

ABSTRACT

An Arranged Marriage under Institutional Duality

The Local Integration Process between Two Globally Merging MNCs' Subsidiaries

The thesis studies the local integration process between two globally merging multinational companies' (MNCs) subsidiaries - a process, which is part of a concurrently ongoing global consolidation process and that has to be implemented in the two subsidiaries' host country environment. The main question asked is how this specific setting influences the characteristics of the local integration process - such as the approach used, management styles applied, integration mechanisms employed, the physical and procedural solutions chosen, and not least the occurring human-related integration issues - as well as the outcome of the process.

The final conceptualization proposed is the result of an abductive process, i.e. a continuously ongoing interchange between existing theories and an empirical world - in this thesis, the case study of two Swiss MNCs' Indian subsidiaries, Sandoz India Limited and Hindustan Ciba-Geigy Limited, and their efforts to integrate their pharmaceutical units as a result of their parent companies' global merger in 1996. The abductive journey starts with a preconceptualization deduced from the prevailing literature employing an institutional approach on MNCs.

The final conceptualization proposes that the nature of a local integration process between two globally merging MNCs' subsidiaries is subject to four interrelated factors. First of all, it is influenced by the *arranged marriage syndrome* - i.e. the consequences of the mandatory premises of the local integration process, a mandate accompanied by the local subsidiaries' non-involvement in the decision-making process leading to the global deal (equalling the late involvement in the overall merger process) and lack of consideration of their local pre-conditions. Secondly, the local integration process is subject to *institutional duality*, i.e. is influenced by potentially conflicting pressures from the MNC-internal institutional environment (especially by requirements and expectations from the parent company based on global objectives of the deal) and from the regulatory, cognitive and normative profiles of the local institutional environment. Thirdly, also the *relational context* - between the merging subsidiaries with their pre-merger parent organization, as well as between the newly combined subsidiary with the new parent company are suggested to have an impact on the nature and thereby the outcome of the local integration process. Finally, also the *pre-merger institutional duality* experienced by subsidiaries is argued to have bearings on the variety of characteristics and outcome of the local integration process.

Key words: merger and acquisition, integration process, multinational company, subsidiary, institutional theory, institutional duality, relational context, arranged marriage