise as an Organization”* that the structural change of multinational companies can be shown by means of evolutionary model. There can be found three improvements, the evolution of formal structures, the evolution of companies' value adding activities and the evolution of managerial style.

3.1.1 Internationalization Model by Stopford and Wells

Stopford and Wells (1972) build their model up on the survey of Alfred Chandler (1962). They created a model for internationalization possibilities of companies. In this presentation there are two factors, which can be seen as the main drivers. The first is the size of a company and the second the product diversity.

As you can see in figure 8 a company starts with a relatively low level of foreign sales. As time passes the product diversity increases, because the firm expands the product portfolio and through this implements an **international division structure**. This stage then will be followed by two different opportunities. The MNC can either decide to focus on the product diversity, which would end in a **worldwide product division structure** or to focus on foreign sales, in which the firm should implement an **area division structure**. But no matter which path the company chooses to go they would, according to Stopford and Wells (1972) end in a **global matrix structure**. The only pitfall of their survey was that they could not find one company using this global matrix structure in real life (Westney and Zaheer, 2003).

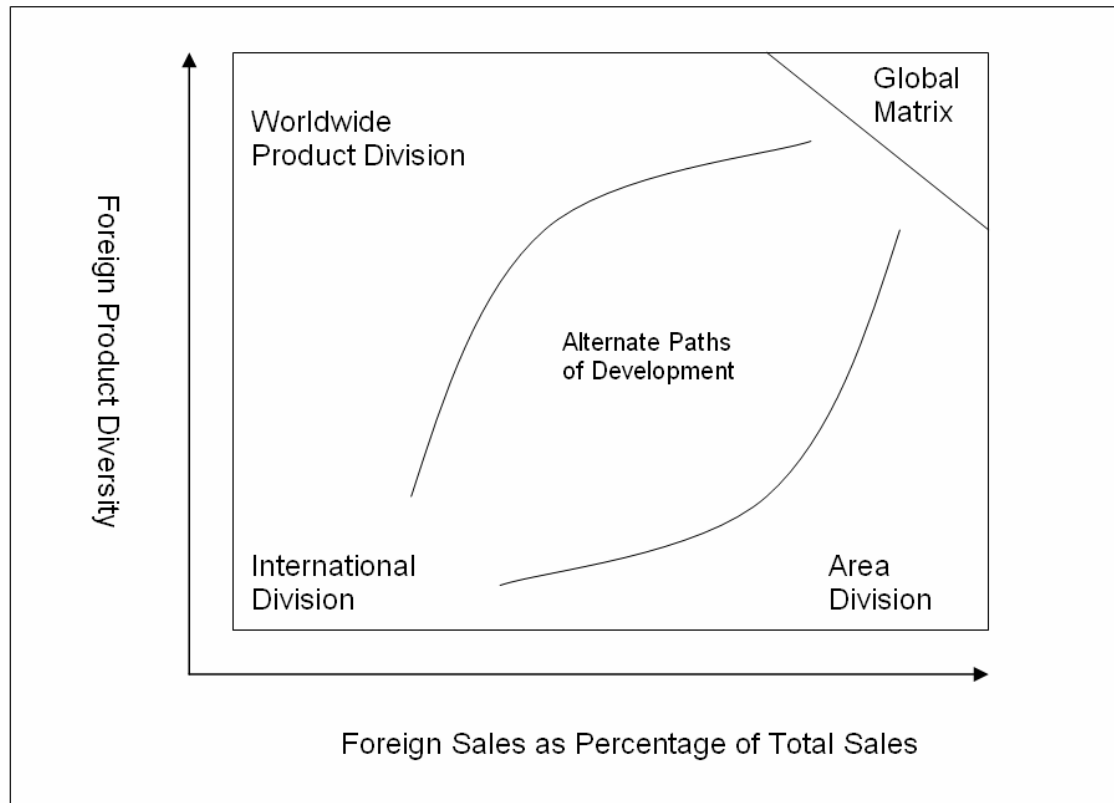


Figure 8 Model of Internationalization

Source: adapted Stopford and Wells 1972

3.1.2 Structural Evolution by Daniels, Pitts and Tretter

Another survey which can be added to the group of evolutionary models is the one of Daniels, Pitts and Tretter (1984). In this case 93 large U.S. MNCs were surveyed. The main foci were the operating characteristics and the multinationals structures. Building on the theses of Chandler (1962) and Stopford and Wells (1972) the authors could outline the following hypotheses:

Companies with low level of product diversity will apply functional structures, whereas firms with an idiosyncratic product diversity altitude will use product structures. Finally it can be said that wherever foreign sales are high an area division structure is initiated. Every other mixture of orientation can be summarized as an international division structure (Daniels, Pitts and Tretter, 1984).

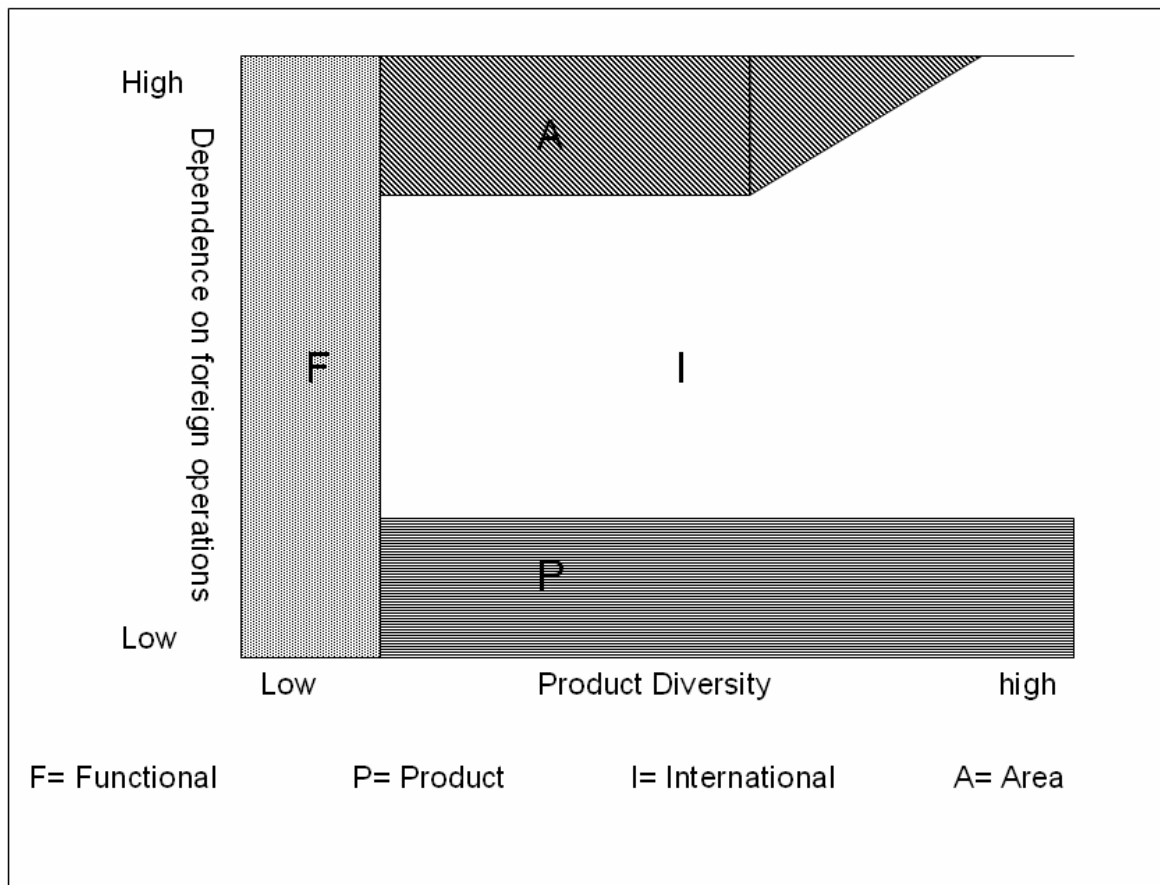


Figure 9 Structural Evolutions of Non-Conglomerates US Multinationals

Source: adapted from Daniels, Pitts and Tretter (1984)

3.1.3 Strategy-Structure Model by Egelhoff

Egelhoff (1988) adapts the study of Stopford and Wells (1972) by studying 34 US and European MNC and so presenting a new model with three similar dimensions, which are modified a little. As you can see in figure 10 below just like the study of Stopford and Wells (1972) it presents firms with a relatively low percentage of foreign sales and low product diversity that will implement an international division structure. But Egelhoff (1988) could not find any MNC applying the worldwide product division in his set. So he was not able to proof or to vitiate the findings of Stopford and Wells (1972).

When considering the second stature in figure 10, Egelhoff contemplates the situation as soon as the percentage of foreign sales is high. In this case he argues that the coordination and information processing between headquarters and the subsidiaries rise and thus a worldwide product division has to be adopted. So strategies with high product diversity and a lot of exports from the head office to supplementary have to be considered. According to Egelhoff this can be called a global strategy which leaves no room for national or regional responsiveness.

Subsidiaries are relatively independent, when the strategy entails a lot of manufacturing to help expand foreign sales. This ends in a lower operational effort what in turn leads to higher regional and national responsiveness. The firm applying this strategy will have an area division.

The last strategy discussed by Egelhoff (1988) is the one, which involves high levels of foreign product diversity and high percentage of foreign manufacturing. Thus a mixture of product division and area division strategy will be the best for this company because the dependency on headquarter is, on the one hand high regarding knowledge transfer, and on the other hand low because the synergy effects with neighbour subsidiaries are used.

