Abstract

The acquisition of Codon and Triton Biosciences by Schering AG back in 1991 strengthened the company's research abilities and gave Schering needed competence in the biotechnology area. Schering decided to allow Codon and Triton to form a new corporate culture, separate from the norms established in Germany, the location of Schering's headquarters. The choice of separation has been wise, resulting in good morale and high scientific productivity. Some problems have arisen, occurring mainly during cross-national activities like joint research projects. Overall, however, the merger has been successful.

Schering AG was founded in the late 1800's by Ernst Schering, a pharmacist living in Berlin, Germany. Dr. Schering sought to fill a need for fine pharmaceutical and photography chemicals. In the nineteenth century, there were chemicals in use that were common to both the pharmaceutical and photographic fields, like mercury compounds. Today, Schering AG is one of the 100 largest pharmaceutical companies in the world. Since based in Berlin, Schering is number one in the medical imaging field. Schering, like many other foreign-based drug houses, desires to have a presence in the United States, perhaps the largest pharmaceutical market in the world. Indeed, in the early 1900's, Schering AG established an American division.

With the entry of the US into World War II, German corporations operating domestically were seized by the federal government. After the war, the status of the German seizures was murky. In the case of Schering, they decided to not immediately re-enter the American market and Schering was sold to Plough Corporation forming what is now known as Schering Plough, famous for Claritin. Eventually, Schering AG decided to try the American waters once more. In 1979, Schering acquired Cooper Pharmaceuticals (based in New Jersey) and renamed it Berlex. Since the formation of Schering Plough, Schering AG has a legal agreement with Schering Plough not to use the name Schering in the US to avoid confusing the public. In 1990, Schering AG wanted to enter the biotechnology market. The company acquired Bay Area firms Triton Biosciences and Codon Corporation, merging them into the existing Berlex.

Triton was a subsidiary of Shell Oil Company. Shell had formed Triton to develop anti-cancer drugs. As Triton demanded more and more resources from Shell, corporate management became concerned. The core business was petroleum products and Triton so far had not produced any viable products. Shell wanted out and was eager to deal with Schering. Codon was formed by several university professors. Codon's strategy was to fund their early research by offering the biotechnology development and manufacturing expertise of their staff for a fee. One shining moment for Codon was their involvement in the tissue plasminogen activator (tPA) race that Genentech ended up winning. Codon's partner at the time was Abbott Laboratories. Abbott had deeper pockets and a desire to get into the colt buster market. Abbott ended up pulling out of the race, but the value of Codon was evident to Schering. Also, Codon was having fiscal problems and was down to their last $1 million of operating cash. For Schering and Codon, the merger proposal was a win-win situation.

Once the merger was completed in early 1991, Schering senior management personally held a series of meeting with Codon and Triton staff to allay fears and rumors forming regarding what the corporate culture would be. From the beginning, Schering allowed Codon and Triton to manage the firm as they saw fit. Of course, the Berlex California location would have to adhere to the goals and strategies of the parent, but issues like corporate culture were left to the remaining mangers of the merged firms. Initially, there were the usual problems of consolidating operations: Codon and Triton each had similar or identical functional departments and it was difficult to work out which combination of managers would retain their titles and authority. Many individuals also resigned, for various reasons. The Germans kept carefully out of the way.

Internally, the Berlex west coast and east coast sites also had very different corporate cultures. The New Jersey location had an environment more like a traditional pharmaceutical house, along the lines of Smith Kline Beecham, Bristol Meyers Squibb, Lilli or Merck. Codon and Triton, on the other hand, had been operated like small high tech startups, and that atmosphere was retained. One big clash that occurred between Codon and Triton was over computers. Triton preferred a mainframe client server architecture while Codon had deeply invested in the Macintosh computer. The compromise ended up being a mixture of the use of mainframe computing as well as the PC. Differences between the New Jersey and California sites have caused some issues over the years. One big discussion was related to performance reviews. The protocols used on the 2 coasts were very different and so management became concerned. It would be efficient and good for morale if the entire company shared common HR practices. A compromise was reached such that a totally new performance review system was designed and then deployed across the entire US enterprise. In instances where joint German-American teams had to be formed, some difficult moments were caused by differences in American and German culture. Germans in general are a more careful, thorough people than Americans. Berlex in California retained the small company attitudes that Codon and Triton possessed. This created some problems when the German colleagues felt that Berlex was moving too fast and without tight information. The American tolerance for uncertainty is a bit higher than for Germans. To promote understanding and international cooperation, Schering and Berlex have implemented a work exchange program. Employees from any of the sites in Japan, Europe and North America may spend up to a year in expatriate assignments at a company site outside the home country.

Schering wanted Triton because they had 2 promising products in clinical trials: Fludara and Betaseron. Fludara is a treatment for chronic lymphocytic leukemia and Betaseron is a treatment for multiple sclerosis. Betaseron was significant at the time of release because it became the first FDA approved drug for MS and it was a biotech product. Schering wanted Codon because they had expertise in biotechnology manufacturing. The laws governing genetic engineering and molecular biology research are more restrictive in Germany. Thus, Schering could leverage the acquisition of Codon without testing the legal precedents of Germany.

Since the merger, the relationship between Berlex and Schering AG has been fruitful. Berlex has provided quality scientific research data while Schering has grown financially. The United States is one of the world's largest pharmaceutical markets and Schering has tapped into it deeply. By allowing Codon and Triton to form their own corporate culture, separate from the styles used in Germany, the merger has been smoother and promoted better synergy. There have been some incidences and misunderstanding based upon culture, but those examples have been limited to joint team interactions. The rate of problems would be much higher if Schering had installed German executives at the helm of Berlex and tried to run it like a German company in the American business environment.

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