

ONE POLITICAL ECONOMY, ONE COMPETITIVE
STRATEGY?

One Political Economy, One Competitive Strategy?

*Comparing Pharmaceutical Firms in Germany,
Italy, and the UK*

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To Elke

Preface

I vividly remember the moment in which I first envisioned the research project that served as the basis for this book. In spring 2002, I attended the preparatory lecture for the final exam of the ‘European Models of Capitalism’ course as part of my MSc studies at the London School of Economics (LSE). At the time, Bob Hancké, to whom I am gratefully indebted for his relentless willingness to challenge my ideas in numerous discussions during years to come, recapitulated the key features of his course by illustrating the arguments of the varieties-of-capitalism (VoC) literature in all their functionalist beauty. What struck me was the seemingly perfect institutional equilibrium of coordinated market economies on the one hand, and liberal market economies on the other. Two nationwide homogeneous production regimes, each composed of five complementary institutional subsystems, offered firms within each economy optimal conditions to specialize in the same product-market strategy. The compelling logic underlying this literature made me wonder whether firms have to exploit comparative institutional advantages or whether they can also pursue strategies that are not supported by national institutions. How numerous are deviating firms? Are the latter less successful than their counterparts in pursuing institutionally supported strategies? Most importantly, how can firms compete despite comparative institutional disadvantages?

I would surely not have been able to carry out this research project without the support of many colleagues, friends, and my family, to whom I am more indebted than words of gratitude can ever express. At the European University Institute (EUI) in Florence, where I fully embarked upon this research endeavour during my PhD studies, I was so fortunate to win Colin Crouch as the supervisor of my work. Always empathetic, Colin not only advised me on my research, but also offered invaluable support in all the pivotal moments that were to come, way beyond my period of study in Florence. I am similarly indebted to Rikard Stankiewicz and Wolfgang Streeck who have guided me in my work as co-supervisors ever since the second year of my PhD studies. The astute advice of David Soskice, the fourth member of my thesis jury, allowed me to take an alternative perspective on my findings and to bring loose ends together. I shall not forget how precious his advice has proven to be. I also wish to thank Jaap Dronkers and Martin Rhodes for their feedback, in addition to the many colleagues and friends at the EUI who discussed and commented on my work. My warm thanks to Luigi Burrone, Pepper Culpepper, Anne Daguerre, Arolda Elbasani, Simcha Jong, Christian Kascha, Fabian Lemmes,

George Menz, Jan-Henrik Meyer, Simon Michel-Berger, Christopher Milde, and Antonio Testoni. I also wish to thank everyone of my overall 150 interview partners who enabled me to gain the necessary insights into how pharmaceutical firms operate. Without their patient answers to my nagging questions, I would not have been able to complete this research.

When faced with the challenge of transforming my thesis into a book, I was granted the opportunity to become a postdoctoral research fellow at the Max-Planck-Institut für Gesellschaftsforschung (MPIfG) in Cologne. Having reached the end of this challenge, I cannot imagine a place where I would have found more open-minded colleagues, many of them specialists in my research area, and a more supportive administrative team. My work has greatly benefited from the interaction with my colleagues who showed no sign of fatigue to discuss my ideas in seminars and to comment on parts or the whole of my work. I am gratefully indebted to Patrik Aspers, Jens Beckert, Christian Breunig, Marius Busemeyer, Helen Callaghan, Jan Drahoukoupil, Jürgen Feick, Saskia Freye, Achim Goerres, Martin Höpner, Marta Kahancová, Lothar Krempel, Guido Möllering, Sascha Münnich, Geny Piotti, Sigrid Quack, Britta Rehder, Akos Rona-Tas, Armin Schäfer, Martin Schröder, Anna Skarpelis, Alice Szczepanikova, Guido Tiemann, and Raymund Werle. In addition to many of these researchers, Anita Breuer, Annika Hennl, Simon Franzmann, Astrid Prange de Oliveira and her family, Ursula Sharma, and Renate and Bill Weber have made my postdoctoral period at Cologne a joyful experience. I wish to thank them for their support and friendship.

Various institutions have generously provided financial and logistical support without which it would have been impossible to carry out this research project. I am grateful to the DAAD for fully funding three years of my PhD studies at the EUI, and to the EUI for awarding a fourth-year completion grant. Special thanks go to the MPIfG, which not only awarded a postdoctoral research grant, but also offered logistical support which cannot possibly be surpassed by any other research institute in Europe.

One particularly rewarding experience of the past year was the opportunity to spend more than three months visiting Israel. What started as a passionate attempt to animate a personal relationship finally turned into a particularly fruitful professional experience, as I had the opportunity to present my work during seminars and conferences at the University of Haifa, the Hebrew University of Jerusalem, and the Technion – Israel Institute of Technology. The comments I received on these occasions and the discussions with Israeli colleagues and friends were extraordinarily helpful in shaping and sharpening my arguments. I thus wish to thank Zvia and Shlomo Breznitz, Avi Fiegenbaum, Uzi de Haan, Dovev Lavie, David Levi-Faur, Raanan Sulitzeanu-Kenan, and – most importantly – Pieter Vanhuysse for their warm welcome, collegial support, and friendship.

Despite the nomadic academic life I have pursued, some particularly dear friends have not given up keeping track of my ever-changing address. They have given me an opportunity to take valuable moments away from my work, share my concerns at the most impossible hours of the day, and replenish. Without Nicole Bolleyer, Carolin Bunke, Patrick Hartmann, Ulrike Leins, and Carolin Oelschlegel moments of joy would have been less precious, while moments of sorrow more difficult to bear.

Words are insufficient to thank my parents, Elke and Georg Herrmann, as well as my sister Karin for their unconditional support. The mixture of loving encouragement and scepticism with which they followed my professional endeavours strongly motivated me to try and make the most of the privileged conditions under which I was allowed to study. I shall not forget how Elke, Georg, and Karin together with Ina and Julian Herrmann have lent loving support in the darkest moments I faced while working on this book. Yet, no other person has followed my professional and personal ups and downs so compassionately as my mother. To her, this book is dedicated with gratitude.

*Andrea M. Herrmann
Köln, March 2008*

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List of Abbreviations

BSI	British Standards Institution
CEO	Chief Executive Officer
CME	Coordinated Market Economy
DIN	Deutsches Institut für Normung
DQP	Diversified Quality Production
DQPs	Diversified Quality Producers (i.e. firms that pursue a DQP strategy)
EMA	European Medicines Agency
GMP	Good Manufacturing Practice
HR	Human Resources
IPO	Initial Public Offering
ISO	International Organization for Standardization
LCP	Low-Cost Production
LCPs	Low-Cost Producers (i.e. firms that pursue an LCP strategy)
LME	Liberal Market Economy
MSc	Master of Science
NCE	New Chemical Entity
NIS	National Innovation Systems
OE	Organizational Economics
PHID	Pharmaceutical Industry Database
PRO	Public Research Organization
QA	Quality Assurance
R&D	Research and Development
RBV	Resource-Based View
RPI	Radical Product Innovation
RPIs	Radical Product Innovators (i.e. firms that pursue an RPI strategy)
SCP	Structure-Conduct-Performance
SME	Small and Medium Enterprise
VIF	Variance Inflation Factor
VoC	Varieties of Capitalism