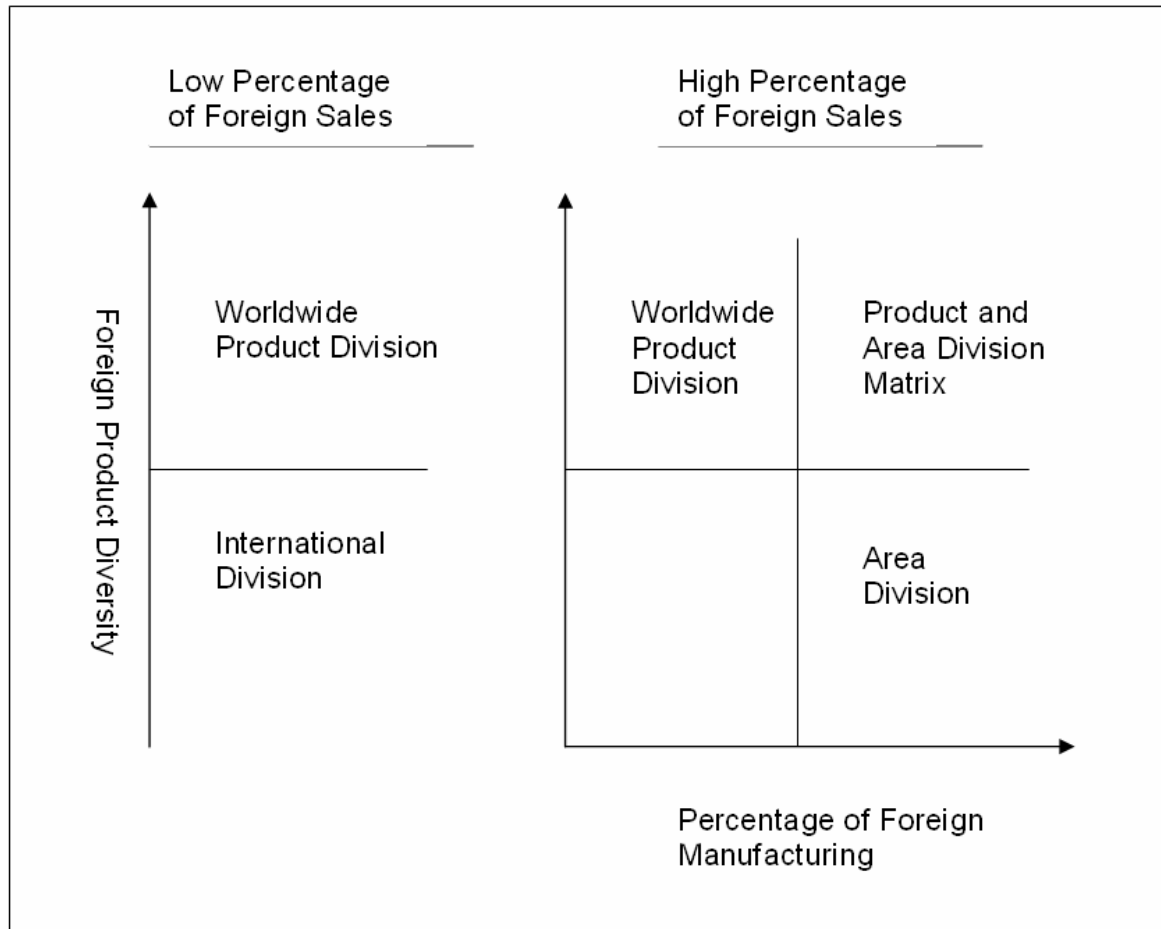


Figure 10 Revised Model showing the relationship between strategy and structure in MNC
Source: adapted from Egelhoff (1988)

3.2 Traditional Structure Figures

The intention of this chapter is to show through authors such as Franko (1976), Hedlund (1984) or Wolf and Egelhoff (2001, 2002), who did reviews of European companies, how important the structural form of a MNC is. The traditional forms, which will be analyzed step by step in this section, differ slightly of those shown by researchers from the US.

3.2.1 The Mother-Daughter Structure

The most representative author in the context of the mother-daughter structure is Lawrence G. Franko (1976), who had his focus on MNCs located in Europe. According to him most of the continental MNCs in 1971 had this type of organizational form. An adumbration of such a MNC is shown in figure 11.

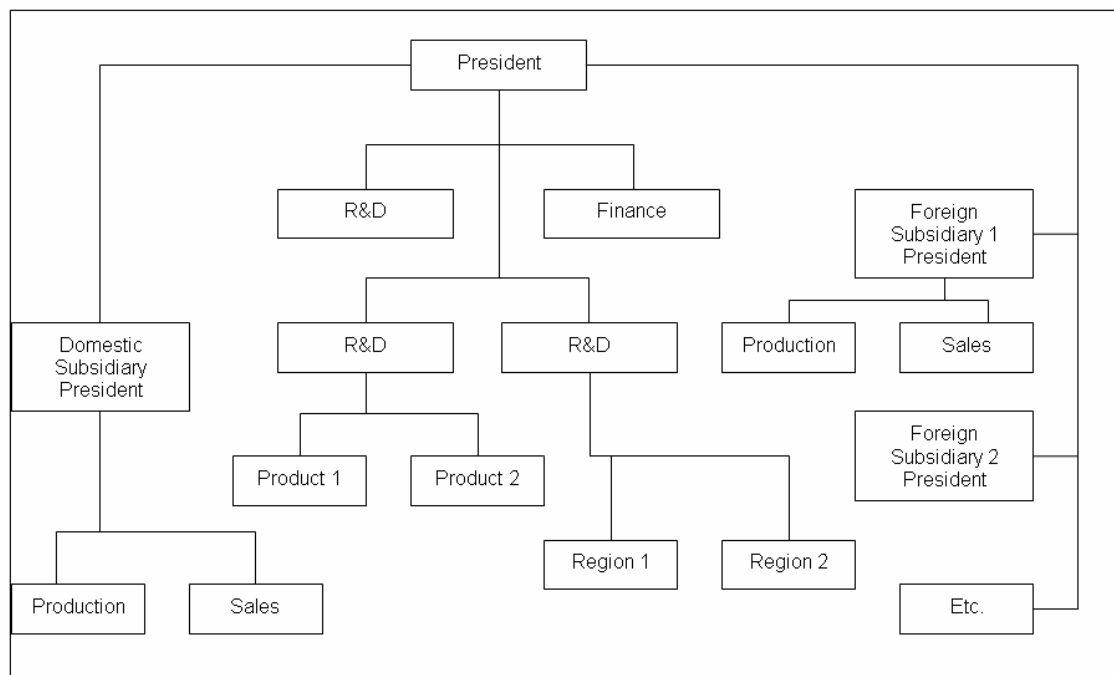


Figure 11 The mother-daughter structure in MNC

Source: adapted from Franko (1976)

When a MNC applies the mother-daughter structure, management practices are kept relatively informal (Franko, 1976). This means that the relationship between headquarters and subsidiaries is personalized and there is not a lot of attention paid on written rules and standardization. The independence of the subordinates is put in foreground but the reports still have to be send directly to the CEO located at headquarter (Hedlund, 1984). Thus the managerial focus is set on home-country expatriates as managers or directors for subsidiaries.

The key findings of Franko can be summarized the following way (Hedlund, 1984; Gilligan and Hird, 1986):

- Subsidiaries report directly to headquarter
- Subsidiaries are relatively sovereign
- Relationship between headquarters and subsidiaries are personalized and informal
- Personnel rotation is used as a management tool
- Most of the companies applying the mother-daughter structure have quite narrow product lines

The result of Hedlund's case study of four Swedish MNCs was that the most common way is to apply a mixture of mother-daughter structure and global product division structure. But the propensity is to move more and more towards *"exlicid and formal formulation of goals for foreign subsidiaries by central headquarters"* (Hedlund, 1984: 122).

3.2.2 The International Division Structure

The international division structure is an often used structural form. It is mostly applied when companies sell domestically produced goods in foreign markets (Stopford and Wells, 1972, Hill and Jones, 2007, Daniels, Pitts and Tretter, 1984). This is due to a low level of foreign sales and low product diversity used abroad. This in turn forces headquarter to keep control centralized and because of a high degree of formal rules the information flow from the main establishment to the subsidiaries is

comparatively slow (Stopford and Wells, 1972). Furthermore it is important to mention that since control and coordination are kept pivotal the customization is minimal and the subsidiary has only the opportunity to handle local sales and distributions (Hill and Jones, 2007).

The international division structure develops to be gratuitous when the internationalization of the firm progresses, which means that the MNC becomes more and more incorporated in a foreign country. No matter if it is the study of Stopford and Wells (1972) or the one of Franko (1976), they all come to the conclusion that most of the multinational companies, regardless if located in the United States or in Europe, change their structure from the international division after some period of time. This change in structure can either be an alteration toward a global structure or a modification to a mixture area or product based strategy (Stopford and Wells, 1972).

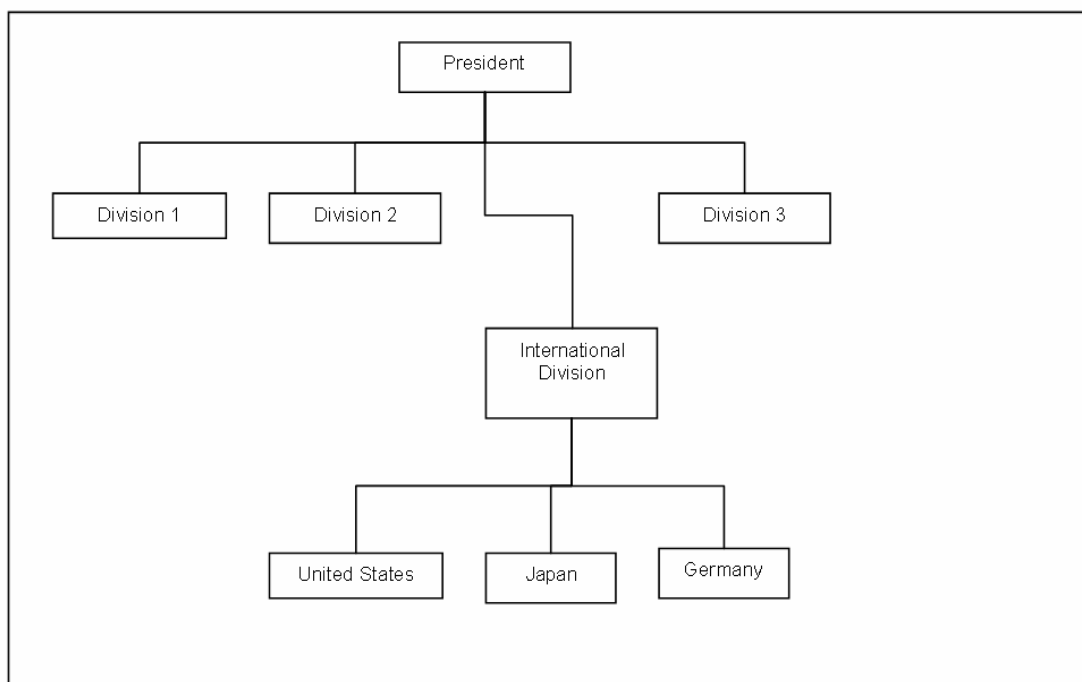


Figure 12 The international division structure in MNC

Source: adapted from Hill and Jones (2007)

3.2.3 The Global Product Division Structure

When the cost-pressure rises (which means that expenses have to be reduced) but the demand of local responsiveness is low, a firm will adopt the global strategy. More precisely it can be said that when the diversification of product lines rises, the MNC will most probably assume a global product division structure. This structural form implies that the product is manufactured for a global market.

The most important paper in this respect is the one of Davidson and Haspeslagh (1982). In their survey they come to the conclusion that the global product structure *“...promotes cost efficiency in existing products for existing markets”* and *“helps companies consolidate their positions in mature and stable markets...”* (Davidson and Haspeslagh, 1982: 125)

Another advantage would be that firms, which face a change in sales, which means when the overturn of the home product division is less than the one of the foreign market, lean towards a global product division structure, because they hope to gain cost efficiency, resource transfer and progressed communication (Stopford and Wells, 1972).

