ATTITUDES IN MERGERS

A Study about Attitudes Influencing the Integration Process in a Merger

ASTRAZENECA, MÖLNDAL

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PREFACE

SUMMARY

Our aim with this study is to identify problem and try to understand the factors that influences the integration process in a merger between two firms. We have chosen to look into some areas where the integration process is vulnerable, thus becoming our research questions. What attitudes can be found concerning the new policy at AstraZenca, Mölndal, and what are the consequences concerning attitudes toward new standardised policies, finally, how will these consequences affect the integration process of standardised policies.

When gathering empirical data to get an overview of the information that we were seeking, we used a survey, in order to get a large foundation of data to interpret. With the collected data we constructed graph and diagrams to easier illustrated different relationships between theories and empirical finding.

When studying these areas we encountered several problems that might have a negative effect on the integration process of the two organisations. To get an indication of the attitude surrounding the integration process we used several variables connected with the overall attitude towards the merger. Furthermore, we used some variables to get an insight of the attitude towards the standardised policies. The outcome of the study indicates that synergies can be lost, if the transfer capabilities are affected negatively due to that the general atmosphere in the merging organisations.

Key words: Merger and Acquisitions, Integration process, Synergy, Organisational Culture, Attitudes.

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1. Introduction to the thesis

This chapter will provide a background to the phenomenon known as mergers and acquisitions and why we have chosen to study this area, our research questions, and provide the reader with the purpose and the limitations of our work.

1.1 Background to the phenomenon known as mergers and acquisitions

Mergers and acquisitions (M&As) have become an increasingly popular phenomenon within the field of strategic change, and their numbers are growing dramatically in almost every business area in United States, Europe and around the globe (Cartwright & Cooper, 1993a,b; Haspeslagh & Jemison, 1991; Melin 1992).

There are different reasons for companies to make strategic moves like an M&A. However the main reason for M&As is to achieve synergy by integrating two business units in a combination that will increase competitive advantage (Porter, 1985). Even if one has all the right intentions for making an M&A, the outcome may not always be successful.

Unfortunately, many M&As have not lived up to expectations, and that is regardless of the measures used, failure rates are high, in the 50-60% percent range. Furthermore not only looking at financial performance, M&As often create significant trauma for the employees and managers, often resulting in attitude and productivity problems and high turnover of important personnel, including top executives (Walsh, 1988, 1989; Hambrick & Cannella, 1993). Such personnel difficulties may add costs to the integration process and undermine the ability of the firm to achieve synergy effects, and thereby destroy the value creation that is expected from the merging companies. One question that is of importance within this area is why M&As fail, and is it possible to ensure success in an M&A.

1.1.1 Motives behind M&As

M&As are in general very large and complex business processes and there is no reason to doubt that their underlying motives and reasons should be less complex. Simple categorisation cannot reflect this heterogeneity. The attempts to classify motives and strategies have revealed a few interesting sides of the M&A process.

Several researchers have tried to categorise the motives and strategies behind M&As. By categorising these it enable us to get a clearer picture of M&As as a phenomenon. This will help us draw parallels between these phenomena and concepts as synergies and integration, subsequently; this has proven to play a central role when it comes to utilising synergies in M&As.

Larson (1990) has found three main motives for M&A; *Financial, organisational, and personal*.

- Examples of *financial motives* can be economics of scale, transfer of capabilities, to take advantage of market imperfection.

- *Organisational motives* are about survival, to grow in size in order to prevent take-over and to share risk.

- The *personal motives* boil down to that, in most cases, it will reward itself with financial benefits.

According to Larson, organisation and personal motives are based on a more subjective ground than the more traditional growth oriented strategy theories. Larson continues to write that it is feasible to assume that in the end these three motives coincide with each other. Kleppesto (1993) takes this even further, he says, no matter what the factual motives may be, the official motives will focus on growth, synergies, and risk sharing. Since the M&A must in some way be financially justifiable.

1.2 The aim of the study

The aim of this Master Thesis is to identify problems and try to understand the factors that influence the integration process in a merger between two firms. Specifically we will investigate how standardised policies influence the integration process in a multinational company.

To our help in this delicate matter we have had the opportunity to study the integration process between AstraHässle, Mölndal and the British pharmaceutical company Zeneca. We hope that the findings of this study will become an indicator in order to smooth out and minimise problems in future integration processes.

1.3 The research question formulated

We will explore the concepts of mergers & acquisitions, corporate culture, and attitudes toward change in order to build the foundation from which we will develop theoretical syntheses.

To reach a solution to the aim of our study, we present three questions that we will answer in the following sections.

1. *What attitudes can be found concerning new policies at AstraZeneca, Mölndal?*

People in most organisations have a preconceived view of how things should be done; this view can in some cases affect the outcome of planned events. When integrating two firms it is not unusual that synergies are lost due to the failure to make individuals communicate with each other. This question will give us an indication of the attitude toward new policies at three functions pharmaceutical, clinical, and PSNL at AstraZeneca in Mölndal.

2. What are the consequences concerning attitudes toward new standardised policies?

From the outcome of the attitudes found, we will be able to see what consequences this might have on the integration process. When there is a change there is some form of reaction; if it is possible to measure this reaction, it is also possible to control it, interact with it in order to guide the process from A to B as effectively a possible.

3. How will these consequences affect the integration of standardised policies in the different functions, Pharmaceutical (research department or pre-clinical department), Clinical (department for medical studies), and PSNL (marketing department)?

As the functions within a firm differ, so does the individual performing these functions, within one corporate culture it is common to find subcultures. When these subcultures are exposed to a change they might react differently.

1.4 What are Policies

Policy can be described as a rule that guides and controls people in their process of performing a task. In order for a company to standardise work processes, policies can be a helpful tool.

The purpose of a policy is often to set up a framework of rules that has to be followed, this is done for several reasons. First, to be able to control how a task is performed in order to make it more efficient, second categorising the people who use it and finally, to reduce costs and save money.

An example of this is the travel policy that is launched at AstraZenca worldwide. The reasons behind the travel policy at AstraZeneca world-wide are many, by co-ordinating so that all employees travel with the same airline, it is possible to negotiate a good deal with one airline or airline alliance to save money. Furthermore it is also time saving, as well as easier to order a ticket if there is a pre decided way to do it. Finally, in the AstraZeneca's travel policy, it

is decided who is flying business class depending on your position within the organisation.

1.5 Limitation

In the limitation section we have mentioned a few of the limitations that we could foresee, in our method section we have written about events that we encountered during the thesis writing that have limited us.

1.5.1 Lack of global reach

There are several limitations to this study as we see it. The first limitation is that we have isolated AstraZeneca, Mölndal as a research object from the rest of the corporation. This will not give us the opportunity to compare the different sites in the AstraZeneca sphere. As the culture in the different sites around the globe differs, the outcome of a combined study would have presented us with a more complete picture of the problem encountered in the integration process between the two firms.

1.5.2 Theoretical limitation

Furthermore, the vast amount of theory covering the M&A area limits us in our capability within a set amount of time to embrace all aspects. We have narrowed down our study and chose to study the problems that appear in an integration process between two firms. To further narrow it down we will particularly study the underlying reasons behind attitudes towards new standardised policies that are implemented on a global scale; and what effect they have on the integration process.
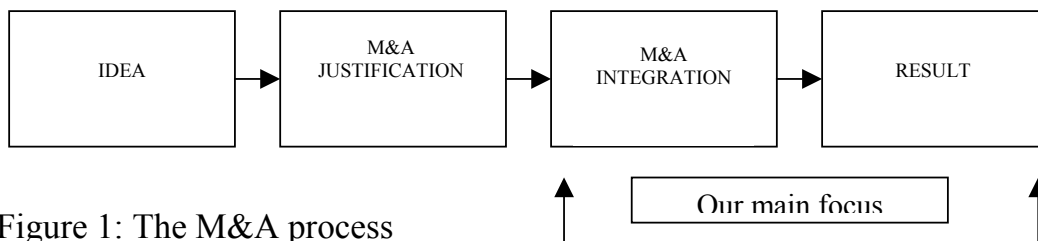
Figure 1: The M&A process
(Source: Haspeslagh & Jamison, 1991)

1.5.3 Limitation in data Collection

In our method of gathering empirical data we have chosen to use a survey in order to catch the attitudes of a large number of employees; because an interview process would have taken too long. The survey will present us with an extensive amount of attitudes concerning different aspects of the integration process, however it will not give us the underlying "feeling" felt when answering these questions which might limit us in our final analysis when trying to interpret our data.

1.6 What does prior research tell us

During the process of writing this thesis we encountered numerous volumes of books, articles, magazines written about M&A and the integration process.

