

CREATION AND DEVELOPMENT OF A GLOBAL PRESENCE WITHIN A HIGH TECHNOLOGY INDUSTRY: A CASE STUDY OF F.H. FAULDING & CO LIMITED

by

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Introduction

There is only so much we can do in Australia we have to grow globally. (Faulding Interviews, 1997)

This paper commences with a literature section which identifies some of the main elements behind corporate strategy and the process of internationalisation. It is noted how internationalisation is often facilitated by increasingly sophisticated technology requiring heavy investment which may only be recouped by those companies who can earn world-wide revenue through the delivery of their product within the global market place. Furthermore, the need to develop complex and multi-faceted strategies which may identify new forms of joint partnership arrangements whilst also offering methods for integrating diverse operations, stimulating creativity and innovation and yet, being commercially realistic and manufacturable, are all part of the new skill requirements of the 'international manager'.

The main body of the paper then presents a case study analysis of the emergence and growth of a pharmaceutical company which has developed from a regional business to a global player within the health care industry. The case commences with some background information on the Faulding company which is followed by an outline of their five key pillars associated with product development, process innovation and the future strategic direction of the company. The critical aspect of human resource management is then examined in charting some of Faulding's key initiatives and HR strategies (such as, teamwork, empowerment, creativity and communication). The process of breaking with the traditional culture of a local Adelaide-based company to becoming a national and international player is discussed and it is shown how Faulding has expanded its operations world-wide whilst maintaining its head office in South Australia.

In turning attention towards corporate strategy and company acquisition, the case examines the pursuit of a global technology forum through the commercialisation of Eryc. Through the acquisition of David Bull Laboratories Faulding proved successful in establishing a fully vertically integrated injectible business. However, this change is also used to highlight the human and cultural elements associated with growth and the problems of integrating companies which have very distinct operating cultures. Some of the issues around this transition are elaborated and the need for a 'cultural shift' to meet the needs of customers within the global market place is discussed. The creation of a company which is able to cross disciplines and functional barriers in the push for the ongoing commercialisation of products world-wide is described and the strategic objective of creating a 'seamless organisation' is briefly analysed. The paper concludes by stressing the importance of contextual adaptability, the value of developing holistic employees, the need for international management skills, and the flexible capacity for companies to identify and act upon new strategic opportunities.

Corporate Strategy and the Process of Internationalisation

The late 1980s speeded up the restructuring of many major national organisations both here and abroad in response to the gradual shrinking of borders that had been underway since the end of the second world war (Ohmae, 1990). Concentrating on narrow home markets became unsustainable for an increasing number of industries as they suddenly found themselves facing overseas competitors in their home territory. Established international industries such as pharmaceuticals, where heavy costs were involved in developing new products to the level acceptable to stringent drug administrations in major user markets such as, the United States and Europe, were at the forefront of such movements. Since early this century the pharmaceutical industry has been dominated by multinational giants. Three Swiss firms between them accounted for 15% of global business in 1978 (Hazelmer, 1978).

Internationalisation is facilitated by increasingly sophisticated technology and normally requires heavy investment in infrastructure to improve communication between units. For many industries new product development outlays are extensive and can only be recouped by those companies who can earn world-wide revenue through the delivery of their product on the international market. Hodgetts and Luthans (1997), for example, cite earlier work by Main (1989) which reported how the time and cost of developing a

new pharmaceutical product had risen from 4 to 5 years and US\$ 16 million in the 1970s to 8 to 10 years and US\$ 250 million by the late 1980s. Such costs can only be underwritten by huge conglomerates and smaller organisations may need to combine their resources into a consortium with global connections so that costs can be recouped quickly. Nor has the advent of the global explosion been confined to pharmaceuticals. Other industries have faced similar pressures and sought similar opportunities. The increasing flood of organisations seeking to expand their market through internationalisation has accelerated to such an extent that it has stimulated a proliferation of publications which examine the factors contributing to growth and success. Hodgetts and Luthans (1997: 509), for example, concluded that global operations are often characterised by loosening of the linkages between the company and the home based economy, and a tendency to locate major cost centres in low labour cost nations to take advantage of changing world demographics.

Significant areas of emergent concern include cross cultural negotiation, and formulating global strategy for marketing and operations. Forms of joint partnership arrangements are a third area of focus as these have now become essential to provide both the necessary capital, the technological knowledge and the key understanding of varied marketing and distribution systems within national states. Byrne (1993), for example, has coined the term the “virtual corporation” to describe the emerging networks of companies, sometimes temporary arrangements, which combine together to share skills, and provide easier access within global markets. His work builds on that of Ohmae (1991) who concluded that pressure would increase for companies to forge alliances which involve closer degrees of sharing and move away from the early forms of short term convenient arrangements which comprised little more than cheap and easy ways of responding to uncertainty.