Davidson and Haspeslagh (1982) in turn also mention the drawbacks. These can be summarized as:

- Retarded transfer of resources aboard
- Defensive competing position of the firm
- Lower foreign sales feature
- Focus on international experience, responsiveness and recommendation needed

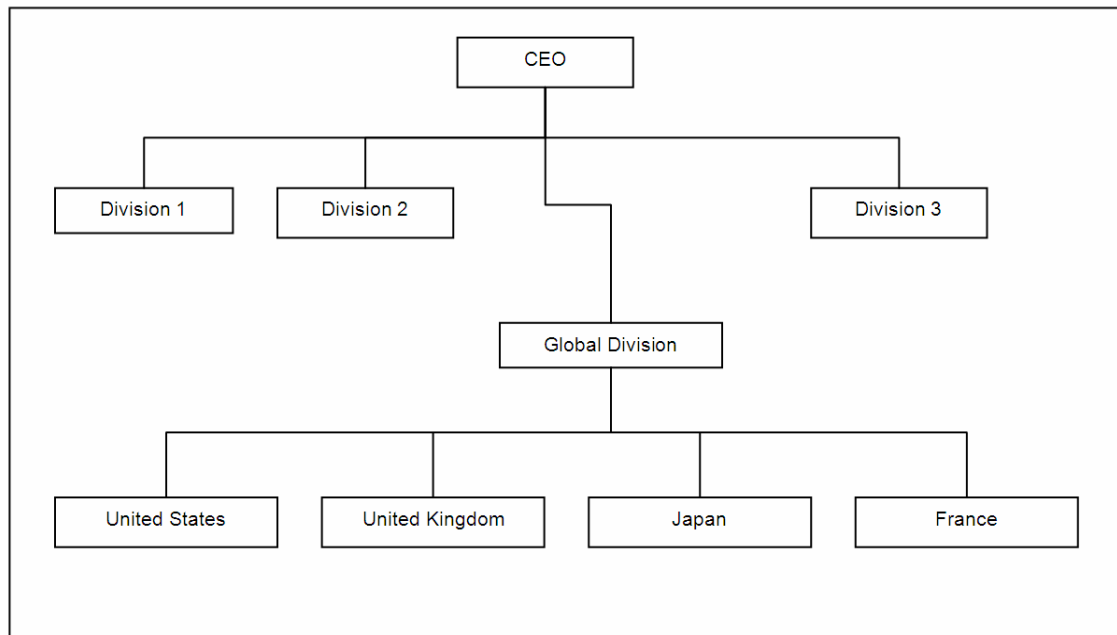


Figure 13 The global division structure

Source: adapted from Hill and Jones (2007)

3.2.4 The Area Division Structure

As already mentioned earlier, Stopford and Wells (1972) argue that an area division structure is used in companies, which face an increase in foreign sales but have a slim product line. This is applied if the size of the international division is bigger than the one of the domestic. Egelhoff (1988) criticises that is not only the size that matters, but also the level of foreign manufacturing plants have to be taken into account.

In an area division structured company, the firm splits its distributions either by countries or by regions. The divisional size depends on the volume of the market. The headquarters are located in each region, and the different regions have the possibility to act in a self-governing way, which means that the actions in the different parts, such as marketing, finance or R&D, are adapted to the need of the region or country (Harzing and Ruysseveldt, 2004).

As a drawback it can be said that “...*this type of structure suffers from a lack of coordination.*” (Harzing and Ruysseveldt, 2004: 43) because the efforts have to be

taken in every single area, without taking into account those synergies could be exploited. To avoid duplication firms employ staff specialists, who smooth the progress of information transfer (Harzing and Ruysseveldt, 2004).

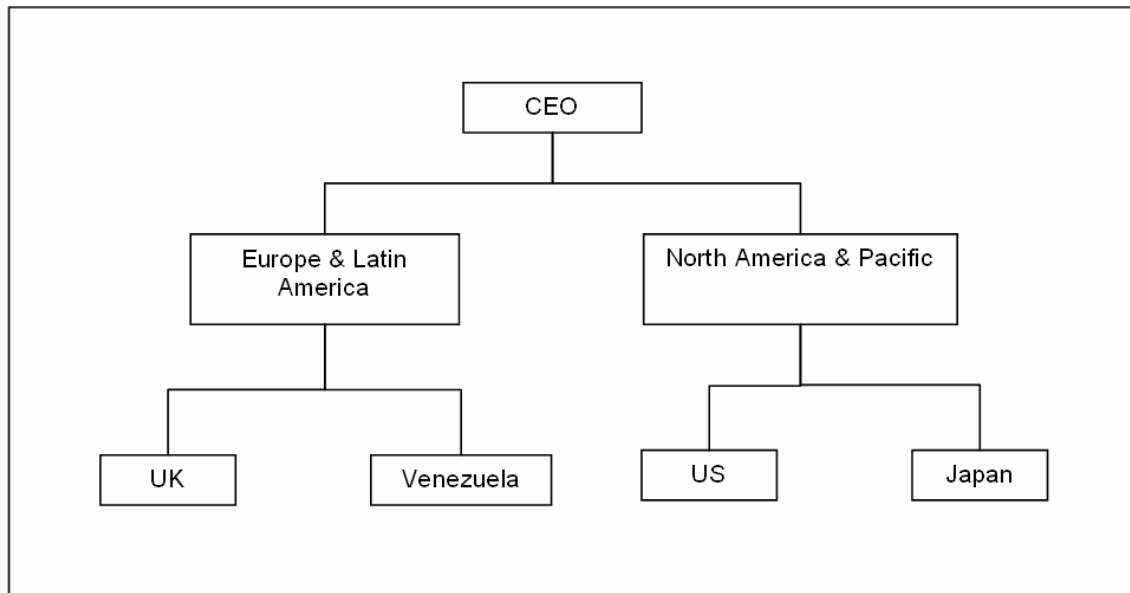


Figure 14 The area division structure

Source: adapted from Westney and Zaheer (2003)

3.2.5 The Matrix Structure

When looking at the internationalization model by Stopford and Wells (1972) one realizes that no matter which path (worldwide product division or area division) the company chooses to go it would end in a global matrix structure. So how can this type of structure be defined? As soon as a firm applies the matrix structure both foreign sales and product diversity are high. Thus the benefit is identified as the combination of the improvements of the area and the worldwide product structure (Westney and Zaheer, 2003). So in these decisions the local responsiveness and the global efficiency are united. Because these two facts are combined the responsibility of a special market has to be divided by the product and area manager. The negative aspect is that coordination costs and bureaucracy are high which makes the MNC slowly acting and the company loses the ability to react to market changes fast enough (Harzing and Ruysseveldt, 2004).

When looking at the practical experience neither Stopford and Wells (1972) nor Daniels, Pitts and Tretter (1984) could find enough companies applying this organizational form to ensure a valid and significant sample. Later Daniels, Pitts and Tretter (1985) did a survey with a sample of 56 MNCs from the Fortune 500 list. Even in this survey they were only able to find one single firm which deployed the matrix structure. According to the authors the explanation for this would be that corporations with this type of organizational structure are heavily subjected to technical and environmental complexities, they are unenthusiastic to revolutionize any operational and structural changes. These firms prefer to wait for another company to start.

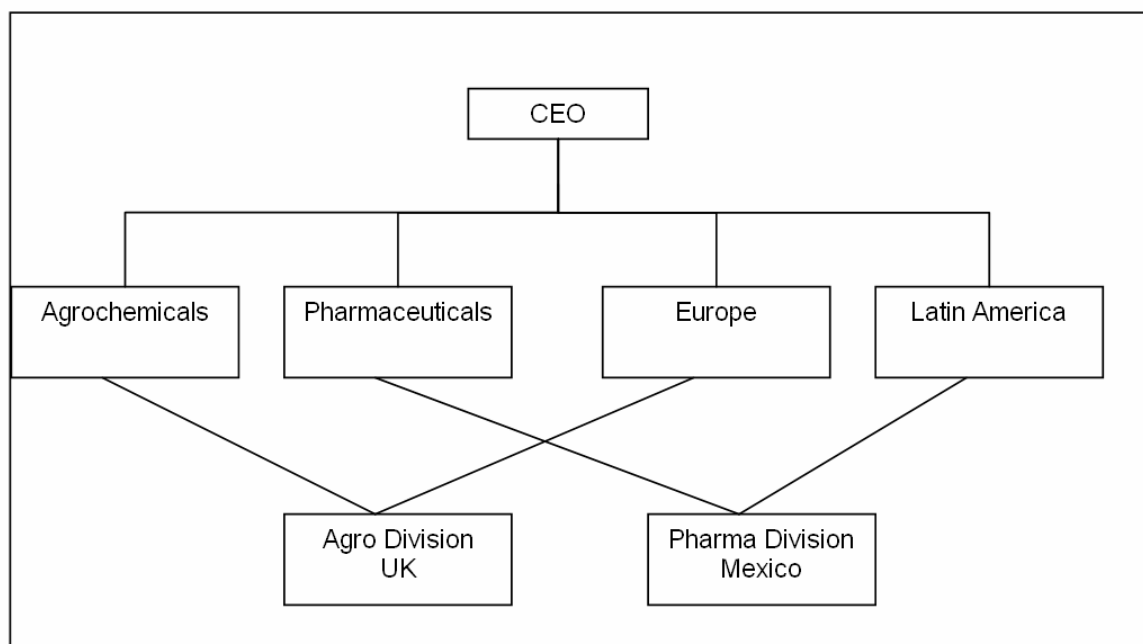


Figure 15 The matrix structure

Source: adapted from Westney and Zaheer (2003)

In 2002 Wolf and Egelhoff did a survey on 95 different German companies, whereupon two third characterize themselves as matrix structured. This matrix structure was not only the mixtures mentioned in older studies, but there were also matrices found combining functional and product divisions or combining functional and area divisions. These different combinations are essential to maintain the advantages gained and to be able to stay flexible enough in order to act to trends (Wolf and Egelhoff, 2002).

The main drawbacks of this organizational form are summarized by Daft (1995). As also already mentioned earlier one big disadvantage of a matrix structure is that the company cannot act fast and flexible enough to environmental changes or changes of customers tastes. Another important fact which needs to be mentioned is that the decision makers can be overloaded with information and others who would need this knowledge would be left out. It could also happen that the wrong employees are positioned at the incorrect location (Daft, 1995).

3.3 The Organizational Model by Bartlett and Ghoshal

Due to the continuing change of the Multinationals towards globalization, the organizational models evolved. The 1980s were rough times for companies “...playing the game of global chess...” (Bartlett and Ghoshal, 1989: 13). The companies had to find the balance between global integration and local responsiveness, since the main barrier to globalization is located in differences of national market structures and consumer preferences. Thus they were forced to adopt the best possible strategic orientation (Bartlett and Ghoshal, 1989).

Bartlett and Ghoshal (1989) studied nine different companies operating in different markets and having different capabilities which can be found in figure 16. These nine MNCs can be divided into three main groups according to their structural configurations, their different administrative processes and managing mentalities. In the following subsections I will look at these three structural organizational models into more detail.

Industry	Company		
	American	European	Japanese
Consumer Electronics	General Electric	Philips	Matsushita
Branded Packaged Goods	Procter & Gamble	Unilever	Kao
Telecommunications Switching	ITT	Ericsson	NEC

Figure 16 The nine Companies of the Study of Bartlett and Ghoshal

Source: adapted from Bartlett and Ghoshal (1989)

3.3.1 The Multinational Organization Model

The Multinational Organization or in other words the decentralized federation was mostly found in European companies, which were expanding into foreign markets. These firms were leaded by family members and thus formal structures were hard to find. It can even be said that when external personnel was needed the management chose to delegate independence to trusted employees. This way control and coordination were primarily achieved through personal relationship. All in all Bartlett and Ghoshal mention the following characteristics of the decentralized federation: *“...decentralized federation of assets and responsibilities, a management process, defined by simple financial control systems overlaid on informal personal coordination, and a dominant strategic mentality that viewed the company’s worldwide operations as a portfolio of national business.”* (Bartlett and Ghoshal, 1989: 49). Below in figure 17 these structure can be found graphically.

