

Business Strategy and Firm Reorganization under Changing Market Conditions

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Abstract

In this study I examine the responses of selected multinational firms in the paper industry to the global economic slowdown during the early-1990s. The data reveal significant differences across firms in their productivity and performance. The first part of the paper presents an observation-based analysis conducted by visiting selected paper mills in Finland, the US and Germany. These reveal interesting differences in firms' strategies in terms of how they responded to the global economic shock. Some of the observed differences in responses lie in their focus on achieving (incremental) cost-efficiency gains from the production processes, inventory management, supply-chain and product distribution. The other differences appear to lie in their timing of some key modernization investments, including ICT investments. The second part of the paper presents quantitative analysis using unique firm-specific data collected on the firms' investments in areas such as ICT, digital devices, mechanical equipment, among others. The regression analysis shows that firms that engaged in significantly greater modernization investments achieved greater labor productivity. The findings have implications for the study of organizational behavior and business strategies employed by firms to improve their performance and productivity under changing market conditions and increasing globalization. Our study can serve as a useful framework for collecting data and information on multinational firms to study how these firms alter their organizational structure and improve performance and productivity in the face of changing global market conditions.

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