

The Emergence and Change of Pharmacia Biotech 1959–1995

The Power of the Slow Flow and the Drama of Great Events

Per Andersson



Contents

Foreword

PRO	LOGUE	1
	A Strategic Reorganization and Reorientation 1989	2
	Three Major Periods of Development	5
	Structure of Case Narrative	9
1	THE MOVING INDUSTRIAL CONTEXT	12
	Technological and Network Changes in the Pharmaceutical-Biotech Industry Network	12
	The State of Biotechnology around 1989	1.
	A Changing Industrial Network	21
	Emerging Technological Changes in the Biotech Supply Sector	24
	Technological Shifts in the Pharmaceutical-Health Care Sector	31
	Meanwhile: Long-Term Structural Changes in the Pharmaceutical Industry - Mergers, Concentration and Internationalization	33
2	RADICAL REORGANIZATION AND REORIENTATION 1989-1993: FOUR CONCURRENT CHANGE EPISODES	37
	I. The Creation and Dismantling of Pharmacia Biosystems AB 1989-1992	39
	Re-organizing Procordia	39
	Merging Procordia, Provendor and Pharmacia	41
	Cross-linking Processes of Change in Procordia and Volvo	42
	Cross-linking Processes of Change in Kabi and Pharmacia	4.
	The Merger Process	49
	Background: Forming Pharmacia's Strategy around "The New Biology" 1987	51
	Procordia in June 1990: The Merger and Reorganization Processes Take off	53
	Meanwhile: Trying to Implement the Biosystems Group of Procordia Health Care 1990-1992	55
	Dispersals and Divestments 1991-1992	62
	Effects on Ongoing BTG Change Processes	64
	Meanwhile in the Biotechnology Group: Ongoing Processes of Marketing Change	6

X Contents

	II. Regionalization - Entering a New Phase of Internationalization	69
	Prelude and Forerunners to the Regionalization Project of 1990 Accumulating Problems of Efficiency in the New Biotechnology Group The Biosystems Organization Begins to Take Shape	69 71 74
	Summer 1991: Strategic Plans for a Regionalization and a New Division of Work Fall 1991: A New Brussels Office, Sub-Regionalization and Reshuffling of Internal Resources	78 81
	Dismantling of Pharmacia Biosystems AB and New Ambiguities 1992: The Regionalization Project is Given a New Chance	84 87
	Remaining Links to Former Biosystems Companies A Ràdical Break with Established Marketing Traditions: A Comprehensive Analysis of the Customers	88 90
	Driving the Reformulated Regionalization Process: A New View of Customer Relations	93
	From Brussels to Freiburg - the European Reorganization Process Continues	101
	III. A New Motor for the Industrialization of the Biotech Operations - the Capital Rationalization and Distribution Project	103
	1989: Accumulating Problems from the LKB-Pharmacia Merger The Situation Analysis 1989	103 105
	The Change Process Takes off	110
	A New Organizational Structure Emerging; the Creation of Biosystems and Region Europe	112
	Links to Other Change Processes; the After Sales Service Project	115
	Choosing a New Transportation and Logistics Structure	116
	Applying New Reports on Customer Requirements to the Logistics Project	119
	1992: Summing up the Past and Heading for a New Start of the Logistics Project1992: A Rapid Take-Off of the Logistics Change Process and Synergies withOther Ongoing Changes	121 123
	IV. Striving to Implant a New View of Technical Services and Long-Term Customer Relations - the After Sales Service Project	126
	1986-1989: A Stream of Disturbances in the Instrument Service Operations	126
	1990: A New After Sales Service Division is Born	127
	The Focal Change Areas Emerge; Defining Areas of Concern	130
	Planning for a Subsidiary Meeting	131
	The Copenhagen Meeting	136
	Visiting the Subsidiaries	139
	Breaks and Ambiguities in the After Sales Project; the New Biosystems Organization and the Regionalization Project The Capital Rationalization Project; Planning for Changed Spare Part Distribution	146 147
	The Legitimization Process Continues; Meeting with Central Support Units in Uppsala	148
	The Dismantling of Pharmacia Biosystems AB and an Overview of the After Sales Service Project	150
	Making Plans for Two New International Meetings Revision of Meeting Plans	152 155
3	PRECEDING THE RADICAL REORGANIZATION: A MERGER PROCESS 1986-1989	158
	The Objective of the Merger at the Outset: Creating a New, Dominating International Biotech Supplier	159
	Initial Merger Strategy	161
	LKB Background	162
	Ongoing Processes of Change in LKB at the Time of the Merger 1986	165

69

Contents xi

	The Merger Process; Immediate Revisions of Merger Plans	167
	Presenting a New Organizational Structure	167
	The Subsidiaries Start to Merge	169
	Merging the Production Units	174
	Merging R&D Units, Product Portfolios, Stocks and Administrative Routines	180
	Focus: Merging the Service Support Operations 1986-90	186
	Merging the Subsidiaries' After Sales Units	188
	Creating a New Central Instrument Service Division	191
	1990: A New Integrated Pharmacia-LKB Biotechnology Organization Takes Shape	194
	Notes: Summary of LKB's Major Alliances, Acquisitions and Organizational Changes 1973-1986	197
4	NEW CHANGES AND A NEW EMERGING CONTINUITY 1993-1995	203
	From Three Product Companies to Four Integrated Product Divisions - Internal Adaptation to Customer Demands	205
	New Directions in the Regionalization Program	211
	A Revival for Strategic Cooperation Alliances?	212
	Towards New Technological Areas	216
	Stable Processes of Change 1993; Making the New Changes Stick	218
	1994: Continuity, Change and New Tensions to Deal with	221
	Launching BioDirect 1995	223
5	CHANGE EPISODES AND MARKETING SYSTEM EVOLUTION: IN A CONTEXT OF GREAT EVENTS (1941) 1959-1986	225
	Marketing Change Episodes and Marketing System Evolution: Building on and Breaking with a Chain of Great Events	227
	Forming the Foundations for a New Biotech Company (1941) 1959-82:	229
	Prologue 1941-1959: The Scientific Discovery of Dextran and Gel Filtration 1959-1967: Emergence and Product Group Formation 1967-1974: Divisionalization, Organizational Expansion and Five Important Change Events	229 234 251
	1974-1982: Subsidiary Company Formation and Technological Unification around the New Biotechnology	265
	External Expansion, Merger and Creation of a Multinational Corporation 1982-1989:	288
	1982-1989: External Expansion and Subdivisionalization The Biotech Group 1982-86: Sales Growth, Technological Changes and the Start of the External Expansion	288 290

xii Contents

6	6 IN THE SLOW FLOW OF A MOVING ORGANIZATIONAL CONTEXT: THE PHARMACIA CORPORATION 1911-1995				
	Long-Term Technological Shifts: Transition and Tensions	307			
	Long-Term Change and Continuity in Positions, Roles and Internal Organization	310			
	Pharmacia 1911-1960: Emergence and Stable Growth of a Pharmaceutical Manufacturer	311			
	Pharmacia 1960-1980: Emergence of a United, Biotechnological Corporation	316			
	Pharmacia 1980-1995: Emergence of a Multinational and Diversified Pharmaceutical/Healthcare/Biotech Corporation	320			
EPIL	OGUE	332			
	The Power of the Slow Flow	332			
	The Drama of Great Events	333			
Sources		335			
Appendices		342			
•	1.Major Pharmacia alliances and acquisitions 1980-1990 2.Major biotech suppliers emerging 1980-1995				
Z.IVIAJUI UIUI	oon supplied emerging 1700-1773	350			