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## Cultural Challenges of BlueBird Bio Expansion into Germany

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## Abstract

BlueBird Bio is a biotechnology multinational corporation (MNC), with headquarters in Cambridge, Massachusetts, specializing in gene therapy solutions for autoimmune diseases and cancer. The company was recently approved, in Germany, for their new drug Zynteglo for the treatment of beta thalassemia. This approval opened the door for further investment in the European market, starting with the contracting of Apceh Biopharma and purchases of new land and equipment to establish a permanent residence in the country. The opening of the new European headquarters will demonstrate new challenges for BlueBird Bio, as cultural and institutional differences between the host country and parent country are quite distinctive. Some of the main differences among countries are their cultural dimensions in dealing with risk, masculinity, and indulgence. Unlike the United States, Germany is risk avert, values input of all in decision-making, and has a general attitude following the best practice approach. The US focuses on the individual dimension of a culture where employees are valued for their independence. Furthermore, the differences between governmental policies in the two countries vary strongly. The German government has strict policies on employee protection and can affect the decision making of the organization. There is also the presence of labor unions and collective bargaining; two aspects of organizational structure US-based companies are trying to avoid. BlueBird Bio is an emerging MNC, and its success depends upon its ability to recognize the differences in cultures and institutions between the countries. The company has already been exposed to multiple countries in Europe and has strong programs in employee education supplemented with strong company benefits for its employees, which is providing excellent groundwork for establishing headquarters in Germany.

**Keywords:** biotechnology, cultural dimensions, federal drug administration, host country national, human resource management, individualism, multinational corporations, parent country national, T-Cells treatment

## Introduction

BlueBird Bio is a biotechnology multinational corporation founded in Cambridge, Massachusetts. They specialize in gene therapy solutions for genetic diseases and cancer. Since its founding in 1992, the company went through some changes and

acquisitions and became BlueBird Bio in 2010. The IPO was first given in 2013, when the company was able to raise \$116 million. Since then, the company was working in both supportive and primary research capacities by either lending their skills to conduct services for larger corporations or developing their own treatments for genetic diseases. The company is reaching into many European countries, including France, Netherlands, Switzerland, United Kingdom, Italy, and Germany; the headquarters remains in the founding city of Cambridge in the United States.

Larger corporations, such as Regeneron, have collaborated with BlueBird Bio in developing targeting antibodies for T-Cell mediated myeloma cancer therapies. Due to the shorter path to market in the European Union (EU) compared to the US, Bluebird bio was able to seek approval faster and initiate therapies. This type of action is common as requirements for approval are less rigorous, and the time is 150 days compared to the federal drug administration (FDA) mandated 6-12 months (Nagai, 2019). The EU approval of BlueBird Bio's Zynteglo, for treatment of beta thalassemia, was a huge milestone for the company in their efforts to access the booming gene therapy market.

Zyntengo rollout was temporarily contracted to Apceh Biopharma, a German manufacturer, but significant investment funds are being spent to acquire in-house production capabilities such as purchases of equipment and land leases in Germany. Since this will be the production center of the region, significant focus needs to be put on Human Resource Management (HRM) for transitioning and stating policies between the ones known in the country of origin, in the US, to the expanding branch in Germany. The choice of the country of Germany was made partly by the estimated population of patients suffering from the disease and partly by the market high skill set of host country nationals that can produce treatments.

### **Expansion and Challenges in the New Market**

Upon EU approval for treatment, BlueBird Bio has launched the first treatments of Zynetglo for patients with betta thalassemia on January 31<sup>st</sup>. In Germany, the estimated number of registered patients with the disease is 632 (Borchert et al., 2018), and BlueBird Bio claims to be able to deliver treatments for 50 percent of the patient population. At the cost of \$1.8 million per full treatment cycle, Zynteglo is the second most expensive treatment currently in production; however, insurance companies are given the option of increment payments and cancellation of charge

due to no improvement in patients' health. Furthermore, as BlueBird Bio is the sole provider of a cure for beta thalassemia, a rise to full market dominance for treating the disease is expected.

Zynteglo revenues are not expected until the second quarter of 2020, and there are considerable expenses in expansion and asset acquisition as production is expected to increase. BlueBird Bio has secured contracts for coverage from several insurance agencies and is expected to deliver treatments in the first half of 2020.