An important part in the strategic process has been whether mergers create value, and if they do, in what way. Traditionally the main part of research has been on the decision process that leads to M&As, *analysing the effectiveness of this strategic choice*, (Porter, 1987; Schmidt and Fowler, 1989; Love and Scouller, 1990) *its aim*, (Trautwein, 1990; Walter and Barney 1990), *the main factors that influence M&A performance* (Datta, Pinches and Naranyanan, 1992; Kitching 1967; Kusewitt, 1985) *and the compatible strategic co-ordination between the two firms*, (Clarke, 1987; Drucker 1981; Lubatkin 1983; Paine and Poer 1984; Shelton 1988).

Another area within M&As research that is important is the post-merger process. If we look back, this literature has focused on specific issues, like the *integration process of different cultures*. (Chatterjee, et al., 1992; Nahavandi and Malekzadeh, 1988; Shrivastrava, 1986)

All the above mentioned authors deal with the some or several parts of the M&A process. It ranges from strategic issues down to cultural aspects, to go even further we have looked at the aspects of attitudes that we believe have a profound impact on how the cultures as such react towards change. The clash between the cultures of combining organisations receive growing attention by

both practitioners and academics, for example Cartwright & Copper, (1993 b) made a study where they measured attitudinal variables such as job satisfaction, commitment, and stress. Furthermore, we have examined the development of the phenomenon known as attitude and the connection between attitudes and action (Kelman, 1974; Kreitler and Kreitler, 1976; Ajzen and Fishbein; 1980)

1.6.1 Schools of thoughts

In the area of M&A, Haspeslagh and Jemison have identified three schools of thought that offer insights into the complex world of M&As. To differentiate the school of thought, Haspeslagh and Jemison have referred to them as the capital market school, the strategy school, and the organisational behaviour school, the two latter examples have been combined into a forth school called a process school

The escalating number, and size of M&As have attracted the attention of different researchers representing a wide range of interest and disciplines. Looking at research done in the area, this rich and varied research tradition can be divided into four main streams. (Haspeslagh and Jemison, pp.292-309).

1.6.2 Capital markets school

The capital market as a concept contains a large body of literature, Within this body of literature, one of the concepts, the *capital markets school*, has chosen to analyse, if and how M&As lead to the creation of wealth and, if so who appropriates this wealth.

1.6.3 Strategy school

The *strategy school,* a second stream of research, tries to analyse the critical success factors in order to determine the degree of success of different types of acquisitions, in particular their level of relatedness to ongoing operations.

1.6.4 Organisational behaviour school

Another noticeable area of research is the one with an *organisational behaviour perspective*. In this field, researchers have focused on the impact on individuals in an M&A, especially in the less dominant firm in an M&A, and on the difficulties encountered when two organisational cultures are to be integrated.

1.6.5 Process school

By combining *the strategy school* and the *organisational behaviour school* a fourth school appears, the *process school*, it addresses the question of how the M&A process affects the realisation of strategic goals.
Attitude measures

1.7 Attitudes

As our research questions are about attitudes in the integration process of M&As this section will explain the basics elements of what an attitude is.

Attitude has since the 1920's been an important part of the social psychology and other social sciences. The term "attitude" originates from the Latin word *aptitu'do*, Darwin used the term attitude about humans and animals body gestures mimes and sound, as he found to be specific for each species.

Others have described the term "attitude" as something internal and not externally visible, it is assumed to affect how people perceive their surroundings. Within modern social psychology, the term "attitude" is defined as a constant conception that has been built up through experience and expresses itself by opposing or accepting something. (National Encyclopaedia, 1990) An attitude is looked upon as consisting of cognitive, emotional, and intentional components. The *cognitive* component is when an individual isolates one part of a situation and using that as the sole reference point when making his/her judgement, the ability to interpret a large amount of knowledge is highly restricted and only a small part of the total individual knowledge affects the

attitude. Furthermore, the *emotional* component is connected to whether you are positive or negative towards the characteristics of the object studied. The *intentional* component, finally is the readiness to act, or not to act when it comes to the attitude created towards the object studied. (Ajzen and Fishbein, 1975)

To illustrate the above, a person for example has an antiracist attitude, this means that he or she believes that all people have the same value (*the cognitive component*). Consequently this person will have strong feelings against those who claim the opposite (*the emotional component*) and will be prepared to act against racism and racists in different ways (*the intentional component*). (Brante, Andersson & Korsnes , 1998.)

An attitude is a learned predisposition to respond in a certain manner towards an object or some aspects/situations of our environment. More specifically an attitude can be an individual simply carrying knowledge and beliefs about an object, or it can also be an individual's feelings or emotional reactions about an object. Finally, an attitude can be an individual's intentions to act in some manner based on his/her attitudes about a particular object. Attitudes can be altered in three ways:

1. Changing the beliefs about the attributes about the object/situation. This involves taking eventual negative beliefs or attitudes and transforming them to become positive.

2. Changing the relative importance of these beliefs. This approach entails the modifying or enhancing the attitudes that are already positive.

3. Adding new beliefs. This approach is simply distributing new positive and promising beliefs. Also, important in relation to this topic is that attitudes encompass our value systems, which mean that it represents our standards or beliefs about good and bad, right, and wrong and so forth.

Furthermore the link between attitudes and behaviour is complex. An individual feeling or emotional reaction towards an object represents the affective components of attitudes whereas the beliefs of two or more individuals represent the behavioural component of an attitude. (Toyne , B & Walters, G.P,. 1996)

2. Methodological reflection

In this section we will guide the reader through our way of making this thesis come true, and how we conducted our data gathering. How we took initial contact with our contact person at AstraZeneca, Mölndal, how we worked out the problem statement together with the company, and how we gathered our empirical data and what affected us during that process.

When our team had decided to write a thesis together we looked back at the different modules of the integrated masters program that had been covered during the year. To start with we were interested to dig deeper into the phenomenon of network organisation and the development of organisational structure.

We have used two advisors at School of Economics and Commercial Law at Gothenburg University, Torbjörn Stjernberg and Björn Alarik, Torbjörn has helped us develop our survey, and to structure the thesis and method, Björn Alarik pointed us in the right direction concerning theoretical framework. To support all thesis teams, Torbjörn Stjernberg set aside time for special meeting covering the thesis writing process, which we used as a guide in our study.

2.1 Research Site

We came in contact with Director of Process development, Elof Dimenäs, at AstraZeneca, Mölndal through a seminar that was held at School of Economics and Commercial Law at Gothenburg University. We then exchanged a few ideas about the seminar and from that note; when it was time to start with the thesis writing, we took contact to see if it was possible for us to make a study about the new organisation that was about to be formed. Elof Dimenäs became our advisor to be there as a guide and mentor for us when conducting our study. Contact with our sponsors at AstraZeneca, Mölndal has been conducted by phone, email, and personal meetings, due to the tremendous work load put on our advisors at AstraZeneca, and frequent travels abroad, has made it difficult to get in touch with them. Email and phone have been our main sources of communication

when it comes to exchanging thoughts and ideas, at the meetings we have worked to consolidate the foundation of the work.

2.1.1 First meeting at AstraZeneca, Mölndal

The framework for the thesis was developed

An initial lunch meeting was held were we met with our advisors, at this stage we were introduced to the second sponsor, Director Finance & Administration, Jan-Olof, Jacke. The framework for the thesis was developed, a standardised travel policy was to be launched later in the fall and we were going to use that policy as a tool to measure the underlying attitude that might appear when new policies are implemented, and influence the integration process.

2.2 Literature and theoretical framework that we used

Next step for us was to gather data to be able to form an opinion about the field of Mergers and Acquisition. Here we found plenty of useful theories, (see prior research) a theory we chose to use is Haspeslagh & Jemison's model, that illustrates ways to analyse and understand the complex processes involved in a M&A. When it comes to attitudes, there is much written about social structure and identity in organisations, we found our theories and definitions in the field of sociology and social psychology.

2.2.1 Guide to how we use our data in our analysis

Haspeslagh & Jemison's model contains four different areas; one of these four areas deals with how to create a suitable atmosphere for capability transfer. Our belief is that the employees' attitudes can affect the atmosphere, that is so important for the success of the capability transfer in the integration process. In our analysis we will illustrate the response that we received from our survey and from this we will draw conclusions as to whether it affects the integration process positively or negatively. Depending on the amount of diagrams we have from our survey, we chose to only display the most relevant and useful diagrams

directly in our analysis, we will however refer to other diagrams but have decided to display them only in the appendix. Each diagram will be explained as to what data they contain, with this data we will together with our theory draw conclusions and finally give some recommendations. The theories was used as a foundation when we constructed the survey, consequently this made the connection between the outcome of the survey and theory easier to illustrate in the analysis. Finally, the analysis led us to the answer of the research question in this study.