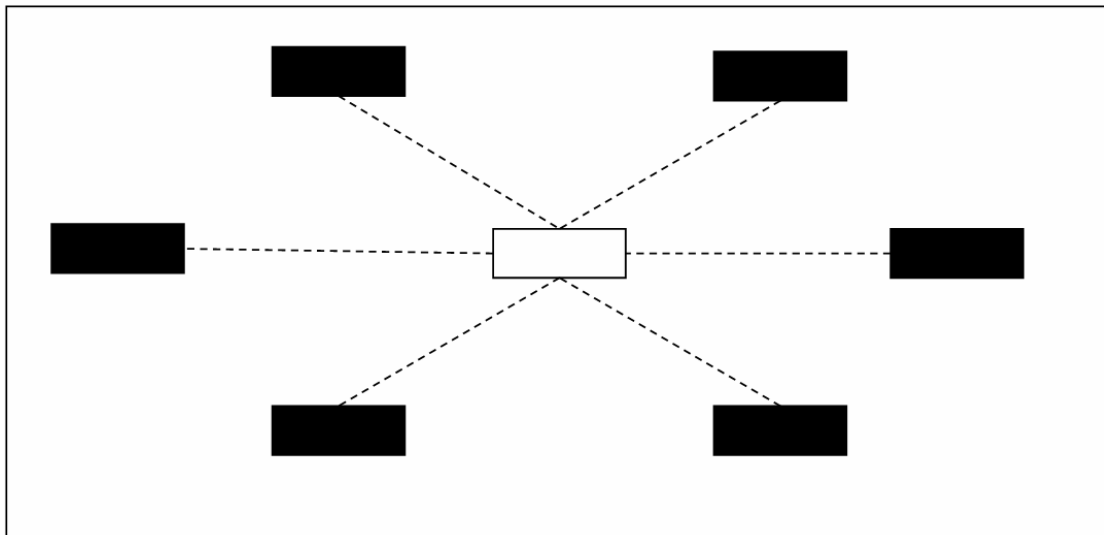


Figure 17 The Multinational Organization Model

Source: adapted from Bartlett and Ghoshal (1989)

Westney and Zaheer (2003) additionally mention that this type of orientation also implies that the company outsourced responsibility to local markets. Furthermore it is pointed out that the knowledge developed in the subsidiaries stays there.

3.3.2 The International Organization Model

According to Bartlett and Ghoshal (1989) the second type of strategy which could be found was the one of companies after the Second World War, which were internationalized. The focus was set on transferring knowledge and expertise from the home country to the less developed countries according to their progress in technology or market improvement. This was most often applied by US-companies. Coordination and control of the subsidiaries needed much more effort of headquarters, due to the dependence on the mother company when new products or processes were developed. Bartlett and Ghoshal also call this type of orientation the coordinated federation. Below this organizational model is demonstrated graphically.

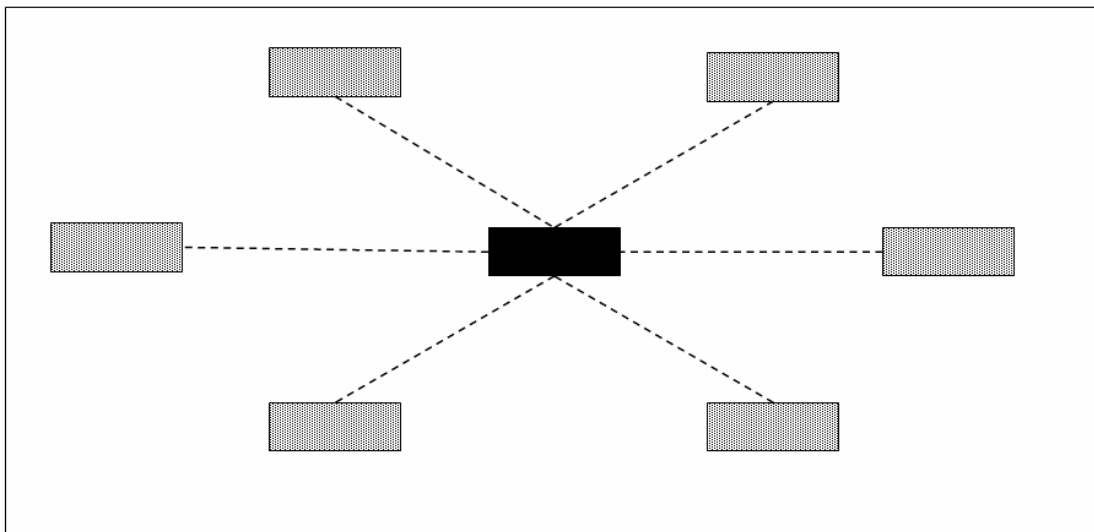


Figure 18 The International Organization Model

Source: adapted from Bartlett and Ghoshal (1989)

Another important fact is that the main strategy is centrally generated. Knowledge, technology and management systems are home-generated and it is headquarter, that decides, which subsidiary receives which help.

Thus nearly the full value chain is generated at the subordinates and they are not too dependent on resources (Westney and Zaheer, 2003). Because of this the strategy is also called the Coordinated Federation (Bartlett and Ghoshal, 1989).

3.3.3 The Global Organization Model

This form of organization was first applied by Henry Ford and John D. Rockefeller. The main focus was set on the production of standardized goods which were shipped over the whole world. This was done with a tightly centrally controlled tool (Bartlett and Ghoshal, 1989). The subsidiaries had no authority and were contingent upon headquarter (Westney and Zaheer, 2003). The only purpose of the subordinates is to enlarge the sales and implement the strategy and rules of the mother unit. There is no freedom for developing or producing new products. Because of this tight organizational structure Bartlett and Ghoshal also call this type the Centralized Hub. A lot of Japanese companies applied the Global Organization Model in the 1970s and early 1980s. Bartlett and Ghoshal explain that since the culturally dependent management system was based on group oriented behaviour and because of the complex cultural communication norms it was hard to transfer these to the subsidiaries. Thus all decisions were made centrally and delegated abroad. This in turn made it necessary that control was tight.

As another effect the managers in headquarters had to think globally and could not rely on the subsidiaries, which in turn made the leadership focus less on local environmental specialities (Bartlett and Ghoshal, 1989).

Westney and Zaheer (2003) go even one step further and argue that this type of orientation is globally integrated with the search for economies of scale.

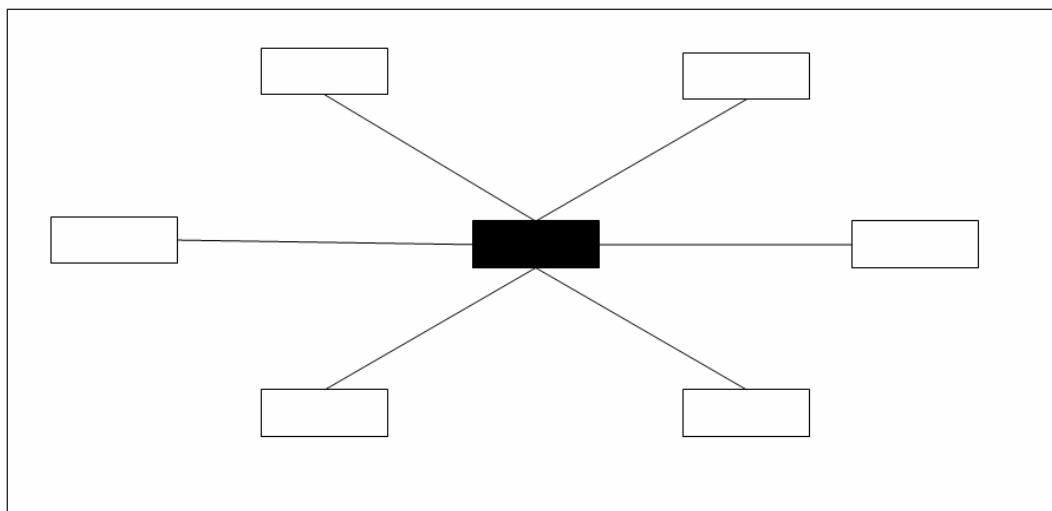


Figure 19 The Global Organization Model

Source: adapted from Bartlett and Ghoshal (1989)

4. The Triad Power

When companies started to go abroad they had to rethink their strategy. Kenichi Ohmae (1985) made the word “Triad” the most popular one in connection with regional strategies. According to Segal-Horn and Faulkner (2000) the triad are different trading blocs in the most developed regions of the economic world; these are Europe, Asia and North America.

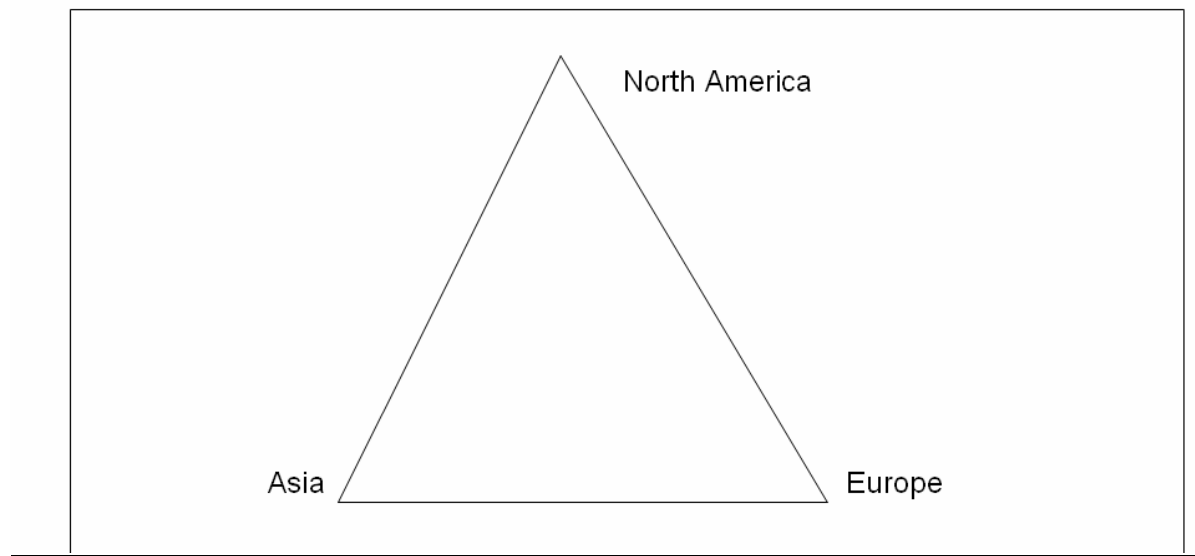


Figure 20 The Triad Power

Source: adapted from Segal-Horn and Faulkner 2000

Rugman and Verbeke (2004) describe the historic emergence of this phenomenon: Because of the floating of the dollar the domination of US firms ended in the 1970s. So the outward investments of companies located in the United States declined to the half within 25 years until 1990. In 1985 then Kenichi Ohmae published his study presenting the Triad, which was a geographic space consisting of the United States, Europe and Japan. These regions had some common grounds: *“...low macroeconomic growth, a similar technological infrastructure, the presence of large, both capital- and knowledge-intensive, firms in most countries, a relative homogenization of demand ... and protectionist pressures”* (Rugman and Verbeke, 2004: 4)

Segal-Horn and Faulkner (2000) argue in their book that there is not only the trade between these blocks but also the intra-regional trade, which is quite important for some regions and worth mentioning. An example would be the intra-Mercosur trade especially between Brazil and Argentina which has boosted from 4 billion US\$ in 1990 to approximately 14.5 billion US\$ 5 years later. But it is fundamental in this context to also point out that the inter-regional trade between the EU and the Mercosur in 2007 was € 32.12 billion (exports to Mercosur countries) respectively € 47.84 billion (imports from Mercosur countries) (website of the European Commission).

