

MARKETING PLANNING AND PERCEIVED EFFECTIVENESS OF
PHARMACEUTICAL FIRMS : A COMPARATIVE STUDY BETWEEN
DOMESTIC AND MULTINATIONAL COMPANIES IN TURKEY

by

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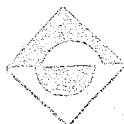
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The purpose of this paper is to empirically determine the differences between the marketing applications and perceived effectiveness of Turkish and subsidiaries of multinational pharmaceutical firms. The multinational companies have evolved into a major phenomenon in the past few decades. Their activities have become quite significant for development of industries. The multinationals are also regarded as means for advancing especially in developing countries because they provide technology as well as create job opportunities. On the other hand, the main motives for establishing multinational corporations are access to raw materials, lower manufacturing costs, and desirable environmental conditions. The comparison of domestic and multinational companies have been studied in the pharmaceutical industry because the multinational subsidiaries are among the prominent manufacturers.

A total of 20 companies, including all of the seven subsidiaries operating in the industry, were studied. The companies considered achieved approximately 80 per cent of the total industry sales. The data collection instrument was a questionnaire that comprised certain questions related to measuring marketing effectiveness as perceived by company managers and the organization of marketing practices as well as those directed to only the multinational subsidiaries to explore the scope of their worldwide spread and level of control exerted by the parent organization.

The questionnaire was administered through personal interviews, however the respondents completed the section on marketing effectiveness items themselves in order to reduce the response bias. Managers responsible for the marketing or sales departments were interviewed in most of the companies.

Findings of the study indicate that some differences exist between Turkish and multinational firms. Foreign firms tend to consider a whole marketing system view encompassing suppliers, channels of distribution, competitors, customers, and environment in planning their business. Secondly; the multinational pharmaceutical manufacturers have made it a regular practice to develop both detailed annual and long-term marketing plans. Thirdly, the multinational companies perceive themselves to have competitive advantage with respect to product quality and in general, considering all of the marketing functions. Also, differences become apparent in terms of the companies' promotion systems, as well as the organization of their marketing departments, and their attitude toward expected changes in price determination.

The research is guiding for both domestic and multinational companies. Local companies can identify their weaknesses in terms of marketing effectiveness while multinational companies may benefit from the findings when entering the Turkish market or setting strategies for future developments.

ÇOK ULUSLU VE TÜRK İLAÇ FİRMALARINDA PAZARLAMA PLANLAMA VE ETKİNLİĞİNİN KARŞILAŞTIRILMASI

Bu araştırmanın amacı Türk İlaç Endüstrisindeki yerli ve çok uluslu ilaç şirketlerinin pazarlama faaliyetlerinin uygulama ve firmalarca görülen etkinlik açısından farklılıklarını deneysel olarak belirlemektir. Çok uluslu firmalar son 20-30 yılda önemli bir konu haline gelmişlerdir. Faaliyetleri çeşitli sanayi dallarının gelişmesinde önemli rol oynamaktadır. Çok uluslu şirketler gelişmekte olan ülkeler tarafından teknoloji ve yeni iş olanakları yaratmakta araç olarak görülmektedir. Diğer taraftan, çok uluslu şirketlerin kurulmasının temel nedenleri hammadde temini, imalat maliyetinin düşüklüğü ve uygun çevre şartlarıdır. Yerli ve çok uluslu firmaların ilaç endüstrisinde karşılaştırılmasının nedeni, endüstrideki yabancı firmaların önemli imalatçılar arasında olmasıdır.

İlaç endüstrisinde faaliyet gösteren yedi firma dahil olmak üzere toplam 20 ilaç firması incelenmiştir. İlaç endüstrisi toplam satışlarının % 80'i bu firmalar tarafından gerçekleştirilmektedir. Verileri toplamak amacıyla hazırlanan ankette pazarlama etkinliği ve pazarlama faaliyetlerinin düzenlenmesini firma yöneticilerinin gördüğü şekilde ölçen sorulardan başka, yalnızca çok uluslu şirketlerin dünya üzerinde çeşitli ülkelerdeki yaygınlığını ve ana şirketin bu şirketler üzerindeki kontrolünü görmek amacıyla sorulmuştur. Anket karşılıklı görüşme şeklinde gerçekleştirilmiştir. Ancak pazarlama etkinliği ile ilgili kısım yöneticilere doldurulması için verilmiştir. Bunun amacı cevap vermedeki hataları

önlemektir. Anketleri büyük çoğunlukla şirketlerin pazarlama veya satış bölümlerinden sorumlu elemanlar yanıtlamışlardır.

Araştırmanın sonuçları Türk ve çok uluslu şirketleri pazarlama etkinliği açısından ayıran bazı farklılıklar olduğunu göstermektedir. Yabancı firmalar, planlarını hazırlarken pazarlama sistemlerini imalatçılar, dağıtım kanalları, rakipler, müşteriler ve çevreyi kapsayacak bir bütün olarak görmüşlerdir. İkinci olarak, çok uluslu ilaç firmaları yıllık detaylı ve uzun vadeli pazarlama planları hazırlamaya daha fazla önem vermektedirler. Ayrıca çok uluslu şirketler mamul kalitesini sağlamak ve korumak açısından ve genelde pazarlama işlevlerinin tümü düşünüldüğünde kendilerini daha avantajlı görmektedirler. Bundan başka, firmalar, tanıtım sistemleri, kurmuş oldukları pazarlama bölümleri, ve fiyat saptama sisteminde beklenecek değişikliklere karşı tutumları açısından birbirlerinden ayrılmaktadırlar.

Bu araştırmanın sonuçları yerli ve çok uluslu şirketlere yön göstermektedir. Yerli firmalar pazarlama etkinliği açısından zayıf noktalarını saptarlarken, çok uluslu firmalar Türk pazarına girerken, ya da gelecekteki gelişmelere uygun stratejilerin belirlenmesinde sonuçlardan faydalanabilirler.

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I. INTRODUCTION

One of the most dramatic and significant world trends of the last two decades has been the rapid and sustained growth of international business. In its traditional form of international trade as well as its newer form of multinational business operations, international business has become massive in scale and has come to exercise a major influence over political, economic, and social development throughout the world.

There has been a number of studies done in the area of international business in general, and multinational corporations specifically. Most of the research has dealt with different aspects of multinationals' operations.

A number of researchers have looked at differences in the practices of domestic and multinational corporations operating in a certain country. Although all have analyzed different aspects of firms' practices with varying approaches, the general conclusions of all studies is that there are indeed some differences in the approaches of local and foreign companies.

So far, very few studies have been conducted with the purpose of comparing marketing practices of Turkish and multinational corporations in Turkey. This study's major aim is to compare the marketing effectiveness perception of Turkish and multinational corporations operating in the pharmaceutical industry. For the purposes of the study in question, multinational corporations are identified as those corporations whose major owners are from the multinational headquarters. While joint ventures and direct foreign investments fall in the scope of this definition, assembly type of production, contract manufacturing, and licence agreements do not.

In order to limit the scope of the study, the pharmaceutical industry was chosen since it is one of the industries where the multinationals have a significant position among the major manufacturers in the Turkish Pharmaceutical Industry.

Relating to the purpose, the main hypothesis of the study is that there are differences between Turkish and multinational pharmaceutical

companies in terms of their approaches to marketing management. The relevant subhypotheses are that differences exist between approaches to managers' decision-making involvement, information utilized for decision-making, firm performance, and perception of individual marketing effectiveness items in domestic and multinational companies. Managers' decision-making involvement is related to the extent of involvement by managers. In some companies most decisions are made by only top management while in others there is varying degrees of involvement of lower level managers. Approaches to information utilization may also differ by companies in that in some companies decisions are based on more quantitative, accurate, and up-to-date information than in others. Sales and profit increases for a specific time period are used to define firm performance. Marketing effectiveness items are utilized to see if differences exist in terms of perceived importance and frequency of application of certain marketing-related practices.

This research has been designed with major emphasis on firms' perception of marketing effectiveness which is one of the tools of strategic control and measures effective handling of major attributes of a marketing orientation that goes beyond general marketing control. The significance of studying marketing effectiveness is that it leads to formulation and execution of plans that contribute to overall success of firms. Since this study focuses on application of marketing practices of firms for the operationalization of marketing effectiveness, it deals with marketing-related issues and omits major functions of organizations such as the financial and production aspects which contribute to overall effectiveness. Neither has comparison of industries been undertaken.

II. THE MULTINATIONALS IN THE WORLD

Before a closer look at the operations of multinational companies in the Turkish Pharmaceutical Industry specifically, a general view of the role of multinationals and their evolution is useful in showing that they have become a part of the world economy with their special structures and purposes. This chapter presents a discussion of the concepts and characteristics of multinational companies, their role in the world economy, placing emphasis on their evolution, current position, and relationship with host countries. The third section stresses the importance of strategic planning for the multinational company. The final section of the chapter is a review of the previous literature on multinational companies.

2.1. Concepts and Characteristics of the Multinational Company

In spite of the popularization of the term, there is not a unique definition of the term "Multinational corporations", mainly because different aspects are emphasized in different studies. This section presents some of the definitions accepted by many scholars. Broadly, any corporation with one or more foreign branches or affiliates engaged in any kind of activity may qualify as multinational (42).

According to Raymond Vernon, a "multinational enterprise" is a parent company that controls a large cluster of corporations of various nationalities. The corporations that make up each cluster appear to have access to a common pool of human and financial resources and seem responsive to elements of a common strategy. Size is important as well; a cluster of this sort with less than \$ 100 million in sales does not attract much attention. Moreover, the nature of the group's activities outside its home country is relevant; mere exporters, even exporters with well established sales subsidiaries abroad, are unlikely to draw much attention, and mere licensors of technology are just as rarely mentioned. Finally, the enterprises involved generally have a certain amount of geographical spread, a parent with a stake in only one country or two outside its home base is not often found on the list of multinationals (43).

Fayerweather defines the multinational firm as one which is involved in any kind of international activity ranging from exporting to operation of controlled factories abroad (15).

Behrman emphasizes that the essential characteristics of multinational enterprises is the attempt to treat various national markets as one, to the extent that it is permitted by governments. The multinational company responds to market opportunities around the world and strives to pull together various elements of its enterprise to take maximum advantage of its managerial know-how, advanced techniques, production in various locations, and coordinated marketing and finance. It is a closely controlled single enterprise doing business in a number of national markets under different governments that achieves "unity through diversity" (7).

Kolde, after defining the multinational enterprise as a "number of affiliated business establishments which function simultaneously in different countries" emphasizes that it is much more. He states, "it is much broader than the flow of managerial talent and funds it extends to legal forms of organization, to ownership affiliations, to the physical location and design of the facilities and to the entire functional spectrum ranging from distribution of products to fundamental research, to payrolls, to labor-union organizations, and to relations with foreign governments and people. In sum, multinational enterprise represents the totality of organizing and operating business establishments in an international context" (24).

The varying definitions are the result of the different aspects of the multinational company, and the uncertainty as to which aspect is to be given priority in constructing a definition. The definitions can be grouped with respect to the aspects they consider.

The first group of definitions is based on the financial or economic criteria which encompass variables such as size of the company, quantity of production, value of resources used, geographical dispersion and sales revenues. The second group of definitions are based on the fact that decision-making and control of production is the function of a main unit. According to this set of definitions, production related decisions of companies operating in various countries, such as selection of production technology, use of resources, selection of marketing strategies are handled by

the home country. Definitions within the third group emphasize corporation managers' approach to decisions concerning management. This is more of a theoretical case since it assumes that a company is multinational if it conducts policies disregarding nationalities at the management level (3).

As stated before, all of the given definitions and approaches reflect a different aspect of multinational corporations. For the purposes of this paper, a general definition that a multinational company is one which owns and controls the operations of its principal business activity in several countries located worldwide shall be accepted.

2.2. Place of Multinationals in World Economy

This section is significant in pointing out that multinationals that emerged as a consequence of internationalization of business, have evolved into a phenomenon with specific benefits and problem areas. The section is analyzed in three parts which deal with the history and development of multinationals, their current position and finally their relations with host country governments.

2.2.1. History and Development

Although the multinational corporation is regarded to be a recent phenomenon, the fact is that the beginning of internationalization dates back to the second half of the 19th century. Following the industrial revolution, capital accumulated in the industrialized countries was invested in areas of high return by large corporations. These investment areas were located in colonies or less developed independent countries that provided natural resources and cheap labor for which the European industry had a great demand. However, it is obvious that the attempts of internationalization in the nineteenth century were quite different from today's multinationals. One differentiating characteristic of the big corporations of that era and the multinationals of today is that the former multinationals chose to operate in their own colonies or less developed countries where they could exert their political powers (3).

In the nineteenth century flow of foreign capital was from Europe, England holding the highest share, to Asia, Africa and underdeveloped nations of America. United States entered the international arena in 1876, after the issuance of a Customs Duty Law. European and United States corporations invested in the following areas in the time intervals stated below.

1800 - 1890 : Natural resources and agricultural production

e.g: Mines, petroleum, rubber, wool, etc.;

1891 - 1940 : Chemicals, foodstuff, automobiles, etc.;

1941 - 1945 : Management of substructure; electricity, gas, transportation etc. (29).

Earliest examples of the modern multinationals had been established long before the 1930's. Hoffman-La Roche, which started to produce pharmaceutical in Switzerland in the late nineteenth century, later established production plants in Germany, France, the United Kingdom, and the United States by the year 1908. IBM, Esso, Royal Dutch Shell, Unilever, Nestlé, ICI Philips and many others are among the multinationals established at that time.

However, there was a stagnation in the development of multinationals that lasted until the 1950's. Many reasons account for this stagnation period including the growing domestic markets, especially in the United States, later the depression, World War II, and postwar uncertainties.

While in the early periods multinational businesses were established by European countries, in this second phase, the United States became the leading country in internationalization. The most important reason explaining this outward push of U.S. investments would be the impact of antitrust laws on U.S. industry. One branch of these laws was forged in the 1930's and 1940's precisely to fight cartels and international arrangements. Consequently, at least for U.S. corporations, such agreements were illegal after the War, and prosecution was vigorous. Other relevant factors can be listed as the opening of economic space in the Common Market, rising standards of living, government encouragement of foreign investment, the American loss of awe of their European counterparts, and the competitive spirit of U.S. management (34).

In the same period European and Japanese multinational corporations have also shown considerable developments. Investment opportunities were

sought in industries using advance technology. Until the 1960's, multinationals which deal with financial services, communications and machinery obtained the highest share in development. After the 1960's electronics moved up to the first place. The motives for internationalization and establishing multinational corporations have become even more apparent in the last few decades. The main motives can be listed as access to cheaper raw materials, lower production costs due to low wage rates in certain countries, proper distribution of mines and oil, desirable climate and geographical conditions (29).

2.2.2. Current Position of Multinational Corporations

Following an historical evolution, it is seen that instead of a nationalistic approach, the trend is toward an international cohesion, not only within the business environment but also among different sub-cultures. The enormous size and steadily growing importance of multinational corporations are clearly revealed when viewed in the context of world economic activities. It would not be wrong to say that the returns obtained from the activities of many multinational corporations are greater than a large number of entire national economies. The value-added by each of the top ten multinational corporations in 1971 was in excess of \$ 3 billion - which is greater than the gross national product of over 80 countries. The value-added of all multinational corporations, estimated roughly at \$ 500 billion in 1971, was about one-fifth of world gross national product, not including the centrally planned economies (42).

According to the Fortune classification, in the year 1982 the total sales of the world's top 50 industrial corporations amounted to \$ 1240 billion, while their total profits equalled \$ 39 billion. A list of some of the multinationals, their sales and net incomes are given in Table 2.2.1.

When comparing the earnings of these multinationals selected from a list of 500 international industrial corporations with the GDPs of some less developed countries (Table 2.2.2.) it is seen that some of the multinationals' net incomes by far exceed the GDPs.

TABLE 2.2.1. Some of the World's top multinationals' sales and net incomes for 1982

| Company | Sales (\$ 1000) | Net income (\$ 1000) |
|--|----------------------|---------------------------|
| Exxon | 97,172,523 | 4,185,932 |
| Royal Dutch / Shell | 83,759,375 | 3,486,694 |
| Mobil | 59,946,000 | 1,380,000 |
| British Petroleum | 51,322,542 | 1,245,623 |
| IBM | 34,364,000 | 4,409,000 |
| E.I. du Pont de Nemours | 33,331,000 | 894,000 |
| Unilever | 23,120,471 | 659,550 |
| Siemens | 16,962,630 | 279,794 |
| Hitachi | 16,262,015 | 602,746 |
| ITT | 15,958,440 | 702,816 |
| Hoechst | 14,408,902 | 106,544 |
| Bayer | 14,346,280 | 58,901 |
| Nestlé | 13,610,690 | 540,216 |
| ICI | 12,872,600 | 253,673 |
| Procter + Gamble (1983) | 12,452,000 | 866,000 |
| Minnesota Mining + Manufacture (1983) | 7,039,000 | 667,000 |
| Ciba - Geigy | 6,793,537 | 304,548 |
| Pfizer (1983) | 3,750,000 | 447,100 |
| Roche /Sapac | 3,494,873 | 138,350 |
| Sandoz | 2,978,076 | 134,316 |

Sources : Fortune Aug. 22, 1983; p. 170-187; April 30, 1984 p. 180

TABLE 2.2.2. GDPs of Some Less Developed countries (1980)

| Country | GDP (\$ 1000) |
|------------|---------------|
| Botswana | 401,000 |
| Brundi | 700,000 |
| Chad | 540,000 |
| Fiji | 937,000 |
| Guyana | 437,000 |
| Lesotho | 540,000 |
| Laos | 220,000 |
| Mauritania | 618,000 |
| Somalia | 407,000 |
| Togo | 765,000 |
| Tonga | 40,000 |

Source : The World Almanac and Book of Facts, 1983

We are now living in a world where corporate dominance is increasing. There is a notion that the world is moving toward a situation where the major part of its industrial output will be dominated by a small number of giant corporations. In fact, it is believed that by the year 2000, there will be around 300 multinational firms controlling the majority of output throughout the world (27).

One recent trend in the activities of multinational companies is to engage in job creating projects that do not directly benefit them.

According to Merritt (1984) (26) this project is motivated by three primary forces :

- 1) The cost of government relief for the unemployed is becoming such a tax burden that companies are beginning to do their part to ease the problem;
- 2) skilled workforces tend to move out of depressed regions in search of jobs, making later rehiring difficult;
- 3) any effort on behalf of the unemployed is at least effective public relations.

Unemployment is on the rise again in developed countries. So far dramatic job losses have occurred in traditional domestic industries like steel, shipbuilding and textiles. However the next round of industries is expected to be more technologically advanced ones such as engineering, automobiles, microelectronics and computers where the multinationals are concentrated.

The multinationals that have been accused of being anti-social until recently are now involved in creating viable, self-sustaining jobs outside their own corporate structures. Even as the creation of new jobs gains popularity among companies, the need for such effort is accelerating alarmingly.

Many of the job-creating projects have been launched by local initiatives spontaneously. Multinational groups with bases in both Europe and North America have independently seen the need to provide such new employment.

The involvement of a multinational group in job creation stems from a pragmatic view of the situation. Both international and domestic corporations are aware that somehow they are going to pay for the cost of high unemployment which is unavoidable in the near future. Job creation seems to be less expensive and more positive as an option.

2.2.3. Relations of Multinational Corporations With Host Governments

The multinationals have become the subject of worldwide controversy. Although they have the same business and commercial features with that of domestic corporations, they have capabilities and alternatives not possessed by purely national companies. One advantage of multinational companies is their capacity to shift operations around the world so as to reduce costs and improve efficiency and greater ability to expand their market penetration. The rapid growth, diversity, and centralized policy making enable the multinational companies to become more flexible and more mobile. Due to their centralized nature, sometimes disputes arise between the multinationals and the host countries. Both the multinational companies and the host governments have different objectives in approaching investments. While the multinational company wants to maximize profits of its global operations the host country is interested in the contributions to wealth and economic growth through capital, technology, managerial and organizational capabilities that the multinational enterprise can provide both domestically and internationally. However, the host countries are caught in a paradox, because the multinational enterprise is also seen as a threat for the national economic and political sovereignty. Considering the benefits and disadvantages, the host governments are faced with the trade-off between sovereignty and greater wealth (6).