2.3 Second meeting at AstraZeneca. Mölndal

At the next meeting at AstraZeneca, Mölndal, we discussed the outline of our survey and the magnitude of the study; it was decided that we should look at three separate units at AstraZeneca, Mölndal, Clinical, Pharmaceutical and PSNL. Pharmaceutical are the units that work with Pharmaceutical compounds test formulas concerning tablets, capsules, and infusion injections etc. The clinical units are responsible for the clinical evaluation of new substances, which are tested on humans (patients and healthy humans) while PSNL work with marketing strategies, models and licensing.

As the company was in a major organisational change process, it was not possible for us to get enough access to perform personal interviews. At the end of the meeting it was decided that a survey was going to be launched using their Intranet, by using their Intranet we were able to save time and be more effective.

2.3.1 The outline of our survey

The questions in the survey were directly connected to our research question and purpose focusing on the underlying "feeling" during the merger and specific questions about creativity, responsibilities, job satisfaction and the opinion about the standardised policies. When choosing samples in our population we used a random sample. In order to be able to categorise the population we asked them to give number of years employed, age, and what unit they belong to.

The three units were picked because of the significant difference in working environment that would enable us to see distinct reactions concerning different attitudes towards change. Within these three units we made no distinction between high rank and low rank when we made our random sample, we see all members in each unit as important when measuring the overall attitude. The high-ranking executives are always mentioned in connection with the merger and their importance is always underlined. When it comes to secretaries we believe them to be not as important but equally interesting because of their function as information administrators and their deep insight into the organisation.

We used an attitude-scaling approach; this attitude scale is constructed to measure an attitude that is assumed to give a distinct difference between what is measured. Statement and question concerns the attitude object that are used in our survey. To be able to create useful graphs for each question, we gave the respondent a scale of 1 to 5. To get an even deeper understanding of the attitudes towards the standardised policies at AstraZeneca, Mölndal, we left some room after each question. In order to invite and challenge the respondent to elaborate and give own comments, we found this very successful because it gave us the ability to give a more qualitative touch together with our quantitative data, to be used in our analysis.

We had the survey overviewed by our advisors at AstraZeneca, Mölndal, and our advisor Torbjörn Stjernberg at Gothenburg University. Moreover, we made some test runs, simulating a population to see if the data was useful in our analysis, furthermore we tested it on an a friend who has English as his mother tongue to see if there were any discrepancies in how the questions were asked.

2.4 Change in focus

At the third meeting we were informed that the launch of the travel policy was delayed, which meant that we had to shift our focus from the standardised "travel" policy towards standardised policies in "general" in order to meet the deadline of the thesis. However, this shift in the focus did not affect the

fundamental outcome of the survey since it was meant to measure standardised policies from the beginning, using the travel policy only as a tool.

As the integration process was in constant motion at AstraZeneca, Mölndal, which meant that the information flow within the company had to be tightly controlled, we had to be very delicate in our launch and make sure it was firmly established in the units we were studying. This was done with an introduction letter explaining who we were and the purpose of the study, together with a signed letter from our sponsors guaranteeing total anonymity to the respondents. A date was decided when our survey was to be launched.

2.5 Distribution of survey

In the fourth meeting we discussed the final version of our survey and also discussed in what format the survey should be distributed. Attached as a document or written as an ordinary email, we decided to send it as an ordinary email to minimise the steps that had to be performed to be able to respond. If we used an attachment, we found that 6 steps had to be taken in order to respond:

1. open email
2. open attachment
3. answer questions
4. save as document
5. attach document to reply message
6. respond to sender

In an ordinary email the respondent opened the mail, answered the questions and then responded to the sender, which equals 3 steps:

1. Open mail
2. Answer questions
3. Reply to sender

2.6 Interpretation of data

Before the survey was launched, using intranet at AstraZenca as an information Highway we simulated several outcomes by using excel charts and testing various response patterns. The outcome of the tests were satisfactory so we launched our survey and as the answers came in we entered them into our excel sheets, that we later could use as indicators in our analysis. We used diagrams to illustrate the outcome of our survey so it will be easier for the reader to follow the study. In the survey we left room for own comments that were useful in. giving support to the outcome of the diagrams. We categorised each comment under each particular questioning order to see if there were any patterns that could be used in the analysis.

3. Theoretical framework of the thesis

The aim of this Thesis is to help inform about the potential of mergers by providing a perspective drawn from existing strategic views. Our message is that key differences between mergers' success or failure lie in the understanding of, and better managing the integration processes. By using existing literature, we will discuss the integration process and the value it creates in a merger.

3.1 Reasons behind mergers

Mergers and Acquisitions have a unique potential to transform firms and to contribute to corporate renewal, to gain strategic and operational advantages that neither firm can achieve on its own. (Haspeslagh, Jemison 1991, p.3) Corporations merge to obtain better positions in turbulent and dynamic working environments as well as creating competitive advantages against other market actors. (Bastien, M, (1987) They can provide an ability to gain all the benefits from combining assets and sharing capabilities in a way not obtainable through partnership. However, M&A's can bring into a company, capabilities that the organisation finds hard to develop organically. They can also provide the opportunity to leverage existing capabilities into much more significant positions such as combining market shares and technical know-how. (Haspeslagh, Jemison 1991 p.3) The primary reasons for M&As is to achieve synergy by integrating two business units in a combination that will increase competitive advantage. (Porter, 1985) However, financial success and competitiveness depend directly on the ability to identify and capture the synergies or cost savings available through integration. (Flaherty, J. Thomas 1995 p. 30)

3.2 Mergers and Acquisitions and the creation of value

One important question underlying research on M&A is the question of value creation. When, how, and for whom do acquisitions create--or destroy--value? (Haspeslagh & Jemison, 1991)

Researchers in the *capital markets tradition* have reached a rather disturbing answer. On average, M&As do not enhance the value of the firm, as reflected in the value of its shares immediately following the M&A. However, usually a significant premium accrues to the two firms' shareholders in a merger**.** Furthermore, The credibility of this finding is undermined by the assumption of efficient capital markets. Other factors that undermine the credibility of these findings, is that it takes for granted that the market value of a company shows a fair estimate of its future cash flow, discounting for risk.

There are a multitude of different reasons why M&As are undertaken, the potential benefits vary accordingly. According to (Haspeslagh and Jemison, 1991, p. 28) four different main categories of M&A benefits can be distinguished

(1) *Operational resource sharing* can create economies of scale and scope. A typical example is the use of common distribution channels or a common sales organisation.

(2) *The transfer of functional skills* can improve the competitive position of one or both of the partners in a M&A process. Thus, if one firm possesses superior capabilities in, for example, manufacturing or R&D, the associated skills may be transferred to the other.

(3) *Transfer of general management skills* within M&A can be used in order to increase the competitiveness of the new organisation.

(4) M&As can also create advantages without capability transfer. *Combination benefits* occur, for example, through increased market power, enhanced reputation, or greater financial leverage.

According to a well-known and often quoted definition, transferring technical capacity involves the capacity to develop new technology and the transfer of scientific knowledge. It entails "the ability to modify and further develop imported technology--it involves learning how to learn as well as to use what others have learned" (Zander, 1991, p. 25).

As stated above, technical skills are often tacit, and embedded in individuals and teams, therefore it is difficult to transfer them efficiently. It requires the creation of an "atmosphere" or "cultural climate" useful when communicating and learning, which is based on mutual trust, appreciation and understanding of each other's competence, and common goals, and so forth.

To be able to realise and utilise these types of technical synergies, it imposes difficult managerial challenges. To be able to achieve a common organisational culture favourable to pool resources and interact, it is essential to succeed with the extensive transfer and incorporation of technical capabilities. At this high level of integration it is important not to destroy those aspects of existing organisational cultures that are the basis for commitment, motivation, and R&D efficiency.

3.3 Understanding the integration process in a merger

In most M&As the integration process is the hub to create synergy effects. Not until the two firms come together and start to work towards the purpose of the M&A, synergy effects can arise. According to Haspeslagh, Jemison (1991 p.105-106), the managers they studied recognised the integration process as the hardest part to accomplish in an M&A. They found it difficult, time consuming, uncertain, and filled with risks and pitfalls. In some cases the managers had trouble defining the key focus of the integration process, some had a very simple view. But most managers had an understanding of the complexity of the situation and acted accordingly.

Although managers recognise the importance of the integration process, they often bypass post merger discussions of integration because of their complexity, uncertainty, and because of other pressures arising during the decision process in M&As. Furthermore, the success of integration depends on the type of M&A, who gets involved in the process, and the types of capabilities to be transferred. (Haspeslagh, Jemison 1991, p.105-106) "Some mergers require minimal amounts of integration as in the example of British Petroleum, which diversified into nutrition and bought Hendricks, a Dutch animal feed business. Others imply a complete combination, as in the case of Electrolux, the Swedish appliance

manufacturer, which bought an Italian competitor Zanussi, and then had to streamline the operations of what had been two direct competitors. A third type requires a more complex mix of autonomy and integration, as in the case of ICI, the British Chemical Company, which, having acquired Beatrice Chemicals, had to find a way to preserve the entire entrepreneurial character of the acquired companies while leveraging ICI research into them"(Haspeslagh & Jemison 1991, p.106.)