There is also evidence to this fact by the survey of Fontagné et al. (2005). The authors have examined in this paper the trade flows between the three blocks on one hand and on the other hand have surveyed weather protection mechanisms like tariffs or trade barriers influence the trade through bilateral trade and production figures in companionable industries taken from the "Trade and Production 1976-99" database of the World Bank. In this context Fontagné et al. mention that it can be observed that trade volumes are doubled when the interacting countries speak the same language, which can be seen as an important factor for the traffic of goods and services. This will be laid out in more detail at a later stage.

But it is not the only focus of Fontagné et al.: They also look at the different industries. According to the authors the transport equipment, industrial chemicals and professional and scientific equipment are industries which face less border effects than manufacturing such as wood, furniture or food.

Finally they come to the conclusion that whenever the final demand of a country is high and powerful, the enterprise actions more home oriented and the Triad is no longer important.

Rugman and Verbeke (2004) have taken a closer look at the phenomenon of the Triad and have tried to find an empirical evidence of triad power. For this reason they have taken a closer look at the world's largest 500 companies which were also the "Fortune 500" that they regard as MNEs. These are defined as: *"...they produce and/or distribute products and/or services across national borders."* (Rugman and

Verbeke 2004: 6). Due to the absence of information and the absence of international trade only 365 companies were left for further appraisal. After surveying these firms, the authors were only able to identify 9 global MNCs, which had not less than 20% of their sales in all three regions of the triad. Most of the companies (320 firms, which make about 80%) were home region oriented. But still it is important to mention that for these numbers Rugman and Verbeke have only considered trade, which is easier to calculate with, but there is more that has to be taken into account when talking about internationalization. However this will be laid out in more detail at a later stage. Making allowance to these figures it shows that firms cannot be regarded as international only because they export products. Because most corporations are home country oriented they have a weak market position in host regions and this is caused through regionally based action.

In their survey Poon, Thompson and Kelly analyze, if there is a triad, when concentrating on trade on one hand and foreign direct investment on the other. For this reason they linked the year 1985 to 1995 pulling out the data from International Monetary Fund's "Direction of Trade Statistics" and OECD's 1997 "International Direct Investment Yearbook".

In respect to trade they discovered out that in 1985 there were seven regional clusters: the US, Brazil, Japan, Germany, France, UK and the former USSR. These regions dominated the trade in the past, and in Europe there were even 4 countries dominating the trade. These countries showed up a high geographical and historical cause. Especially in the case of France and the UK the colonial time plays an important role.

Ten years later the political situation had changed a lot and some main trade forces could be found any more. An example was the USSR, which lost its monopoly power after the breakdown of the communism. According to Poon, Thompson and Kelly in the year 1995 there are only four regions left, which can demonstrate even stronger power in the world market. The region in which the US was dominating, enlarged by Latin America it was present in every country in North and South America. Brazil completely lost its power as a driving force.

A big winner of political changes was Germany. This nation extended its power not just in Europe and the ex-communistic countries but also in regions where Brazil was based, such as Iraq, Iran, Jordan, Syria and Israel. Also all the French dominated states swapped their trade partner and thus the French predominance disappeared until 1995.

The second main driving force in Europe in the nineties was the UK, which could enlarge its power in the former USSR.

The situation for Japan as the key power house in Asia did not change a lot within this period of time, except that India also enforced its trade with Japan.

Concerning foreign direct investment patterns Poon, Thompson and Kelly write that they are more geographically concentrated than trade, because most of the MNCs are scattered all over the world and thus are also the investment decisions.

According to the authors in 1985 there could be found five main regions, which were the main drivers of foreign direct investment. These countries were Japan, the US, Germany, France and Sweden. Especially the last two mentioned had the highest interaction intensities with their partners, particularly in the former communistic countries such as USSR, Poland, Czechoslovakia and Hungary.

Ten years later these highly investing countries cannot be found any longer in the survey of Poon, Thompson and Kelly. In 1995 there are only four centres which drive the FDI Patterns. Japan, the US, Germany and Switzerland can be found as major investors in the global financial market. At the same time it is Japan that is staking at a high level with its partners, which are nations such as China, Malaysia and Indonesia. But it was also possible for Germany to spread its influence in the FDI sector of different countries, especially in Islamic states such as Turkey, Iran, and Libya.

Finally Poon, Thompson and Kelly argue that it is wrong to think that propinquity plays a key role in foreign direct investment decisions, because it can be seen that a company can easily separate the production from the rest of the organisation and thus FDI determinations can be made easily all over the globe.

The concluding words of the authors are that it can not be seen empirically that there is any triad power neither in trade nor in foreign direct investment issues since Kenichi Ohmae presented his thesis.

5. Case Study of Chiesi farmaceutici S. P. A.



5.1 Methodology

Case study research is one possible method in social science next to experiments, surveys, archival analysis and history. But why did I choose the technique of a case study?

The key aim of a case study is to try “...to illuminate a decision or a set of decisions: why they were taken, how they were implemented and with what result.” (Schramm, cited from Yin, 2009). Thus it is the how and why which is put in spotlight. One can say that it is more explanatory than the other forms of research (Yin, 2009).

In the following table the strengths and weaknesses of theory building from case studies are denoted:

	Strengths	Weaknesses
New Theory	Likelihood of generating new theory	Theory which is rich in detail, but lacks simplicity of overall perspective
Testability of Theory	Likelihood of testable theory because of already measures and hypotheses that are already proven	
Empirical Validity	Likelihood that the results are empirically valid	Theory describes only a specific occurrence

Table 3 Strengths and Weaknesses of Case Study Research

Source: adapted from Eisenhardt (1989)

An interview with professionals Alessandro Chiesi, Affiliate Coordinator International Division (Italy), and Wolfgang Harrer, Managing Director of Torrex-Chiesi located in Austria, did take place on the 12th of March 2010 to show the different strategic stages of a MNC in the pharmaceutical industry. First the interview conducted and then I will show the stages Chiesi farmaceutici S. P. A. is in according the information gathered during the questionnaire matched with the theoretical parts of this theses.

5.2 History of Chiesi farmaceutici S. P. A.

The Chiesi group dates back to the 30ies, when Giacomo Chiesi, a pharmacist, bought a pharmaceutical laboratory located in Parma on the 6th of July 1935. The young entrepreneurship started with 2 employees and Giacomo Chiesi first exported self-produced pharmaceutical goods to Eritrea and Austria in 1940.

During World War II some parts of the company were destroyed and thus the post-war-time was used to rebuild the plant and to strengthen the position of the company in the main fields acting.

In 1955 Chiesi was relaunched and the numbers of the employees rose to around fifty. A decade later in 1965 the incorporator handed the management over to his sons Alberto and Paolo Chiesi, who are still directing the board.

At the end of the 1970's when the first foreign subsidiary in Brazil was opened, the company began to become an international company. It was in 1979 when the first corporate product was developed, which was a cortisone preparation for asthma and respiratory disorders. Since this time the main field Chiesi is acting in is the respiratory segment.

Pakistan was the next region Chiesi expanded to. Starting with export they later opened a branch there.


In the 1990ies Chiesi started its extensive expansion in Europe by firstly buying Promedica, a small French company, which was also specialized in the respiratory segment. From this time on Chiesi could not be stopped growing whether by acquisition or by opening subsidiaries within Europe. A key acquisition was the one in Austria. By buying Torrex, Chiesi could enter the market in Eastern Europe using the numerous products registered by them.

They also expanded beyond Europe. In 2002 the main products were registered in the U.S. market and in 2004 the operation in North Africa began. Last but not least Chiesi started its business in May 2008 in China.

Today the Chiesi group operates in five continents with 23 direct branches and manufactures and distributes its pharmaceutical products in over 60 countries (Website of Chiesi farmaceutici S. P. A. <http://www.chiesi.com>; access date: 2010/04/14).

5.3 Numbers and figures of Chiesi farmaceutici S. P. A.

Chiesi farmaceutici S.P.A. is a company which was able to steadily increase its revenues in the past years. As one can see in figure 21 the revenues of the group keep rising each year. Even during the economic crisis of the years 2008/2009 the percentage of sales growth augmented. In 2007 the revenues rose by 10.6% and in 2008 even by 14.1%. The latest numbers for 2009 were sales of € 872 million with a growth of 16.5% in 2008, approximately three times the average of the world market (Chiesi farmaceutici S.P.A., Massimo Zaninelli, Corporate communication manager).

 (Value in Eur/000)

	2008	2007
Operating results		
SALES & REVENUES	748,818	656,013
Growth	14.1%	10.6%
EBITDA	118,413	103,313
% on sales and revenues	15.8%	15.7%
EBIT	88,721	70,986
% on sales and revenues	11.8%	10.8%
NET INCOME	54,782	41,788
% on sales and revenues	7.3%	6.4%
Other informations		
R&D	108,455	92,589
% on sales and revenues	14.5%	14.1%
Capital Expenditures	39,093	24,037
of which R&D Investments	9,842	4,637
Number of employees	3,243	2,956

Figure 21 Operating Results of Chiesi farmaceutici S.P.A.

Source: Annual Report of Chiesi farmaceutici S.P.A. 2008

Figure 22 shows the different therapeutic areas Chiesi farmaceutici S.P.A. is acting in. The main part of the corporation is the respiratory sector, which makes nearly the half of the sales of the group. The second important branch is the cardiovascular therapy, which makes 1/5th of total revenues.

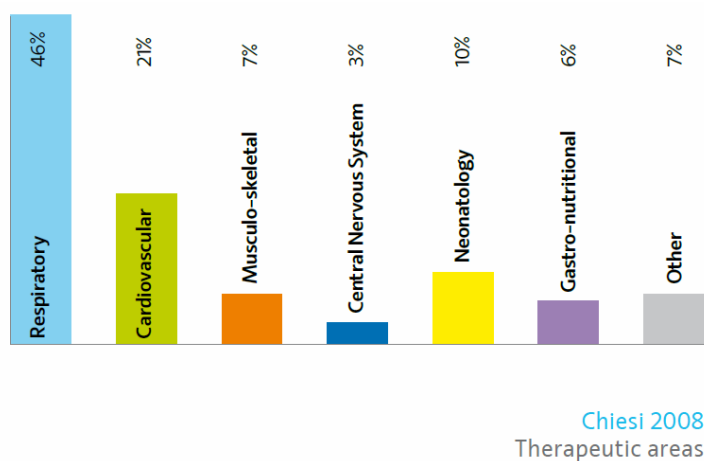


Figure 22 Therapeutic Areas of Chiesi farmaceutici S.P.A.

