

Case Discussion

Read “Transferring Innovation across National Borders” and prepare answers to the following questions:

1. What triggered the new product strategy at Minnesota Biolabs (MB)?
2. What prediction would you make for the success of getting the country general managers in Europe and Japan to adopt the new product? Explain your prediction.
3. What changes might MB make in its design in order to better promote the transfer of new products across national borders?

TRANSFERRING INNOVATION ACROSS NATIONAL BOUNDARIES

Imagine entering a hospital for treatment of a medical condition only to come down with a far more serious, perhaps even life-threatening disease caused by that very treatment.³⁰ That, unfortunately, is an increasingly common experience in hospitals located in the United States and elsewhere. The culprit is often an infection transferred to the patient through a tainted “injectable”: that is, a needle, an IV drip, and so forth. This is known as a sepsis infection: an overwhelming infection of the blood stream resulting from toxin-producing bacteria (endotoxins). National health regulatory agencies seek to limit such negative outcomes by requiring that products intended for injection be tested.

Minnesota Biolabs

Traditionally, tests for sepsis infection were performed on live animals—rabbits, for the most part—lead to the animal’s death. Minnesota Biolabs (MB) was one of the companies that supplied rabbits to the producers of injectable devices. Headquartered in suburban Minneapolis, MB served customers—mainly pharmaceuticals but also university and private laboratories—in over 20 countries. Europe was divided into three MB national units, MB-France, MB-Germany, and MB-United Kingdom. A fourth country unit, MB-Japan, served Asian markets.

Each of those four units—France, Germany, the United Kingdom, and Japan—was managed by a country general manager. That general manager was typically left alone to operate his or her unit autonomously. Corporate headquarters set annual growth goals for the units and measured their profit and loss. As long as the units performed according to those goals, the managers were paid a bonus and mostly left alone. Strategies, product decisions, and acquisitions were determined by corporate executives in the States and communicated to these country managers.

MB’s CEO frequently said that he liked this approach to management because it delineated clear lines of authority and responsibility. Country managers also preferred this autonomy. They were allowed, they believed, to decide on local strategies that best served their customers while maintaining good relationships with the national regulatory agencies to which they needed to respond. MB’s exceptional history of sustained, profitable growth reinforced the belief of managers that this was a well-designed organization.

The Search for an Alternative Test

In the early years of the 21st century, MB began to look for an alternative method of testing for sepsis infection in injectable products. As animal rights became increasingly important, MB sought a methodology that would leave the animals alive. Because most of MB's growth over its history had come from acquiring other businesses and integrating their products into the company's offering, that is what MB executives sought to do now.

An opportunity arose when a small, Rhode Island-based company received government approval for a test known as Sepsis Detection Test (SDT). Instead of conducting tests in live rabbits, SDT used blood extracted from horseshoe crabs for the tests. After extraction, the crabs were returned to the ocean where they were able to regenerate lost blood. MB purchased the company, and horseshoe crab-based testing quickly became the standard for the United States. In addition to leaving test animals alive, SDT was both less costly and more profitable for MB than the previous rabbit tests.

After several years of rapid growth in its home market, MB executives urged country general managers in Europe and Japan to move from rabbit-based tests to SDT. At the annual strategy meeting in Minneapolis, corporate executives presented the business case for SDT and urged the country general managers of MB-France, MB-German, MB-United Kingdom, and MB-Japan to switch over their product line. The country general managers agreed to move forward as quickly as possible.

Endnotes

1. Quoted on the CARE website: CARE.org © Cooperative for Assistance and Relief Everywhere, Inc. (CARE).
2. Quoted in Rasika Welankiwar, "Conversation," *Harvard Business Review* (Apr. 2009), p. 22.
3. Michael Beer, Russell A. Eisenstat, and Bert Spector, *The Critical Path to Corporate Renewal* (Boston, MA: Harvard Business School Press, 1990).
4. Michael Goold and Andrew Campbell, "Do You Have a Well-Designed Organization?" *Harvard Business Review* (Mar. 2002), p. 5.
5. *Ibid.*
6. Danny Miller has documented the tendency of once-successful companies to avoid design change. See *The Icarus Paradox: How Exceptional Companies Bring About Their Own Downfall* (New York: Harper Business, 1990).
7. Information on SAP America is from "ASAP's a Wrap," *Managing Automation* (February 1998); Colleen Frye, "SAP Soothes Implementation Worries," *Software Magazine* (1997); and David A. Garvin, *SAP America* (Boston, MA: Harvard Business School Publishing, 1996).
8. Paul R. Lawrence and Jay W. Lorsch, *Organization and Environment: Managing Differentiation and Integration* (Boston, MA: Harvard Graduate School of Business Administration Division of Research, 1967).
9. These quotes come from a consulting engagement by the author.
10. Richard E. Walton, "From Control to Commitment in the Workplace," *Harvard Business Review* (Mar.–Apr. 1985), pp. 5–12.
11. Stephen P. Robbins, *Essentials of Organizational Behavior* (Upper Saddle River, NJ: Prentice-Hall, 2005), p. A-3.
12. www.sunhydraulics.com.
13. *Ibid.*
14. Nitin Nohria, *Note on Organization Structure* (Boston, MA: Harvard Case Services, 1991), p. 2.
15. *Ibid.*, p. 3.
16. McDermott is quoted in Thomas Teal, "Service Comes First: An Interview with USAA's Robert