Host countries often charge the multinationals for limiting their investments with basic technology and deprive natives of business opportunities. Governments want the multinationals to initiate and implement projects that they cannot start on their own (21). However, they do not want the advanced technologies to be determined solely by the enterprise, because of the fear that their companies will become dependent on the country of the parent company for technological advances. Governments fear that their economic development and military and political influence will diminish without national sources of technological advance. To advance independently requires having domestic facilities for fundamental research, which is a key for a nation's development. Technical innovation has become a key element in the economic strength of firms, industries, and even of countries. The competitive position of a firm or of a country depends on the speed with which it can introduce new or technologically superior products along with strategies related to existing

products. Sole dependence on the multinational means that it determines when products are introduced in host countries and what techniques are adapted. While the multinational enterprise brings a higher level of technology to the host country, it also raises problems of a claim on national resources and control of the results of research. As long as domestic ownership and control over key sectors and key technology are not achieved, national governments will feel threatened.

Host governments also fear disturbance of economic plans. Even though the multinational corporations may contribute to the objectives of economic growth in the host country, the fact that the decision center is outside the jurisdiction of the host government increases the uncertainty facing host governments.

Thus, considering the benefits and disadvantages, the host governments are faced with the trade-off between sovereignty and greater wealth. This issue does not bring up open conflict between nations, but continuing tensions. Each party knows that it cannot get rid of the system, and will have to live with the others and compromise to achieve objectives (6).

Tensions between the multinational corporations and nations can be reduced by taking certain measures. Firstly, the multinational corporations have to take full account of the policies, conditions, and aspirations of each country in which they are established. The fears and uncertainties that exist in some countries about these corporations can be reduced by disclosure and publicity of corporate activity, including financial data, and by explaining the corporation's long-range goals, policies and involvement in each nation's life. And secondly, home countries should be careful in not using multinational corporations as instruments of national political policies and avoid unnecessary discrimination. Governments should fully support the principle of an international code under international sponsorship, including a reasonable statement of the obligations of investors, home and host countries. Consequently, the arising problems should be solved within a multinational framework rather than bilaterally (34).

2.3. Setting Strategies for Multinational Companies

This section concentrates on international business from the viewpoint of the decision maker within the firm. The first part discusses the process of strategic planning and management of the multinational marketing company, and the second part emphasizes the formulation of international marketing strategy to achievement of the objectives of the multinational companies.

2.3.1. Process of Strategic Planning and Management of the Multinational Company

Owing to sudden changes and increasing uncertainties in the business world, it has become essential for multinational companies to develop tools as a guide for complex decision making. Planning has turned into a more significant issue because it is now more important for multinational companies to be prepared to meet the challenges. In a world of rapid developments firms desire to plan their actions and influence their future. Planning is undertaken to fulfil the major aim of optimal use of a firm's combination of assets.

Although planning consists of both long-term strategic planning and short-term tactical planning, which are both crucial for guiding a multinational company, strategic planning is especially significant because it involves the basic philosophy, directions, and objectives of the company in the long run. It also develops major strategies and programs to utilize a company's resources and capabilities to attain its objectives. Within this framework, the company establishes tactical plans and operational budgets that deal with business operations.

1/ This section has been based on the discussions of the following book: Dymsza (14); Robock et.al. (33); Cateora, Hess (9); and Keegan (22).

Strategic planning helps a multinational company to make major business decisions of allocating limited resources by taking into account global opportunities, global alternatives, and future global consequences. Such a strategy aims to maximize results on a multinational basis on complex international problems.

Strategic planning for multinational companies is much more complex than it is for domestic firms. This complexity is a consequence of multinationals' characteristics.

First, the multinational company faces a multiplicity of political, economic, legal, social and cultural environments as well as different rates of change in them. Second, there are complex interactions between the multinational firm and national environments because of national sovereignty, widely disparate economic and social conditions, and other factors. Third, geographical distance, cultural and national differences, variations in business practices and other differences make communications difficult between the headquarters and the overseas organizations. Fourth, the degree of significant economic, marketing, and other information for planning purposes varies a great deal among countries in availability, depth and reliability. Furthermore, modern techniques for analyzing and developing data may not be highly developed. Fifth, analysis of present and future competition may be more difficult to undertake in a number of countries because of differences in industrial structure and business practices. Sixth, the multinational company is confronted with regional organizations which achieve various degrees of economic integration, as well as national environments.

The above mentioned characteristics make planning for multinational companies much more difficult and at the same time essential because survival of multinational companies can be achieved through careful planning.

Practices of strategic planning show variations among companies with respect to its many aspects such as the time dimension, interrelationships between strategic and tactical planning, centralization and decentralization of the process, the administrative arrangements and the scope, emphasis, and format of strategic planning. These aspects of planning are shortly analyzed below.

a. The Time Dimension .

Firms' plans can be grouped into three with respect to their time dimension; (1) long-range planning of ten to twenty years (2) medium-term planning ranging from three to seven -often five- years and (3) short-term planning of six months to two years -usually a year.

The long-range planning which can be called strategic involves defining the company's basic directions and objectives and formulating major courses of action to achieve its goals. While the medium-term planning involves formulation of more detailed objectives for the company, the short-term plans are highly detailed operational plans for the company and its major units around the world. Although the medium-term plans deal with strategic aspects as well, the longer-term plans are considered more significant in strategic planning. However, due to difficulties of formulating and implementing plans for time periods of ten years or more as a result of the enormous changes the world is undergoing, top management of many multinational companies do not find it feasible to plan meaningfully beyond a period of about five years. The practice of some multinational companies is to alter the time scope of their affiliates or of certain functional departments.

b. Major Differences in Plans .

Strategic planning is different from tactical planning in many aspects. Strategic planning, which is undertaken by top management, is more future-oriented and deals with the basic directions of the enterprise, concentrating on the formulation of the company's worldwide objectives and major strategies and programs. tactical planning is detailed and for a shorter period of time. It is undertaken by many layers of management and is concerned with more specific issues. It provides a base for the company's operations and day-to-day decision making.

The strategic and tactical plans may be, and are prepared following differing orders in different multinational companies. While some build their tactical plans on the strategic plans, others formulate strategic plans based on a yearly tactical plan. A third alternative would be to develop strategic and tactical plans simultaneously. This may en-

courage sounder strategic plans for decision making purposes. The most important point is to provide and maintain consistency between the two plans.

c. Concepts of Strategic Planning .

As stated earlier, strategic planning involves selection of policies and strategies, which become the guiding framework for determining resource commitment based on the company's long-range objectives. The core of strategic planning is a realistic evaluation of the firm's present strengths and weaknesses, and a thorough analysis of the effects of possible changes that are, or might be occurring in the firm's environment over the long run. The analysis of anticipated internal and external operating conditions provides a foundation for the realistic determination of long-range objectives, such as what market to serve with what products, sales, profits and return on investment targets and social commitments. A clear set of objectives leads to a consideration of alternative courses of action that might be used to accomplish them and to the adoption of a specific set of strategic programs. These options include the choice of countries for expansion, the location of supply and production, and coordinated long-range plans for each of the major management areas. Strategic planning provides a framework into which each functional plan can be integrated, resulting in a plan for the entire company.

In short, strategic planning is involved in coordinating and integrating future directions, objectives, and worldwide policies of the multinational company, anticipating changes and being prepared for developments, integrating managements of overseas affiliates in goal setting and establishing basic international strategies for long-term and short-term decisions about major issues that will determine the future potential of the firm.

d. Centralized - Decentralized Planning .

Organizational structure for the planning function show variations in different firms. Multinational companies may adopt centralized

or decentralized planning. In centralized planning, the parent company assumes major responsibility for determining objectives, strategies and programs whereas in decentralized planning the national affiliates take the initiative for developing plans or some combination of the two.

Centralized planning is favored because the headquarters can better integrate the plans for affiliates and product lines owing to its broader perspective of company's diverse international operations in various countries and product lines. However, this type of planning has some limitations. The head office staff may be too remote from the real picture. It may not be aware of certain problems. Moreover such an imposed strategic plan may be readily accepted by those who are required to implement them.

Decentralized planning has the advantage that the division and subsidiary officers who shall implement the plan also take the initiative in formulating it. The planners know limitations and advantages of the local scene. This enables formulation of more realistic objectives and even strategies to achieve the goals, considering local variables, opportunities and constraints and considering managerial capabilities. A combined approach is undertaken by some multinational companies.

e. Scope and Format of Strategic Planning .

Multinational companies have widely differing structures for their strategic plans. These variations in scope, content, emphasis and format may depend on the nature of the company, its products, its organizational structure, its stage of internationalization, experience in planning, etc.

Some firms prepare detailed plans covering both general and specific objectives and elaborate analyses, which turn the strategic plans into tactical plans. In some companies, strategic plans are concisely written statements of objectives, strategies, policies and programs. Other than these extremes, in some firms plans are prepared by careful spelling out of objectives, and major opportunities for development and growth of the company. Also problem areas and risks are pointed out. Regardless of these variations, managements should have plans written out

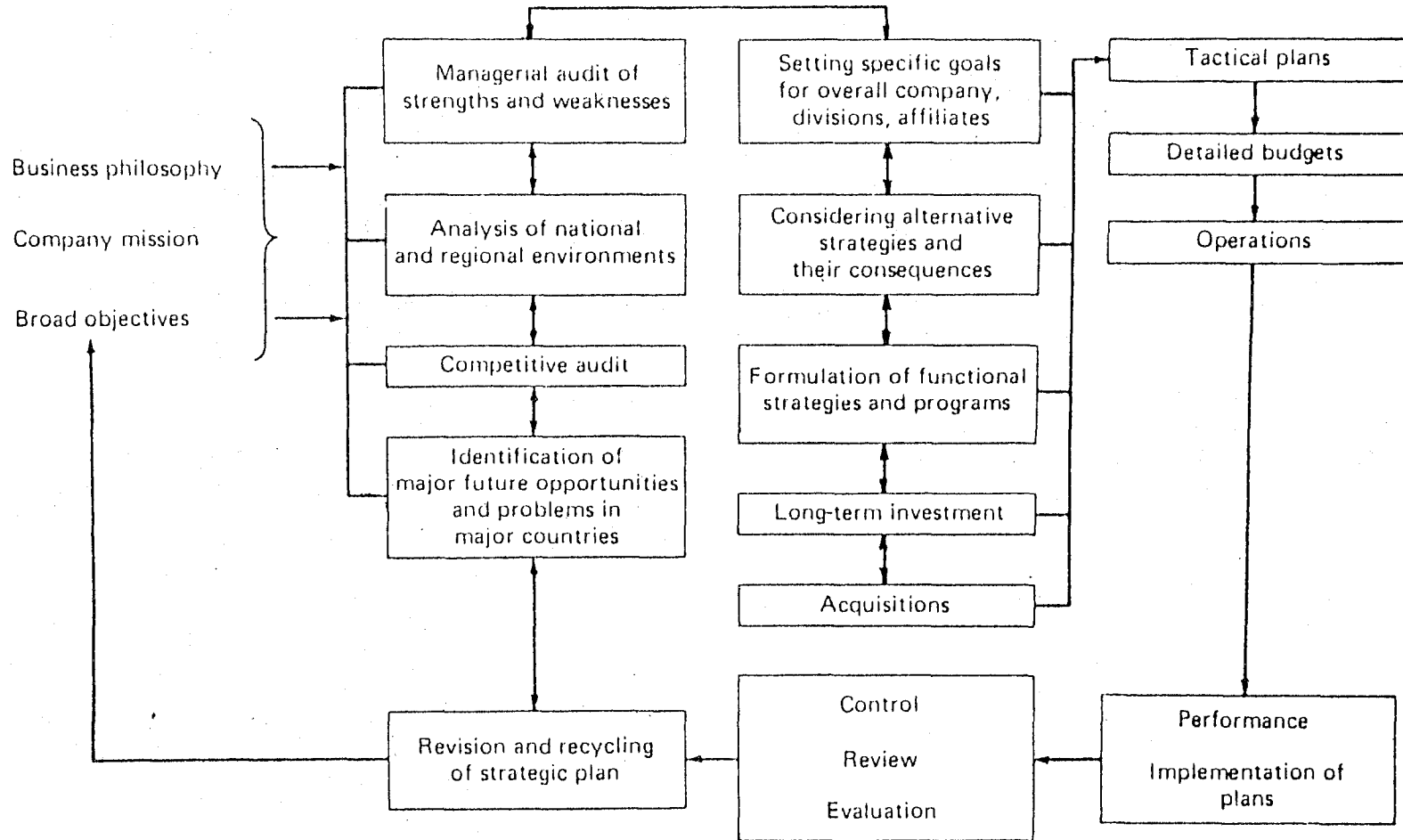
and distributed throughout the entire organization to attain clarity in objectives, strategies and policies. In this way strategic planning serves as a meaningful framework for long-term and short-term decisions of the company.

Within this framework, multinational strategic planning emphasizes managerial and competitive audits, analysis of environments, setting of specific objectives, formulation of strategies after considering alternatives, tactical plans and action programs to implement strategies and recycling of plans. All parts of the process of planning have close interrelationships and feedbacks.

The multinational company usually starts with profitability goals in terms of amounts, return on investments, assets, sales, rate of growth per year, or growth in earnings per share for all major units and the overall enterprise. It then establishes specific marketing, production, logistics, technology, personnel, acquisition and other goals over the planning period. These goals provide the basis for determining international strategies.

In the light of the aspects discussed above, Dymsha, in his book "Multinational Business Strategy" presents a generalized model for comprehensive and integrated strategic planning by a multinational company in the industrial field. (Figure 2.3.1)

Figure 2.3.1. Model for International Strategic Planning and Control



Source : Dymsza, William, Multinational Business Strategy,
 USA.: McGraw-Hill Book Co., 1972. p.65

2.3.2. International Marketing Strategy

Formulation of international marketing strategy is discussed in this section. Setting of marketing goals, specification of the international marketing concept, and the determination of marketing opportunities by countries, areas and products provide the framework for the establishment of marketing strategy.

The marketing strategy, which involves identification of the company's major international opportunities, allocation of its marketing resources and talents, the determination of major programs to achieve its sales, market penetration, and profitability goals, is the core strategy to provide a key to the others.

As a framework for developing its marketing strategies, the multinational company first identifies and assesses major marketing opportunities and potential by major countries and products. For the countries identified as having future potential, in-depth marketing research which provides analytical data for determining the size and growth of national markets, to company's possible market penetration by major products, sales projections, and specific marketing programs, can be undertaken by utilizing either secondary sources such as published statistical data or various surveys and field studies. Conducting marketing research has limitations in some countries due to the negative cultural attitudes against systematic analysis, lack of available data, unreliability or biases in it and the unavailability of competent research personnel. In some companies the headquarters has a centralized staff which assists overseas affiliates in undertaking the analysis. Outside market research agencies can also be consulted for this purpose provided that it will bring additional benefits to the company. On the basis of the data provided by market research, the company forecasts sales in principal markets by major products over the planning period. Market potential should be ascertained for new as well as existing products that have the best opportunities in relation to risk around the world. This analysis identifies significant marketing characteristics that enable a multinational corporation to adapt its capabilities to country and regional environments.

After determining market potential in various countries, the company formulates its marketing mix strategy which specifies the role and emphasis of product planning, pricing, distribution and promotion policies for its national affiliates, major divisions, and the entire company. Although obtaining an appropriate mix is the major aim, it is not always possible because of the interdependence of the components, the reaction of the major competitors and changes taking place in national and regional environments. The marketing mix strategies have to be adapted to variations in economic, political, legal, social, and cultural parameters of countries. Marketing institutions and consumer characteristics should be taken into account. Strategies have to be adapted to the nature and degree of actual and potential competition in the national markets as well. Due to different social and cultural habit patterns and marketing institutions, marketing mix strategies that work in one country do not hold in another, so the many variables involved and the differences among companies and product lines make it difficult to be specific about marketing mix strategies. However, a multinational company can start with the marketing programs that have been successful in its home country and other areas and then adapt them to particular national characteristics, marketing institutions, consumers' tastes, and other factors in various countries. Although standardized global marketing has quite a lot of advantages such as significant cost savings, easier planning and control at the top level, and less effort spent per market, full international standardization of mix strategies is not achievable for several reasons. These reasons can be attributed to differences in the physical environment, stage of economic development, cultural factors, industry conditions, marketing institutions, and legal restrictions within countries. Although uniform marketing mix strategies are impossible to apply worldwide, some components of the marketing mix can be standardized for countries of similar characteristics. One important aspect of marketing planning is to determine which aspects of the program have to be devised distinctively for national markets. At this point the management of the domestic affiliate and the headquarters interchange views and determine the marketing strategy suitable for the specific market.

a. Product Planning.

Product planning involves decisions concerning products to be introduced to, altered or removed from the market in countries with different environments and characteristics. It also has to consider the timing of the introduction of new products, the improvement of existing products and the ways of achieving a balance between the two in its product strategy to achieve the company's marketing and profitability goals.

Most firms have to develop strategies to adapt products to national markets. Products may be adapted in size, content, packaging, color, ingredients, etc. The decision as to making substantial or minor changes or no change at all depends on the necessity to adapt in the certain country. Product adaptation becomes necessary when the potential contribution to profits exceeds the incremental costs involved over the planning period and when it aids the achievement of marketing goals and objectives.

Product planning involves the ways in which the physical product is identified and presented to the consumer and the services the company can provide like guarantees, services on durable goods, and the availability of spare parts. The strategy of market segmentation is also related to product planning since it is achieved by adding various products to the product mix appealing to different segments of the market determining the product mix in various countries, companies should consider potential demand, their marketing capabilities and reputation, competition, the level of economic development, and other related environmental factors. Another aspect of multinational product planning is to determine the product-communications mix, which is the relationship between the product and the advertising promotional themes used for regional and national markets. Depending on the cultural or environmental factors, a multinational company may utilize various levels of standardization for the advertising message.

The multinational company should also plan and phase the development of products in various countries to the product life cycle and growth of demand. In order to keep some markets, the multinational company has to improve products that are reaching the maturity stage of

their product life cycle in the country. Also, it should have new products in the process of development to replace old products that have passed maturity and are declining in sales. This is especially important to make use of existing plants and in order to pertain sales and profit levels.

A final aspect of product planning is new product planning, which involves determining future market requirements in various countries, generating new product ideas, utilizing the technical, engineering and marketing capabilities to develop products suitable for national markets. New product development includes execution of international research to determine emerging technical capabilities, new product ideas for national markets, research, engineering, and product development, product testing and initiation, and finally market development of the product according to its life cycle.

b. Pricing Strategy .

Pricing strategies of multinational firms are to be established in connection with the other marketing mix elements at worldwide and country levels. The issues mainly related to the pricing strategy can be identified as emphasis upon price competition in the total marketing mix, establishing a uniform or varying pricing structure, being a price leader or follower, emphasis on promotional pricing, pricing products over the life cycle, type of pricing and new product pricing.

Although multinational firms choose to apply somewhat standard pricing strategies worldwide, again due to differences in demand, cost structures, competition, consumers' tastes, governmental regulations, and many other environmental parameters, there is reasonable justification for allowing national affiliates to construct their own pricing strategy within a framework established by the headquarters. Companies face governmental regulations that restrict pricing in some countries or industries. Also, international cartels have significant roles in setting prices for certain products.

The role of pricing is set relative to the other components of the marketing mix. Some firms emphasize price competition to achieve

market penetration goals, while some others emphasize non-price competition to stress other aspects of the product. The general practice is to keep a stable price which matches the prevailing market prices.

In choosing type of pricing, most companies settle for cost-plus pricing. This basic way of price determination is simple and leads to fairly stable prices, but it is highly inflexible for overhead and standard costs are allocated arbitrarily. Multinational companies strive for more flexible pricing strategies. Management of national affiliates are closer to the market, so they are more informed about the demand and purchasing patterns of the consumers. However, the product pricing method applied in a subsidiary should conform to the general guidelines established by the head office, considering a company image.