Source: Annual Report of Chiesi farmaceutici S.P.A. 2008

5.4 The product life cycle of a pharmaceutical product

The respiratory pipeline – phases of research and development

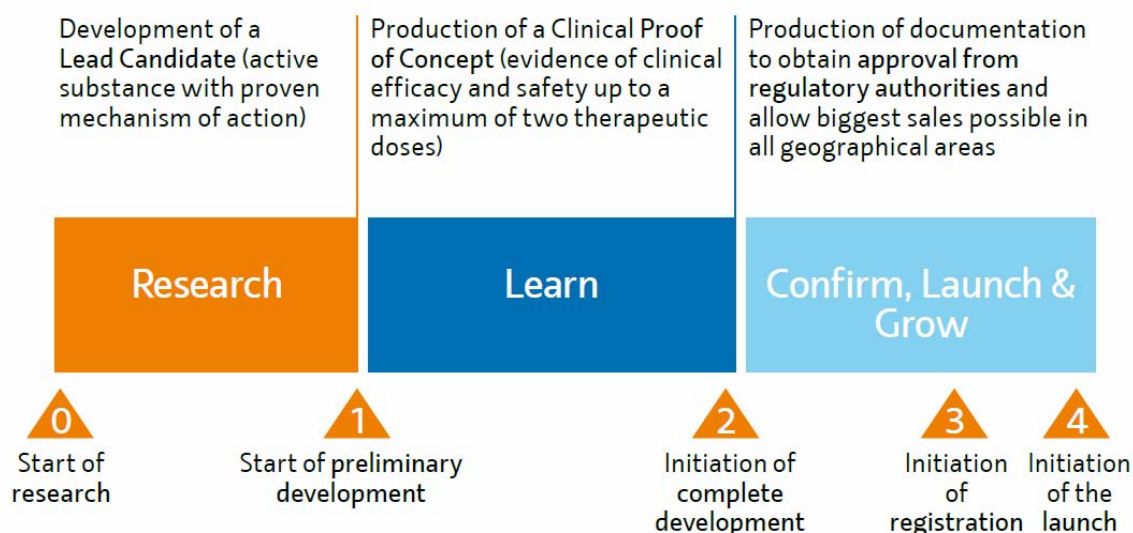


Figure 23 The Respiratory Pipeline

Source: Annual Report of Chiesi farmaceutici S.P.A. 2008

As shown in Figure 23 the process beginning from the start of research and the usage of the remedy by the patient can be divided into three main steps. First the research phase is conducted. In this period of time there are several chemical mixtures experienced. Thus a substance is taken and the mechanism of action is tested. When the expected output is reached, the clinical proof of concept is started. During this time the active pharmaceutical ingredient is tested first on animals and then on people to receive an evidence of clinical efficacy and safety. After the development is complete the legal registration and launch of the product is started.

A very important issue in the pharmaceutical sector is the letters patent. Because the exclusive rights for a medicine can be granted for a maximum of 20 years, depending on the country the patent is issued in, pharmaceutical companies have to push the research and learn phases, which in average take round about 10 years. Thus pharmaceutical firms have 5 years after the approval of the regulatory authorities to

make profits and to cover the expenses, which have risen during the first two phases. An example in this context would be Foster, a product of Chiesi farmaceutici S.P.A., which was launched in 2008 worldwide and in fact has not reached the break even point yet (Dr. Wolfgang Harrer).

When looking at the pharmaceutical market, as shown in table 3, one realizes that the top pharmaceutical company only has a worldwide market share of 7.6% with a turnover of 46.6 billion US\$ (Website of ISM Health <http://www.ismhealth.com>; access date: 2010/04/30).

Company	Country	Sales in US\$	Market Share
Pfizer	USA	46.6 billion	7.6 %
GlaxoSmithKline	UK	37.4 billion	6.1 %
Novartis	CH	31.8 billion	5.2 %
Sanofi-Aventis	F	31.6 billion	5.2 %
Johnson & Johnson	USA	27.5 billion	4.5 %
AstraZeneca	UK	27 billion	4.4 %
Merck & Co	USA	25.1 billion	4.1 %
Roche	CH	23.9 billion	3.9 %
Abbott	USA	17.8 billion	2.9 %
Amgen	USA	16.3 billion	2.7 %

Table 4 Sales and Market Share in the Pharmaceutical Industry (no Generics included)
Source: adapted from IMS Health, 2006

5.5 What kind of strategy does Chiesi farmaceutici S. P. A. apply?

5.5.1 The Theory of Miles and Snow

When looking at the strategy of Chiesi farmaceutici S. P. A., there can't be any clear lines drawn, because as you can see below the visions and missions of the company can be identified in several forms of strategic typologies.

Mission of Chiesi farmaceutici S. P. A.:

- Our aim is to be recognised as a research-focused international Group, able to develop and commercialise innovative pharmaceutical solutions to improve the quality of human life.
- We want to maintain a high quality entrepreneurial team characterised by self confidence and a collaborative spirit.
- Our goal is to combine commitment to results with integrity, operating in a socially and environmentally responsible manner (Website of Chiesi farmaceutici S. P. A. <http://www.chiesi.com>; access date: 2010/04/14).

Table 4 summarizes the main points and key terms of the company's mission matched with the different strategic tools mentioned by Miles and Snow. Thus it can be said that Chiesi farmaceutici S. P. A. is not focusing at one special type of strategic manner but has several characteristics from the defender to the analyzer and prospector strategy.

Strategy	Goal	Structure
Defender	high quality entrepreneurial team,	Centralized, formalization high, tight control
Analyzer	confidence and a collaborative spirit, operating in a socially and environmentally responsible manner	Low centralized control but tight control over current activities
Prospector	research-focused international Group, develop and commercialise innovative pharmaceutical solutions	Decentralized, formalization low, low division of labour

Table 5 Strategy Typologies by Miles and Snow Source: adapted from Robbins
Stephan P. (1990)

5.5.2 The Theory of Porter

Porter's Three Competitive Strategies can be mentioned shortly, because the high cost of production (as mentioned in point 5.4) and the small number of industry segments (see figure 22) can only end in a focus-oriented competitive strategy. This is due to the niche positioning and setting the focus on the satisfaction of needs of the target group.

5.5.3 The Theory of Perlmutter

Whenever Chiesi farmaceutici S. P. A. acquired (or merged) with another company or opened a new subsidiary, the focus was set on leaving the affiliate quite independent. The approach was to leverage the local competencies and knowledge of the market and market condition. Local companies had their own portfolio and the corporate products from Chiesi farmaceutici S. P. A. were only added step by step. But during time the organizations were integrated slowly. Currently there is a common group strategy in terms of product portfolio and how to implement the

commercial strategy in the different countries. But leveraging still on the local competence and knowledge, which makes the strategy happen at the local level. This type of management behaviour can not be identified as one single but as a mixture of strategic methods.

	Ethnocentrism	Polycentrism	Regiocentrism	Geocentrism
Mission			X	X
Authority; Decision making			X	
Structure			X	
Control				X
Communication				X
Recruiting		X		X
Marketing			X	X
Finance	X			

Table 6 Source: adapted from Perlmutter H. V. (1969) and Chakravarthy B. S. and Perlmutter H. V. (1985)

5.5.4 The Theory of Hedlund

In Hedlund's theory the heterarchical MNC has its competitive advantage not only in one country, but in many, thus the firm has many centres. It can also be said that in excessive situations one single subsidiary is the centre for performances within one field.

This is true for Chiesi farmaceutici S. P. A. because especially the office in Vienna has specialized in serving several different countries in Central and Eastern Europe. A further argumentation would be that the production plants are only located in Brazil, Italy and France. Thus there is a specialization in one single subsidiary which supplies the rest of the company.

But for Hedlund also the flexibility of the organization plays an important role. A subsidy for example has the opportunity to decide weather it purchases components over headquarter or externally.

This is the case in Chiesi farmaceutici S. P. A. As some of the subsidiaries were integrated by mergers and acquisition they had a portfolio of products and licenses before Chiesi farmaceutici S. P. A. took over. These products and contracts were kept, to perform the business in the country as good as possible with the additional support of Chiesi farmaceutici S. P. A.

Last but not least Hedlund (1984) mentions, that alliances with other firms are rather common in a company following the heterarchical mindset. Also this is true with Chiesi farmaceutici S. P. A., but I would say that this is due to the industrial sector, in which Chiesi farmaceutici S. P. A. is operating in. Dunning also argues that there are several reasons why alliances become more and more common. Some of them are in particular adaptive for pharmaceutical firms:

- They enhance the significance of core technologies,
- they increase the mutual dependence between individual technologies for joint supply of special products,
- they abbreviate the product life cycle, and
- they upgrade the core competencies to improve global competitive advantages (Rasmussen, 2002).

But there are only four points which can also be found in Chiesi farmaceutici S. P. A. which Hedlund mentions when talking about the heterarchical MNC. All others cannot be found in this case study. Thus I can say that Chiesi farmaceutici S. P. A. shows some characteristics of a hypermodern MNC but some particular business sectors rest upon old structures.

5.6 The Structural Analysis of Chiesi farmaceutici S. P. A.

The organizational chart of Chiesi farmaceutici S. P. A. is quite complex, because there are many subsidiaries acting quite independently but still with a degree of control. After analyzing the reporting structures and the mechanisms of control I can say that Chiesi farmaceutici S. P. A. is applying the matrix structure mentioned in point 3.2.5.

Both foreign sales and product diversity are high in the matrix structure. Foreign sales are one of the main measurement tools of Chiesi farmaceutici S. P. A. Moreover product diversity is high. A good example is the distribution not only of products produced by Chiesi farmaceutici S. P. A. but also products in the medical supply. This allocation derives of a partnership with other pharmaceutical companies such as 3M, Pfizer or Abbott. This fact makes the product diversity high and improves market position.

Another essential key factor is the one of local responsiveness and the global efficiency. Especially in the pharmaceutical industry the responsiveness plays an important role. On the website of Chiesi farmaceutici S. P. A. it is stated that the company is trying to go the “ethical and sustainable way”. This project is mainly focused in 4 big areas: Environmental efforts, endeavours for the patients, the wellbeing of the employees and the added value.

An additional way for Chiesi farmaceutici S. P. A. is to enforce the activities of the Chiesi Foundation, which has traditionally focused its attention on the company’s social responsibility and biomedical research directed towards the fight against chronic respiratory diseases and certain rare diseases.

And all this efforts in responsibility of a special market are also divided by the product and area managers in all subsidiaries.

The drawbacks mentioned by Daft (1995) can also be found in Chiesi farmaceutici S. P. A. In an unofficial interview with a manager she told me that the decision making process takes too long and that the structure is too tight. In addition the overload of reporting makes the company inflexible and stiff. This is because the managers in the

different areas have to report to 2 different persons, one in the same country and one in the same specific area of the company but located in the home country in Italy.

Below the organisational chart of Chiesi farmaceutici S. P. A. is illustrated.