Given that companies can no longer afford to do everything themselves, partnerships contribute to the defrayment of high level fixed costs but they also involve some sharing of control. Such relationships will only strengthen if based on a degree of mutual co-operation. The key according to Bartlett and Ghoshal (1991) is to seek an arrangement whereby one’s own distinctive competencies are balanced or supported by those of one’s partner so that each gains something substantial from the alliance.

Globalisation has also significantly changed the skill requirements of the senior management group. These new breed of managers are expected to be able to successfully oversee, co-ordinate, negotiate, and integrate operations and people across national boundaries and cultural territories. Research aimed at clarifying an essential set of skills for the global manager expanded strongly in the 1990s (Barham and Devine, 1991) and a recent study undertaken largely in Europe by the Ashridge group in the UK (Barham and Wills, undated) found two major sets of competencies were needed. First, the so called “doing” skills which included crafting international strategy, cross-border co-ordination, mediating and acting as change agent. Second, the personal skills of stress and time management; together with “being” skills which included cognitive complexity, emotional energy and psychological maturity.

Yet, just as managers have had to develop a new set of skills to respond to the demands of the increasing numbers of companies investigating opportunities outside their traditional domestic arena, so too have organisations needed to confront the issue of how

best to organise themselves to cope with their expanding new environments. Achieving the appropriate balance between the demands of co-ordination and decentralisation has emerged as the key conundrum of the late 1990s. Bartlett and Glosal (1989) have argued that organisations can no longer afford to base their strategy on a single focus but rather, their strategy must be complex and multi-faceted reflecting the complexity they now face. Every part of the structure needs to collaborate, and solve problems collectively. They recommend socialisation and co-option as likely to assist with the changes in mindset needed to underpin a successful transition.

Others recommend internationalising the board (Coulson-Thomas, 1992), careful choice of international partner (Woodside and Pitts, 1996), creating a common vision (Koopman, 1991), achieving a balance between autonomy and integration (Yip, 1992) and both thinking and acting globally such as, resolving all serious dilemmas from the perspective of the global unit even though individual national units may be disadvantaged (O'Hara- Devereaux and Johansen, 1994). Technological innovation has enabled facts, knowledge and ideas to be globally dispersed simultaneously and created a demand for those who can synthesise, summarise and share their understanding across cultural and language barriers. Hence how to capture this learning for the benefit of the entire organisation can become a key issue.

In their study of 39 global companies, Marquardt and Reynolds (1994) identified six critical components which they believed contributed to the success of transition. Many of these replicate factors mentioned above. They include the ability to convey operations across cultures, establish alliances across political and idealistic divides, make investment decisions from a global perspective, establish fluency in several languages, encourage continuous learning, and value corporate diversity. Building on the work of Nancy Adler (1986), they suggest organisations in their transition toward globalisation typically go through four stages - domestic, international, multinational and global accompanied by the four learning phases - foundation, formation, continuation and transformation as originally conceptualised by Jones and Hendry (1992) in their studies of learning organisations. Activities which facilitate the process can range from team based learning, risk taking, empowerment, establishing systems to disseminate new knowledge, and generally creating and fostering a climate for continuous improvement. Case studies involving the 39 benchmarking organisations indicate that fundamental changes in terms of the way work is processed, but more importantly in the mindset of staff, are an integral component to successful transition into the global environment.

Though similar sentiments are expressed by the majority of writers, it is only through examining individual cases that examples of dispersion, integration, and collaboration can be understood in terms of their emergence and impact. Willingness to constantly confront and resolve unfamiliar problems, to continually re-examine and rethink existing ways of operating needs to become an integral part of company culture, fostered and rewarded at every opportunity. It is to an examination of a particular case, that the remainder of the paper is concerned. In the following analysis we will present a story of how one small organisation in Australia, which developed a new technique for modified drug release in patient treatment, was able to capitalise on its innovation and become an international player within the health care industry.