The expansion into the market and establishing production capacity will derive a set of challenges for the US-based MNC. Challenges in Germany's laws and regulations will include the focus on diversified quality production (DQP) and low authoritative coordination, where management consults with subordinates and involves them in decision-making. DQP is a path of industrial development, or restructuring, different from and considered superior to other forms of production, including the US-based Ford mass production. German employees have strong occupational identity and loyalty and, since it is difficult for management to coordinate work on complex tasks, decision-making is delegated to local units (Colbe, 1996). Furthermore, the increased involvement of the government in mandating policies benefitting employees, as well as regulations that give influence in the organization's decision-making, will establish itself as a formidable task for BlueBird Bio.

Currently, the production of reprogrammed T-cells is conducted through sub-contractors within Germany. BlueBird bio has acquired assets for expansion in the European country. This expansion will bring forth challenges in HRM as now more encompassing policies need to be set up to satisfy the host country requirements of the new production facility. These new challenges will be both cultural and institutional.

The cultural challenges that contain the differences between the US and Germany are uncertainty avoidance and individualism (Hofstede, 2001; Bhagat, 2002). Cultures with high scores of uncertainty avoidance demonstrates how people in a culture cope with the unpredictable and the ambiguous, how they deal with a lack of knowledge about the future, and to what extent they experience fear of the unknown (Hofstede, 2001). Consequently, organizations in this culture will show elements in place to combat such uncertainty by using technology, rules, and rituals

(Barr and Glynn, 2004). The cultural dimension can be assigned a value and compared by using the Uncertainty Avoidance Index (UAI). Germany, for instance, scored high on the UAI, while the United States have a relatively low UAI score (Lehmann-Willenbrock, 2013). This translates into behavior. Germans are more likely to carefully analyze problems and critically evaluate possible alternatives, whereas people in the US may spend less time analyzing problems and therefore may produce solutions; in terms of risk, it means Germans are less prone to risk taking.

The second cultural dimension, individualism, is where there is a second large gap between the two countries. In strongly individualistic cultures, such as the US, each team member's ideas are deemed important, so teams encourage the expression of original ideas, whereas, in collectivistic cultures, teams tend to value consensus and loyalty over individual inventiveness (Lehmann-Willenbrock, 2013). Even though both Germany and the US are both considered individualistic countries, the US scores at the very high end of the individualism index compared to Germany, which is located close to the middle. Such differences are easily noticeable.

Germany has a strong institution system, which legally imposes a uniform set of institutional arrangements on companies and/or provides incentives for employers to accept institutional constraints. The key labor and international relations institutions of multi-employer collective bargaining, co-determination, and initial vocational training exert pressures to follow a pluralist HRM and IR strategy (Muller, 1998; Backes-Gellner et al., 2015).

### **Leadership Styles and Practices**

The leadership style in Germany is focused on the practice of minimizing uncertainty (Goerke & Pannenberg, 2011). This can be observed by the interpretations of "effective German leaders" being characterized by high-performance orientation, low compassion, low self-protection, low team orientation, high autonomy, and high participation (Broadbeck et al., 2002). There is certain "respect for competence" in the workforce, which can be seen through promoting managers who draw their experience from being engineers, mechanics, technicians, doctors, and other staff members who climbed up the ladder solely on their job competency; it is noteworthy that managers can all trace their work

experience to a point when they had hands-on experience. The guidelines that followed are based on the "best practice" notion.

Unlike Germany, the USA view individualism in their society as a reason for its greatness (Wilhelm & Chaichompoo, 2016). The United States ranked first among 50 nations and three regions on the individualism-collectivism continuum with an IDV index score of 91 (Hofstede, 2001). The trademark of such a society is that the ties between the individual and society are loose, and the relationship between the employer and employee is strictly a business agreement (Hofstede, 2001; Bhagat, 2002).

Another aspect of the American culture is the high score on the power distance and masculinity dimension. This allows bringing in leaders who lead more by inspiration than technical competence; it allows their skill set to be more generalized (Wilhelm & Chaichompoo, 2016). The values attributed to leadership include integrity, accountability, empathy, humility, resilience, vision, and influence. An example of such a leader would be Elon Musk. As an individual, he does not possess a direct knowledge of engineering or manufacturing of the product. However, he is actively and effectively handling a multinational automobile company and space agency.