According to Haspeslagh and Jemison, research has shown that a common set of elements in the integration process that remained the same regardless of M&A type or differences in integration needs. In the *transfer of the strategic capabilities,* integration is an active and gradual process in which people in two organisations learn to work together and co-operate. Creating an *atmosphere* that can support the transfer of strategic capabilities is the real challenge. Shaping such an atmosphere is often very problematic because the integration process itself tends to overthrow its creation. To integrate two organisations successfully and to minimise problems, systematic attention must be given to the interaction between the firms.

The different stages involved in the *merger* integration process are shown in figure below. It is essential to create a suitable atmosphere in order *to transfer the different strategic capabilities,* and gain competitive advantages Haspeslagh and Jemison
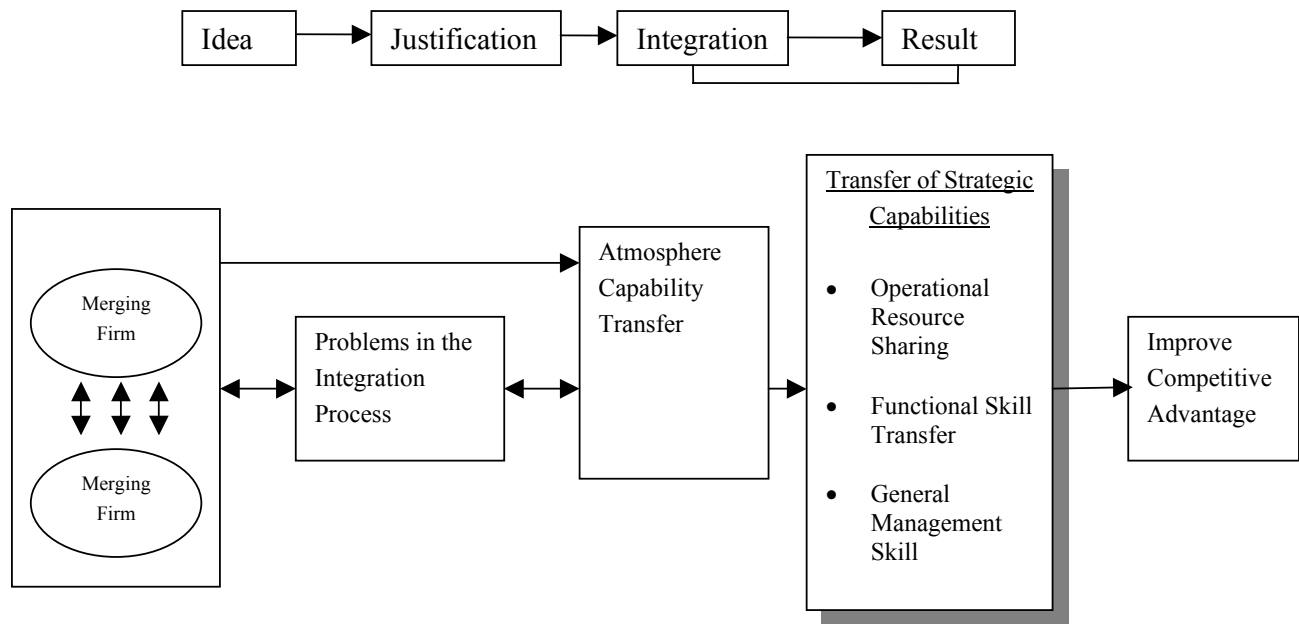
Figure 2: Transfer of strategic capabilities
(Source: Haspeslagh & Jamison, 1991)

3.3.1 Transfer of strategic capabilities

One of the most important issues when it comes to integration of two firms is the transfer and application of strategic capabilities. Capabilities can be exchanged in several ways between organisations. Haspeslagh and Jemison (1991) discuss three types of capability transfers - *operational resource sharing***,** *functional skill transfer*, and *general management skill transfer*. Each type of capability transfer involves different organisational reorganisation. (Haspeslagh & Jemison 1991, p.107)

Firstly, when it comes to *operational resource sharing* examples can be combining sale forces, sharing manufacturing facilities, trademarks, brand names, office space, or distribution channels. Economics of scope or scale are the value drivers in these cases. Combining assets or co-ordinating their joint

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use is one of the major challenges in the integration process. The reorganisation when two firms are joined together to start sharing resources causes major organisational trauma. Even though two firms are able to use the same resources, their ultimate use of these resources may differ. When combined these resources may be configured and used in a way that represents a compromise for both organisations. If resource sharing is to create value, the benefits of sharing must outweigh the hidden cost of compromising. (Haspeslagh, Jemison 1991 p.108)

Secondly, even though short-term benefits are gained through M&As, the primary challenge in M&As is to maintain the momentum and efficiency in the value creating *transfer of functional skills* between the merging organisations. A dilemma in transferring functional skills is that it involves teaching and learning and the more complex the function transferred, the harder it gets. For example if a transfer from one firm to the other involves product development capabilities, the time spent on training is directly connected with the complexity of the function, the more complex the function, the longer it will take to transfer.

Finally the third type of capability transfer is the transfer of *general Management skills*. This involves transfer of strategic direction, resource allocation, financial planning, and control, or human resource management. (Haspeslagh, Jemison 1991, p.109) When transferring General management skills, the interaction between the general management levels is mainly *vertical* due to the fact that managers at that level have a direct hierarchical relationship to each other. In contrast to managers at a functional level, who have no direct hierarchical relationship, the transfer is *horizontal*, which may result in a reluctance to participate in such learning (Haspeslagh, Jemison 1991, p.109)

3.3.2 Atmosphere for capability transfer

The figure below illustrates the key components for creating an atmosphere suitable for capability transfers.
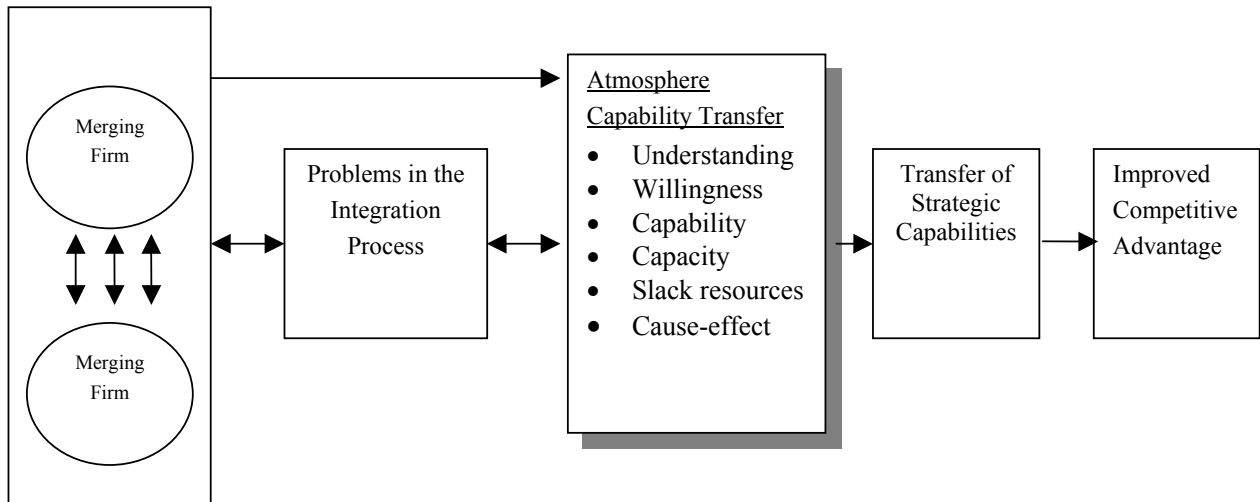

Figure 3: Atmosphere for capability transfer
(Source: Haspeslagh & Jamison, 1991)

The key to managing the integration process is to obtain the participation of the people and create an atmosphere that can support capability transfer. Cultural differences appear to be a critical factor for creating such an atmosphere and obtaining people's participation. Thus, the degree of cultural differences may determine the effectiveness of the integration processes and eventually the financial performance of the merger. This reasoning leads us to the following:

The greater the cultural differences between the companies, the lower the effectiveness of the integration process and the lower the financial performance of the merger. We will elaborate on this later in the thesis.

According to Haspeslagh & Jemison, this atmosphere has five key components.

- *An understanding of each firm's organisation and culture.*

Understanding does not mean that one organisation is forged into the other's way of doing business and its culture. Instead, the organisation that receives the

29

transferred capabilities needs to be able to understand the underlying logic, how and why the capability worked in its original context.

- *The willingness of people in both firms to work together after the merger.*

In many organisations that merge, employees often feel that working with people in the other organisation is a zero sum game, where the expense of one group is to the benefit of another. Some of the motives for not working together in the new organisation are less job security and the loss of power and control.