Research Strategy and Methods

The Faulding case study commenced in July 1997 with the aim of examining the process of managing the transition from what was formerly a local organisation manufacturing predominantly non-prescription pharmaceuticals to what is now a global company manufacturing both prescription and non-prescription drugs and distributing these within a global market. The research is being carried out over a three year period and consist of four main parts. Part one will address past changes through employing a reminiscence based methodological approach supplemented by perusal of archival records. This research has been ongoing since July 1997 and will continue throughout 1998. Part two will address the present state of the company and its plans for the future and will aim to integrate information from in-depth interviews, company documents, and media comments on the company. At the time of writing, this is the current stage of the project and a number of interviews have been held with senior managers at the Salisbury site in South Australia. It is anticipated that Part two will unfold into Part three, comprising a number of more detailed and more specialised research studies. Part four will involve comparison of the data at Fauldings with those from comparable organisations overseas, namely, Scotland. Confidential interviews will be undertaken with senior managerial staff and a cross section of less senior staff at Salisbury and at other South Australian locations. These interviews will be tape recorded and subsequently transcribed and their content analysed. Interviews will be semi-structured directing respondent focus to a series of issues relevant to the change process. It is anticipated that the study will be completed by 2000.

F.H. Faulding & Co Limited

The Faulding company started over 150 years ago as a small retail pharmacy located in Rundle Street, South Australia. Since these early days the company has grown substantially investing in manufacturing and research facilities and negotiating licensing agreements for the international marketing of its popular products. Apart from the development and manufacture of pharmaceutical and household products, the Faulding Group has also been heavily involved in wholesaling and distribution. For example, the wholesaling divisions in Australia distribute approximately 20,000 lines with a 43% of the national share of the market. Today, the company has markets in some 50 countries, employs over 3,000 people and with an annual turnover in excess of \$1 billion is one of Australia's major public companies.

During their early years in Adelaide, there were a number of natural products, such as, 'Solyptol' which was derived from eucalyptus oil. Following the forming of a partnership with Luther Scammell in 1861, the company grew and by the late 1890s had expanded to Perth in Western Australia. In the 1940s, a plant was constructed to produce Penicillin and shortly afterwards, Faulding became a Public Company (although apart from one individual, all the Directors were family members). Through out the twentieth century the company continued to expand their Australian operations and by the mid-1970s with the development of 'Eyrc' - a delayed-release form of erythromycin - the international push into the development and production of innovative drug delivery systems had began (see, Donovan and Tweddell, 1995).

In 1977, Eyrc was released into the Australian market and was soon a commercial success world-wide. These achievements on the world market was followed by the

development, production and marketing of other products, such as 'Doryx', which by mid-1987 had captured 12% of the US market for this particular antibiotic (Donovan and Tweddell, 1995). In 1988, another sustained released drug was released, but the theophylline drug for Asthma ('Austyn') proved to be a technical rather than commercial success. During the 1980s, Faulding also acquired the Melbourne-based David Bull Laboratories (DBL) which produce generic injectible anti-cancer drugs and in September 1985, an office and distribution centre for DBL was opened in Warwick, England.

By the early 1990s, all of the Faulding manufacturing facilities were concentrated in new premises at Salisbury in South Australia and in January 1993, Faulding Pharmaceuticals and David Bull Laboratories merged into the Faulding Pharma International Division. One of their main successful products of the 1990s has been 'Kapanol', this controlled release morphine product commenced on the Salisbury site in 1994. However, the 1990s has also witnessed a failed attempt to expand through further acquisition. An attempt in Queensland was blocked by the Trades Practices Commission who were concerned about the consequence for restrictive competition. In practice, this judgement sent a strong signal to Faulding that alternative strategies would be required to increase market share in the future. In response, they have taken over an operation in New Jersey, USA (Kalipharma) which is now under the name of Purepac Pharmaceutical Co. In August 1994, they also acquired a 90% interest in Fosham Horizon, which is located in the Guandong Province of China. The facility manufactures western pharmaceuticals and is also involved in the production of traditional Chinese medicines.

The Way Forward: The Five Pillars of Success

A lift by F H Faulding & Co Ltd's core pharmaceutical distribution business and a turnaround by its US division have injected earnings growth into the company which yesterday posted a 48 per cent jump in new profit to \$41.56 million. Dr Ed Tweddell, the managing director of Australia's biggest health-care company, said the result would have been brilliant if not for its Chinese operations which suffered a \$5.2 million operating loss and forced the company to book \$7 million in abnormal restructuring costs. 'All our business seems to be moving in the right direction so we have cause for significant optimism about the year ahead,' Dr Tweddell said. (Australian Financial Review, September 2, 1997: 21)

In looking towards the new millennium, Faulding is committed to continued growth and the maintenance of a culture of innovation. Faulding's main area of expertise centres on the provision of innovative health care delivery systems which service the changing needs of the health industry. Within this focus, they had built up considerable knowledge and experience on product and process development, manufacturing and distribution. There is currently ongoing investment in new technology for manufacturing plant and equipment at their operations in South Australia (Salisbury), Victoria (Mulgrave), New Jersey (Purepac) and the Guandong Province of China (Fosham). The main national and international outlets for their products lie with: retail pharmacy (chemists) hospitals (including nursing homes), general practitioners and the supermarket/grocery store. With changing legislation and a shift in potential outlets, Faulding is preparing itself to meet the challenges of operating within an increasingly global market place.