New product pricing strategies are also established by the headquarters. The company may either choose to apply "skimming pricing", that is starting with high margin prices at the initial stages of product introduction and later lowering prices, or "penetration pricing", which is starting with low margin prices to achieve market penetration and then increasing prices.

There is also the subject of transfer pricing which should be mentioned in relation to international pricing strategy. It is the pricing of products transferred within the multinational company. The intercompany transfer-pricing policy on goods should be related to the production, and marketing strategies of the company and should be set to attain the enterprise's specific objectives. Transfer pricing policy is established in relation to regulations of tax authorities in home and host countries, international competitive prices, anti-dumping requirements, customs duties, import quotas, licensing and other restrictions, local inflation and the possibility of currency devaluation, antitrust regulations, as well as the usual environmental variables.

c. Distribution Channel Strategy .

The multinational company has to develop a distribution strategy to fit its marketing mix planning. The distribution strategy to be applied depends on the company's marketing approach, its product lines, the char-

acteristics of national markets, the market structure that prevails in various countries, costs of alternative distribution, the degree of control the company seeks to achieve, and other factors. The currently available type of distribution in countries, the middlemen, their mark-up, the functions and services they perform and their effectiveness are other factors to be considered.

As with most of the other issues, the multinational companies aim at achieving more effective control of distribution in subsidiaries. This is both difficult and risky if the company is engaged in the production of consumer goods that are distributed over a wide area.

A company which is in the distribution channel selection stage has to decide whether to try to use available intermediaries, encourage the development of other middlemen or establish new types of distribution.

Dealing with intermediaries brings out the issue of the degree of market coverage and cooperation with middlemen. While extensive market coverage means employing many channel members and less control at the headquarters level, selective market coverage is applicable for purposes of closer control of market performance.

d. Promotion Strategy .

Promotional strategy involves issues of determining the promotional mix by countries and worldwide, deciding on the use of advertising agencies, selecting media in the case of advertising and determining the scale of effort. Again, the strategy is designed to suit the worldwide marketing objectives of the multinational company. Promotional strategies in multinational firms involve either a headquarters staff, or a local staff. In some cases joint efforts of both parties bring out a strategy.

Promotion strategy involves considering personal selling, advertising, sales promotion and publicity. Promotional strategy depends mainly on the marketing orientation of the company, its product lines, the type of products, cultural attitudes, habits, behaviors of the target market, governmental restrictions, the marketing institutions and other

factors. Certain products' advertising is prohibited in some countries. Also in some countries certain media are not available for promotion purposes.

One issue common to most multinational companies is determining the extent of standardization of the company's promotional strategy. Companies are moving toward uniformity, but cultural and other limitations are again present. The best multinationals can do for countries of varying characteristics is to develop a general framework and let subsidiaries build their own programs based on this guiding framework to better conduct the message.

In this section, the formulation of international marketing strategy related to achievement of the objectives of the multinational company is analyzed. The setting of marketing goals, the specification of the international marketing concept, and the determination of marketing opportunities by countries, areas and products provide the framework for the establishment of marketing strategy, major aspects dealing with determination of the marketing mix globally and by countries. Some opportunities exist for standardizing the mix, although adaptations may be essential for particular countries and products.

2.4. A Selected Review of Previous Literature

The recent interest on multinational companies and their activities has generated quite a number of interesting studies, both theoretical and empirical. In the first part of this section, studies conceptualizing multinational companies are presented; in the second part empirical studies on multinational strategies are discussed.

2.4.1. Studies Conceptualizing Multinational Corporations and Providing Justification for their Existence in World Markets

The current issue of multinational corporations have been studied in many perspectives. One basic point of view of theoretical studies is the evolution of the multinational corporations and their role in the world economy. Weinshall (1975) (44) has studied the development and the universal role of the multinational corporations. He states that they are an inevitable consequence of the worldwide developments. After the Industrial Revolution more and more groups started to get involved in the decision making process, first within the firms, and later the span was enlarged to include the industries. The further steps were incorporation of organizations, customers, and governments into the decision making process. Eventually, the growth in scope of the decision making process accounted for the flow of operations overseas. International operations first had more nationalistic approaches, but as the operation expanded to more countries, their national attitude started to change to a global attitude. This was attributable to the emphasis put on the development of the business operation and also to the fact that as more parties are involved the original national identity lost its significance. According to Weinshall, when increasing number of countries are involved a "Multiple Structure" is created. He identifies Multiple Structure as "an inevitable consequence of the dynamics of the effect of growth". In order to accommodate substantially different organizational size, the management has to operate in different structures according to the actual and predicted situation of the organization. This is necessary because multinationals operate in countries of totally different socio-cultures. According to Weinshall; establishing multiple structures has certain advantages for multinational corporations because in a multi-structure, changes in one part of the organization don't necessarily require a slow-down in other parts. Also it enables the organization to operate in different countries with different managerial structures. Weinshall states that a very important factor in the Multiple Structure is the Chief Executive, whose position requires him to be a flexible leader, able to deal with different people easily. In the late 20th Century, the multinational corporations are now encompassing more of the industrial and business activities of the world, so they have supranational attitudes, to the extent that they are allowable by national governments where they operate. The author later discusses the role of Multinational Corporations in comparison with nation-states, from the

point of view of their contributions to the world. His argument is that multinationals act as agents of peace among nations, bridge the gap between rich and poor parts of the world, by transferring technology and managerial practices, and since the multinationals are taking over more power and responsibilities from the nation-states of the world, their growing role seems to be beneficial for the future of humanity.

Quinn (1969) (32) examines the role of multinational companies in technology transfer. His article explains why technology transfer has become so crucial and the specific ways in which this flow of knowledge is achieved on a worldwide scale. It is largely the technological application of land, labor, capital and education; not their mere presence which determine a nation's potential for economic growth. The author points out some of the conflicts that can exist between the objectives of a company and the national policies of host countries. Behind the national policies lie fears of being unable to maintain their self-sufficiency. The two potential conflicts are (a) conflicts in policy between the host and parent countries, and (b) conflicts between company strategy and national goals. According to Quinn, successful multinational companies have found ways of adapting their policies to achieve maximum benefits and minimum conflict, both for themselves and for the countries in which they operate.

Another major subject studied by academicians is the decision of selecting a country for investments. Stobaugh (1969) (39) discussed the findings of his study on 40 international companies. In his first article, he points out certain variables which should affect the choice of investment locations among candidate countries. Four of these variables - market size, willingness and ability of governments to provide a good investment climate, availability of local technology and know-how, distance from major producing countries - and three of them - freight costs, economies of scale, consumers' need of the products - to the country in question. In considering an investment site, the investor should combine the given variables as a guideline that can help him make a preliminary screening of possible investment opportunities. In his second article, Stobaugh (1969) (40) shows why many companies are now moving toward more sophisticated procedures in assessing foreign investment climates. He suggests 4 approaches which he names as (a) go-no go; (b) premium for risk; (c) range of estimates; and (d) risk analysis.

The risk factor is analyzed by others also. Haner (1979) (17) in his study of investment risk rating, recommends multinational corporations considering overseas investments to make use of a political forecasting system that assesses the stability of foreign governments. According to Haner, application of political forecasting involves predicting political conditions in the country, estimating probability for seriously modified conditions, determining the effect on profit performance of the investment if a change occurs in political conditions, and judging the net impact of political change on predicted cash flow.

Pretschker (1980) (31), on the other hand, analyzes the administrative environment, as risk factor for direct investment in developing countries. His essay explains how inadequately enterprises maintain their relations with their administrative environment, that is the municipal, state, foreign, and international authorities, the opportunities missed or disadvantages to be put up with respectively by doing so, and by which entrepreneurial and state activities this inadequacy could be remedied. According to Pretschker, non-governmental consultants can have a significant role in the reduction of administrative risks. Management consultants and bilateral chambers of commerce do not undergo as much restraints as the governmental consultants, so they have a better opportunity to contribute to the reduction of administrative risks.

Jain and Bavishi's (1979) (21) article on guidelines for doing business with LDCs presents a major controversial issue. They state the interests of multinational corporations and the less developed host countries. According to the authors, the multinationals scare host countries worldwide with their enormous power, but LDCs react more strongly than developed countries because multinational companies in LDC's symbolize colonialism, so they tolerate multinationals to the extent that they are absolutely necessary for economic development. The authors agree that multinationals have a transitory role in LDCs, and that multinationals should formulate strategies in order to accomplish their goals while the LDCs' need for them still remains. They state that operations of multinational corporations in LDCs conform to a life cycle pattern which can be broken down into five stages, which they name courtship, honeymoon, post - marriage, divorce and mutual coexistence. The multinationals should bear in mind that in the final stages of the life cycle, LDCs' need for them are at a minimum. So they could construct strategies

for leaving the LDCs at a proper time, and keep options of reentry open for the future.

For a company operating in more than one country, selection of strategies suitable for specific countries is important. Ayal and Zif (1979) (4) present a framework for planning and evaluating multinational expansion strategies focusing on the rate of entry into new markets and the allocation of efforts among markets. They present and compare two major and opposing strategies and later analyze the factors affecting the choice of these strategies, (a) market diversification, (b) market concentration.

A more specific case is adjustment of advertising strategies to foreign markets of differing characteristics. Sheth (36) defines a set of guidelines which suggest whether adjustment of advertising is necessary, and if so, the degree of adjustment necessary to transfer advertising to foreign markets. He defines seven strategies of adjustment in increasing adjustment rates. The seven strategies are respectively called strategy of complete extension, strategy of symbolic extension, strategy of literal extension, strategy of symbolic and literal extension, strategy of simple adjustment, strategy of symbolic adjustment, strategy of literal adjustment, and strategy of complete adjustment. Sheth identifies the factors that are most essential in providing insights into the selection of multinational advertising strategy. These factors are consumer expectations about the product, the perceptions of consumers, and the silent languages of countries.

The location of research and development activities within the multinational corporation is studied by Thomas (1975) (41). He presents nine arguments in favor of decentralization of research and development activities, together with counterarguments in favor of centralization. Thomas states that decentralization permits (a) the most effective response to local environmental factors; (b) represents a long-term commitment to the development of scales and manufacturing in overseas markets; (c) may result in cost savings in terms of total research and development expenditures; (d) permits the international division of scientific labor to be beneficially exploited; (e) may limit competitors' access to the scientific establishment; (f) may be the only means whereby products and services may be sold to government or the defense industry; (g) may

be the only way of gaining entry into a market where fears of technical dependence on foreign countries is of concern; and (h) permits effective monitoring of local research and development activities. The author states the key ingredients in the international research and development management that decisions on all research and development expenditures must be centralized and governed by corporate objectives, duplication of research and development effort must be avoided by use of an effective information system, linking all international research and development laboratories; there must exist corporate-wide research and development standard and tools of control.

Schnee (1976) (35) discusses the shifting pattern of research and development transfer in the U.S.-based pharmaceutical industry. His findings are that there has been more than a 50 % decline since 1962 in the annual number of new chemical entities introduced in the U.S.; while at the same time period there has been a steep rise in foreign research and development expenditures by U.S. firms. A third finding is that the research and development productivity in the U.S. has declined, relative to Britain. Schnee states that it is apparent that multinational drug firms will become even more dominant in the worldwide pharmaceutical industry since they are suited to shift resources on a worldwide basis and have a comparative advantage in adapting to more stringent governmental regulations in any particular country.

2.4.2. Empirical Studies on Multinational Corporation Strategies

There has been quite a considerable number of empirical studies both on the subjects discussed within the context of theoretical studies and other subjects. Some studies are directed to the criteria for evaluating countries for investments.

Davidson (1980) (10) reviews the role of the host country characteristics as determinants of foreign investment location patterns. He then analyzes the effects of corporate experience on location decisions. His findings are based on a survey of the foreign operations of 180 large U.S. multinational corporations from their inceptions through 1975. The results are that prior experience in a host country increases the

firm's priority for projects in that country relative to other investment options. Moreover, the experience level of the firm influences the relative importance of different country characteristics in determining location patterns. Inexperienced firms tend to prefer similar markets than firms with broader international operating experience.

Green and Cunningham (1975) (16) in their study of the determinants of U.S. foreign investment applied multiple regression analysis to test for the significance of the factors that foreign investors consider important in deciding on a foreign investment site. The findings indicate that measures of market potential are the most important determinants of the allocation of U.S. foreign investment. GNP was found to be significant for both total U.S. and manufacturing foreign direct investments, while population and expected profitability were significant in the case of total U.S. foreign direct investment.

Kelly and Philippatos (1982) (23), in their comparative study of the foreign investment evaluation practices surveyed 225 U.S. - based manufacturing multinationals to find out which evaluation criteria they use in selecting investment sites. Their findings are that foreign direct manufacturing investments are motivated by primarily profit rather than behavioral considerations; the majority of companies practice project-by-project analysis of the simple accept / reject type rather than comparative project analysis; most of the companies utilized criteria for single investments, cash flows, and cost of capital that were in general agreement with the analytical literature; and that companies were concerned with more business risk than currency and political risks.

Horovitz's (1978) (18) study of a total of 52 companies in France, Great Britain, and Germany have certain implications for the multinational corporations considering investment in these countries. 16-18 companies, of which none is a part of a multinational complex, was selected from each country. Key characteristics of top management control were considered. The findings show that British managers are well equipped for financial control and they are successful at it. Measures of objectives as well as performance are not mixed with fiscal accounting. The German managers' main strengths are their orientation toward short-term operational efficiency especially in production, and the ability to work on and monitor projects dealing with such efficiency. The French

management control is in between, but their organization is much closer to the German pattern than the British pattern. These results indicate that standard universal management principles should be applied differently in each country depending on the key characteristics of the planning structure and general management style which predominate in that particular country. Investors should make a careful assessment of the way local variables impact on the structure of planning and control.

One basic point that is specific to multinational corporations is their relationship with their partner country's organizations. Zeira (1979) (47) in his study of ethnocentrism in host organizations argue that European subsidiaries of multinational corporations face ethnocentric attitudes, that may work against mutually fulfilling relationships. Zeira's comparative study of the attitudes of host country organizations toward the personnel policies and patterns of managerial behavior in subsidiaries of multinational companies in England, Holland, Germany, France and Belgium seeks to reveal the attitude of representatives of these organizations, to explore their similarities and differences and to present a comparative analysis of the ethnocentrism of the host country organizations. One hundred eleven host country organizations were surveyed, respondents being either chief executives or heads of departments interacting most intensively with expatriate managers heading these departments. Findings do indicate that majority of these organizations have a prominent ethnocentric approach.

Ajami (1980) (1) discusses specifically areas of conflict and convergence between the multinational firm and the host Arab Society. He presents an assessment of the Arab elites' attitudes toward the multinational enterprise and the related phenomena of foreign investment. An elite sample of 66 from two Arab states, namely Kuwait and Iraq were interviewed. The elites were drawn equally by country and groupings from among business and economic elites, governmental policy makers, and intellectuals. The major concern of the study was the determination of the comparative salience of the economic, political, and cultural factors to the process of attitude formation toward multinational firms and the related phenomena of direct foreign investment within the Arab World. Multiple regression analysis was used to find out the relative importance of these factors. The findings confirm the primacy of economic factors and considerations over political and cultural concerns in the

minds of the relevant elites.

Multinational companies' management practices are somewhat different from domestic companies because of their wider scope. Sim's (1977) (38) study was aimed at determining the pattern and degree of decentralization in the Malaysian subsidiaries of U.S., U.K., and Japanese firms, and the relationship between decentralized management the subsidiaries and their performance. The results were obtained via intensive on the spot investigation. Sim constructed a 4-point decentralization index based on 15 items which covered a broad and representative range and included decision making in various policy areas, participation in planning and information sharing. Findings are that decentralization was highest in marketing, personnel and organization, production, but least in finance, ownership and R and D. Least of decentralization practices were carried by Japan, where control was maintained through the use of Japanese personnel in top management or technical position in the subsidiary. The performance indicators which were positively related to decentralization were found to be sales per employee, value added per employee, factor service per unit of value added, personnel turnover rate, return on sales, and return on total net assets.

Zeira's (1976) (48) article analyzes the highly criticized policy of rotation of expatriates in the multinational companies. It is based on an international comparative study of 51 multinationals and on diagnostic studies of 10 wholly-owned subsidiaries. The research clarifies that high officials at headquarters are well aware of the advantages of rotation, but are not sufficiently familiar with the factors essential for its successful implementation, nor with the negative impact on the expatriates and the subsidiaries. Following the presentation of the different points of view of headquarter officials, of expatriates, and of senior host country managers, the concluding part suggests several steps which may increase the effectiveness of rotation and limit its inherent disfunctions.

Alpander (1976) (2) studied the patterns of change in the use of quantitative techniques by U.S. expatriate executives who formerly had managerial positions in the U.S. and are currently in comparable positions overseas. Generally, it was found that quantitative methods

are used less in international subsidiaries than in U.S. This is more apparent in LDCs. The reasons for the poor application in subsidiaries are the unreliability of statistics, slowness in obtaining information, supply of raw materials, and economic and governmental instability. It is recommended that expatriate executives should focus their attention on improving their decision making abilities under uncertainty in these countries.

Certain aspects of multinational marketing have also been studied by Aydın and Terpstra (1981) (5) explored the effect of the transfer of marketing know-how by multinational companies to their subsidiaries in Turkey. A sample of 19 West European and 9 North American based multinationals were studied. The authors emphasize that comparative advantages stemming from product technology will not last forever, and that success in business conduct in developing countries depends on leadership in marketing transfer. The authors recommend developing host countries to allow freer entry and operation to multinationals in order to accelerate local marketing transfer development. Marketing planning and practices create some problems for the multinational companies. Brandt and Hulbert (1977) (8) state that control of marketing decisions in the multinational company raises important questions about types and amount of assistance provided by headquarters to the subsidiaries. Based on a survey of 63 Brazilian subsidiaries, the authors identify characteristics which influence the extent of headquarter guidance. The decision areas for which the subsidiary marketing manager received guidance from the parent company in the form of uniform or standardized directives include sales promotion ideas, basic advertising message, package design, brand name, product design specifications, sales force management methods, and price.

Hulbert, Brandt and Richers (1980) (19) later describe and compare the marketing planning practices of the 63 Brazilian subsidiaries of Japanese, European and U.S. firms, discuss some of the common problems which arise, and means to resolve them. The data was gathered through personal interviews with the managers of the subsidiaries. Despite the effort and time devoted to the development of a coordinated global marketing strategy, multinationals still rely on their subsidiaries to implement their plans. However, in many subsidiaries, planning efforts remain limited and hampered by problems which do not

necessarily concern domestic management. Even though subsidiaries place high priority on the improvement of their planning, some problems will persist. The authors recommend the headquarters management to gain more insight into the problems faced by subsidiaries. There is much greater need for close integration of the firm's activities, particularly for the headquarters and its subsidiaries, and planning is a key means of achieving such integration.

Wiechmann and Pringle (1979) (45) present the results of their study in which executives of major U.S. and European multinationals were asked to identify their worst problems in administering the marketing function. Most of the problems are internal, resulting from friction between headquarters and their foreign operations. Some of the inevitable problems result from national differences in orientation and perception. Some of the other problems identified can be eliminated. These problems arise from deficiencies in the communications process, over-emphasis on short-term issues, and failure to take full advantage of the organization's experience abroad. The authors suggest managers to pinpoint causes for the problems emerging within their companies and then conducting open discussions involving headquarters and subsidiary executives. Maintenance of dialogue is a must for early detection of emerging problems. Headquarter control of marketing decisions was another topic that was considered by various researchers.

Picard's (1977) (30) study of the patterns of control over marketing decisions for 56 European multinationals with subsidiaries in the U.S. reveals that while most subsidiaries enjoy a substantial amount of freedom in making operational decisions, decisions involving financial considerations are closely monitored.

Comparative analyses have been conducted on the effectiveness of multinational subsidiaries and domestic firms in countries. Imoisili (1978) (20) described the variables which explain managerial effectiveness in Nigeria, based on the results of a survey of the management practices and organizational effectiveness of 18 large business organizations. A comparative approach is used because even though most of the respondent managers were educated in Europe and U.S.A., differences were found in the way in which managers in the multinational subsidiaries and those in the indigenous organizations organized to achieve results.