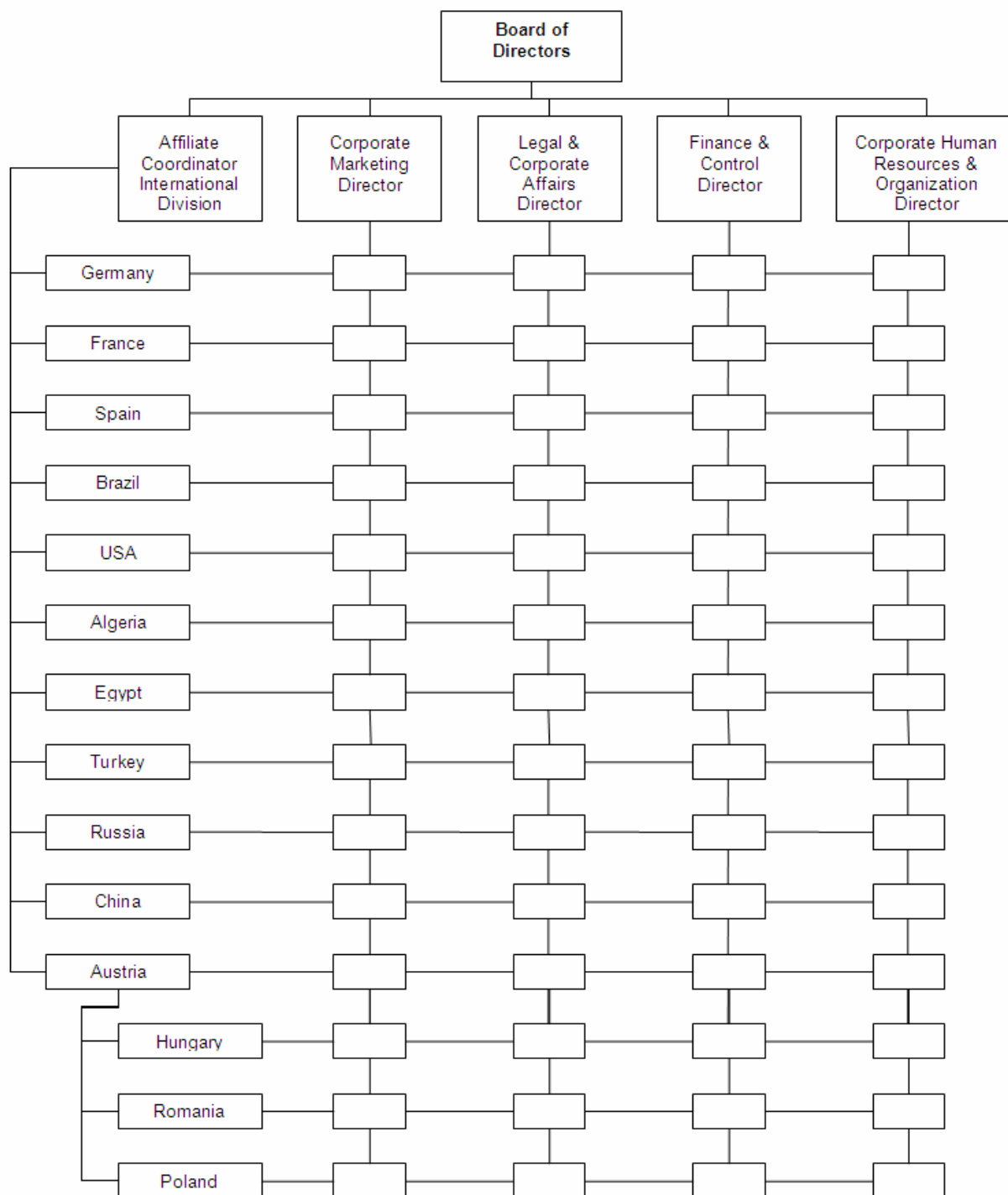


Figure 24 Organisation chart of Chiesi farmaceutici S.P.A. (fragmented)

5.7 Does the Triad Power exist for Chiesi farmaceutici S. P. A.?

First of all we have to review the regions and countries Chiesi farmaceutici S.P.A. is acting in. As already mentioned before, the core region of Chiesi is in Europe. Chiesi covers round 90% of Europe either through direct presence or through partners. The rest of the world is not that comprehensively covered. The first subsidiaries, which were opened up outside of Europe were in Pakistan and Brazil in the 1980ies. But these countries do not belong to the triad power according to Segal-Horn and Faulkner (2000) because the triad power is located in Europe, North America and Asia (especially Japan).

Since 2004 Chiesi farmaceutici S.P.A. is also operating in the United States (Maryland, directly and North Carolina, partnership) and since 2008 in Mexico. This region is covered through an independent subsidiary of the company (<http://www.chiesigroup.com/web/guest/chi-siamo/il-gruppo-chiesi/chiesi-nel-mondo?id=166688>).

The group is also operating in Asia, although it is not Japan but business was started in Shanghai, China in 2008.

When considering Kenichi Ohmae's theory, one can say that the triad power is not existing for Chiesi farmaceutici S.P.A. because the focus of the group is set on business in Europe. Since two years the company is trying to gain ground in North America and in Asia, but with a focus on China instead of Japan.

5.8 Conclusion

Chiesi farmaceutici S.P.A. is truly a multinational company. But is it also global? I would say no, it is not according to Perlmutter and Hennis (1979), because Chiesi farmaceutici S.P.A. has a lot of a globally acting firm but with a lot of regiocentric acting. For the employees working for this company it can be said that the firm is applying a geocentric style, because control, communication and recruitment are global. This means that standards are universal and local due to the products Chiesi is offering, communication is in both directions and between the subsidiaries, and that the best man counts, no matter of the nationality.

But fields such as the decision making and the structure are regiocentric. The main decisions are made in headquarter and then mutually negotiated between the regional Headquarter and the subsidiaries. The structure is a Matrix, which has advantages but also disadvantages. I think the most important disadvantage for a pharmaceutical company is that with a matrix structure it is not able to act fast enough on changing situations in the market. Due to the research and development needed to produce pharmaceuticals, when there are several firm trying to bring out the medicine first, it is very important to be flexible enough to act when another firm brings out the medication first.

The department of finance of Chiesi is eye-catching because it is the only ethnocentric one. This is also due to the high degree of research necessary. All profits of the subsidiaries are returned to headquarter because the costs of clinical studies are high and take nearly ten years. Thus all returns are send back to Parma, which for the next year are divided according to the budget forecasts.

I can see a high potential for Chiesi in the next view decades. The only barrier which I can detect is that Chiesi expands too fast in different countries and areas and the costs for growth in the different markets are not related to the profits gained.

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9. Appendix

9.1 Interview with Mr. Alessandro Chiesi and Mr. Wolfgang Harrer

(on 12th of March 2010):

Neda Gharib-Norsen: How did Chiesi expand in the foreign markets?

Alessandro Chiesi: We are an Italian company. After serving the Italian market, we started export activities. And this was done by finding distributors in this and that country all over the world. Then there were a couple of early investments abroad, which were placed more than 20 years ago, one in Brazil and one in Pakistan. And they were out of any strategic picture. There was an opportunity to go to Brazil and let's go to Pakistan. Let's place a direct, a commercial organization there, in terms of direct investment. Until the 90ies we didn't expand. Later, in the beginning of the 90ies we defined the strategy to become a European group with direct commercial presence in all European countries. And so we started to enter into the different markets, starting with the big markets such as Great Britain and France and then later on the smaller ones. And this was done through acquisitions. So acquiring small companies in each market and making them our platform to market the group-products.

Neda Gharib-Norsen: So in Europe there was no foreign direct investment? Or was it mergers and acquisitions?

Alessandro Chiesi: In the major countries we made acquisitions in order to build up some critical mass since the beginning. We started from scratch in couple of countries like Greece, our own organization; we started from scratch in a way in the Netherlands and also in Turkey, when you consider this as being part of Europe.

Neda Gharib-Norsen: But all others were acquisitions?

Alessandro Chiesi: Yes, of local companies. One exception if you want is Austria because here the company was already covering the different countries in the region.

Wolfgang Harrer: So it was a country which already had own affiliates.

Neda Gharib-Norsen: So when you bought them all, how was the management? Did you interfere into the management style at the beginning?

Alessandro Chiesi: Not so much. We had them quite independent. This was the approach: to leverage on the local competencies and knowledge of the market and market condition.

Neda Gharib-Norsen: So you trusted them?

Wolfgang Harrer: Here I can also comment let's say from the other side, being a member of those companies which were acquired, there was even a very unusual flexibility and freedom in the local decisions. Because it was also a matter of local companies, that had their own portfolio and the corporate products were only added gradually, of course due to the long registration timelines and so this is a long lasting process of merging into a real group which now with Foster in my view is really the first very solid corporate strategy focusing on one product which also brings the affiliates together with the Headquarter much more in one line according the strategy.

Neda Gharib-Norsen: When you are talking about the affiliates, is it the affiliates of Austria or the ones of the group?

Wolfgang Harrer: No, it's the one of the group.

Neda Gharib-Norsen: So there is a standardized procedure chosen by Chiesi. But the affiliates still can act quite freely.

Alessandro Chiesi: Well, this was the approach when we acquired and merged the affiliates. Then during time, we also integrated the organizations. So now we have a common group strategy in terms of product portfolio and how to implement the commercial strategy in the different countries. But leveraging still on the local competence and knowledge, which makes the strategy happen at the local level. The other point which is in my opinion very important is that while we were let's say integrating more and more it was not only a top down approach. We tried and we are involving the local organizations in the definition of the strategy, in the definition of the processes. And I think this is not always common in the multinational groups. We have a number of processes or working groups, committees, all the organizational structure, involving, to the extend possible, representatives of the local market companies, in order to bring their experience on board, but also their needs. There is also a way to make them buy in the concept, because they have to participate to build up the strategy.

Neda Gharib-Norsen: How is the organizational chart structured?

Alessandro Chiesi: We have a Matrix structure. There is a functional reporting system to the corporate Headquarter. The hierarchical one is to the director in the affiliates.

Neda Gharib-Norsen: What about the information and the Know-How? Is the information flow just up-down or also bottom-up?

Alessandro Chiesi: R&D is at the corporate level.

Neda Gharib-Norsen: So there is no Know-How the affiliates could gather to support the mother company?

Alessandro Chiesi: Do you mean the intellectual property?

Neda Gharib-Norsen: Yes and all other forms of Know-How, which is important for the company.

Alessandro Chiesi: Intellectual property is created at the group level.

Wolfgang Harrer: If you think about the R&D, this is done at the corporate level and is guarded totally at this level.

Alessandro Chiesi: Regulatory activities are all run at the local level because you still need this double-layer activity.

Neda Gharib-Norsen: But there are no needed adoptions to serve the different countries? The product is the same all over the world.

Alessandro Chiesi: The product is standardized. At least at this moment it's like that.

Neda Gharib-Norsen: What about the marketing strategy? I know that pharmaceutical companies can't advertise their products in TV but what about the marketing strategy? Do they differ in the different countries?

Alessandro Chiesi: For the corporate products, particularly the last ones, the marketing strategy is one. And this is defined at the corporate level but as I said we want the affiliates to participate, which doesn't mean that each and single affiliate will be able to participate, because then it's not a democracy but chaos. But we still have created a number of tools and systems, organizational tools I mean, in order to get them on board and get their input. And also to share the best experiences, the best practices to be able to spread them around. This is where the strategy is coming from. The implementation is left to the single operative units with the level of flexibility which depends on the product and the situation. Sometimes we have more

sometimes less. But again compared to what the big multinationals are doing, this is the feedback we get; the affiliates are much more on board and much more participating deciding the things which count.

Neda Gharib-Norsen: So culture and mentality does play a role in the company?

Alessandro Chiesi: Yes.

Neda Gharib-Norsen: Is there an Italian mentality as well? Is there an corporate culture so to say?

Alessandro Chiesi: I can't say it because I'm Italian. Maybe someone who is not should answer the question.

Wolfgang Harrer: Yes, of course all companies, according to my very personal experience, they do have a kind of national mentality because I was previously working in a multinational company, which had its Headquarter in Germany. In some small details of the behaviour, of the relationship among people you see differences whether the Headquarter is in Germany or in Italy or in the US or eventually in India. So yes! I think these things are carried by individuals in the end of the day. When you have a Germany based Headquarter, there are mainly Germans, so of course the mentality is reflected in the relationship.

Neda Gharib-Norsen: And what about the management? Is the management always from the same country? Or do you have expatriates being sent from Italy to the subsidiaries?