In developing their strategy for the future, The Faulding Pharma Group are concentrating their attention on what they term 'continuous innovative thrust' rather than investing large sums of money on long-term projects which may (or may not) provide the 'strategic leap' of a new product. Underpinning this strategy are five key pillars associated with product process innovation and progress, namely:

1. Faulding sustained release morphine, which is currently marketed world-wide.
2. Taste masking (which goes under the name of 'Rainbow'), essentially an extension of polymer coating technology into the microparticulate area.
3. The production and distribution of modified release products (those coming off patents) in the US.
4. The development and manufacturing of new anti-cancer drugs at the Mulgrave facility in Victoria, Australia.
5. Continuation of Faulding's development of injectible delivery systems for use with anti-cancer and pain control drugs.

As Peter Donovan and Ed Tweddell comment on their history of Faulding and the need to respond to a people-oriented health industry:

The challenge will be to contribute to the solution of health care problems with the focus on total patient management as distinct from the treatment of an isolated disease episode. (1995: 151)

Company Growth and Changes in Human Resource Management

Prior to 1988, the Human Resource (HR) team in Faulding comprised only three people. This HR team was located at corporate head office and would provide operational support through regular visits to various sites. Since 1988, a far more decentralised human resource support team has evolved through the placement of HR staff within the divisions. This shift away from a centralised system was driven by a number of factors, not least of which, was in response to the growth and expansion of the company. As Faulding continued to expand their operations and take on more staff, it became increasingly difficult (from a corporate standpoint) to keep abreast of what the real issues were at an operational level. Consequently, in the early 1990s it was decided that the divisional human resources function needed to align itself a lot closer with what was actually happening on-the-ground. Placing human resource management into the divisions enabled the HR function to become a part of the divisional planning process and also brought HR personnel closer to the 'voice' of the employees they were servicing. In bringing about this change, the newly devolved HR teams are now able to provide a service which is more in keeping with the needs of employees within the divisions.

Currently, there are eight HR staff at corporate headquarters and there are monthly meetings when all the divisional human resource managers within Australia get together. During these sessions, various site issues are discussed and those of a more global nature are also reported and the implications for the various divisions examined. For example, if there is something which is going to be developed on a group-wide basis, such as, competency framework strategies through to motor vehicle policy, then these will be

discussed and developed as a team. In terms of actual implementation, these may then be adjusted locally to meet contextual site conditions.

At the corporate level, there is also regular liaison between the various group leaders. For example the Group Human Resource Manager maintains an ongoing dialogue with the Vice President Development and Operations. As the latter indicated:

Ultimately I am the person responsible for the outcomes of the endeavours of 800 people and I have to have a reasonable degree of freedom to get that working in an optimum way. Just as long as it doesn't violate fundamental corporate values and does not compromise what is going on in other divisions. There is that general sort of balance which you have to take into account. You certainly couldn't go into a free car policy, if another division which is actually a part of the group had a policy which goes in a completely different direction. That is where it is very very important to have this liaison and balance. (Faulding Interviews, 1997)

In developing their HR strategies, Faulding have identified a six core values of the organisation which underpin their aims. These are as follows:

1. *Communication*: to provide an environment where open, honest and effective communication can flourish.
2. *Creativity*: to encourage new ideas and their exploitation through incremental improvement and quantum leaps that add real value.
3. *Empowerment*: to devolve decision-making and encourage the development of a leadership culture in which performance and quality are measured against agreed objectives.
4. *Integrity*: to promote ethical behaviour and honesty with a recognition of responsibilities to other employees, partners, shareholders, the community and the environment.
5. *Performance*: the achievement and attainment of a high standard of performance, securing maximum shareholder value by that performance.
6. *Teamwork*: to work together in the development and utilisation of skills in the pursuit of the highest standards of performance (see, Hanisch, 1997: 54).