Economic and non-economic measures were used in evaluating effectiveness. The key factors that make for the difference between the more effective and less effective organizations in Nigeria are perception of the Nigerian environment, planning, delegation, and span of control.

Douglass (1975) (11)(12)(13) made a comparative study of Danish business firms and U.S. subsidiary firms operating in Denmark. The purpose of the study was two-fold. The first was to determine if any significant differences could be found in the way the firms interacted with their environment. Secondly the objective was to test a new methodology for conducting comparative management studies. The sample consisted of 46 companies of matching characteristics.

The model studied was built around three groups of variables and their interrelationships. These variable groups are external environmental variables, interface transaction variables, and firm variables. A three way analysis of variance was used for the first time to conduct an overall test of all variables together. The results of the study indicate the feasibility of the methodology and the validity of the basic principles underlying the model. Findings of the study indicate that Danish firms' interaction with their environment was increased as well as their sociability, tradition was more important and conditions were generally more relaxed than for U.S. firms. In some ways Danish firms could be described as more socially oriented citizens. The author points out that the most probable reason for differences noted would be due to the influence of the U.S. parent companies. The parent company policies, procedures, techniques, and resources have a great impact on the operations of the subsidiaries.

There are very few studies which compare the marketing research practices of domestic vs. foreign companies in developing countries. Yavaş and Alessandra (1979) (46) reported the results of a survey of the marketing research practices of a selected number of foreign vs. domestic companies operating in Turkey. The data of the study is a paired sample of 54 Turkish and foreign companies, equal in number, operating in the manufacturing industry. The findings of the study indicate that there is a greater incidence of performance of marketing research activities by the foreign companies as compared to their Turkish counterparts. Further, the effect of three manager-related variables were in-

vestigated. These variables were the level of the education, the area of study and the age of the manager. Companies whose managers had master's degrees, were business majors and were relatively young tended to undertake research more often. Companies could not be differentiated with respect to their utilizing and relying on the services of outside consulting agencies.

The findings of empirical studies discussed have quite a number of implications for further researches. Studies on evaluative criteria for investments indicate that new market opportunities are analyzed by measures of market potential as well as profitability, moreover top managements' principles should be guided by the key characteristics of the planning structure and management styles pertaining to the specific countries. Furthermore host country characteristics explain foreign investment location patterns; the level of experience the company has in the international market influences the relative importance of different country characteristics in determining investment locations. Studies on the relationship with partner country organizations indicate the existence of an ethnocentric attitude in most subsidiaries, but considering especially the economic achievements that will be brought about, opinion leaders favor the multinationals.

The pattern of management practices in multinational corporations indicate that everyday operational activities are quite decentralized whereas ownership strategies, financial considerations, and execution of research activities are more centralized. Yet, because of certain internal and external limitations, use of quantitative techniques guiding execution of management practices are not undertaken in multinational subsidiaries. A very crucial point in execution of multinational marketing is the close integration of a firm's activities, through planning. It is a necessary tool for effective implementation of marketing decisions and reduction of conflicts.

Findings of studies comparing foreign subsidiaries and local companies, of which this particular study can be considered one, indicate that the level of effectiveness is related to companies' close interactions with the environment together with interorganizational research, planning, and control activities.

Previous studies on multinational companies, the variables studied, and the conclusions are summarized in Table 2.4.1.

This chapter has dealt with the concepts and characteristics identifying multinational corporations, their evolution and the importance of strategic planning for the survival of the multinational company. Finally, a review of past studies related to multinational companies has been presented.

Table 2.4.1 : A Selective Summary of Previous Studies on Multinational Companies (MNC)

| Author | Variables Studied | Conclusion / Relationships found |
|---------------------|--|--|
| Quinn (1969) | Role of MNC in technology transfer | Technological application of resources is the main point |
| Stobaugh (1969) | Product and country related variables | The variables discussed are used as guidelines for screening investment opportunities |
| Stobaugh (1969) | Risk factor | Companies are moving toward more sophisticated methods of risk assesment |
| Haner (1979) | Risk factor | Investing countries account for risk by applying political forecasting |
| Pretschker (1980) | Administrative environment as risk factor | Non governmental organizations could contribute to the reduction of risk |
| Jain/Bavishi (1979) | Business with LDCs | MNCs should stay in LDCs to the extent that they contribute to LDCs' development |
| Ayal/Zif (1979) | Rate of entry into new markets and allocation of efforts among markets | Companies choose between market diversification and market concentration |
| Sheth | Adjustment of advertising strategy in subsidiaries | Factors related to the product and consumer determine degree of adjustment |
| Thomas (1975) | Location of R+D in the MNC | Decentralization of R+D has certain advantages provided that an effective information system is maintained and R+D expenditure decisions are centralized |
| Schnee (1976) | Location of R+D practices | U.S. R+D is declining while the subsidiaries' R+Ds are increasing. There is a shift |
| Davidson (1980) | Host country characteristics | Prior experience in a host country increases investment options in that country |

| Author | Variables Studied | Conclusion / Relationships found |
|------------------------------|---|---|
| Green/ Gunningham (1975) | Factors foreign investors consider important in deciding on a foreign investment site | Measures of market potential are the major determinants |
| Kelly/ Phillipatos (1982) | Evaluation criteria used in selecting investment sites/types of risks considered | Foreign direct manufacturing investments are motivated by profit mainly; companies are more interested in business risk |
| Horovitz (1978) | Key characteristics of top management control-production and finance | Top management's emphasis is on a different issue in each of the three countries |
| Zeira (1979) | Ethnocentrism in host countries | There is a prominent ethnocentric attitude in most countries |
| Ajami (1980) | Economic, political, and cultural factors' influence on the process of attitude formation | Arab elites favor multinational investments for their economic contributions |
| Sim (1977) | Degree of decentralization | High decentralization in marketing, production and low in financial ownership, and R+D |
| Zeira (1976) | Expatriate rotation | It is effective under certain conditions |
| Alpander (1976) | Use of quantitative techniques by U.S. expatriates in subsidiaries | Application is less due to internal and external factors |
| Aydın/ Terpstra (1981) | Transfer of marketing know-how | Host countries should allow for freer entry of multinational companies |
| Brandt/ Hulbert (1977) | Control of marketing decisions | Identify characteristics which influence the extent of head-quarter guidance |

| Author | Variables Studied | Conclusions / Relationships found |
|----------------------------------|---|--|
| Hulbert/Brandt (1980) Richers | Common problems of MNC - head office and subsidiaries | Planning is a key means of achieving integration, and thus resolving problems within the MNC |
| Wiechmann/ Pringle (1979) | MNC's problems in administering marketing | Common problems to head office and subsidiary are lack of communication, overemphasis on short-term issues, failure to take advantage of firm's experience |
| Picard (1977) | Control of marketing decisions | Implementation is the responsibility of subsidiaries with little control, but budgeting decisions/financial considerations are controlled by the head office |
| Imoisili (1978) | Managerial effectiveness | Factors that make up for managerial effectiveness are perception of the environment, planning, delegation, and span of control |
| Douglass (1975) | Firm's interaction with the environment | Domestic Danish firms interacted more closely with the environment than U.S. subsidiaries in Denmark |
| Yavaş/ Alessandra | Marketing research practices of firms/manager related variables | Foreign firms apply marketing research more often |

III. A COMPARATIVE STUDY OF THE MARKETING PLANNING AND PERCEIVED EFFECTIVENESS OF LOCAL AND MULTINATIONAL PHARMACEUTICAL FIRMS

This chapter shall first present some general information about the Turkish Pharmaceutical Industry to give an insight into the operations of the Industry. Information on the drug industry activities has been obtained through interviews with authorities in the Union of Turkish Pharmaceutical Industry Employers² and the managers of pharmaceutical manufacturers. Later the methodology of the study conducted, including sample selection, the research, and analysis will be discussed. The final section of the chapter shall present discussion of the research findings and concluding remarks.

3.1. The Pharmaceutical Industry

3.1.1. Definition of the Industry

The pharmaceutical industry is a branch of the manufacturing industry engaged in the serial production and simple or complex formulation of chemical, biological substances and basic plants with respect to certain standards to be used for curing, protecting and supplementing purposes in Medical Science. Medicines are presented in different forms to be able to suit the needs of varying groups of patients. The varying forms, of which some are listed below are called pharmaceutic forms; and they consist of powder, granule, tablet, capsule, dragée, syrup, drops and solutions, ampoule, suppository, ovule, etc.

2/ Türkiye İlaç Endüstrisi İşverenleri Sendikası

3.1.2. History and Development

Pharmaceuticals, which have a significant role in public health in the 20th Century did not experience much development until mid-19th Century. Owing to the increasing world population, serial production of pharmaceuticals began after the industrial revolution. In the years between 1800 - 1900 the pharmaceuticals issue concerned the patient, the doctor, and the pharmacist, however today the pharmaceutical environment consists of the industry, economic environment, politics, academic institutions, domestic and worldwide health institutions, the press, etc, as well as the patient the doctor and the pharmacist.

The Turkish Pharmaceutical Industry has developed in parallel with the world industry undergoing the same development ranks. The first production started at the end of the 19th Century in pharmacy laboratories with some simple products. In the year 1915, the number of locally manufactured products amounted to 30. Basic medicines could be manufactured and the rest were imported. There was neither quality and price controls, nor licence permits for the imported products.

In 1928, a new law was passed concerning the control of the "Drug Import and Sale" (Tıbbi ve İspençiyari Müstahzarlar Kanunu, number 1262). This law encompassed all activities in the Turkish Pharmaceutical Industry, and enabled free competition between the local producers and importers. This played a great role in the development of the industry. By the establishment of the new local and foreign capital companies, the country's production level began to rise. After the enactment of the Law of Foreign Capital Encouragement (Yabancı Sermayeyi Teşvik Kanunu, number 6224) in the year 1954, foreign companies started to make investments. According to this law, the foreigners could bring in their investments in the form and amount they wished, could import their raw materials and other needs from their parent company with easier payment terms and could transfer their earnings out of the country. At that time the domestic manufacturers were not strong enough to compete. At present the pharmaceutical industry, together with local and foreign capital establishments covers all of the market demand and has become one of the pharmaceutical exporting countries.

3.1.3. Sectoral Dispersion of the Pharmaceutical Industry

In Turkey, there are 86 establishments manufacturing drugs, of which five are public sector and 81 are private sector establishments. 74 of the private sector establishments are local capital and seven are foreign capital companies. All of the seven companies are branches of worldwide spread multinational companies. Table 3.1.1. depicts the percentage market share of the seven multinational firms in Turkey.

TABLE 3.1.1. Market Shares of Local and Foreign Capital (Percentages)

| | <u>1 9 8 0</u> | <u>1 9 8 1</u> | <u>1 9 8 2</u> |
|--------------------------|----------------|----------------|----------------|
| 74 Local Capital Plants | 63.01 | 60.39 | 62.10 |
| 3 Swiss Plants | 19.08 | 20.22 | 19.57 |
| 2 German Plants | 10.53 | 12.18 | 11.66 |
| 2 U.S. Plants | <u>7.38</u> | <u>7.21</u> | <u>6.67</u> |
| 7 Foreign Capital Plants | 36.99 | 39.61 | 37.90 |

Source : Annual Report of the Union of Turkish Pharmaceutical Industry Employees (TiEiS) p.7

The public sector production of pharmaceuticals amounts to only 1-2 per cent of total domestic production. Public sector production is undertaken by the following institutions : (1) Ministry of Defense, which manufactures and distributes drugs to army hospitals; (2) Ministry of Health, which manufactures serums and vaccines, which are not produced by the private sector; and (3) The Office of Soil Supplies (TMO), which is the official distributor of habit forming raw materials and drugs upon special permission from the Ministry of Health.

Ranking of firms with respect to sales show that there is increasing concentration within the pharmaceutical industry and that small scale establishments are losing their significance. The density in the industry as of 1982 is given in Table 3.1.2. As can be observed from the table, the first 30 plants account for 93.12 per cent of total industry sales.

TABLE 3.1.2. Density in the Turkish Pharmaceutical Industry

| | <u>% of Total Market Sales</u> | <u>Number of Foreign Capital Plants</u> |
|-----------------|------------------------------------|---|
| First 5 plants | 43.82 | 3 |
| First 10 plants | 66.81 | 5 |
| First 15 plants | 78.55 | 7 |
| First 20 plants | 85.34 | 7 |
| First 30 plants | 93.12 | 7 |

Source : Annual Report of TIEIS, p. 7

The majority of pharmaceutical plants have been established around Istanbul for certain reasons. Most of the raw material is imported and Istanbul is the center for transportation; products of supplementary industries such as glass, plastic, paper, and cardboard are most easily available in Istanbul as well. There are only 13 pharmaceutical plants manufacturing medicines and raw materials in Adana, Ankara, Izmir, Kocaeli, Manisa, Samsun and Zonguldak.

3.1.4. Production

a. Production of Pharmaceutical Products.

There are 2500 types of medicines produced in Turkey for curing illnesses of different types. Some medicines have to be prepared in different pharmaceutic forms depending on patients or the stage of illness. Including multiple pharmaceutic forms for medicines the number in the market exceeds 3500, although the total number of pharmaceutical products registered by the ministry of Health is approximately 7000.

Establishments manufacturing pharmaceutical products are quite advanced considering machinery, equipment, qualified technical personnel, production methods and technology. In fact, the industry reached the level of transferring technology to underdeveloped countries. However since 70 percent of the raw material is imported, the recent economic

problems have affected manufacturing of medicines and production fell below full capacity. Other factors that lead to idle capacity are technical reasons like aging machinery and equipment that are not renewed, changing consumer preferences, and errors in forecasting. Idle capacity increases cost of production and result in difficulties in capital accumulation.

Technology used in pharmaceutical manufacturing is obtained from abroad through licencing and know-how agreements and processes are developed in accordance with domestic conditions. Most Turkish firms work with licences of three or more foreign firms. The relations established between foreign and Turkish firms have enabled the domestic manufacturers to widen their technical knowledge, thus develop their own products. Table 3.1.3. presents the production values in the pharmaceutical industry.

TABLE 3.1.3. Production Values in the Turkish Pharmaceutical Industry
(By manufacturers' prices)

| <u>Years</u> | <u>Units</u> | <u>Value (\$)</u> | <u>\$ / unit</u> | <u>% of Change</u> |
|--------------|--------------|-------------------|------------------|--------------------|
| 1973 | 286.604.370 | 150.560.220 | 0.53 | |
| 1974 | 292.651.840 | 175.627.240 | 0.60 | + 13 |
| 1975 | 294.306.740 | 236.646.380 | 0.80 | + 34 |
| 1976 | 357.138.780 | 226.715.680 | 0.63 | - 21 |
| 1977 | 388.882.500 | 266.821.340 | 0.69 | + 9 |
| 1978 | 365.208.100 | 270.588.230 | 0.74 | + 7 |
| 1979 | 333.390.850 | 295.874.040 | 0.89 | + 20 |
| 1980 | 370.803.030 | 296.724.940 | 0.80 | - 10 |
| 1981 | 456.540.500 | 327.462.600 | 0.72 | - 10 |
| 1982 | 579.249.000 | 297.135.802 | 0.51 | - 29 |
| 1983 | 515.000.000 | 310.638.300 | 0.60 | + 18 |

Source : Annual Report of TiEiS, p.11

Because of the devaluation of the Turkish Lira vis a vis U.S. Dollar unit value of production does not follow a constant pattern.

b. Production of Active Raw Materials for Pharmaceuticals .

Except for the Bolvadin Alkaloid Plant, all plants producing active raw materials for pharmaceuticals belong to the private sector and they are 14 in number. Table 3.1.4 below depicts production values for active raw materials for pharmaceuticals. Ton value of production is increasing lately.

TABLE 3.1.4. Production of Active Raw Material for Pharmaceuticals

| <u>Years</u> | <u>Production (Tons)</u> | <u>Production (\$)</u> | <u>\$/ton</u> |
|--------------|--------------------------------|------------------------------|---------------|
| 1979 | 1808 | 46.634.093 | 25.793 |
| 1980 | 1360 | 34.831.322 | 25.611 |
| 1981 | 1824 | 46.844.853 | 25.682 |
| 1982 | 2166 | 40.349.264 | 18.628 |

Source : Annual report of T.I.E.I.S., p.12

3.1.5. Consumption

Turkish Pharmaceutical Industry is at about the same level with the other developed nations considering the technology applied. The industry meets almost all of the market demand by domestic production. In 1982 drug consumption was 8.5 per capita. Table 3.1.5 shows consumption of drugs in some countries.

Per capita consumption of drugs in Turkey is relatively low compared to industrialized countries. Although it is obvious that consumption of pharmaceuticals will not rise to that of U.S. or Western Europe, it can be seen that there is a great potential for increased expenditures. It has been variously estimated that the rate of development for the pharmaceutical market ranges from an annual 10 per cent increase to 15 per cent increase.

TABLE 3.1.5. Per Capita Consumption in Turkey and
Some Other Countries (1982)

| <u>Countries</u> | <u>Consumption per catipa \$</u> |
|------------------|--------------------------------------|
| W. Germany | 143.6 |
| Switzerland | 143.3 |
| France | 127.8 |
| Belgium | 115.7 |
| U.S.A. | 83.2 |
| Japan | 76.2 |
| Netherlands | 65.5 |
| Italy | 60.8 |
| Canada | 25.0 |
| Hungary | 23.6 |
| Greece | 21.6 |
| Poland | 19.2 |
| Russia | 16.2 |
| Mexico | 15.0 |
| Brazil | 10.8 |
| Yugoslavia | 8.8 |
| Turkey | 8.5 |
| Bangladesh | 1.0 |
| India | 1.0 |

Source : Annual Report of T.i.E.i.S. p.13

The ratio of drug consumption to Gross National Product (GNP) in 1982 was 0.69 per cent. Drug consumption as percentage of GNP in Turkey and some other countries for the year 1979 is given in table 3.1.6. Drug consumption captures a higher percentage of GNP in industrialized countries.

TABLE 3.1.6. Drug Consumption as percent of GNP in Turkey and Some Other Countries (1979)

| <u>Countries</u> | <u>Drug Consumption as percentage of GNP</u> |
|------------------|--|
| Japan | 1.85 |
| France | 1.20 |
| W. Germany | 1.19 |
| U.S.A. | 1.08 |
| Italy | 1.05 |
| United Kingdom | 0.98 |
| Switzerland | 0.96 |
| Turkey | 0.64 |

Source : Annual Report of T.I.E.I.S., p.17

Turkish drug consumption as percentage of GNP is quite lower than that of the industrialized countries of the world. This again indicates the potential for increased expenditures.

Worldwide consumption of medicines has shown considerable increases in the past 30 years. The major factors contributing to this increase can be stated as developments in science and technology, socio-economic and demographic factors, and structure of the pharmaceutical industry.

3.1.6. Foreign Trade

a. Imports

Major expenditure in the Turkish Pharmaceutical Industry goes to raw material imports. Pharmaceutical product imports for the year 1982 represent only 0.56 percent of Turkey's total drug consumption. These

finished products were imported because of the comparatively higher cost of domestic production. Imported products are some kinds of serums and vaccines; certain cancer medicines and insulin.

The industry meets nearly 70 percent of its active raw and auxiliary material needs from abroad.

b. Exports .

Exports of pharmaceutical products have shown an increase in the last few years. Raw material export capacity of Turkey have also developed due to the incentives provided for exports. Table 3.1.7. is a summary of pharmaceutical foreign trade since 1978. Raw material and product exports are increasing while a decline is observed in raw material and product imports.