Alessandro Chiesi: Usually we kept at the beginning the management. Then of course the organization developed. But we are leveraging on local management. So in France we have French management, French people, French General Manager in Germany the same, in Austria the same, so on and so forth. Recently, we think that this is the positive process, we started to have people from the Headquarter going either on mission or also on fix positions in the affiliates. I have to say that we are still a relatively small company, we have 3500 people, and we have to find the possibility to take a key person and send this person in an affiliate for couple of years is not easy because you miss the person at the Headquarter. What was not possible so far was, or better: there are couple of cases so far people coming from the affiliates going to the Headquarter. We would like to have more, but this is not always easy with the Italian mentality. People refuse to go. You can see it as an opportunity or as

a problem. In Italy they are not used to move from their city. It is not easy to convince people.

Neda Gharib-Norsen: So the philosophy is the best people no matter where they are from on the best positions?

Alessandro Chiesi: As I said, we are leveraging on a local management. Our manager is local, also because we need people who know the local features of the market and the county.

Neda Gharib-Norsen: But if Mr. Harrer for example would like to come to Italy and live there you would accept it, when having the right position?

Alessandro Chiesi: We don't have anything against it. We are nowadays trying to stimulate to people to go abroad.

Neda Gharib-Norsen: To be more multinational?

Wolfgang Harrer: Yes.

Neda Gharib-Norsen: What about the surplus of the subsidiaries? Do the subsidiaries keep the surplus in their country or do they transfer it to the mother-company?

Alessandro Chiesi: No, they transfer it to the mother-company.

Neda Gharib-Norsen: And you choose the budget, which is divided again? When Austria has for example a surplus, do they transfer it back to the mother-company, which in turn chooses the budget for the next year?

Wolfgang Harrer: No it is different. Actually in the pharmaceutical industry you need high financial resources for the R&D, which is done on the corporate level. So the dividends are also among others used for lets say the development of the company, so for the R&D activities, eventually for new acquisitions or new developments. Then separate from this general financial issue, you have the normal standardized budgeting process, which is a suggestion and an agreement planning process, as done in every other company. We do have this twice a year. Then we have the forecast process, which we have right now, and then we have the final budgeting process, which is finished roughly in November every year for the next year. But the financial resources are not linked to that. Basically you are talking about local money and local business and the local resources. And theoretically if needed there is the possibility of receiving a loan if the liquidity makes it necessary on the one hand or if there is a surplus you are paying dividends back to the Headquarter.

Alessandro Chiesi: To add one point because I think this is an important one, if I understood your question right. The decision in terms of what to invest and where to invest is made at the group-level. So at the end of the day you can say that the resources created by the whole group for the affiliates are pooled at the group-level and then it's the group deciding whether next year we will invest, make an acquisition by a product or what ever in this or that country. So if Austria tomorrow needs 10 times what they are able to create or generate in terms of yearly income to make an investment, this will be decided and done independently from the ability of the single market to generate this income. Under this aspect we are acting on a global point of view.

Neda Gharib-Norsen: What about the visions and missions?

Alessandro Chiesi: They are the same all over.

Neda Gharib-Norsen: Ok. Last question: Did you ever have the feeling the company grew too fast?

Alessandro Chiesi: No.

Neda Gharib-Norsen: So there were no situations you couldn't cope with?

Alessandro Chiesi: No. I don't think so. I think as an approach and as an outcome at the end of the day our company has followed a successful but still balanced growth button. This doesn't mean that you are always 100% in line with the needs. Sometimes you are more advanced, sometimes you are lacking behind and trying to cope and trying to catch up.

Wolfgang Harrer: The question is why should a company grow too fast? I can only see two reasons, why one could say we are growing too fast. On the one hand it's the financial reason, that you are deluding your financial capability, which in Chiesi according to my knowledge was never the case. And on the other hand the people and structure, so when saying my business is growing quicker than I can get management experience, which I would say that we have a live case in our business in Poland, where we are launching the most important launch currently and we are growing from a small unit of 40 people a year ago and we will be 160 people this year. This is a challenge. It is an interesting thing, but you can recruit the right people. We did the major recruitments already. The HR-mission in this case is very much more different from a normal growth, which is done usually. But it's possible,

and I would not say that we are growing too fast. When you see the opportunity, and try to adopt the structure according to the necessities to catch the opportunity.

Neda Gharib-Norsen: As far as I know the history of the company, especially in the 90ies and at the Millennium there was a big expansion of the group, as far as I know.

Alessandro Chiesi: We were making these acquisitions and creating this European network.

Neda Gharib-Norsen: And this worked out fine?

Alessandro Chiesi: Yes it worked out fine. It was balanced of a financial point of view as Wolfgang said and of the organizational point I think that it was challenging, because we really had to run a lot. But still I think when you look at how we were ten years ago and how we are right now in terms of organization I think that a big change was made. And the group is solid. I know there are companies growing by acquisitions in the very last years in our sector, small and medium companies, when you think about Almeda or these Icelandic companies. They are not a group. Possibly they have some other financial tensions nowadays. But we will see in the US, maybe this will be a more challenging story.

Neda Gharib-Norsen: You said you want to be European company. But Europe is covered now.

Alessandro Chiesi: We made it, because we are now covering 95% of Europe with direct presence. And this presence is to a good extend aligned. So we have reached critical mass almost everywhere. And portfolio products are getting aligned again. Now the next step is to extend to other promising markets. For the pharmaceutical market this is the U.S., which represents 60% of the worldwide market. Then markets like China, where we started 2 years ago. We also have a presence in Brazil. Russia is still a question mark. It's a country at its own. Our presence there still has to be developed. And what is also important, is that our aim is for the current products, which are being developed now, to develop them worldwide, which means not only to make the development for Europe until yesterday but also make the development in such a way to make the registration possible in the U.S. We are talking about the products in our core area, we are a respiratory company, so for niche strategic areas. The future product should be registered possibly also in other big markets worldwide.

Wolfgang Harrer: For your understanding, it's still the same product with the same indication, the same dosiging and so on. But what you have here is on the one hand

the different requirements from the local authorities, so eventually you need more data here or more specific data here in order to support your application for the registration. Or eventually this is a small technical detail you have due to the different climate zones. You have different qualitative aspects. Brazil is different according to the temperature than Russia. And this is also reflecting in the quality categories, which we have to consider in this development.

Alessandro Chiesi: This doesn't mean that the strategy will be the same, because while for specialty therapeutic areas, very special, very niche if you want, we can think to do at our own, because we don't need a big infrastructure or big investment, when you come to larger markets, where you need larger commercial organization for instance, maybe to go for an partnership.

Neda Gharib-Norsen: Is there any partnership?

Alessandro Chiesi: We have partnerships in many many countries. Some of them are small ones if you want. The early stage ones, but recently we have important partnerships for markets that either we don't cover directly or we are covering but where we need more critical mass in terms of commercial infrastructure, and so you can decide to have a partner to co-promote and co-sell.

Neda Gharib-Norsen: Is it like in northern Africa? Morocco I think.

Alessandro Chiesi: There we have a presence, which is a kind of direct presence simply structured in a way to reduce our spousal risk and commitment. So leverage on local rented fee forces, but we manage them on our own. The management is ours, the fee forces are rented, and then we are exporting as we are also doing in countries in Eastern Europe. So it's a presence which can be defined as a direct affiliate but a more virtual one due to different reasons, risks and situations of this specific country. In that case it's Chiesi acting. But if you go to South Korea, an interesting market for respiratory products, we have a local company there marketing our products. The same is in Australia, South Africa or any external partner.

Wolfgang Harrer: But we also have partners for countries where we already have our own local affiliates.

Alessandro Chiesi: In Germany Foster is our main product but there is a second brand which is marketed by another company. This is the way they market products in the pharmaceutical world so far. It's called co-marketing.

Wolfgang Harrer: But we have no global partnership.

10. Abstract

The strategy of every Multinational Company is an important issue; a corporation has to consider being successful. But many companies forget about this.

Thus this paper has the aim to give a short overview over the different strategic orientations and structures of multinational firms. The first part of this thesis concentrates on the theory. First the different strategic methods are reviewed. The diverse strategic theories of Chandler's Strategy-Structure Thesis, Miles and Snow's Four Strategic Types, Porter's Competitive Strategies and Perlmutter and Heenan's EPRG Model are discussed in detail. A special focal point is set on the Ethocentric-Polycentric-Regiocentric-Geocentric Model because this in my eyes is the best strategic analysis of multinational companies, because this model not only views one special department or branch of the company but judges the firm as one organization which is linked.

Secondly the structures are reviewed. The structural analysis begins with the evolutionary Models of Stopford and Wells, Daniels, Pitts and Tretter and finally with the Model by Egelhoff. Then I give a short overview over the traditional structure figures. Again I set my focus on one special survey by Bartlett and Goshal.

The second part of this thesis is a practical one. The theoretic background is revolved on Chiesi farmaceutici S.P.A., which is a pharmaceutical multinational with the Headquarter located in Parma, Italy. It can be seen how a pharmaceutical company which was founded in 1935 grew worldwide and how this affected the structure and strategy of this company. This was done by an expert-interview with Allesandro Chiesi (Affiliate Coordinator International Division, Parma) and Wolfgang Harrer (Managing Director, Austria) in Vienna.

10.1 Zusammenfassung

Die Strategie eines jeden multinationalen Konzerns ist eine wichtige Angelegenheit; ein Unternehmen darf den Erfolg nie außer Acht lassen. Viele vergessen dies jedoch!

Diese Diplomarbeit versucht einen kurzen Überblick über die verschiedenen strategischen Ausrichtungen und Strukturen von multinationalen Unternehmen zu geben. Der erste Part der Diplomarbeit beschäftigt sich mit der Theorie. Zuerst werden die unterschiedlichen strategischen Methoden rezensiert. Die verschiedenen strategischen Theorien von Chandler's Strategy-Structure Theorie, Miles und Snow's vier Strategietypen, Porter's Wettbewerbsstrategien und Perlmutter und Heenan's EPRG Model werden hier im Detail besprochen. Ein besonderes Augenmerk wird hier auf das Ethocentric-Polycentric-Regiocentric-Geocentric-Modell gesetzt, da dies meiner Meinung nach die beste Strategieanalyse multinationaler Unternehmen ist. Dies ist möglich, da bei diesem Model nicht nur ein bestimmter Bereich oder Abteilung betrachtet wird sondern der Konzern wird als eine gesamtheitliche Organisation betrachtet.

Als nächstes werden die Strukturen beschrieben. Die Strukturanalyse beschäftigt sich beginnend mit dem Evolutionsmodel von Stopford und Wells, Daniels, Pitts und Tretter und schlussendlich mit dem Model von Egelhoff. Danach gebe ich eine kurze Übersicht über die traditionellen Organisationsstrukturen. Auch hier lege ich mein Augenmerk auf die Erkenntnisse Bartlett und Goshal.

Der zweite Teil der Diplomarbeit ist praktisch ausgelegt. Das vorher angeeignete theoretische Wissen wird dann auf Chiesi farmaceutici S.P.A., ein pharmazeutischer multinationaler Konzern mit Sitz in Parma, umgewälzt. So ist zu erkennen wie ein Pharmaunternehmen, das in 1935 gegründet wurde, weltweit expandierte und wie dies die Struktur und Strategie des Unternehmens beeinflusste. Dies wurde durch ein Experteninterview mit Allesandro Chiesi (Affiliate Coordinator International Division, Parma) und Wolfgang Harrer (Managing Director, Austria) in Wien bewerkstelligt.

11. Curriculum Vitae

Neda GHARIB-NORSEN

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- **1997-1998:** Pecunia (1120 Wien)
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