In the view of one senior manager, companies should spend more time and effort in developing their own employees, before looking towards external recruitment as a solution to company personnel needs. It was claimed that although external candidates may look good on paper, in practice, they may often fail to deliver the results expected. In describing the type of personality traits required of staff, the following comments were made:

The one (traits) I look for is definitely inter-cultural skills. You know people that can relate to different cultures. Now whether it is the culture of manufacturing versus accountants, whether it's the culture of feeling reasonably comfortable with the Japanese person, German or Serb, it doesn't matter. It's just feeling that sort of comfort. You know people who don't see boundaries around themselves. People who can get into the health culture and see that overview. That's what attracts me and those are the people that we want along...If you work with your

own people you have an element of uniqueness built-in. (Faulding Interviews, 1997)

A Family Company or an International Player?

In reflecting on his eleven years with Faulding Pharma International, the Innovation Director noted how there was an uncomfortable transition associated with breaking the old yet comfortable security of being part of a large family company to embarking on growth and a push for international recognition.

I guess when I came the perception of Faulding which was given to me by very many people - and I think was very true - was that it was an organisation which couldn't decide whether it was still a family company or whether it was really serious about being a late twentieth century publicly listed company. (Faulding Interviews, 1997)

Although it became a public company in 1947, William Faulding Scammell had a major influence on the company as Chairman of the Board and Chief Executive Officer. He acted at Chairman of the Board for twenty years (1969-1989), remaining on the Board until the end of June 1992, when he retired. During this period, most of the Board members were South Australian business men and Bill Scammell acted as a strong paternal figure setting the strategic direction of the company for many years. His major strength rested on his entrepreneurial skills and his ability to identify worthwhile projects. For example, one of the big contributions which Bill Scammell made (in collaboration with Bill Davies) was recounted as follows:

They realised that if you were going to spend the money and devote the resources to develop a prescription drug product you had to look at the world as the market, not whether we would make a profit in Australia. They did that with Eryc. For many years with that product, every time they sold a bottle of it in Australia the company lost money. But they recognised that you had to be selling it in your own country before you could convince other people to do it. (Faulding Interviews, 1997)

There was also a period of uncertainty in the development of the company when it was unclear whether they were developing drugs for Faulding to sale, or whether the company should be developing them for pharmaceutical companies around the world who wanted to tap into Faulding's expertise. These fundamental questions have remained with Faulding for a long time. For example, it has only been over the last three years that the company has crystallised the position it should take within the world market place. Through examining the existing organisation, Faulding's research capacity and cost of developing future 'potential' drugs, the emphasis is now on the commercialisation and distribution of products and in 'delivering innovative and valued solutions in healthcare' (Mission Statement, 1996).

In the drive towards becoming a global player within the international market place, Faulding has expanded its operations world-wide whilst remaining an Adelaide-based company. In fact, a lot of investment has gone into building a new head office in Adelaide and the general view, is that although there may be some drawbacks there are

also a number of advantages from being located in South Australia. The three main benefits mentioned during the interviews comprised:

1. There is a low turnover of staff. Once people settle in Adelaide they tend to stay.
2. You can do a lot more test marketing within Australia without it getting into the main stream track.
3. The isolation and distance from the main markets means that it is less susceptible to intelligence work and espionage.

Some of the disadvantages centred around trying to attract staff with global experience to Adelaide. For many people who have been active in Europe or America, Adelaide can appear rather small and geographically isolated from the large pharmaceutical markets. It has also resulted in the heavy use of technology to maintain links around the world, and they do foresee the increasing use of technology through the creation of a number of temporary and more permanent virtual teams and collaborating groups. Nevertheless, as one senior manager reflected:

If you started from scratch nobody in their right mind would place a global pharmaceutical company in Adelaide. It's as simple as that. If you put yourself in the global perspective of the market place that we're competing in you would base us in New Jersey, California, London or Osaka. (Faulding Interviews, 1997)

Although the history of Faulding may act as a constraint, or at least a powerful influence, on corporate decision-making about the location of head office and the workplace of the senior management group. The past also provides an historical identity which can provide a sense of stability and a feeling of belonging without impeding future strategic developments or operational change initiatives. This sense of the past and its place in helping to shape the future direction of the company is captured in the following quotation:

One of the key things in all of this is not to lose contact with the past. The last thing a new generation of managers should do is to come in and say that the past is rubbish. Which is a huge tendency for new managers. You need absolute respect for the achievements for what people have done and built up. (Faulding Interviews, 1997)

A Global Technology Forum and Cultural Resistance: The Case of Eryc

The move with Eryc and the commercialisation gave Faulding a unique global technology platform. Because technology by itself doesn't get you anywhere. (Faulding Interviews, 1997)

Eryc highlighted the need for a global technology platform if Faulding was to successfully compete on the international market. They needed a capability to commercialise which included a marketing and distribution organisation. At the time of Eryc they did not have this capacity. In order to resolve this block, a strategy for the acquisition of the David Bull Laboratories (DBL) was put into place during the mid-1980s. Once successful, this new acquisition - which was a fully vertically integrated

injectible business which was just beginning to grow in sales in the UK and Europe - enabled the first step to be made towards the globalisation of the Faulding business. In other words, through expanding into a niche market (injectibles), Faulding was able to break into, and become a significant presence, within the international arena.