TABLE 3.1.7. Pharmaceutical Foreign Trade Since 1978

| Years | Product Imports (\$ mil.) | Product Exports (\$ mil.) | Total Foreign Trade (\$ mil.) | Raw Mat'l Imports (\$ mil.) | Raw Mat'l Exports (\$ mil.) | Total Foreign Trade (\$ mil.) |
|-------|---------------------------|---------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|
| 1978 | 3.922 | 1.075 | 4.997 | 80.000 | 1.176 | 81.176 |
| 1979 | 1.927 | 1.412 | 3.339 | 70.000 | 760 | 70.760 |
| 1980 | 1.847 | 1.982 | 3.829 | 90.700 | 2.118 | 92.818 |
| 1981 | 1.549 | 3.684 | 5.233 | 111.900 | 3.195 | 115.095 |
| 1982 | 1.688 | 11.410 | 13.098 | 92.200 | 4.526 | 96.726 |
| 1983 | n.a. ^{1/} | 7.540 ^{2/} | n.a. | n.a. | 5.311 ^{2/} | n.a. |

Source : Annual Report of T.i.E.i.S., p.18

1/ n.a.

2/ first six years

3.1.7. Drug Pricing

Prices of drugs are determined with respect to the basic law concerning activities of the pharmaceutical industry, (Law number 1262) by the Ministry of Health. Companies are not free in setting prices. The Ministry of Health has established an index and determined quotas for raw materials, packaging, labor and operational costs and indirect costs, for categories of medicines. In the early years the quotas could be determined on import prices of medicines, but problems arose as more raw materials became domestically produced. Pricing procedure was revised by a Decree dated April 7, 1972, number 7/4129. The Ministry of Health accepts a certain raw material at the lowest cost offered in the world market. Until the 1984 Import Regulation (1984 ithalat Rejimi) raw materials could not be imported from sources charging higher prices than the quota assigned by the Ministry. Firms can now import them from more expensive sources but still have to calculate their prices based on the assigned quota.

Calculations of costs and prices is a critical issue among manufacturers and the Ministry. Lower grade raw materials are cheaper in world markets and the Ministry accepts their prices, but medicines produced using those raw materials may cause side effects. Companies choose not to produce those medicines unless there is an urgent demand in the market. Cost of raw materials of good quality is much higher than what the Ministry accepts. There was also a restriction on the quantity of imports, but with an amendment in three items of the law in March 1983 the quantity restriction was eliminated.

Pharmaceutical manufacturers also complain about the cost of packaging. Right after the Ministry announces its quotas for packaging, suppliers of glass, boxes, etc. increase their prices, so manufacturers have to wait for the following price adjustments. Due to higher real costs of manufacturing, firms complain that their unit profit is lower than the 20 % average mark-up on cost assigned by the Ministry of Health. Another point that manufacturers emphasize is that indirect costs of production are not correctly estimated.

Companies used to have the right to apply to the Ministry of Health for a permission to increase their prices if their costs increased

by 20 percent. Later this amount was reduced to 10 percent. After an application is made, inspectors investigate the costs, and accept the price increase if the request is valid. Firms can not apply for price increases if their manufacturing costs increase by less than 10 percent.

In the pricing system applied today, companies identify their raw materials, packaging, labor and operational costs. They add 30 percent to this cost as indirect cost and profit. Since this 30 percent encompasses a cost item which is not calculated precisely, per unit profit of firms can not be identified by this method. Wholesalers and pharmacies each add nine percent and 20 percent mark-up respectively on their purchase prices.

3.1.8. Legal Framework

As stated earlier the legal framework for the practice of all aspects of pharmacy dates back to 1928. The 1928 law still applies with amendments today. The principle amendments took place in 1948, 1953 and 1954.

Currently it is necessary to have permission from the Ministry of Health to sell branded products, i.e. those pharmaceutical products presented in special dosage form and sold under trade name or Manufacturer's name. Such products may be supplied only against a medical prescription. simple medicines such as analgesics, antiseptics and throat preparations can be sold directly from the pharmacy.

Vaccines and serums are supplied directly from the Governmental Laboratories and are not subject to the above law. They are supplied free of charge through the public health system or sold through the usual channels to private patients. Pharmaceutical preparations must be manufactured in appropriate surroundings, under the supervision of a chemist, pharmacist or a physician. Premises are subject to inspection twice yearly (Regulation, June 1955) however due to lack of qualified inspectors this requirement is not always met. Distributors are also to operate under the control of the Ministry of Health. Products registration requires careful analysis. Applicant firms must submit to the

Ministry of Health a complete file on his product; giving information on indications, composition, packaging, manufacturing methods and quality control standards and methods.

The applicant is studied by a Registration Committee, which, if it finds the documentary information acceptable, will require the candidate product to satisfy chemical and physical examination at the State Quality Control Laboratory. Having been approved for sale, the product is subject to price control by competent authorities.

There is sound reasoning for the Ministry of Health to conduct such a detailed analysis before giving registration permits for the production of a medicine. Applications for products that are very new in the world market or are not considered very seriously. The Ministry has clearly declared that due to public health considerations, they would accept a product that has been tried for a couple of years in a country where advance medical researches are undertaken.

The Government's development plans aim at encouraging production of raw materials, with special emphasis on indigenous starting materials. Currently there is no legislation covering the production of raw materials but any company wishing to obtain overseas technology and pay for it must first have its proposals vetted and approved by the Ministry of Health and Finance. Incentives such as Waiver of Duty for imported plant are available for companies planning to produce raw materials.

Pharmaceutical preparations are subject to control at any stage from manufacturing to selling. The State Quality Control Laboratory checks only about 50 percent of the products in the market every year.

3.1.9. Distribution and Promotion Practices in the Industry

Distribution of pharmaceutical products are undertaken in quite a similar way by most firms. The manufactured products are distributed to wholesalers (ecza depoları), wherefrom some 7000 pharmacies buy the drugs. There are about 400 wholesalers throughout Turkey. However due to economic conditions small wholesalers go bankrupt, so the total number

of wholesalers sometimes change daily. Drug manufacturers do not work with only one and the same wholesaler in one region. According to the demand for the product in the region, firms may choose to sell to more than one wholesaler. Except for certain cancer drugs which need careful preservation most drugs are distributed in the same way. While 80 percent of the production of firms are distributed through wholesalers, around 15-17 percent are sold to state and Social Insurance Hospitals and the rest are sold by national bids or directly to pharmacies.

Advertising of pharmaceuticals is forbidden except in technical or specific publications, such as medical publications. Few on the counter products can be advertised in daily newspapers.

The pharmaceutical manufacturers' advertisements are directed toward doctors and wholesalers rather than the final consumers. Drugs are first to be introduced to the doctors, by specifying all of the effects, side effects, specifications, ingredients, etc. This is the job of the sales personnel of the firms, who conduct periodic visits to doctors specialized in the field where the drug shall be used. If doctors believe that this drug works in curing a sickness, he shall prescribe it to the patient. So the main target of pharmaceutical firms is the doctors. For drugs that are newly introduced to markets, manufacturers organize symposiums or meetings directed to doctors, mainly of university hospitals, and their own sales personnel who are already given information on the drug.

Advertising is usually backed up by supplementary materials such as booklets and brochures which give specific information related to drugs; periodical publications, where information on worldwide new developments in medical science are presented, and small gifts like key holders, pens, folders, etc. are given to doctors, wholesalers, and pharmacies. They are for reminding purposes. The sales personnel, located in areas where they make sales, usually visit pharmacies to check if their product is available and actually sold.

This introductory section on the operations of the Turkish Pharmaceutical Industry has summarized information on the activities of major manufacturers. The practices of most of the companies contacted are quite similar as they operate with respect to the same conditions.

The responses that have not been statistically analyzed have been presented in this section on the Pharmaceutical Industry.

3.2. The Research Methodology

The main premise of the study is that domestic and Turkish subsidiaries of multinational companies operating in the Turkish Pharmaceutical Industry could be differentiated with respect to the marketing practices they apply. The study conducted has the characteristics of both exploratory and descriptive research designs. It can be directed to increasing familiarity with the marketing practices of pharmaceutical firms about which little is known. Also, a purpose of this research is gathering information about some practical problems pertaining to the issue of marketing pharmaceuticals. The study fits the characteristics of descriptive research because it is aimed at describing characteristics of two different groups - Turkish and foreign firms, and determining the relationship between two variables.

3.2.1. Sample Selection

The sample of the study consists of 20 pharmaceutical manufacturers. The list of the companies and the positions of the managers contacted are given in Appendix 1. Because the study compares domestic and multinational companies, all of the seven multinational pharmaceutical companies were contacted. All of these seven companies have established worldwide subsidiaries. In order to have somewhat equal number of companies, a total of 20 manufacturers was selected.

The names of the companies contacted are listed in Table 3.2.1. The first seven companies are the multinationals studied.

TABLE 3.2.1. The List of the Pharmaceutical Companies Contacted

1. Sandoz İlaç Sanayi Ltd. Şti.
2. Ciba-Geigy İlaç Sanayi A.Ş.
3. Bifa-Birleşik Alman İlaç Fabrikaları T.A.Ş.
4. Wyeth Laboratuvarları A.Ş.
5. Roche Müstahzarları Sanayi Ltd. Şti.
6. Pfizer İlaçları A.Ş.
7. Türk Hoechst Sanayi ve Ticaret A.Ş.
8. Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.
9. Fako İlaçları A.Ş.
10. Deva Holding A.Ş.
11. Tek İlaç Sanayi A.Ş.
12. T.E.M.S. Tıbbi Ecza Müstahzarları Sanayi ve Ticaret A.Ş.
13. Embil İlaç Sanayi Ltd. Şti.
14. Mustafa Nevzat İlaç Sanayi A.Ş.
15. İlsan İlaç ve Hammaddeleri Sanayi A.Ş.
16. İlfar İleri Kimya Sanayi ve Ticaret A.Ş.
17. Ali Raif ve Şeriki Adi Kom. Şti.
18. Gripin İlaç A.Ş.
20. Bilim İlaç Sanayi ve Ticaret A.Ş.

Twenty seemed to be a reasonable number because the classification of companies in the industry with respect to sales indicates that while the top 15 companies achieve 78.55 percent of total industry sales, the top 20 companies make up for 85.34 percent of total sales. Although it was not possible to obtain actual sales figures for all the companies, it would not be wrong to say that 14 companies in the sample are in the top 15, and the rest are smaller companies. Therefore the sample gives a good idea about companies meeting about 80 percent of the market.

All of the 20 companies studied are located in İstanbul. However this should not mean that the sample is not representative of the whole industry, since the majority of pharmaceutical manufacturers are established in İstanbul.

3.2.2. Data Collection Procedure and the Instrument

The data of the study was collected through questionnaires and the method of administration was personal interviews. This method of data collection was selected on purpose because of the greater degree of control over data gathering. It has the advantage of asking respondents the questions directed to them, considering that different questions are to be asked to different groups, in the proper order. Also the response rate is higher with personal interviews.

The questionnaire, a copy of which is presented in Appendix 2, is of the structured-undisguised form where questions and responses are presented with exactly the same wording and order to all respondents to provide easy administration and analysis. Questions with an asterix (*) were asked to multinationals only (25).

The first part of the questionnaire consists of questions directed to foreign firms, with the aim of finding out how widely-dispersed their operations are. There is only one question asked to all of the firms in the first part, and it is about the groups of medicines produced in the firm, according to area of indication.³

The questions in the second part of the questionnaire are asked with the purpose of determining the level of effective execution of marketing practices as well as company managers' perception of importance of the stated practices that determine marketing effectiveness of the firm. There are also a group of questions concerning the process of decision-making, along with information analysis utilized for decision-making. To measure firm performance, percentage change in sales and profits for the last five years is asked. Douglass (1975) (12) utilized the same approach because firms would not reveal their actual operating figures. Expecting a similar problem, it was found more suitable to ask for the percentage change over a five year period for this study also. Some of the managers contacted actually said that profit figures could not be disclosed according to company policies and avoided answering.

3/ i.e. antibiotics, analgesics, cardiovasculars, hormone preparations, dermatologic preparations, vitamins, minerals, etc.

Four open-ended questions about pricing policy; the distribution system; promotion activities; and the organization structure of the marketing function within the firm; respectively were asked to gain insight into these practices. The responses to these questions were somewhat similar and they were tabulated for the purpose of differentiating between companies with highly organized and unorganized practices for the statistical analysis. Instead of analyzing the question about pricing (Q. no. 15), since firms are bound by the pricing formula of the Ministry of Health, responses were analyzed with respect to managers' views about the current and controversial issue of price determination by the firms in the market; the answers were grouped into three. The categories were : no idea as to what can happen; a positive approach that it can be applied by a certain control; and that it is impossible to let firms determine their product prices.

In the final section of the questionnaire, the number of personnel and personal questions about the respondent were asked in addition to the number of permanent and temporary foreign personnel, directed to the foreign firms' managers.

3.2.3. The Variables Studied and Hypotheses

The major variable studied in the analysis is the marketing effectiveness of the companies, with respect to company managers' perceptions and application of the marketing practices. Theoretically marketing effectiveness can be defined as one of the sub-tools of strategic control, which is "the task of making sure that the company's marketing objectives, strategies, and systems are optimally adapted to the current and forecasted marketing environment" (25).

According to Kotler, marketing effectiveness goes beyond carrying out annual-plan control, profitability control and efficiency control for achieving general marketing control. Marketing effectiveness of a company or division is reflected in the degree to which it exhibits five major attributes of a marketing orientation: customer philosophy, which is operationalized by offering products that suit the needs of varying segments of the market through an integrated marketing environ-

ment that consists of suppliers, distribution channels, competitors, customers, etc.; integrated marketing orientation, which emphasizes close interaction of functions within the marketing department as well as of marketing management with other departments to provide solutions in the best interest of the company as a whole; adequate marketing information, which relates to utilization of marketing research in determining market potential; strategic orientation, that deals with short- and long-term marketing planning; and operational efficiency, which emphasizes adequate utilization of marketing resources to react quickly and effectively to on-the-spot developments.

In this particular research, the first question in the second section of the questionnaire utilized some of the items of Kotler's Marketing Effectiveness Rating Instrument based on the five dimensions stated above (25). However the form utilized in the questionnaire was different; the question-answer format in the original scale was changed into statements, and for each item the level of perceived importance of managers as well as the rate of application within the company was measured. The change was designed with the purpose of seeing if managers' views related to importance of variables were consistent with their application practices. Other items contributing to identification of marketing effectiveness for this research were firms' competitive advantage with respect to specified marketing practices, and the organized application of distribution, promotion activities together with clear-cut job definitions for the marketing personnel.

Table 3.2.2. summarizes the variables studied and their operationalization. The hypothesis of the study is that there are differences between Turkish and Multinational pharmaceutical companies in terms of :

- customer philosophy
- Integrated marketing organization
- adequate marketing information
- strategic orientation
- operational efficiency
- competitive advantage
- decision making involvement
- information utilized for guiding decision-making
- firm performance
- organization of marketing practices.

TABLE 3.2.2. Summary Table of Variables Studied
and their Operationalization

| <u>Variables Studied</u> | <u>Operationalization</u> | | | |
|---|----------------------------|---------------|------------------|-------------|
| | <u>Assigned importance</u> | | | |
| | Very imp. | Quite imp. | Somewhat imp. | Not imp. |
| Management's considering needs and wants of well defined markets for long-run growth and profit objectives | | | | |
| Serving different market segments | " | " | " | " |
| Management's taking a whole marketing systems view | " | " | " | " |
| High level integration of sales and other marketing functions | " | " | " | " |
| Collaboration of marketing management with other departments | " | " | " | " |
| Effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole | " | " | " | " |
| New product development processes | " | " | " | " |
| Execution of market / marketing researches | " | " | " | " |
| Management's utilizing marketing information | " | " | " | " |
| Promotion activities directed to target markets | " | " | " | " |
| Measuring cost effectiveness of alternative marketing expenditures | " | " | " | " |

| <u>Variables Studied</u> | <u>Operationalization</u> | | | |
|---|----------------------------|---------------|------------------|-------------|
| | <u>Assigned importance</u> | | | |
| | Very imp. | Quite imp. | Somewhat imp. | Not imp. |
| Developing annual and long-range plans Adequate and efficient deployment of marketing resources | " | " | " | " |
| Fast reaction time to developments | " | " | " | " |

| <u>Variables Studied</u> | <u>Operationalization</u> | | |
|--|---------------------------|-----------|-------|
| | <u>Application</u> | | |
| | Always | Sometimes | Never |
| Management's considering needs and wants of well defined markets for long-run growth and profit objectives | | | |
| Serving different market segments | " | " | " |
| Management's taking a whole marketing systems view | " | " | " |
| High level integration of sales and other marketing functions | " | " | " |
| Collaboration of marketing management with other departments | " | " | " |
| Effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole | " | " | " |
| New product development processes | " | " | " |
| Execution of market / marketing researches | " | " | " |
| Management's utilizing marketing information | " | " | " |

| | Always | Sometimes | Never |
|--|--------|-----------|-------|
| Promotion activities directed to target markets | | | |
| Measuring cost effectiveness of alternative marketing expenditures | " | " | " |
| Developing annual and long-range plans | " | " | " |
| Adequate and efficient deployment of marketing resources | " | " | " |
| Fast reaction time to developments | " | " | " |

Firm's competitive advantage with respect to ...

| | Highly Advan- tageous | Quite Advan- tageous | Somewhat Advan- tageous | Not Advan- tageous |
|----------------------------------|--------------------------|-------------------------|----------------------------|-----------------------|
| customer services | | | | |
| product quality | " | " | " | " |
| technical specifications | " | " | " | " |
| distribution channels | " | " | " | " |
| price | " | " | " | " |
| resource availability | " | " | " | " |
| new product development | " | " | " | " |
| number of products in the market | " | " | " | " |
| reputation of the firm | " | " | " | " |

Degree of authority of Multinationals in marketing decisions ...

| | Totally indepen- dent | Indepen- dent | Depen- dent | Totally depen- dent |
|------------------------|--------------------------|------------------|----------------|------------------------|
| pricing | | | | |
| physical distribution | " | " | " | " |
| sales promotion | " | " | " | " |
| new products | " | " | " | " |
| labeling and packaging | " | " | " | " |
| market researches | " | " | " | " |
| product line | " | " | " | " |
| customer service | " | " | " | " |
| budgetary decisions | " | " | " | " |

Final decision making department
in marketing decisions ...

| | General Manage- ment | Finance | Mar- keting | Sales | Other | Joint Decision |
|------------------------|----------------------------|---------|----------------|-------|-------|-------------------|
| pricing | | | | | | |
| physical distribution | " | " | " | " | " | " |
| sales promotion | " | " | " | " | " | " |
| new products | " | " | " | " | " | " |
| labeling and packaging | " | " | " | " | " | " |
| market researches | " | " | " | " | " | " |
| product line | " | " | " | " | " | " |
| customer service | " | " | " | " | " | " |
| budgetary decisions | " | " | " | " | " | " |

percentage Change in Sales

for 1979 - 1983

0-200 % / 201-500 % / 501-700 % / 701 % +

percentage Change in Profits

for 1979 - 1983

loss-decrease / 0-150 % / 151-400 % / 401 % +

Decision-making involvement

4-point scale ranging from top level
decision-making to integration of
departments

Availability of information
used in decision making

4-point scale ranging from obtaining
inadequate and inaccurate informa-
tion to adequate and accurate infor-
mation

Quantitative methods used in
decision-making....

4-point scale ranging from most fre-
quently used to least frequently used

statical analyses

"0" indicates "not used"

decision trees

" "

linear programming

" "

game theory

" "

Expected future changes in pricing

- 1- the issues is still not clear
- 2- price determination can be left to firms with some guiding of government
- 3- prices can never be determined by firms

| | |
|--|-------------------------------|
| Established distribution system | Well organized / Disorganized |
| Established promotion system | " " |
| Organization of the marketing function | " " |

| | |
|------------------------------------|-------------------------|
| Number of administrative personnel | 0-50 / 51-150 / 151 + |
| Number of workers | 0-150 / 151-250 / 251 + |
| total number of personnel | 0-250 / 251-400 / 401 + |

| | |
|--|-------------|
| Are quantitative methods used in decision-making ? | Y e s / N o |
|--|-------------|

| | |
|--|-------------|
| Are there foreign managers in the multinational subsidiary ? | Y e s / N o |
|--|-------------|

| | |
|---|-------------|
| Do managers from the headquarters visit the company regularly ? | Y e s / N o |
|---|-------------|

| | |
|------------------------|-------------|
| For which purposes ... | |
| Production | Y e s / N o |
| Finance | Y e s / N o |
| Marketing | Y e s / N o |
| Technical research | Y e s / N o |
| Education | Y e s / N o |
| Audit | Y e s / N o |

| | |
|---|---|
| How often do managers from head-quarters visit the firm | They never come / They come regularly/ They come only when there is a need |
|---|---|

3.2.4. The Research Findings

The initial step for the analysis was to observe the frequencies for all variables. The second step was to obtain cross-tabulations of variables that all subjects answered, by multinational versus domestic companies. Also t-tests were done to test for significant differences in group means. A discriminant analysis was done to identify variables that explain marketing effectiveness of companies. In the last step, a factor analysis was done for the importance level of the marketing effectiveness scale items. Statistical findings were obtained by using the SPSS statistical package.

a. A Summary of Major Findings : Frequency Distributions .