- *The capacity to transfer and receive the capability.*

The proper infrastructure to receive and transfer the capabilities must exist in both organisations, both technically and mentally. It may not need be said that the actual existence of a capability must be in place before transfer commences. If the transfer of a capability is initiated on the bare assumption of its existence and not established in the two organisations, problems will arise.

- *Discretionary resources to help foster the atmosphere needed to support the transfer.*

The different channels that can be utilised by using the best resources available at any given time, how one part of the organisation compensate the weakness of another and vice versa.

- *Cause-effect understanding of the benefits expected from the merger.*

It is important that managers understand the nature, the source, the timing, and the predictability of the benefits they expect from a merger. These issues are best understood as a part of the merger justification. The lack of a concrete timetable to be able to predict the outcome and benefits of the integration process may create just as many problems as an overlie rigid and detailed plan. A difficult part in the merger is that benefits are evolutionary, meaning they are hard to predict because they usually appear when the integration has come well into the process of change.

3.4 Attitudes connection to action

Before we move on to the problems in the integration process, we will discuss some definitions of the phenomenon that we are studying, which is known as attitudes.

Interest in the relationship between attitudes and actions is something that has been discussed back and forth for a long time. During the 1920s when attitude measurement had is peak, also during the second peak in the 1960s, a positive relationship between them was taking for granted. The 1970s shift from theory relevance to practice relevance and the interest in attitude measuring resurfaced. Wicker's (1969) analysis of 31 studies had led him to conclude that there is little relationship between attitude and action and Abelson (1972) came to the conclusion of whether attitudes and actions are connected at all. Then Kelman (1974) announced from his research that attitudes were alive and kicking furthermore Kreitler and Kreitler (1976) concluded from their research that a mere 30 percent out of 117 studies show a positive relationship. Schuman and Johnson (1976) that there is a small to moderate positive relationship and in the1980s, Ajzen and Fischbein released an even more optimistic conclusion.

According to Durkheim's grid/group theory concerning attitudes; the people who are the closest to you and their expectations regarding how one should behave, and one's sense of moral obligation also have an impact on one's actions. Behavioural intentions play a role in mediating the relationship between attitudes-actions, but the attitude itself is sometimes a better predictor of actions, suggesting that attitudes may be related to actions instead of only that of intention. Bagozzi, et al (1982).

According to Kleppesto (1993), groups' collective conception (attitudes) is one of the main factors, that create problems when people are going to work together. When two companies integrate, the employees at both companies create pictures of their own companies. These images shed light on or give meaning to what has happened, what is happening at the moment and what will happen in the future. They are negotiated and renegotiated in an ongoing dialogue within the organisation. On the surface, it may seem as if these images

are structured in an unambiguous and consistent way and that they are indisputably linked to the organisational history. This can, in other words, be seen as beliefs or attitudes that the members of the organisation have**.**

3.5 Problems in the integration process

According to research done by Haspeslagh & Jemison, there are three main problems discovered in the integration process.
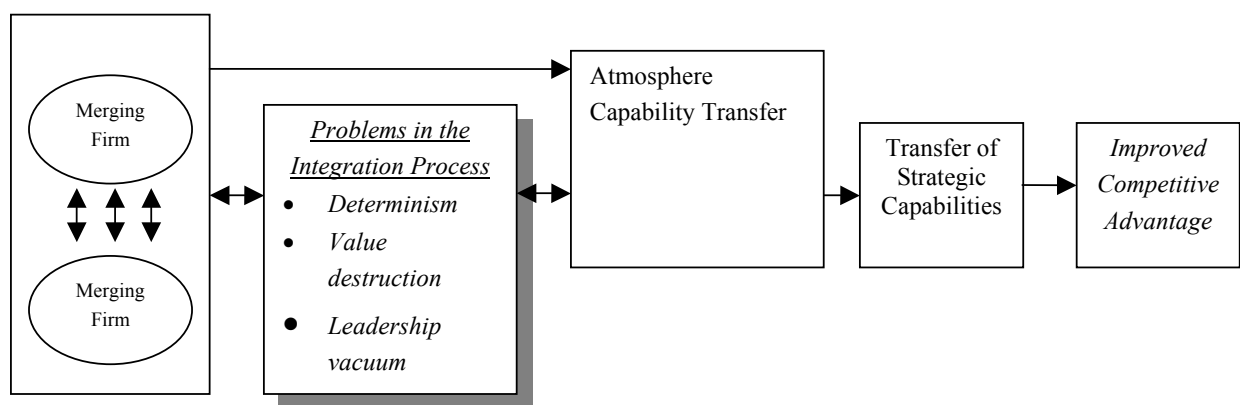
Figure 4: Problems in the integration process
(Source: Haspeslagh & Jamison, 1991)

- *Determinism* - people on both sides have a tendency to cling on to the original justification in the face of a difference or change confronting the M&A's.

- *Value destruction* – the negative impact of the M&A on individual managers and employees themselves.

- *Leadership vacuum* – The lack of appropriate leadership to articulate a new purpose for the combined firms.

Combined together these problems are the source of a large number of failing M&A's. In successful M&A's these problems surfaced but management were expecting them and handled them accordingly. In less successful M&A's,

management recognised the problems but could not influence their companies pattern to react to them. (Haspeslagh, & Jemison 1991, p.122)

We will discuss each of these problems, the forces behind them and their impact on the integration process.

3.5.1 Determinism

Determinism appears when a manager ignores the changes concerning the M&A and holds on to old values. Regardless of how detailed and well structured the preliminary M&A analysis may be, the outcome will almost always reflect a different reality. As new and unexpected information adds to the analysis, the end product will alter in its shape. Haspeslagh & Jemison (1991) found in their research that managers might cling to the original justification instead of trying to adapt to the changes. This inflexibility is rooted in a false sense of security created by frustration and confusion concerning the ability of the original justification to survive in the new reality. Determinism undermines the possibility of creating a suitable atmosphere for capability transfer. In many cases managers tend to focus on the original ideology of the merger and fail to respond to new creative configurations that could benefit both firms.

3.5.2 Value destruction

All mergers change the original infrastructure of activities at both firms. These changes can create problems such as uncertainty, fear, and focus toward self-preservation on the part of the employees. A product of this behaviour is that employees who are expected to create economic value for the owner have value destroyed for themselves. Research has shown that due to value destruction, the atmosphere needed to successfully transfer capabilities is negatively affected Employees also became unwilling to work towards the merger's success, they left the firm, ignored new policies, took no initiative, did not compromise with the other organisation, affecting the whole integration process. (Haspeslagh, & Jemison 1991 p.129).

This behaviour is detected in every merger and substantial amounts of time and resources are allocated towards changing this destructive behaviour toward the integration.

The value destroyed for employees may be economic or mentally. Economic value is destroyed if they lose their job, job security (AstraZeneca is to lay off 6000 employees in the coming years), or benefits as a result of standardisation of policies after the merger. Combining two organisations always destroys mental value. The separation from old organisational infrastructure and the two firms having to start relying on each other creates an uncertainty among employees. The rumours, presumption, actions, and decisions real or imagined that will affect the mental mode of the employees will in the end create value destruction. This value destruction will eventually affect the whole organisation's ability to generate revenue. Typical issues discussed by employees after merger announcement were; how will our independence be affected, how will my career path look, how will the new reward system and benefit system look, and what will happen to top management. No matter how much spirit management in merging firms have, in most cases they underestimate the complexity of the problem of employee value destruction. If they do acknowledge the problem they often delay or cancel planned integration steps, this will eventually be even more costly later on.

3.5.3 Leadership Vacuum

Leadership vacuum is the lack of appropriate leadership to articulate a new purpose for the combined firms. Management becomes even more important after an M&A, when people in the two organisations are brought together and expected to accept a new, often vague concept. Studies (Haspeslagh & Jemison, 1991) have shown that unless the right management "both institutional leadership and interpersonal leadership" was provided, the possibilities for creating the atmosphere necessary for capability transfer would be restrained.

Institutional leadership is important after an M&A to help people from both firms develop, understand, and embrace the merger's purpose and to see their role in it. Senior executives need to provide institutional leadership, a new vision

for the companies, an identity that both firms can identify with, and encourage creative ways to transfer capabilities to fulfil the purpose of M&A. If their is a lack of understanding of the M&A's purpose or of how they should work together, managers and employees in the two firms will go back to their old, more well-known behaviours.