At the time however, DBL was an expensive purchase and there were problems assimilating the DBL culture with that of Faulding. As one interviewee explained:

It has really only been in the last 3 or 4 years that the people who have been involved in that business have started to appreciate that there is the global company Faulding which they are a part of...I think a key factor was a couple of years back when we started to change the name. So at the moment we still have DBL as a brand name because it was such a well know brand name it didn't make sense to change that. But in terms of the business name, it is out of the business name altogether now. The other thing was when we had some changes at the senior management level, and we actually had people who were managing this site also managing the Mulgrave site. Some of that was good, some of that was bad, but I think that that started the integration. (Faulding Interviews, 1997)

It is perhaps ironic, that the very time that Faulding was moving away from its historical legacy of a family business it purchased a family company. The management of DBL sought to maintain 'business as usual' and resisted attempts to change the culture of the company. The paternalistic attitudes of management prevented either a quick or smooth integration and for these reasons, it has taken a long while to change the culture of the Mulgrave operation.

At the time, a consequence of this change was the unanticipated tendency for Mulgrave personnel to view Faulding as the main customer rather than the global pharmaceutical industry. Working within this framework, a lot of time and attention was diverted into projects which whilst proving to be technically successful, did little to improve the position of Faulding internationally. Under these circumstances, employee morale suffered. One of the main reasons for this was that although staff were achieving excellent technical results they were not producing commercially viable products which would generate a profit. As stressed by one interviewee, this remains one of the major challenges facing Faulding:

I think that the real challenges are trying to get people to understand the demands of the customer. And that begs the question who is the customer and that is not always easy is it? But understanding the demands of the customer and the environment in which the customer is having to work. And that is the toughest one I think. To a large extent, for most of our workforce here, it is theoretical or intellectually sound but they haven't experienced it emotionally. (Faulding Interviews, 1997)

Cultural Shift: Meeting the Needs of Customers within a Global Economy

In discussing the need to change employee attitudes and to accommodate the needs of customers within a global economy, the story of a disastrous launch of a new product to another country was recounted. Although for reasons of confidentiality the actual events

cannot be detailed, the general process and outcomes can be described. Essentially, customers within the country in question had certain expectations about quality and generally held the view that products from other parts of the world would often fall below acceptable standards. Working within a compressed timeframe, Faulding delivered the new product to the new market on-time, but:

The launch material was really totally unacceptable because it was just blister packets, there were tablets missing, some crunched, there were boxes without labels on. And of course, it's the worst thing you could ever have done when delivering the launch of a new product in a new market. (Faulding Interviews, 1997)

This critical event has, however, stimulated a thorough analysis of the human and technical elements which gave rise to this predicament. One of the main findings from the evaluation was that people were tending to work within their own functional patch with little regard for others in the process. Consequently, employees did not hold a more holistic view of what the end point should be to meet customer needs. As it turns out, this crisis situation has presented Faulding with an opportunity to introduce changes within manufacturing. As one interviewee explained:

At that time all of the systems and essentially the culture was set in stone and in a sense it has been very, very difficult to change that on the manufacturing side here. This in a sense gave us a glorious opportunity to go in. There's that delicate balance of forcing through change as opposed to getting change through common sense, but this is an example where just common sense did not prevail. (Faulding Interviews, 1997)

The tendency to look inwards in maintaining a focus on a boundary of tasks, has been a common issue which has arisen at different times within various sites of Faulding's Australian operations. Shifting attitudes towards more of a global mindset is a difficult task and not one that can be achieved overnight. One way in which Faulding has tackled this issue, has been to recruit senior managers who have had considerable experience working within other international pharmaceutical companies. This new group of senior managers are developing strategies and implementing change initiatives to further the cultural shift from a national company to a global player in the health care business. However, as one of these managers noted: 'It is actually quite hard to get that global mentality.'