1. Summary of Firm Characteristics

In the first part variables related to firm characteristics are studied. Table 3.2.3. presents a summary of firm characteristics variables. The variables with asterix are related to the questions asked only to the multinational companies.

All seven of the multinational companies established their Turkish subsidiaries within the 8 year period from 1954 to 1962, after the Law of Foreign Capital Encouragement was passed. They have direct foreign investments with over 90 percent ownership all over the world except for some of the Eastern Block countries. The Turkish subsidiaries are also direct foreign investments with over 70 percent ownership by the multinational company.

One to four foreign managers worked in the multinational companies. Only one company did not have a foreign manager, but frequent interaction with headquarters was observed in all firms. Managers from headquarters visited the companies quite often, especially to observe and guide technical applications. In two firms, managers of headquarters visited the subsidiaries only when a specific need arose. In three firms visits for audit purposes were observed.

Number of product groups produced in firms range from one to 25 in a single firm; half of the sample firms are manufacturing 8 or more

product groups. It is also seen that 65 percent of the sample have 21 to 100 brands in the market.

Percentage change in sales for the last five years (1979 to 1983) indicates great increases but some of the increase is the result of 30 percent annual price increases. However, because all firms operate in the same inflationary environment, this factor does not create a bias in comparing companies. Eleven companies stated over 501 percent increase in sales in the last five years, the highest increases being 900 and 1000 percent. Percentage change in profits are not parallel to change in sales. While two firms stated losses, three firms experienced decreasing profits. The increase in profits were generally lower for firms than increase in sales because all cost increases are not reflected to prices. However, three successful firms had higher profit increases than sales increases. Although only one firm did not give the increase in sales figures, five firms, two of which were foreign, indicated that their profit figures could not be disclosed.

The number of administrative personnel employed indicated that 45 percent of the firms employed 51 and 150 people and 45 percent of firms employed between 151 and 250 workers.

TABLE 3.2.3. Summary of Firm Characteristics

The following questions were answered only by Multinational Companies

| | <u>Freq.</u> | <u>%</u> |
|---|--------------|----------|
| (i)* Number of years the MNC is in Turkey | | |
| - Over 20 years | 7 | 100.0 |
| * Number of years the MNC is in the international market | | |
| - 0 - 50 years | 1 | 14.3 |
| - 51 + years | 6 | 85.7 |
| * Where in the world is the MNC established ? | | |
| - All over the world except for some Eastern block countries | 7 | 100.0 |
| * Type of investment in these countries | | |
| - Direct foreign investment | 7 | 100.0 |
| * Capital ownership of MNC in Turkey | | |
| - 95 + % ownership | 4 | 57.2 |
| - some Turkish owners also | 3 | 42.8 |
| * Capital ownership of MNC in other countries | | |
| - 90 + % ownership | 7 | 100.0 |
| * Are there foreign Managers in the MNC subsidiary ? | | |
| - Yes | 6 | 85.7 |
| - No | 1 | 14.3 |
| * Do managers from the headquarters visit the company regularly ? | | |
| - Yes | 7 | 100.0 |

| | <u>Freq.</u> | <u>%</u> |
|--|--------------|----------|
| * For what purposes do headquarters managers visit the company ? | | |
| Production | | |
| - Yes | 5 | 71.4 |
| - No | 2 | 28.6 |
| Finance | | |
| - Yes | 4 | 57.2 |
| - No | 3 | 42.8 |
| Marketing | | |
| - Yes | 5 | 71.4 |
| - No | 2 | 28.6 |
| Technical Research | | |
| - Yes | 6 | 85.7 |
| - No | 1 | 14.3 |
| Training | | |
| - Yes | 5 | 71.4 |
| - No | 2 | 28.6 |
| Audit | | |
| - Yes | 3 | 42.8 |
| - No | 4 | 57.2 |
| * How often do managers from headquarters visit the firm ? | | |
| - They come regularly | 5 | 71.4 |
| - They come only when there is a need | 2 | 28.6 |

The following questions were answered by all of the companies.

(ii) Number of product groups (with respect to indication)

| | | |
|--|----|------|
| - Upto and including 7 groups | 10 | 50.0 |
| - 8 and more groups | 10 | 50.0 |
| Number of brands produced by the company | | |
| - 0- 20 brands | 3 | 15.0 |
| - 21-100 brands | 13 | 65.0 |
| - 100+ brands | 4 | 20.0 |

| | <u>Freq.</u> | <u>%</u> |
|--|--------------|----------|
| Percentage change in sales for the last 5 years (1979-1983) | | |
| - Confidential | 1 | 5.0 |
| - 0-500 % increase | 8 | 40.0 |
| - 501 + % increase | 11 | 55.0 |
| Percentage change in profits for the last 5 years (1979-1983) | | |
| - Confidential | 5 | 25.0 |
| - loss or decrease in profits | 4 | 20.0 |
| - 0-150 % increase | 4 | 20.0 |
| - 151-400 % increase | 4 | 20.0 |
| - 401 + % increase | 3 | 15.0 |
| Number of administrative personnel in the company | | |
| - 0- 50 people | 6 | 30.0 |
| - 51-150 people | 9 | 45.0 |
| - 151 + people | 5 | 25.0 |
| Number of workers in the company | | |
| - 0-150 people | 6 | 30.0 |
| -151-250 people | 9 | 45.0 |
| -251 + people | 5 | 25.0 |

2. Summary of Marketing Effectiveness Ratings

In the second part of frequency distribution analysis, marketing effectiveness ratings are examined; first by perceived importance, and second by frequency of application. Table 3.2.4. depicts a summary of the marketing effectiveness ratings.

Most of the items of the effectiveness scale were considered very or quite important, and it was found that there was a routine application of each of the practices within firms. The effectiveness measures considered very important by most of the respondents were (a) "collaboration of marketing management with other departments", (by 80 percent); (b) "effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole", (by 75 percent); (c) "management's considering needs and wants of well-defined markets for long-run growth and profit objectives", (by 75 percent); (d) "high integration of sales and other marketing functions", (by 75 percent); and (e) "promotion activities directed to target markets", (by 75 percent). At least 50 percent of the sample managers reported that each one of the above items very important whereas only three items were considered not important at all by one respondent. These three items are "new product development processes"; "measuring cost effectiveness of alternative marketing expenditures"; and "developing annual and long-range plans".

The application columns of Table 3.2.4. shows that "promotion activities directed to target markets" is the basic practice, applied by 90 percent of the firms studied, followed by "management's utilizing marketing information", by 80 percent, "high level integration of sales and other marketing functions", by 75 percent, "management's considering needs and wants of well defined markets for long-run growth and profit objectives", by 70 percent", collaboration of marketing management with other departments", by 70 percent, and "developing annual and long-range plans", by 70 percent. The practice with the least application is "new product development processes", by 35 percent. This is obvious since local firms adopt most of what is developed in technologically advanced countries.

TABLE 3.2.4. Summary of Marketing Effectiveness Ratings

a= MNC (n=7)

b= Turkish (n=13)

| | | PERCEIVED IMPORTANCE | | | | APPLICATION | | |
|--|---|----------------------|------------|----------------|----------|-----------------|---------|-----------------|
| | | very imp. | quite imp. | some-what imp. | not imp. | mean importance | Always | Sometimes/Never |
| 1. Management's considering needs and wants of well-defined markets for long-run growth and profit objectives | a | 71.4 % | 28.6 % | - | - | 3.71 | 85.7 % | 14.3 % |
| | b | 76.9 % | 15.4 % | 7.7 % | - | 3.69 | 61.5 % | 38.5 % |
| 2. Serving different market segments | a | 71.4 % | 28.6 % | - | - | 3.71 | 85.7 % | 14.3 % |
| | b | 53.8 % | 30.8 % | 15.4 % | - | 3.38 | 46.2 % | 53.8 % |
| 3. Management's taking a whole marketing systems view | a | 57.1 % | 42.9 % | - | - | 3.57 | 100.0 % | - |
| | b | 61.5 % | 30.8 % | 7.7 % | - | 3.54 | 46.2 % | 53.8 % |
| 4. High level integration of sales and other marketing functions | a | 71.4 % | 28.6 % | - | - | 3.71 | 71.4 % | 28.6 % |
| | b | 76.9 % | 15.4 % | 7.7 % | - | 3.69 | 76.9 % | 23.1 % |
| 5. Collaboration of marketing management with other departments | a | 100 % | - | - | - | 4.00 | 57.1 % | 42.9 % |
| | b | 69.2 % | 30.8 % | - | - | 3.69 | 76.9 % | 23.1 % |
| 6. Effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole | a | 71.4 % | 28.6 % | - | - | 3.71 | 42.9 % | 57.1 % |
| | b | 76.9 % | 23.1 % | - | - | 3.77 | 53.8 % | 46.2 % |
| 7. New product development processes | a | 57.0 % | 7.7 % | 7.7 % | 7.7 % | 3.14 | 28.6 % | 71.4 % |
| | b | 46.2 % | 38.4 % | 15.4 % | - | 3.31 | 46.2 % | 53.8 % |
| 8. Execution of market/marketing researches | a | 57.1 % | 42.9 % | - | - | 3.57 | 42.9 % | 57.1 % |
| | b | 61.5 % | 30.8 % | 7.7 % | - | 3.54 | 53.8 % | 38.4 % |
| 9. Management's utilizing marketing information | a | 85.7 % | 14.3 % | - | - | 3.86 | 100.0 % | - |
| | b | 61.5 % | 38.5 % | - | - | 3.62 | 69.2 % | 30.8 % |
| 10. Promotion activities directed to target markets | a | 85.7 % | 14.3 % | - | - | 3.86 | 100.0 % | - |
| | b | 69.2 % | 23.1 % | 7.7 % | - | 3.62 | 84.6 % | 15.4 % |

a= MNC (n=7)
 b= Turkish (n=13)

| | | PERCEIVED IMPORTANCE | | | | APPLICATION | | |
|--|---|----------------------|------------|----------------|----------|-----------------|---------|-----------------|
| | | very imp. | quite imp. | some-what imp. | not imp. | mean importance | Always | Sometimes/Never |
| 11. Measuring cost effectiveness of alternative marketing expenditures | a | 57.1 % | 28.6 % | 14.3 % | - | 3.43 | 57.1 % | 42.9 % |
| | b | 46.1 % | 15.4 % | 30.8 % | 7.7 % | 3.00 | 53.8 % | 46.2 % |
| 12. Developing annual and long-range plans | a | 100.0 % | - | - | - | 4.00 | 100.0 % | - |
| | b | 38.5 % | 46.1 % | 7.7 % | 7.7 % | 3.15 | 53.8 % | 46.2 % |
| 13. Adequate and efficient deployment of marketing resourches | a | 71.4 % | 28.6 % | - | - | 3.71 | 42.9 % | 57.1 % |
| | b | 61.5 % | 23.1 % | 15.4 % | - | 3.46 | 30.8 % | 69.2 % |
| 14. Fast reaction time to developments | a | 85.7 % | 14.3 % | - | - | 3.86 | 57.1 % | 42.9 % |
| | b | 46.2 % | 46.2 % | 7.6 % | - | 3.39 | 38.5 % | 61.5 % |

3. Summary of Firms' Perceived Competitive Advantage

A section of the questionnaire was designed to identify the areas in which the firms considered themselves advantageous in relation to their competitors. Table 3.2.5. gives the response frequencies of the sample. Seventyfive percent of the companies considered themselves highly advantageous with respect to product quality, which was the highest perception of competitive advantage. Sixty percent of firms considered themselves least advantageous in pricing because of the structure of pricing practices in the industry. Competitive products in the market have quite similar prices. Two companies selling expensive antibiotics considered themselves advantageous with respect to pricing.

4. Summary of Marketing Related Decision Making Units in Firms

The same set of marketing decision variables were used to identify the degree of authority of the subsidiaries for multinational firms and the decision-making department in the Turkish firms. The multinational subsidiaries were found to be quite independent in their marketing-related decision-making. Three firms (43 percent) indicated that they were totally dependent on the quotas of the Ministry of Health in the case of pricing. The subsidiaries do not have much say in budgetary decisions, for which they have to get an approval from the head office. This finding agrees with finding of Picard's (1977) (30) study on patterns of control over marketing decisions for European multinationals with subsidiaries in the U.S. Picard's study reveals that subsidiaries enjoy a substantial amount of freedom in making operational decisions, but decisions involving financial considerations are more closely monitored. Since uniform products of the same company are sold in similar packages, labeling and packaging practices are also guided by headquarters. Findings of marketing related decision-making units are presented in Table 3.2.6.

For the marketing decision variables, Turkish companies stated which departments had the final say in decision making. It is seen from Table 3.2.6. that Marketing or Sales Departments are highly authorized in operational issues. Joint decisions of two or more departments is also a general application, especially in new product launches and budget approvals.

a= MNC (n=7)
 b= Turkish (n=13)

Firms' perceived competitive advantage with respect to

| | | Highly advan- tageous | Quite advan- tageous | Somewhat advan- tageous | Not advan- tageous | Mean compe- titive adv. score | Rank of means |
|----------------------------------|---|-----------------------------|----------------------------|-------------------------------|--------------------------|--|---------------------|
| Customer services | a | 42.9 % | 42.9 % | 14.2 % | - | 3.29 | 5 |
| | b | 15.4 % | 76.9 % | 7.7 % | - | 3.08 | 3 |
| Product quality | a | 100.0 % | - | - | - | 4.00 | 1 |
| | b | 61.5 % | 15.4 % | 7.7 % | 15.4 % | 3.23 | 2 |
| Technical specifications | a | 71.4 % | 14.3 % | 14.3 % | - | 3.57 | 2 |
| | b | 38.5 % | 30.8 % | 7.7 % | 23.0 % | 2.85 | 4 |
| Distribution channels | a | 42.8 % | 28.6 % | 28.6 % | - | 3.14 | 6 |
| | b | 7.7 % | 69.2 % | 7.7 % | 15.4 % | 2.69 | 6 |
| Price | a | 14.2 % | 28.6 % | 28.6 % | 28.6 % | 2.29 | 9 |
| | b | 7.7 % | 7.7 % | 7.7 % | 76.9 % | 1.46 | 9 |
| Resource availability | a | 42.9 % | 57.1 % | - | - | 3.43 | 4 |
| | b | 38.5 % | 15.4 % | 30.7 % | 15.4 % | 2.77 | 5 |
| New product development | a | 42.8 % | 14.3 % | 28.6 % | 14.3 % | 2.86 | 7 |
| | b | 7.7 % | 15.4 % | 46.2 % | 30.7 % | 2.00 | 8 |
| Number of products in the market | a | - | 42.9 % | 57.1 % | - | 2.43 | 8 |
| | b | 23.1 % | 38.4 % | 15.4 % | 23.1 % | 2.62 | 7 |
| Reputation of the firm | a | 57.1 % | 42.9 % | - | - | 3.57 | 2 |
| | b | 46.2 % | 38.5 % | 15.3 % | - | 3.31 | 1 |

TABLE 3.2.6. Summary of Marketing Related Decision Making Units in Firms

| | Degree of authority of <u>MNC subsidiaries</u> in marketing related decision-making (n=7) | | | | Decision-making department in <u>Turkish Firms</u> for marketing related issues (n=13) | | | | | | |
|------------------------|---|-------------|-----------|-------------------|--|---------|---------|-----------|--------|--------|----------------|
| | Totally independent | Independent | Dependent | Totally Dependent | Mean independent score | General | Finance | Marketing | Sales | Other | Joint Decision |
| Marketing Decisions | | | | | | | | | | | |
| Pricing | 14.3 % | 28.6 % | 14.3 % | 42.9 % | 2.14 | 7.7 % | 23.1 % | - | - | 53.8 % | 15.4 |
| Physical distribution | 85.7 % | 14.3 % | - | - | 3.86 | - | - | 38.5 % | 53.8 % | - | 7.7 |
| Sales promotion | 57.1 % | 28.6 % | 14.3 % | - | 3.43 | - | - | 38.5 % | 38.5 % | - | 15.5 |
| New products | - | 57.1 % | 28.6 % | 14.3 % | 2.43 | 23.1 % | - | 30.8 % | - | - | 46.1 |
| Labeling and packaging | 14.3 % | - | 57.1 % | 28.6 % | 2.00 | 7.7 % | - | 30.8 % | 15.3 % | 7.7 % | 38.5 |
| Market researches | 71.4 % | 28.6 % | - | - | 3.71 | 7.7 % | - | 53.8 % | 30.8 % | - | 7.7 |
| Product Line | 28.6 % | 42.9 % | 28.6 % | - | 3.00 | 23.1 % | - | 23.1 % | - | - | 53.8 |
| Customer Services | 85.7 % | 14.3 % | - | - | 3.86 | - | - | 38.5 % | 30.8 % | - | 30.8 |
| Budgetary decisions | - | 28.6 % | 42.9 % | 28.6 % | 2.00 | 30.8 % | - | 7.7 % | - | 7.7 % | 46.2 |

5. Summary of Decision Making Practices

Managers' responses related to decision-making are summarized in Table 3.2.7. In terms of decision-making involvement among managers, it was seen that top level decision-making with involvement from lower levels was the general practice in most firms, instead of integration of departments. Firms did not have much problems in obtaining relatively complete and accurate information to be used in decision-making.

Nineteen firms (95 percent) used quantitative methods to guide decision-making. Statistical analyses were most frequently used by 95 percent whereas decision trees and game theories were used least frequently, and by fewer number of firms.

6. Summary of Marketing System's Organization

Table 3.2.8. presents the marketing system's organization in the studied sample. Examining the marketing functions' organization in the firm, it was seen that majority of firms (80 percent) had developed well-organized marketing departments; that is clear job definitions and specific requirements of the personnel have been set. Communication and information flow within and among departments are successfully maintained. The organization chart and plans prepared for the marketing department clearly identifies a structured pattern of processes. Well-organized marketing departments lead to establishment of effective distribution and promotion systems.

Managers' perception about expected future changes in pricing practices revealed that 10 of them had relatively positive attitudes toward the issue of price determination by firms. They stated that with some guidance, firms would better establish their prices, covering their costs. Eight managers stated that a liberal system of price determination would not work for such a critical product, for which there is an inelastic demand.

TABLE 3.2.7. Summary of Decision-Making Practices

| | <u>Freq.</u> | <u>%</u> |
|--|--------------|----------|
| (i) Decision-making involvement among managers : | | |
| - Bulk of decisions at top level | 5 | 25.0 |
| - Policy at top, decisions made at lower level and reevaluated at top level | 5 | 25.0 |
| - Broad policy decisions at top, more specific ones at lower level | 9 | 45.0 |
| - Decision making widely done through integration of departments | 1 | 5.0 |
| (ii) Availability of information used in decision-making: | | |
| - Information is often somewhat inadequate and inaccurate | 3 | 15.0 |
| - Reasonably adequate and accurate information is available | 7 | 35.0 |
| - Relatively complete and accurate information is available because of the efficient flow of information in the organization | 10 | 50.0 |
| (iii) Quantitative methods used in decision-making in the order of application. ⁽¹⁾ (n=20) | | |

| Method used : | <u>Order of Use in the Firm :</u> | | | | |
|----------------------|-----------------------------------|--------|--------|--------|-------|
| | no use | 1 | 2 | 3 | 4 |
| Statistical analyses | 5.0 % | 95.0 % | - | - | - |
| Decision trees | 80.0 % | - | 20.0 % | - | - |
| Linear programming | 70.0 % | - | 20.0 % | 10.0 % | - |
| Game theory | 90.0 % | - | - | 5.0 % | 5.0 % |

(1) 1= most frequent application
2= second frequent application ...