> *"The chairman and president brought the top 10 people from both firms together and told us that we had a lot of potential if we could merge product lines and use each other's systems. They then told us that although there would be some start-up costs, they were confident that synergies would more than outweigh these and that we shouldn't have a performance dip. They then left the room and the two sides sat staring at each other, wondering why we were there and how we were going to make it work." (Haspeslagh & Jemison, 1991, p. 133)*

Once the M&A is set, the top management moves on to other more demanding issues, leaving the implementation phase to operating middle mangers, Who become responsible for fulfiling the synergy effects and purpose of the M&A. But an ineffective top management (like the example above) often forced them to misallocate their time. When senior executives fail to provide a new vision, middle mangers have to spend much more of their time on interpersonal leadership tasks with each employee to guarantee participation of key people and groups. The high pressure put on the middle management when they are trying to integrate two organisations that lack a common purpose force them to shift their focus from essential, value creating aspects of the M&A to the process issues of interpersonal leadership.

> *"Both my boss and I agree that I had to be responsible for the details but their were too many people problems to have the time to manage the new product development ideas we had." (Haspeslagh & Jemison, 1991 p. 134)*

One can say that a leadership vacuum at the top management levels causes implications that also affect middle management levels. This vacuum interferes with the process of creating the suitable atmosphere necessary for capability

transfer because the vision shared by the combined firms is not clearly understood by the employees.

3.6 Types of integration strategies

Haspeslagh and Jemison have developed a matrix with four different integration strategies. They vary in the amount of organisational autonomy and degree of strategic interdependency between subsidiaries and the parent company. The success factor of capability transfer, mutual learning, and adaptation necessary to accomplish the aim of the acquisition is reflected by the degree of strategic interdependence. However in many cases the lack of time and hasty integration can destroy valuable capabilities. As these capabilities are embedded in the employees, it is important not to alienate the employees so that value may be threatened or destroyed. Moreover to preserve valuable capabilities, it is important not to rupture the organisational culture from where it was created. To achieve this, a high degree of autonomy seems to be essential. As indicated in figure 5, it is important to determine what kind of integration strategy should be used in the merger.

Need for strategic Interdependence

	Low	High
High	Preservation	Symbiosis
Low	Holding	Absorption

Need for organizational autonomy

Figure 5: Matrix of integration strategies
(Source: Haspeslagh & Jamison, 1991)

3.6.1 Holding

In a horizontal merger the technical competence in both firms is usually of a similar structure, which implies little or no technical integration and few or no capability transfers. In order to minimise costly duplication of effort, the parent part may introduce tight controls of local technical activities. These tight controls affect the autonomy at the local subsidiaries; employees may feel that their independence is threatened, which will eventually result in motivation and commitment decline. This motivation and commitment decline will sooner or later affect the productivity of the *site*; this on the other hand may be what was planned from the beginning, hence, the closing of the facility.

3.6.2 Absorption

When two firms merge together some of the sites within the corporation may only provide a supplementary knowledge to existing R&D but not any unique technical know how. The supplementary knowledge will be absorbed into the new organisation at the expense of decreasing autonomy of the site that lost it. Loss of autonomy will undermine the identity and organisational culture.

An R&D function in a company might find that its prime directories are changing and that its original tasks are shifting towards secular functions based on parent directories. This fundamental change will in most cases meet resistance and in that key personal seeking more exiting and stable employment elsewhere. However, the employees of the "absorbed" firm perceive that the characteristics of an absolution include massive value destruction. The consequences of this are in many cases active hostility and mass resignation. Furthermore, when two cultures are similar, the absolution integration can be run much more effectively; it is not "them" and "we" it is "us together".

3.6.3 Preservation

Using preservation as a strategic choice is preferable because a high degree of autonomy is coupled with a low degree of interdependence. By granting the subsidiary autonomy, it helps to maintain its organisational culture. In this

environment its technical capabilities may continue to prosper. Furthermore, this is preferable when the two organisations complement each other in the newly created organisation. Unfortunately, technical collaboration and transfer is then usually limited.

3.6.4 Symbiosis

The fourth type of strategic integration approach is the most complex, but also the most rewarding. Because of the substantial amount of technical and capability transfers that must take place, a high degree of interdependence between the two firms has to exist. Moreover, since the two environments are dependant on their own organisational culture to enable them to maintain high technical capability, it is important that they keep their respective organisational culture.

By transferring technical capabilities while keeping the two organisational boundaries intact, a symbiotic environment is created. The first step is to coexist and the focus is placed on autonomy and preservation. When this is accomplished, the focus turns towards the actual transfer of capabilities. This is a slow and tedious process, but as mentioned before, if it is successful the fiscal reward is substantial.

3.7 The cultural aspect in a merger

As we wrote in the section "prior research", culture as a phenomenon was studied by several researchers and in this section a presentation of their findings will be presented. We will give some general outline of organisational culture and how researchers define it.

3.7.1 Cultural Differences

Organisational cultural has been defined in many ways. Generally speaking, many researchers see culture as the set of important assumptions (often unsaid) that members of a community relate to and use as reference points (e.g., Sathe,

1985; Schein, 1985). Every group, corporate or other, has a unique culture of its own that is shaped by its members' shared history and experiences (Schein, 1985). In broad terms culture has an impact on virtually all aspects of the way people of a organisation or group interact with each other. It is not easy to change cultural patterns; its full strength and complexity can be seen when two independent cultures are brought into close contact with each other.

We have found a few studies that have systematically attempted to measure cultural differences and their effects in the integration process of M&As. In a study of the psychological impact of a merger of two U.K. Building Societies on middle managers, Cartwright and Cooper (1993b), in their study have measured cultural compatibility as well as other attitudinal variables as job satisfaction, commitment to the organisation, and stress. However since the cultures of the companies that merged were quite similar, and the research was based on one case, the cultural differences on attitudes and effects of managers' behaviours could not be detected. They used a questionnaire to collect their empirical data.

Some other studies used questionnaires to measure cultural variations in large samples of M&As. For example, Chatterjee researched the outcome of cultural fit between merging firms and their stock prices after their merger. Based on a sample of 30 firms, it was found that among these firms the ones with similar cultures in the top management teams made a smooth transition and delivered profits to shareholders earlier than the firms with dissimilar cultural patterns. Furthermore, the effects of such cultural differences on the attitudes and behaviour of top executives are important to investigate to learn about the underlying assumption of those particular groups' perceptions of their surroundings and what triggers them. Additionally, to explore the effects of cultural differences on the effectiveness of the integration process and financial performance, such as return on assets, it is just as essential to be able to connect "cause and effect" in order to correctly react to change (Chatterjee et al., 1992; Weber, Shenkar, & Raveh, 1996).

4.Analysis and interpretation of empirical data

"A spy was once caught in the Middle East. He was brought before the commandant who said to him, "you know of course that the penalty for spying is death by firing squad." The spy asked the commandant whether he had any choice in the matter or whether there was anything he could say on his own behalf. The commandant replied, "yes, you do have a choice. You can either be shot by firing squad at dawn, or you can go through that door, " he said , pointing to a large and ominous black door in the far corner of the room. The spy asked what was behind the black door. The commandant answered, "that's for us to know. You decide: is it the black door, or the firing squad? "The spy requested time to come to a decision and was told that he had until dawn. One can only imagine what he thought as he paced in his small cell throughout the night. It is likely that most of his thoughts were focused on the question," what could possibly be so horrible behind the black door that they would give me a choice?" In the morning he was brought before the commandant and asked for his decision. "Shoot me, "he said." "At least I know what that is." After the spy was shot the red cross observer who was present asked the commandant, "What was behind that black Door?" The commandant replied" freedom." (Senn, 1994, p. 233)

The analysis will contain a summary of the findings of our survey at AstraZeneca, Mölndal, The diagrams will illustrate these findings and the comments made by the respondents will give additional support and depth. From these we will discuss different connections found and finally integrate this with our research question. Due to the vast amount of diagrams, it is not fruitful to display them all, therefore we will in some cases only refer to them in the analysis, they can be found in the appendix.

4.1 General feeling concerning the merger

What was your first reaction when you heard Astra and Zeneca were going to merge?

Most people understand that mergers take place for business reasons**.** The comments made concerning this question indicate that the employees are aware of the importance of gaining competitive advantage in the rapidly expanding competition on the global market. Here are some of the comments made by the respondents that support this.