The process of internationalisation is currently ongoing within Faulding and represents an essential element of their strategic change initiative which aims to create a more responsive and adaptive operational system. Being contextually aware (internal and external) and being able to take a more holistic and multi-disciplinary view is part of the transition, or cultural shift, towards a less parochial and more global mindset. In treating context seriously, there is a recognition that there cannot be a single solution, plan or operational strategy which will service the different operating conditions located in the various sites and divisions within Faulding. In managing these changes, there is also a recognition that there will inevitably be some resistance to policies which seek to redefine traditional ways of working and thinking:

Initially there was a scepticism or resistance because people have a belief that what works in one place will automatically translate into another. I don't think you can be further from the truth. Each situation has a unique set of circumstances that have to be addressed. (Faulding Interviews, 1997)

Furthermore, in moving away from a focus on discrete achievements within manufacturing or Research and Development (R&D), the links between business development and project development and then manufacturing have been made explicit. As such, the emphasis is not simply on manufacturing breaking even, or product development launching a new product but, rather, on the linkages between these areas and the benefits to the company as a whole.

Towards the Seamless Organisation

In developing a strategy which emphasises the links between all stages in the commercialisation process from research and development through product manufacturing to the actual finding of customers and selling the product within the global market place, Faulding is attempting to move towards their objective of a 'seamless organisation'. As one interviewee noted:

We are aiming to have just a seamless, fluid organisation. Where you have product development based on management risk and matching it to customer needs with seamless transfers into manufacturing... Traditionally what has happened was as soon as an idea came up it was bolted down. The project was formally started, the specifications were set, just instantly galloped down at the bench. And what you do of course, is that you carry that risk and you haven't reconfirmed with the customer if this is actually what they want. Oh and by the way, nobody has checked to see if it is manufacturable. Pretty simple things when you look back, but that is actually the history of most product development in the company. (Faulding Interviews, 1997)

Under the old way of working, the risks for new product developments were carried a lot longer than they are currently and failure rates were consequently a lot higher. Furthermore, some of the older products which have been 'saved' have nevertheless, presented difficulties for manufacture. In the case of their operations in South Australia, Faulding have implemented an approach where the focus is placed upstream. The main concern is with getting the prototype right, working out whether it can be manufactured, estimating costs and evaluating potential sells and profits from the product. In this way risks are reduced and unfeasible projects are identified far early than was previously the case. As one interviewee explained:

The other inherent problem which this organisation has was that it could never stop projects. You always had what I called a cockroach syndrome. Someone would say look this is not going to fly, you would stomp on it and someone else would say that's my project. You throw another million dollars at it. The years go by, tick tick tick tick. (Faulding Interviews, 1997)

Under current operations, fundamental questions, such as, does it fulfil a need? Does the customer want it? Can you make it? Can you make a profit? Are all asked prior to

committing significant funds to the project. This approach also requires the setting up of multi-disciplinary teams, so that the right combination of expertise is available to answer these critical questions about the research, development, manufacture and commercialisation of new products. Although, it is not enough just to form the team, there is also a need to break down communication barriers within what is, a jargon-based industry. This process is underway at Faulding and some of the experiences of working within these multi-disciplinary teams will be the subject of some of our future research within the company.

A Question of Future Strategic Direction?

In assessing the future direction of Faulding, senior management all stressed the need to expand and develop as a global player within the international market place. With regard to Australian-based health care, Faulding has just over 40% market share of the distribution business and consequently, it does not envisage any growth in this area. In fact, holding on to this level of market share within Australia is viewed as a hard enough task. For the senior management group, the main issue on health care is how to engage in a successful strategy of lateral diversification, and how to identify and develop products to meet the changing health care needs of the next century:

One scenario is the growth of a health care business stepping into wellness, self-medication and retail. Further down the track you can say, well, stepping out to getting some of our brands globalised in the retail side. It's a tough slog but it is doable. Then if you were to look back onto the Pharma side of it...the issue is how can a very small player like Faulding, and we are small, carve out a niche and be recognised in that. I think there are two ways. One is we've got to be ruthless in our focus of what we are good at. What we are good at is injectibles. That's the only business in pharmaceuticals where we are vertically integrated. We develop, manufacture, distribute and access end-user, and that end-user is the hospital. Now that's where we've had our successive role out through the acquisition of Mulgrave DBL and then a roll out of our operations globally with our subsidiaries is all related to that core business. Moving selectively into countries where we find that we can get a competitive advantage, get profit...But the future for injectibles is a lot of geographic expansion to move into Latin America, selectively into European countries, and obviously selectively in Asia. You've seen with the roll out strategies that we've got at the moment and our subsidiary base, but it's cautious expansion and constantly building up the product portfolio. (Faulding Interviews, 1997)