TABLE 3.2.8. Summary of Marketing System's Organization

| | <u>Frequency</u> | <u>%</u> |
|--|------------------|----------|
| (i) Established distribution system | | |
| - Well-organized | 17 | 85.0 |
| - Disorganized | 3 | 15.0 |
| Established promotion system | | |
| - Well-organized | 16 | 80.0 |
| - Disorganized | 4 | 20.0 |
| Organization of the Marketing Function | | |
| - Well-organized | 16 | 80.0 |
| - Disorganized | 4 | 20.0 |
| (ii) Expected future changes in pricing practices | | |
| - The issue is not clear | 2 | 10.0 |
| - Price determination can be left to firms with some guiding from the government | 10 | 50.0 |
| - Prices can never be determined by firms | 8 | 40.0 |

b. Analysis of Differences Between Two Groups : Multinational versus Turkish Firms .

In this section, a comparison of differences and similarities are presented based on the questions asked to both Turkish and multinational companies. Analysis on data was based on cross-tabulations and t-tests to test the difference between the two group means. Later, a discriminant analysis was done to find the differences between the more effective and less effective companies.

1. Results of Cross-Tabulations and t-tests

Tables 3.2.9 and 3.2.10. present the findings of cross-tabulations and t-tests, aimed to differentiate between Turkish and multinational firms. Because of sample size limitations, some of the responses had to be grouped together in order to obtain significant results, and make reasonable interpretations. As can be seen in the frequency listings depicted in Table 3.2.4, the responses for the marketing effectiveness rating items and competitive advantage were not distributed evenly in the four categories, necessitating some kind of a grouping. So the response categories analyzed were reidentified as very important - less important, for assigned importance of marketing effectiveness items; routine application - irregular application, for frequency of application of marketing effectiveness items; highly advantageous less advantageous for competitive advantage variables; high integration of decision-making involvement - decision-making at top level; accurate and available information - inadequate and unavailable information flow within the firm; high percentage increase in sales - little percentage increase in sales; high percentage increase in profits - losses or little percentage increase in profits; effective and structured organization of distribution, promotion systems, and of the marketing management function - disorganized distribution, promotion systems and marketing management function. For these variables two-by-two tables were constructed, for which the Fisher's Exact Test statistics were obtained. Fisher's exact test, a non-parametric test, is suitable for analyzing mutually exclusive small samples (37).⁴ The calculated test result gives

4/ If a, b, c and d are the number of cases in each cell of a 2x2 table, and n is the total sample size, the formula for Fisher's Exact Test is :

$$P = \frac{(a+b)!(c+d)!(a+c)!(b+d)!}{n! a! b! c! d!}$$

the significance level. Phi, which measures the strength of relationship is used in interpreting Fisher's Exact Test results. Tables 3.2.9 and 3.2.10 also demonstrate the phi values for the variables. Phi takes on the value of 0 when no relationship exists, and the value of + 1 when the variables are perfectly related (28). Significant Fisher results show that their related phi's are 0.480 and greater.

Of the 14 marketing effectiveness items in terms of perceived importance, only one variable, "developing annual and long-range plans" was found to be significantly differentiating Turkish and foreign firms. The mean importance score for the multinational companies is higher.

Of the same 14 items studied in terms of frequency of application within the firm, two variables, which were "management's taking a whole marketing systems view" and "developing annual and long-range plans" were found significant. Both of these variables are applied more frequently in the multinational companies.

Fisher's exact test did not give significant results for any of the competitive advantage items, decision making involvement, and availability of information used. Turkish or multinational ownership of firms was not a variable determining either performance with respect to sales and profits, or the established marketing mix system.

Categorization of variables "expected future changes in pricing" "number of administrative, technical (workers), and total personnel" and "number of years the manager is in the firm" enabled construction of two by three tables. Thus, it was possible to obtain chi-square statistics for these variables. Among this set of variables ownership was found to be significantly determining the number of administrative personnel within the firm. (Table 3.2.10)

To test for the difference in the means of the two groups, t-tests were done for the same variables used before as well as total effectiveness and total competitive advantage scores. However, for each marketing effectiveness item, instead of using perceived importance and frequency of application separately, their multiplication product was utilized. Calculation of self-reported effectiveness and total competitive advant-

age scores are as follows. The effectiveness score of each item is calculated as

$$(V_{ni}) \times (V_{na})$$

where :

V_{ni} = perceived importance level (i) of item "n" in the marketing effectiveness measures;

and

V_{na} = frequency of application (a) of item "n" in the marketing effectiveness measures.

The total effectiveness score of a firm is the summation of individual effectiveness items, and is calculated as :

$$\sum_{n=1}^{14} (V_{ni}) \times (V_{na})$$

Similarly the total competitive advantage score is calculated for each firm as :

$$\sum_{n=1}^9 (V_{cn})$$

where :

V_{cn} = competitive advantage of the company on the nth item.

Significance level was taken to be 0.05 for the t-tests. The t-table value for 18 ($n_1 + n_2 - 2$) degrees of freedom was 2.101. Thus the variables with calculated t's greater than the critical value of 2.101 were considered to be significant. These variables, shown in Table 3.2.9., were "management's taking a whole marketing system view" and "developing annual and long-range plans". The multinational companies, whose mean perceived effectiveness scores were higher tended to take a whole marketing systems view and develop annual and long-range plans. Table 3.2.10 shows that multinational companies whose mean scores were higher were significantly more advantageous with respect to product quality and all of the advantage items taken together. Multinationals also established more effective promotion system, and had well-organized marketing management functions. The multinationals also had a more positive attitude toward expected future changes in the pricing system.

TABLE 3.2.9. Results of Fisher Test and t-test for Effectiveness Measures

| Effectiveness Items | t-test Results | | Perceived Importance | | Application Firm | | |
|--|---------------------|----------------|----------------------|-------|------------------|-------|------|
| | Effectiveness Means | t | Fisher's | Phi | Fisher's | Phi | |
| | \bar{X}_{MNC} | \bar{X}_{TR} | cal | | | | |
| 1. Management's thinking in terms of serving needs and wants of well defined markets chosen for long-run growth and profit objectives | 7.00 | 5.69 | 1.259 | .594 | .061 | .272 | .251 |
| 2. Serving different market segments | 7.00 | 4.92 | 1.859 | .392 | .171 | .106 | .385 |
| 3. Management's taking a whole marketing systems view | 7.14 | 5.39 | 2.148 ⁱ | .608 | .043 | .022* | .538 |
| 4. High level integration of sales and other marketing functions | 6.43 | 6.23 | 0.167 | .594 | .061 | .594 | .061 |
| 5. Collaboration of marketing management with other departments | 6.29 | 6.54 | -0.157 | .148 | .367 | .336 | .206 |
| 6. Effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole | 5.29 | 5.77 | -0.505 | .594 | .061 | .500 | .104 |
| 7. New product development processes | 4.29 | 4.77 | -0.388 | .500 | .104 | .526 | .098 |
| 8. Execution of market/marketing researches | 5.29 | 5.23 | 0.045 | .608 | .043 | .430 | .150 |
| 9. Management's utilizing marketing information | 7.71 | 6.31 | 1.828 | .277 | .251 | .148 | .367 |
| 10. Promotion activities directed to the target markets | 7.71 | 6.85 | 1.351 | .406 | .182 | .411 | .245 |
| 11. Measuring cost effectiveness of different marketing expenditures | 5.71 | 4.77 | 0.657 | .500 | .104 | .630 | .032 |
| 12. Developing annual and long-range plans | 8.00 | 4.92 | 3.682* | .010* | .599 | .044* | .480 |
| 13. Adequate and efficient deployment of marketing resources | 5.57 | 4.39 | 1.066 | .526 | .098 | .474 | .121 |
| 14. Fast reaction time to developments | 6.00 | 4.54 | 1.424 | .106 | .385 | .370 | .179 |
| Total effectiveness score | 89.14 | 74.92 | 1.538 | | | | |

i/ Significant at $\alpha=0.05$

TABLE 3.2.10. Results of Fisher Test and t-test for Competitive Advantage and Firm Characteristics

| | t-test Results | | | Fisher Test Results | | | |
|---|-----------------|----------------|---------------------|---------------------|-----------------------|---|--------------|
| | \bar{X}_{MNC} | \bar{X}_{TR} | t_{cal} | Fisher's | Phi | | |
| Firm's perceived competitive advantage with respect to.... | | | | | | | |
| Customer Services | 3.28 | 3.08 | 0.660 | .207 | .303 | | |
| Product quality | 4.00 | 3.23 | 2.378* ⁱ | .083 | .423 | | |
| Technical specifications | 3.57 | 2.85 | 1.614 | .175 | .314 | | |
| Distribution channels | 3.14 | 2.69 | 1.088 | .101 | .419 | | |
| Price | 2.29 | 1.46 | 1.652 | .207 | .303 | | |
| Resource availability | 3.43 | 2.77 | 1.730 | .600 | .043 | | |
| New product development | 2.86 | 2.00 | 1.634 | .151 | .341 | | |
| Number of products in the market | 2.43 | 2.62 | -0.502 | .370 | .179 | | |
| Reputation of the firm | 3.57 | 3.31 | 0.906 | .500 | .104 | | |
| Total competitive advantage score | 28.57 | 24.00 | 2.692* | | | | |
| Decision-making involvement | 2.71 | 2.08 | 1.863 | .175 | .314 | | |
| Availability of information used in decision-making | 3.43 | 3.31 | 0.333 | .500 | .104 | | |
| Percentage change in sales | 2.00 | 2.54 | -1.099 | .166 | .338 | | |
| Percentage change in profits | 1.57 | 1.92 | -0.502 | .573 | .094 | | |
| Established distribution system | 2.00 | 1.77 | 1.899 | .250 | .385 | | |
| Established promotion system | 2.00 | 1.69 | 2.312* | .148 | .367 | | |
| Organization of the marketing function | 2.00 | 1.69 | 2.312* | .148 | .367 | | |
| | | | | χ^2 | Cramer's ν , d.f. | | Significance |
| Future changes in pricing | 2.00 | 2.46 | 2.878* | 2.967 | .385 | 2 | .2268 |
| Number of administrative personnel in the firm | 2.14 | 1.85 | 1.034 | 7.692* | .620 | 2 | .0214 |
| Number of the technical personnel in the firm (Workers included) | 2.14 | 1.85 | 0.867 | 1.294 | .254 | 2 | .5235 |
| Number of total personnel in the firm | 2.43 | 1.85 | 1.941 | 3.639 | .427 | 2 | .1621 |
| Number of years the manager is in the firm | 2.43 | 2.15 | 0.857 | 3.673 | .429 | 2 | .1593 |

^{i/} significant at $\alpha = 0.05$

2. Differentiating More and Less Effective Firms : Discriminate Analysis

In order to investigate the differences between the more effective and less effective groups within the studied sample, a discriminant analysis was done. Since not very many variables significantly explained differences in the effectiveness of local and foreign pharmaceutical firms univariately, a test was done to see if effectiveness level could be explained by a number of independent variables multivariately. Calculated total effectiveness scores⁵ were used as the dependent variable. Since 20 companies were studied, the highest scoring 10 companies comprised the more effective group and the rest made up the less effective group in terms of marketing practices. The theoretical range of effectiveness score for firms was between 0 and 112. For the actual sample the range of total effectiveness score for the less effective group was between 21 and 82; and the range of total effectiveness score for the more effective group was between 83 and 102.

The independent variables were chosen from questions asked to both groups of respondents. These variables were (a) "the total number of brands marketed"; (b) "the number of product groups the company manufactured"; (c) "decision-making involvement of managers"; (d) "availability of information used in decision-making"; (e) "percentage change in sales for the last five years"; and (f) "percentage change in profits for the last five years"; and (g) "competitive advantage of the firm". The competitive advantage scores calculated for t-tests were utilized again, but instead of actual scores, the 10 higher scoring companies, whose scores ranged from 27 to 31, were defined as more advantageous. Table 3.2.11. summarizes the results of the discriminant analysis.

Group means for the independent variables are higher for the more effective group except for the "number of product groups", and "percentage change in profits", indicating that more effective firms have more product groups in the market, and that they have experienced higher percentage increase in profits in the last five years. In the first part where univariate analysis is done, the Wilks' Lambda values,

5/ For the calculation of total effectiveness score, refer to part 1 of section 3.2.4. (b)

which show percentage of unexplained variance, are quite high. In fact, for "number of product groups", for which the group means were equal, Wilks' Lambda was 1.00, indicating that in univariate analysis, this variable is a very poor discriminator. The best discriminator is decision making involvement. Since F-values and Wilks' Lambda for each variable have an indirect relationship, higher F-values are desirable. The only significant F-value ($\alpha = 0.05$) is again the decision-making involvement variable.

When the results of multivariate analysis are examined, it can be seen that Wilks' Lambda for the total function is 45.93 percent. It represents the percentage of unexplained variation of the discriminant function. Canonical correlation squared, which gives the percent of explained variation is 54.07 percent for the same function. The calculated chi-square is significant at $\alpha = 0.127$, which is greater than the accepted α of 0.05, therefore it is concluded that the discriminant function is not significant; thus the independent variables do not discriminate the more and less effective groups.

Finally, the prediction results are tested with a proportion test. The result is that 90 percent of "grouped" cases are correctly classified, and this is significantly different from a proportion that would have been found by pure chance.⁶ Undoubtedly, with a totally different sample, percent of correct classification is going to be smaller than 90 percent because prediction of actual groups was done with the same sample. Although the function's discriminant power is not statistically significant, its classificatory ability with the analysis sample is.

6/ Hypothesis testing for Percent of Correct Classification : (P_{cc})

$H_0 = P_{cc} = 0.050$ there is chance classification

$H_a = P_{cc} > 0.050$ P_{cc} is significantly higher than chance classification

| Actual group | Predicted Group | |
|--------------|-----------------|-----------|
| | Less eff. | More eff. |
| Less eff. | 9 | 1 |
| More eff. | 1 | 9 |

$$z_{cal} = \frac{0.90 - 0.50}{\sqrt{(0.50)(0.50)/20}} = 3.578$$

Z table = 0.050 = 1.96

Since $3.578 > 1.96$, accept H_a ; that there is a significant difference from pure chance in P_{cc} calculated.

It could have been useful to reconstruct a discriminant analysis by omitting "number of product groups" and including competitive advantage scores instead of the highly vs. less advantageous differentiation. Addition of a few more questions related to decision making involvement could change the results.

c. Summarizing Important Effectiveness Items : Factor Analysis .

The purpose for conducting a factor analysis was to identify the "important" items of the marketing effectiveness rating variables, in terms of assigned importance by company managers. Table 3.2.12. presents the factor analysis results for the "importance of variables" as perceived by managers. In order to simplify interpretation of the table for the reader, five highest factor loaded variables are given for each factor.

Importance of the 14 effectiveness items are explained by five factors. The total percentage variation the five factors explain is 77.5 percent. By examining the communalities, it is seen that these five factors best explain the variation in variables 14, 11, 1, 6, and 10. These variables are (a) "fast reaction time to developments", (b) "measuring cost effectiveness of different marketing expenditures", (c) "management's considering to serve needs and wants of well-defined markets chosen for long-run growth and profit objectives", (d) "effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole", and (e) "promotion activities directed to target markets" respectively.

An appropriate name for Factor 1, which explains 27.8 percent of the variation in all 14 variables, would be "strategic orientation". Factor 2, which explains 17 percent of the variation in all variables, would be named "collaboration and effective cooperation of marketing management with other departments". Factor 3 explains 14.2 percent of the variation in all variables, and would be named "operational efficiency". Factor 4, which explains 10.1 percent of the variation in all variables would be named "organizational integration" and Factor 5, "integrated marketing functions". Therefore, the five factors identified here explain importance of marketing effectiveness rating variables, and these summarizing variables obtained by Factor Analysis can be used in further studies to account for assigned importance of marketing effec-

tiveness items.

This section on research findings summarized the results of statistical analyses. In the first part the frequency distribution of the variables were analyzed. In the second part results of analysis for differences were examined, and in the last part variables summarizing effectiveness measures were identified.

3.2.5. Limitations of the Study

Some technical limitations restricted the scope of analysis. First of all the sample size was small. In order to obtain significant results, response categories had to be grouped together, limiting interpretation opportunities. With a larger sample, less and more effective companies could be better differentiated. In addition, because number of Turkish and multinational firms were not equal, a discriminant analysis could not be done, to explore the independent variables that account for the difference between Turkish and multinational firms. Yet for this particular study, a bigger sample would not solve the problem because there are only seven multinational subsidiaries in the Turkish Pharmaceutical Industry. Thus a larger sample of domestic manufacturers that are smaller in size and limited in activities would not suit the purposes of the study.

Secondly, since the legal framework within which the pharmaceutical industry operates, puts the same restrictions on both multinational and Turkish companies, some practices and complaints were common to both group of companies. Research findings concluded that product pricing was considered to be a fairly irrelevant issue in marketing of pharmaceuticals, thus the question related to pricing was not regarded with much interest. Moreover distribution and promotion practices, although dependent on the financial position of the individual companies, were quite similar. In a different industry that provides more opportunities for price competition, media selection, or different distribution channels, significant variations would be obtained.

Another technical limitation is related to administration of the questionnaire. In order to reduce the bias, the respondents were asked to either sort the marketing effectiveness items with respect to perceived importance, or mark the level of importance - as perceived by the respondents - on the questionnaire sheet rather than letting the interviewer direct the items one by one. However, all of the respondents chose to mark the level of importance instead of ranking or sorting the items. Such an imposed priority ranking would be helpful in improving the effectiveness measure.

Finally, the percentage change in sales and profit levels were not significant measures of performance that help determine effectiveness. Because the information on sales and profit changes were self-reported and sometimes rounded, they were not very reliable. One measure would have been analyzing the change in market shares over a period of time. Another alternative would have been comparing the forecasted and actual sales or analyzing the financial data of the company.