"I was happy that it was a British Company, it was time for a change"

"Thought it would be great to have more co-workers around the world"

"Gives better opportunities for growth and survival of the company"

*"I consider that a merger with another pharmaceutical company was
necessary".*

However, the diagram below will tell us a different story indicating that the attitude towards the merger is different to the actual understanding of the necessity of merging to become stronger. Furthermore we believe this to be connected with the fact that the company as such gets stronger but on the individual level uncertainty and insecurity can remain high.
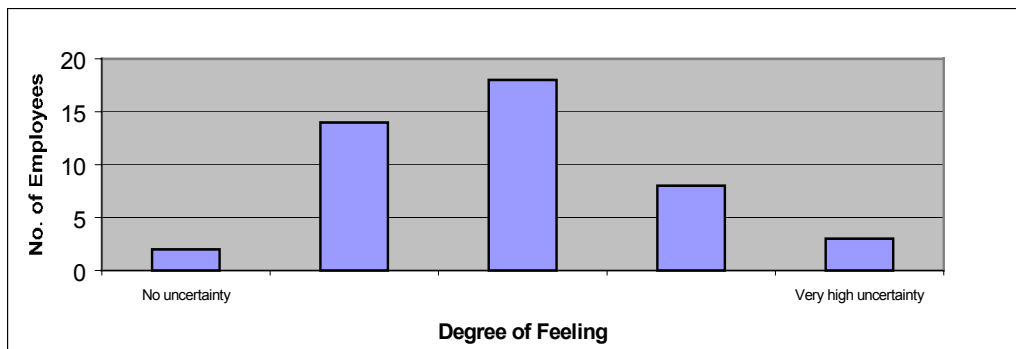
UNCERTAINTY

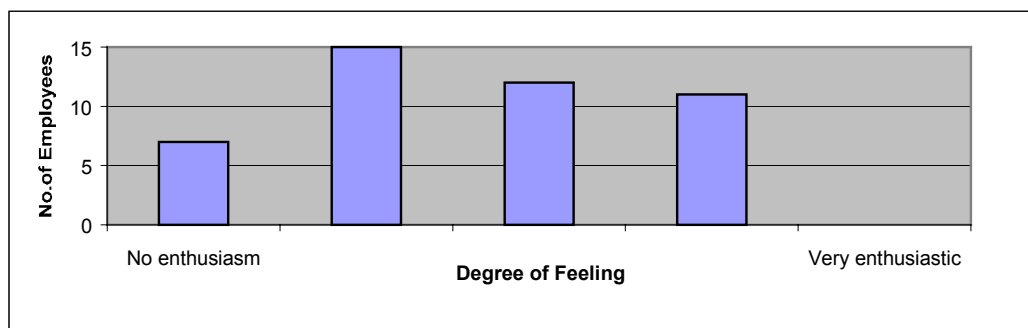**Diagram 1**

ENTHUSIASM

Diagram 2

Uncertainty and insecurity are something that occurs in almost all M&As. When a merger is declared, fears and worries are created by uncertainty about what the changes in the organisation will bring. The uncertainty feeling associated with change often leads employees to experience a loss of enthusiasm about their work and their organisation. This can decrease the moral and organisational happiness as well. (Senn, 1994)

"The way used to reorganise seems to increase the bureaucracy, which is not good for a successful research company and will diminish the enthusiasm"

"I think there is Inflation in mergers around the world"

By looking at the diagrams above, we can conclude that there was a relatively high uncertainty and relatively low enthusiasm when it was announced that the two firms were going to merge.

"The uncertainty has been high and the enthusiasm has been low during parts of the "transition period""

At this stage it was announced that the restructuring will result in the reduction of approximately 6000 jobs world-wide over the three years following the completion of the merger. A majority of these jobs were covered by freezing new employment during these three years and the rest will either be made redundant or offered early retirement.

"I am a little bit concerned about the future of each individual. Top down organisations is something we are not used to in Sweden and certainly not in old Hässle. We will be too many, will people have to go???"

How do you feel today about the merger?

The sooner some form of certainty about the future can be declared, the people will settle down. (Senn, 1994) Haspeslagh & Jemison stresses as we stated earlier that the key to managing the integration process is to obtain the participation of the people and create an atmosphere that can support capability

transfers. We believe, avoiding uncertainty as much as possible is one of the most important factors for creating such an atmosphere.
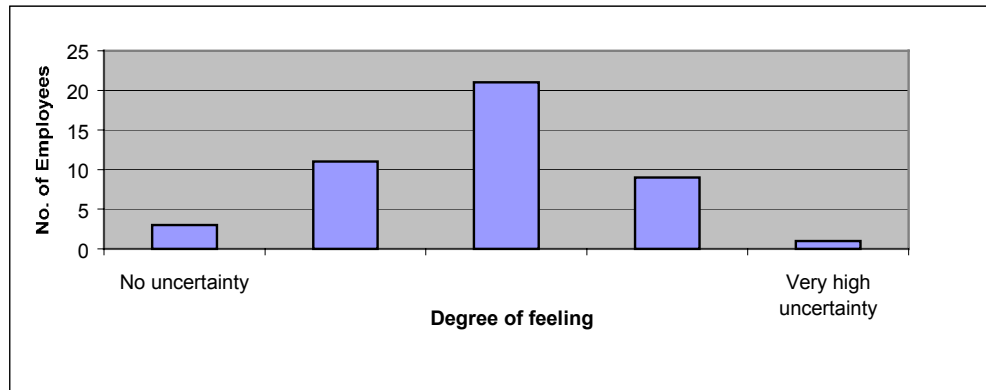
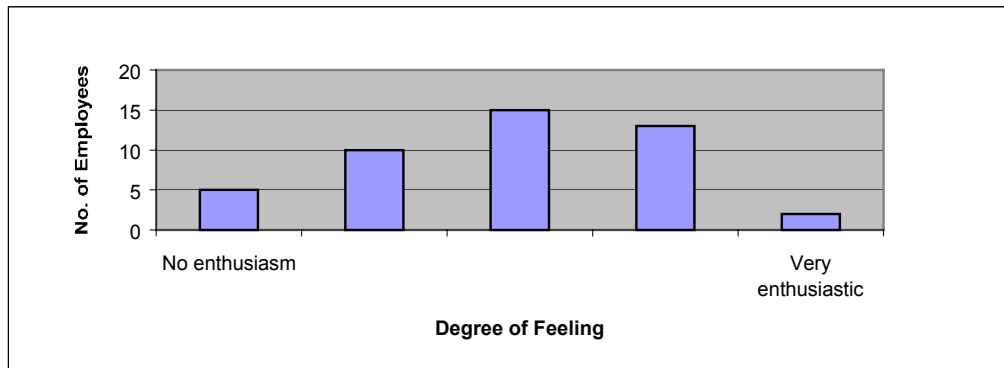**UNCERTAINTY**

Diagram 3.

ENTHUSIASM

Diagram 4.

When comparing people's first thoughts about the merger when it was first announced with what they thought about it 6 months later, there has not been any significant shift in opinion. It was announced in the initial stage of the merger that people were going to be laid of, since no concrete answer was delivered until 7 months (three weeks after we launched our study) later, the degree of uncertainty was virtually unchanged.

People involved in M&As seek after a stable environment, as we know it is a highly unstable and flexible environment in an M&A. It is when people do not

find a stable environment that they seek other alternatives, such as sticking to old values (determinism) , leaving the organisation (value destruction)or getting involved in the change process.

Behind these alternatives the underlying attitudes towards change are one of the main factors. Harry Levinson is a psychologist and Professor at Harvard. He states that even when mergers offer new opportunities, they still tend to be perceived as a threat to one's equilibrium. Whether a merger is for the better or for the worse, it makes employees reassess old relationships, norms, work behaviour, and support systems. (Levinson, H, (1972)

"First thought, Great opportunity to grow together with pharmacist at the former ICI units, but now I am not so sure anymore. The merger seems good to some but not to all of us down below the 7 level."

Although the uncertainty remained virtually the same, we can trace a positive shift in the attitude toward the level of enthusiasm. We believe a reason for this can be that people are getting exited about the fact of being a part of a successful organisation. Moreover, people are always more resistant towards change at the initial stage, but as the merger goes on people inform themselves and become more sure of their position in the new organisation.

If the psychological issues involving the employees are not addressed early in the merger process, it will have a negative impact on the process of creating the atmosphere needed to take advantage of the synergies of utilising capabilities transfer.

In the diagram showing the degree of enthusiasm, we can see that the employees only felt a slightly higher degree of enthusiasm. As stated before this also can be connected to the uncertainty of what the future looks like. Comments from some of the individual respondents concerning this give us some indication of the fact that the underlying attitude is "uncertainty". To keep the level of uncertainty low and enthusiasm high in future post merger integrations, a well-established infrastructure for information is necessary. This raises the question of how is this created.

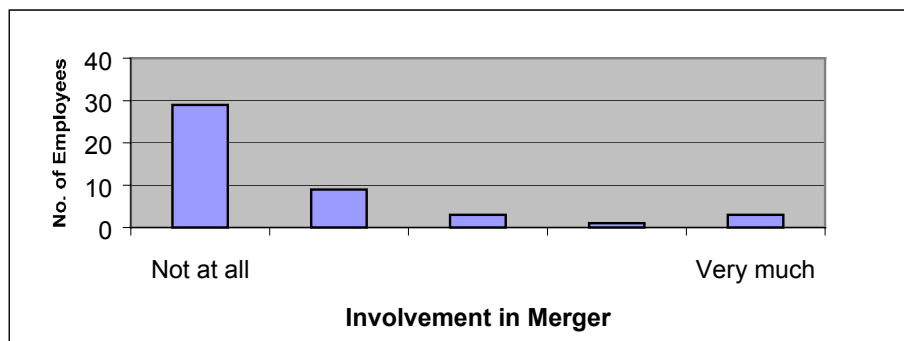**To what extent have you been involved in the merger?**

Diagram 5.