Apart from the injectibles and health care business, another major strategic objective is based around the new taste-masking technology under a project labelled 'Rainbow'. In discussing this development one senior manager commented:

Now if you come to the issue of clean taste, it was just not clear we slithered all over the place strategically. The fact is - on drug delivery, which is what clean taste is all about - we're a technology/service provider. It is global. Our client base is global, and it is totally alliance dependent. And that was the thing which was missing in the past: 'oh product development should develop products for Faulding and not for Glaxo.' But why do you sell through Glaxo? The simple

reason is that you cannot access the market place through a local firm. The only general practitioners we can access are in Australia and you don't create a strong business on the basis of the Australian population. Pharmaceutical prices here are half of those in the rest of the world. Only 17 million people and 1.5% of the global market. When you look at it in hindsight it is so obvious, the opportunity for making money out of technology is through other people's sales forces and organisations. We do not access the general market in US or Europe for these types of drugs. Here we do, but you don't get an injectible person going out who talks to the hospital pharmacist trying to sell a prescription clean taste drug and that was sort of what was missing. And of course that's where the future is, in a small number of high quality alliances, with usually the big companies. (Faulding Interviews, 1997)

In pursuit of this strategic objective, Faulding has developed a number of strategic alliances with companies in other parts of the world. For example, commercial linkages have been formed with companies such as, Zeneca, Glaxo, Sanofi Winthrop and Knoll. Moreover, the sustained release morphine Kapanol, which is manufactured in Australia, cannot be exported due to import restrictions in countries such as, Japan or America. In response, Faulding has entered into technology transfer agreements with Purepacin in the USA who manufacture the drug in America.

Conclusion: Deep Sea Fishing in the Global Economy

We are well down the track in the US and Europe. We've got other Japanese partners, we've got four different partners in Japan now. It's rolling through the US and Europe for particular drugs and particular applications. (Faulding Interviews, 1997)

Faulding's initial push for the more global commercialisation of a product occurred with Eryc, in the era when Bill Scammell was steering the company. However, in seeking a quick passage to becoming a global company the importance of gaining the appropriate mix between various elements of marketing and technology was overlooked and this in part, may have been due to enthusiastic ambition linked to limited experience at the time. Since the early 1990s, a new and expanding set of strategic alliances have been formed and during this period, Faulding has emerged as an international company with a range of new licensing agreements for the overseas marketing of its Australian-developed products. For example, in February 1992, Faulding entered into a technology licensing agreement with Dainippon Pharmaceutical who currently manufacture Kapanol for the Japanese market; in April 1995, the company acquired an injectibles manufacturing facility in Aquadilla, Puerto Rico; and in the UK, the marketing of Faulding's morphine product (under the trademark Morcap) is carried out by Sanofi Winthrop. These and other strategic alliances are used in the world-wide commercialisation of Faulding products and are an integral part of the future strategic global direction of the company.

One of the key elements surrounding this transition from a local Adelaide-based company to a national and then international player within the pharmaceutical industry, has been Faulding's ability to adapt and change to the shifting contextual conditions and a capacity to identify new strategic opportunities. A spirit of entrepreneurship, a commitment to

innovation, and a recognition of the importance human resource management to the successful implementation of corporate policy, have also been central factors to the development and growth of F.H. Faulding and Co Limited. As one Australian senior manager described:

I think you have got to come to the insight that all organisations pulse like amoeba. There is no single model of a whole. If anybody believes that they are nuts, absolutely nuts. The way of working and organising yourself and the structure will vary according to external and internal forces. And that's exactly what is happening now. We've reached I think, many of us that insight, that in a particular point of time we decentralise and another point of time you may need to centralise something. You may need to get that change going, to get that orientation effective and then you let go. It's no different to deep sea fishing in a sense. (Faulding Interviews, 1997)

Apart from these elements, the importance of breaking down barriers between individuals from different disciplines, operating environments or functional areas, was identified as a key ingredient in the successful transition from a small local company to an international business. The notion of the fluid, seamless organisation which could respond to the needs of customers within the global market place by identifying, developing and producing commercially viable products, was also used to highlight the centrality of contextual adaptability and the value of developing holistic employees. In addition, a new breed of senior manager is required who is able to utilise a global perspective in the process of identifying and acting upon new strategic opportunities. Finally, in the furtherance of their strategic objectives, Faulding have developed a range of strategic alliances with companies all over the world and this strategy is set to continue into the foreseeable future. In this sense, the company is deep sea fishing within the shifting tides of the global health care industry.

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