### **Bridging the Gap in HRM**

Modern technology can bridge the differences between the two cultures by having more frequent and professional interactions with employees using email, videoconferencing, and other tools at the multinational corporation's disposal. It is a challenge for any company to continue sharing its ideas, goals, and policies across nations with its vast array of employees. Such will be the challenge for BluBird Bio during the establishment of headquarters in Germany. An important aspect of laying down a positive foundation of the multinational corporation's goals will be to establish a transition team comprised of both a parent country nationals and a host country nationals. This leadership team will be able to navigate through the issues that will emerge during the initial stages of production. The choice of parent country nationals for the leadership team has to be made in such a way to have merit in the view of German leadership; meaning the person in a leadership position has to be proficient in the work that will be performed in the organization, such

positions have to be filled by investigators and clinical scientist that are well familiar with the issue.

After the transition team has finished the groundwork for establishing the headquarters, technology in HRM will be used extensively to propagate the goals and policies of the organization. Communications through email, videoconferences, virtual training sessions, etc., are valuable tools in transferring knowledge and policies through the multinational corporation. As research and development of BlueBird Bio is fragmented through multiple countries of North America and Europe, the use of emails to and from conferences are imperative to share knowledge throughout the organizations. Employees in Great Britain can conduct studies in laboratories and share information on treatment production in North Carolina. Furthermore, patient sample acquisition logistics in countries (France, Britain, and the US) need direct communication in real-time for the production to be efficient.

Since technology has created greater availability of information, third-country nationals can have direct instruction in managing resources that align with multinational corporation's objectives. Leadership between the US and Germany can come to uniform policies between nations that will maintain the organization's direction and address any local issue that might surface.

Besides organizing face-to-face meetings, BlueBird Bio can use videoconferencing as a less expensive way to provide training for its employees. Education in the domains of production and quality control, as well as in leadership, can be conducted globally using technology. Employees in Germany can relate questions to their counterparts in North Carolina and adjust procedures for better efficiency or quality. The knowledge does not only flow in a singular direction, and parent country nationals can learn new approaches to problem-solving from their German counterparts.

Although technology can provide a more economic and frequent path in dealing with decentralization and global interaction in multinational corporations, there is still no substitute for international assignments for both host country national and parent country nationals. Besides transferring formal policies and procedures, real human interaction is necessary for gaining perspective of the environment and its influencing factors. Therefore, it is important to have a transfer of parent country

nationals into host countries, as well as host country nationals into parent countries. In terms of BlueBird Bio, it is of high importance that parent country nationals experience significant time in the new German Headquarters as the cultural differences in employment, leadership, and institution are not easily related virtually. Furthermore, employees from Germany would benefit from short-term assignments into the US, as the transfer of tacit knowledge is inefficient in impersonal means.

### **Conclusion**

It is no doubt that entering the German market will expose some "country of origin" effects in initial policymaking by BlueBird Bio. This will be the ways the company is used to deal with issues within the parent country; issues such as industrial relations, training and education, the welfare state, the nature of inter-firm and intra-firm coordination within the economy, the firm-level division of labor and of management roles, and the nature of corporate finance (Almond, 2005). Unlike the United States, Germany still abides by the old "German Model." Company culture is more organized, and production-oriented capitalism implies a greater concern with, and closer integration of, management and labor around productive tasks, as well as reflecting a more communitarian approach towards problem resolution (Lane, 1998). Organizations are further reinforced by a system of education and training, which puts a strong emphasis on skill development at all levels of the industrial hierarchy. German employees might find BlueBird bio's education perks quite helpful as they range from covering the costs of seminars to full tuition reimbursement.

As BlueBird Bio is funded in the United States, it will demonstrate HRM policies commonly practiced within the US. Here, the culture is largely individualistic, with employees generally highly motivated by their careers (Taylor & Zhou, 2019). The US culture is also more prone to taking risks and approaching solutions through trial and error. With this in mind, the initial stages of establishing the German Headquarters will require effort to understand the culture and institutional effects of the working environment. This is of great importance to be competitive for human capital on the German market. The leadership team needs to be a joint effort of parent country nationals, and host country nationals as the leadership styles vary significantly between the two countries, evident from the Daimler-Chrysler merger failure. The attributes of US leadership, such as effectiveness, including

charismatic, team-oriented, participative, humane-oriented, self-protective and autonomous, will not gain the same following in Germany, where leaders are performance orientated, are low on compassion, self-protection, team orientation, are high on autonomy, and high on participation (Tuselmann, et.al, 2010). The success of BlueBird Bio in Germany will be dependent upon its skill to navigate the culture of employees, leadership, and government policies. With its existing international relations and employee education programs, this organization is at a good start for a long road ahead.

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