TABLE 3.2.11. Results of the Discriminant Analysis

1- UNIVARIATE ANALYSIS

| Independent Variables | Group Means | | Standard Deviations | | Wilks' Lambda | F cal. |
|--------------------------------|----------------|----------------|---------------------|----------------|---------------|---------|
| | Less effective | More effective | Less effective | More effective | | |
| 1. number of brands | 1.8 | 2.3 | 0.633 | 0.483 | 0.8201 | 3.9474 |
| 2. number of product groups | 1.5 | 1.5 | 0.527 | 0.527 | 1.0000 | 0.0000 |
| 3. decision-making involvement | 1.9 | 2.7 | 0.994 | 0.675 | 0.8025 | 4.4308* |
| 4. availability of information | 3.1 | 3.6 | 0.738 | 0.699 | 0.8815 | 2.4194 |
| 5. percent change in sales | 2.3 | 2.4 | 1.059 | 1.174 | 0.9978 | 0.0400 |
| 6. percent change in profits | 1.9 | 1.7 | 1.370 | 1.567 | 0.9949 | 0.0923 |
| 7. competitive advantage | 1.5 | 1.6 | 0.527 | 0.516 | 0.9899 | 0.1837 |

* significant at $\alpha = 0.05$
 $F_{table}(1,18) = 4.41$

2- DISCRIMINANT FUNCTION ANALYSIS

Standardized Discriminant Function Coefficients :

| Independent Variables | Coefficients |
|--------------------------------|--------------|
| 1. number of brands | -1.003 |
| 2. number of product groups | 0.711 |
| 3. decision making involvement | -0.329 |
| 4. availability of information | -0.547 |
| 5. percent change in sales | 0.645 |
| 6. percent change in profits | -0.218 |
| 7. competitive advantage | -0.217 |

| | |
|-----------------------------------|------------|
| Cronical Correlation | = 0.735 |
| Wilks' Lambda | = 0.4593 |
| Chi-Square | = 11.282 |
| Degrees of Freedom | = 7 |
| Significance (α) | = 0.127 |
| Group Centroids | |
| Less effective group | = 0.71672 |
| More effective group | = -0.71672 |
| Percent of Correct Classification | = 90 % |

TABLE 3.2.12. Factor Analysis for Perceived Importance of Marketing Effectiveness Items

| Effectiveness Items | FACTOR 1 | FACTOR 2 | FACTOR 3 | FACTOR 4 | FACTOR 5 | COMMUNALITY |
|--|----------|----------|----------|----------|----------|-------------|
| 1. Management's thinking in terms of serving needs and wants of well defined markets chosen for long-run growth and profit objectives | .68483 | - | - | .46067 | -.33690 | .93061 |
| 2. Serving different market segments | .73618 | - | - | - | - | .84060 |
| 3. Management's taking a whole marketing systems view | - | .56443 | - | - | - | .84636 |
| 4. High level integration of sales and other marketing functions | - | - | - | - | .81377 | .82282 |
| 5. Collaboration of marketing management with other departments | - | .87203 | - | - | - | .86003 |
| 6. Effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole | - | .66223 | - | .67082 | - | .91483 |
| 7. New product development processes | - | - | - | .70965 | - | .78483 |
| 8. Execution of market/marketing researches | - | - | .71648 | - | - | .75265 |
| 9. Management's utilizing marketing information | - | - | .54407 | - | - | .82944 |
| 10. Promotion activities directed to the target markets | .62593 | - | - | .54941 | .38309 | .91140 |
| 11. Measuring cost effectiveness of different marketing expenditures | .59381 | - | .25681 | .46127 | .37547 | .94803 |
| 12. Developing annual and long-range plans | .75289 | - | - | - | - | .84867 |
| 13. Adequate and efficient deployment of marketing resources | - | .40490 | .28209 | - | .70110 | .82449 |
| 14. Fast reaction time to developments | - | .32633 | .89190 | - | - | .95855 |
| Eigenvalues | 3.892 | 2.374 | 1.985 | 1.407 | 1.187 | |
| % of variation | 27.8 | 17.0 | 14.2 | 10.1 | 8.5 | 91 |
| Cumulative percentage | 27.8 | 44.8 | 58.9 | 69.0 | 77.5 | |

IV. CONCLUSIONS, IMPLICATIONS, AND CONTRIBUTIONS

The final chapter of this study deals with the significant conclusions, some implications of findings for firms, and further studies as well as the contributions of the study in terms of content and methodology.

4.1. Conclusions on Research Findings

The subsidiaries of multinational firms operating in the pharmaceutical industry have a considerable share of the total pharmaceuticals market. But it cannot be concluded that they are drastically different from all of the domestic manufacturers. Some of the Turkish firms producing pharmaceuticals with a large number of licences from many firms abroad have just as modern plants with similar technical facilities and sell their products country-wide through their well-established distribution channels and make as much or even more sales and profits. Still, the findings of the study conclude that certain variables indicate that origin of ownership for companies affect execution of marketing practices.

Based on the findings, Turkish and multinational firms can be differentiated with respect to customer philosophy. Foreign firms tend to consider a whole marketing system view encompassing suppliers, channels of distribution, competitors, customers, and environment in planning its business.

Multinational pharmaceutical firms differ from their Turkish counterparts with respect to developing detailed annual marketing plans along with long-range marketing plans that are updated annually. Multinational firms apply planning more regularly as well as considering it as being very important. The basic reason for this is that there is continuous pressure for preparing and updating short and long range plans

from the headquarters. For the preparation of long-range production plans at the headquarters level, multinational subsidiaries are required to supply current market information and marketing plans. Since this is not considered to be such a critical issue in domestic firms, the significant difference in the regularity of marketing plans is quite reasonable.

A strong relationship exists between multinational pharmaceutical corporations and competitive advantage with respect to product quality. Backed up by headquarters' technical facilities which enable multinational companies to apply more standardized procedures for production and keep a consistent quality, multinationals have a more advantageous position in the market.

Multinational firms perceive themselves to be totally more advantageous than Turkish firms. This is also because of their easier access to opportunities of foreign firms. They can benefit from the technical advantages of their parent company and introduce products developed in another country with more ease than local firms. They are also more advantageous in obtaining raw materials through their parent organizations. In terms of channels of distribution, the multinationals have more to offer to intermediaries through their sales personnel. The sales representatives they employ are trained regularly and visit doctors, wholesalers, and pharmacies well-equipped with information and supplementary material.

The findings indicate that there is also a difference between Turkish and multinational pharmaceutical companies' promotion systems. The multinational companies establish well-organized promotion systems that consider many aspects of sales promotion. Other than frequent visits organized to pharmacies, wholesalers, and doctors, multinationals undertake the publication of medical journals both with the purpose of advertising their products and informing doctors of current developments in the field of medical science.

Significant differences exist between the organization of the marketing function in Turkish and foreign companies. The marketing departments of multinationals tend to be better organized to enable efficient functioning of the department. They divide the Turkish market

into eight to twelve specific regions and ensure that products are sold continuously.

The multinational companies tend to have a more positive attitude to expected changes in price determination in the pharmaceutical industry. While most Turkish firms, especially smaller ones argue that liberalization can not apply in drug pricing, the multinational companies generally agree that prices would not rise higher than the real value for drugs in case of a liberalization policy.

The number of administrative personnel is significantly higher in multinationals than Turkish firms. Especially the higher number of sales personnel in foreign firms account for this significant difference.

Because of the small sample size of multinational companies studied, some of their responses could not be tested. However the frequency of answers indicate some common points with respect to the multinational companies. One major conclusion is that the subsidiaries are quite independent in the execution of operational issues related to marketing, such as physical distribution of products, sales promotion, market research, product line determination, and customer services. On the other hand, degree of dependence is higher especially in budgetary decisions. The subsidiaries have to submit their annual budgets for approval before execution of plans. As has been discussed previously, the conclusion that degree of authority of multinational subsidiaries is least in budgetary decisions is similar to that of Picard's (1977) (30) finding. The results of Picard's study conclude that subsidiaries' decision involving financial considerations are more closely controlled whereas decisions on operational issues are not subject to any control. The multinational subsidiaries are also dependent on the parent company for new product introductions as well as the shape and size of the pharmaceuticals, their labeling and packaging in order to offer standard products worldwide. Within companies these tasks are mostly undertaken by the marketing department.

Another point observed is that the multinationals are in continuous interaction with their headquarters. Managers from headquarters assist and guide the operations of their subsidiaries, especially for technical research, production, training, marketing, finance, and audit

purposes.

Subsidiaries of multinational corporations do not have more than three or four foreign managers; however, the few managers occupy the key managerial positions within firms. Usually, it is the general manager who represent the parent company.

The findings of the factor analysis conclude that the major factors that explain the assigned importance of marketing effectiveness items are strategic orientation, collaboration of marketing management with other departments, operational efficiency, organizational integration, and integrated marketing functions.

However significant some of the results may be, it should be kept in mind that they are limited to the pharmaceutical companies operating in Turkey. At this stage, the findings of the study can neither be generalized to industries other than pharmaceutical industry nor to other countries.

4.2. Implications of the Study

This research has some implications for domestic and multinational firms, as well as for further researches that could be done and the academia.

4.2.1. Implications for Local Firms

The implication of the study for firms is that firms may establish priorities for progress in the areas of marketing where they are less effective. Marketing effectiveness is not solely determined by sales growth, market share, and profitability. These can also be achieved by the suitable conditions in the market rather than only the effective execution of marketing practices. Five major attributes of marketing

orientation-customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, and operational efficiency-reflect the marketing effectiveness of a company. The attributes operationalized by 14 variables in this study help firms identify on which attributes the firm exhibits poor or outstanding performance. Firm managers who can identify the essential elements of effectiveness and concentrate their attention on them will be more successful.

Marketing effectiveness measure is used as a tool for strategic control of marketing activities. Because of the rapid changes in the marketing environment, strategic control is essential for the firm to reassess its overall approach to the marketplace from time to time.

As a result of future technical developments in the chemical and pharmaceutical industry, local companies would be able to compete with their multinational counterparts. Also, with increasing number of researches, which is currently a rare application by local firms, local manufacturers would acquire a better position within the market.

4.2.2. Implications for Multinational Companies

Multinational pharmaceutical firms considering investments in Turkey can benefit from the findings about the procedures and practices that prevail in the industry, and adjust their strategies considering the strengths and weaknesses of their future competitors. Suggestions may be that the multinationals emphasize the effectiveness items whose mean effectiveness scores are higher for domestic firms. These items are "collaboration of marketing management with other departments", "effective cooperation of marketing management with other departments to resolve issues in the best interest of the company as a whole", and "new product development processes".

Also, from the point of view of the multinational headquarters, the findings would be helpful in identifying subsidiary markets with similar characteristics and making the necessary developments in marketing-related practices.

4.2.3. Implications for Further Studies

The research has some implications for future studies. Further attention may be directed to exploring the comparison between domestic and multinational firms of similar sizes and areas of interest from several industries. This would also widen the scope of the study as well as increase the number of subjects that will be studied. By increasing the sample size, findings become more generalizable and take on more significance to theorists and practicing managers.

Secondly, the study can be conducted at the international level, to account for the impact of government regulations on firms' marketing practices. Since the legal framework within which the Turkish Pharmaceutical Industry operates puts the same restrictions on both multinational and Turkish companies, some practices and complaints were common to both type of companies, making differentiation impossible.

A further study could be done which describes product pricing, distribution, promotion, and the organization of the marketing function through step-by-step questions that build up a complete picture. In depth analyses of these variables would present more information about the operations in the industry.

Another study would focus on more specific questions about the multinationals. The multinationals studied for this research displayed no differences in terms of experience, ownership, and type of involvement in the international market. Questions related to their entry and development in the Turkish market could reveal notable implication. Also, by including less direct types of international involvement differences in practices would be generated.

A different study investigating the motives of the multinationals for coming to Turkey and the type of initial market analyses conducted would be helpful in exploring the multinational companies.

Findings of the factor analysis indicate that in further studies fewer number of effectiveness variables that summarize perceived importance could be studied deeply.

4.2.4. Implications for the Academia

The increasing growth of business activity across national borders brought along with it many issues. Observing the activities of multinationals, it would not be wrong to say that they have become a part of the international system, and they will maintain their significant role in the world economy.

Although they lead to much controversy, the generally accepted fact is that the multinationals are definitely here to stay. In most countries multinationals are regarded as means for achieving economic development and welfare to the extent that the policies of multinationals conform with the national policies and operations of local business units. However differences in interests or approaches lead to disputes between multinationals, host and home country business organizations, and sometimes even their governments. Thus the problems related to multinationals and their operations necessitate more explicit attention on the international dimension of business education.

Multinational corporations and international business in general with their central focus on the set of management problems stemming from the movement of goods, human resources, technology, finance, or ownership across national boundaries have a managerial orientation. With such a wide perspective, the multinationals and their operations are an essential topic of study by the academia. Significant findings of many studies on multinationals have concluded that they adopt somewhat different approaches to certain issues than their domestic counterparts. Such findings may cause international marketing to focus attention on the activities of multinationals and their impacts.

4.3. Contributions of the Study in Terms of Content and Methodology

In this concluding section, contributions of the study are discussed in terms of its content and the methodology used. This particular study is the first one which differentiates between domestic and multinational companies within the pharmaceutical industry in Turkey.

The study concludes that some differences with respect to marketing effectiveness exist between Turkish and multinational pharmaceutical firms. Local and foreign companies can be differentiated by their customer orientation, preparation of short and long term marketing plans, firms' perception of competitive advantage and the established marketing system.

These findings are obtained with a very small sample in an industry which operates under strict governmental laws. Thus it would be useful to extend the study to other industries and identify differences.

In terms of the sample studied, companies with less direct involvement, such as assembly type of production, would be a focus of interest.

The research has contributions for the marketing managers, both of domestic companies and of multinational corporations. Managers of existing domestic companies would benefit from the results of the study to assess their strengths and weaknesses in terms of marketing effectiveness. Multinationals' marketing managers could also identify their position within the markets they operate. Furthermore, the results of the study provide guidelines for marketing managers of companies considering entries to new markets, such as emphasizing the effectiveness items that have been neglected by existing companies.

The study also has contributions for the academia. Further studies on the topic of multinational corporations are very likely to enlighten the problems and issues related to the multinationals.

Appendix 1

LIST OF COMPANIES AND MANAGERS CONTACTED

| | |
|---|--|
| - Sandoz İlaç Sanayi Ltd. Şti. | Product and Promotion Manager |
| - Ciba-Geigy İlaç Sanayi A.Ş. | Marketing Manager |
| - Bifa-Birleşik Alman İlaç Fab. T.A.Ş. ¹ | Chief of Market Research Department/Public Relations |
| - Wyeth Laboratuvarları | Sales Manager |
| - Roche Müstahzarları San. Ltd.Şti. | Planning Manager |
| - Pfizer İlaçları A.Ş. | Credit Manager |
| - Türk Hoechst San. ve Tic. A.Ş. | Asst. General Manager of the Pharmaceutical Division |
| - Eczacıbaşı İlaç San. ve Tic. A.Ş. | Asst. General Manager of Marketing, Sales and Exports |
| - Fako İlaçları A.Ş. | Chief of Planning and Research |
| - Deva Holding A.Ş. | Marketing Manager |
| - Tek İlaç Sanayi A.Ş. | Assistant General Manager |
| - T.E.M.S. Tıbbi Ecza Müstahzarları Sanayi ve Ticaret A.Ş. | General Manager |
| - Embil İlaç San. Ltd. Şti. | Sales Manager |
| - Mustafa Nevzat İlaç San. A.Ş. | Marketing Manager |
| - İlsan İlaç ve Hammaddeleri San. A.Ş. | Medical Director / Head of Board of Directors |
| - İlfar İleri Kimya San. ve Tic. A.Ş. | Manager of Production and Marketing |
| - Ali Raif ve Şeriki Adi Kom. Şti. | Production Manager, Sales Manager / Medical Director |
| - Doğu İlaç Fab. A.Ş. | Marketing Manager |
| - Gripin İlaç A.Ş. | Financial and Administrative Affairs Manager |
| - Bilim İlaç San. ve Tic. A.Ş. | Asst. Manager of Sales Promotion |
| - Union of Turkish Pharmaceutical Industry Employers | Head of Medicals Department |

1/ A Consortium of four West German Companies : Bayer, Merck, Schering, and Knoll.

5. Aşağıda sıralanmış olan pazarlama etkinliğini ölçen faktörlerin önem derecesini ve firmanızda ne sıklıkta uygulandığını belirtiniz.

| | <u>Çok</u> | <u>Oldukça</u> | <u>Az</u> | <u>Hiç</u> | <u>Herz.</u> | <u>Bazen</u> | <u>Hiçbir</u> |
|--|---------------|----------------|---------------|----------------|--------------|--------------|---------------|
| | <u>Önemli</u> | <u>Önemli</u> | <u>Önemli</u> | <u>Önemsiz</u> | | | <u>Zaman</u> |
| - Firma yönetiminin uzun dönemde şirket için büyüme ve kar potansiyeli bulunan pazarı belirleyip bu pazarın gereksinim ve isteklerine cevap vermesi | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Firmanın pazarın değişik dilimleri için değişik mamul ve pazar planları geliştirmesi | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Firmanın pazarlama sistemini imalatçı, dağıtıcı, rakipler, tüketicisi, vs.'yi kapsayan bir bütün olarak görmesi | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Satış ve diğer pazarlama işlevlerinin etkili olarak bütünleştirilmesi | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Pazarlama departmanı ile araştırma, üretim, satınalma, fiziksel dağıtım ve finans ile ilgili departmanların etkili işbirliği içinde olması | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Pazarlama departmanı ile araştırma, üretim, satınalma, fiziksel dağıtım ve finans ile ilgili departmanların sorunları firmaya fayda sağlayacak şekilde çözümlemesi | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Yeni mamul geliştirme yöntemleri | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Pazar/pazarlama araştırmalarının yapılması | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Firma yönetiminin satış potansiyeli, değişik pazar dilimlerinin karlılığı, müşteriler, bölgeler, mamuller, dağıtım kanalları ve sipariş miktarları konularında bilgi kullanımı | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| - Firmanın doktor, eczane ve hastanelere yaptığı tanıtım faaliyetleri | _____ | _____ | _____ | _____ | _____ | _____ | _____ |

- Çeşitli pazarlama masraflarının maliyet etkinliğinin araştırılması

- Firma içi kullanım amacıyla detaylı bir yıllık pazarlama planı ile birlikte her yıl yeniden düzenlenen uzun vadeli planların hazırlanması

- Firma yönetiminin pazarlama kaynaklarını yeterli ve etkili olarak kullanması

- Firma yönetiminin gelişmelere çabuk ve etkili olarak tepki gösterebilmesi

- Diğer: _____

| <u>Çok</u> <u>Önemli</u> | <u>Oldukça</u> <u>Önemli</u> | <u>Az</u> <u>Önemli</u> | <u>Hiç</u> <u>Önemsiz</u> | <u>Herz.</u> | <u>Bazen</u> | <u>Hiçbir</u> <u>zaman</u> |
|-----------------------------|---------------------------------|----------------------------|------------------------------|--------------|--------------|-------------------------------|
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |

9. Kararlar firma içinde hangi düzeyde alınmaktadır?

- Büyük çoğunluğu üst düzeyde alınır
- Politika üst düzeyde belirlenmekte, orta düzeyden gelen kararlar tekrar üst düzeyde değerlendirilmektedir
- Geniş kapsamlı politikalar üst düzeyde belirlenir, daha kesin olanlar orta düzey tarafından belirlenir
- Karar alma bütünleştirilmiş bir sistem içinde geniş çapta uygulanır

10. Karar almada kullanılan bilgi ne derecede doğru ve yeterlidir?

- Genellikle yetersiz ve hatalı
- Bazen yetersiz ve hatalı
- Nispeten bulunabiliyor ve doğru oluyor
- Firma içinde etkili bilgi akışı nedeniyle tam ve doğru bilgi bulunuyor

11. Firmanızda karar almada sayısal yöntemlerden faydalanılıyor mu?

 Evet Hayır

evet ise

12. Karar almada kullanılan sayısal yöntemleri (1: en çok kullanılan olarak) sıralayınız.

- İstatistik analizleri
- Karar ağaçları
- Doğrusal programlama
- Oyun teorisi
- Diğer : _____

13. Firmanızın toplam satışlarında 1979-1983 yılları arasındaki % değişikliği belirtiniz. _____

14. Firmanızın karında 1979-1983 yılları arasındaki % değişikliği belirtiniz.

15. Firmanızda mamul fiyat politikasının nasıl belirlendiğini açıklayınız.

16. Firmanızda dağıtım sisteminin işleyişini açıklayınız.

17. Firmanızda mamul tanıtım sisteminin işleyişini açıklayınız.

18. Firmanızda toplam kaç kişi çalışmaktadır? _____ İdari
 _____ Teknik
 _____ Toplam

19. Firmanızdaki yabancı personel sayısını belirtiniz. _____ İdari
 _____ Teknik
 _____ Toplam

20. Firma faaliyetlerinizde yol göstermek amacıyla belirli aralıklarla geçici süreler için ana şirket tarafından gönderilen yabancı personel oluyor mu?
 _____ Evet _____ Hayır

21. Ana şirket tarafından gönderilen bu şahıslar özellikle hangi konu ile ilgili olarak çalışıyorlar?
 _____ üretim
 _____ finans
 _____ pazarlama
 _____ teknik araştırma
 _____ eğitim
 _____ diğer: _____

22. Ana şirket tarafından düzenlenen geçici süreli çalışma programları firmanızda ne sıklıkta düzenlenmektedir?
 _____ Yılda 1 kez
 _____ Yılda 2 veya daha fazla
 _____ Diğer

23. Kaç yıldır bu firmada çalışmaktasınız? _____

24. Firmadaki ünvanınız nedir? _____

25. Daha önce yabancı bir firmada çalıştınız mı? Kaç yıl?

_____ Evet _____ Hayır _____

26. Firmanızdaki pazarlama fonksiyonunun organizasyonunu açıklayınız.

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