Furthermore, the degree of involvement in managing the merger by our respondent was low; this also creates a feeling of not being able to control your situation, thus creating a high degree of uncertainty. Although, most of the respondents answer that the information about the merger within the firm has been OK, (see diagram 6. below), they feel they are too far away from the top to be able to influence the integration process. At AstraZeneca, Mölndal, they have used specially formed taskforces to administrate the merger. In these taskforces people from different functions have been selected, unfortunately it seems like only people from the top levels "*Only the level 1.2.3 bosses*" have been selected. Is it possible to create taskforces with people selected from more levels in future mergers? This might give employees a sense of security if an employee from their level is participating actively in the merger process and looking after their interests.

"If by involved you mean being a member of task forces - then the answer is NO. A very small number of scientists have been involved. Only the level 1.2.3 bosses."

"Member of taskforce."

"A recommendation from the taskforce was directly pointed to personnel movement from my group. I had a lot of discussions to understand the recommendation and to avoid people being moved by force."

What do you think about the distribution of information concerning the merger?
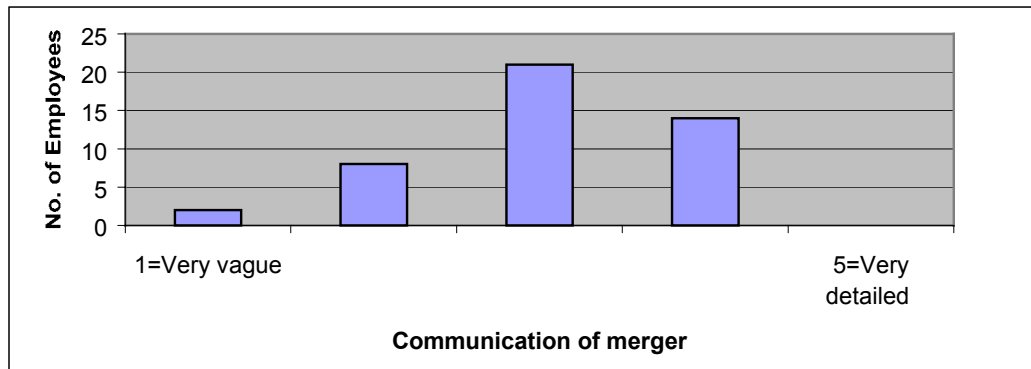

Diagram 6.

The diagram tells us that the information is good, but the comments made by the respondents below tell us that it is hard to find or access the information.

"To be honest it is probably on the net, but it is extremely hard to find, therefore it is time consuming."

"Difficult to access and hard to comprehend"

"There is a lot of information on the web, however it is in many places and hard to find and difficult to understand"

Furthermore, the quantity and the way the information is presented makes it hard to understand if you are not knowledgeable in the field of strategic management.

"There has been a lot of information, but often with low substantial value".

A conclusion can be drawn that the information surrounding the merger is there but the capability to access it and understand it is limited. The shareholders might have the capability to understand the information and that is good, but if the employees do not understand why it is done, the merger will soon find itself in imbalance.

"I think it is quite good. The CC and integration office people are doing a good job. In merger documents more details were given of our products. Every shareholder could read much more details of the drug projects than at the Mölndal site."

Not being informed about the direction of the change process creates insecurity and that is something that should be avoided as much as possible in a merger. Determinism might appear and this will interfere in the work of creating a suitable atmosphere for capability transfer and finally jeopardise the whole integration process and destroy value for the organisation. When information is scarce, rumours take charge, and eventually employees are either ineffective or seeking their fortune elsewhere leading to a brain drain in the organisation, as human capital is an asset this will most certainly affect the outcome of the merger. In future mergers, what can be done to keep human capital?

"There was a lot of (quite good) information to begin with, but the flow seems to have more or less dried out by now."

"Sometimes there has been too much information"

Change in job satisfaction, the ability to take own initiative, and the change in responsibility were three questions that were asked in our survey.

The outcome of these three questions showed that a majority did not feel that there was any change in the responsibility they had before the merger.

"No changes so far, but I am waiting for a reorganisation in December, when I possibly may get increased responsibility."
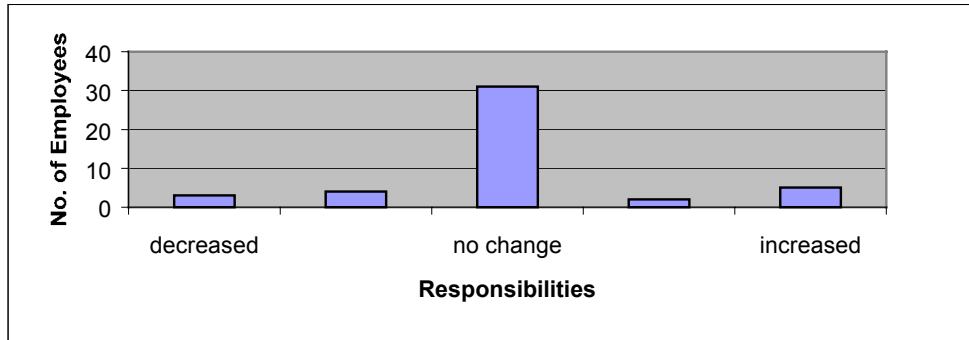
Diagram 7.

However, when it came to the ability to take own initiative, almost one third of the respondents' felt it had decreased.

"After the merger we have a more articulated work process. It has been decided that everyone should work according to the set frame of rules with no exceptions"
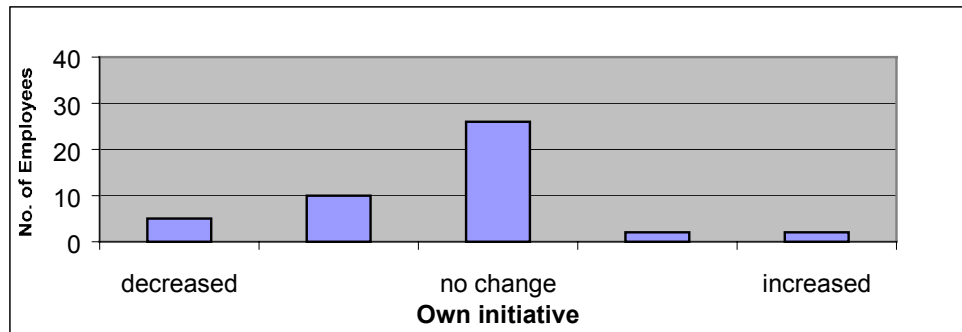

Diagram 8.

Moreover, the respondents felt a decrease when it came to change in job satisfaction.

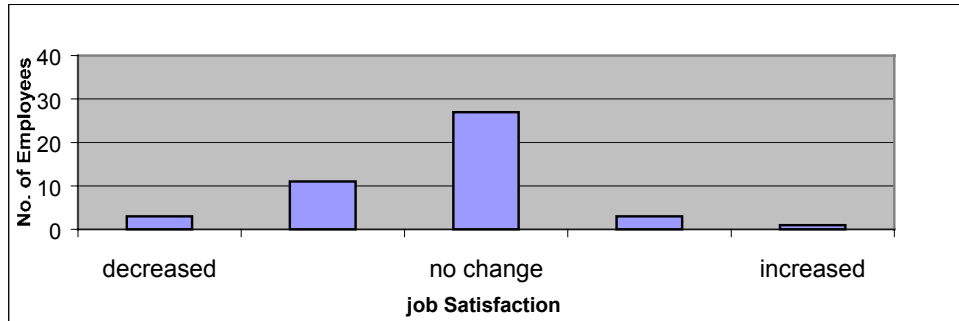*" No decision are being made …………vacuum"*

Diagram 9.

Since the announcement of the merger was in April and this survey performed seven months later, it indicates that people have been waiting for guidance, which has created a negative atmosphere. As we mentioned earlier, it was announced in the early stage of the merger that the organisation were going to reduce its staff by 6000 thousand people by the end of the three-year integration process. Not keeping its employees informed about the progress in this matter has a bad influence on company moral. (Senn, 1994) All mergers are announced with a full scale organisational restructuring, creating synergy effects, in almost all cases it creates insecurity in the organisation. This leads to the employees feeling vulnerable, at this stage they are in need of a leader to guide them through the change process. As mentioned earlier, information is important because insecurity is the worst enemy. It is dangerous to let job satisfaction drop to a low level, due to the fact that the employees are an important asset. What can be done at early stage in the merger to detect the informal leaders to help guide the organisation through the merger?

To what extent do you feel that language barrier between the Swedish language and English language has been a problem?
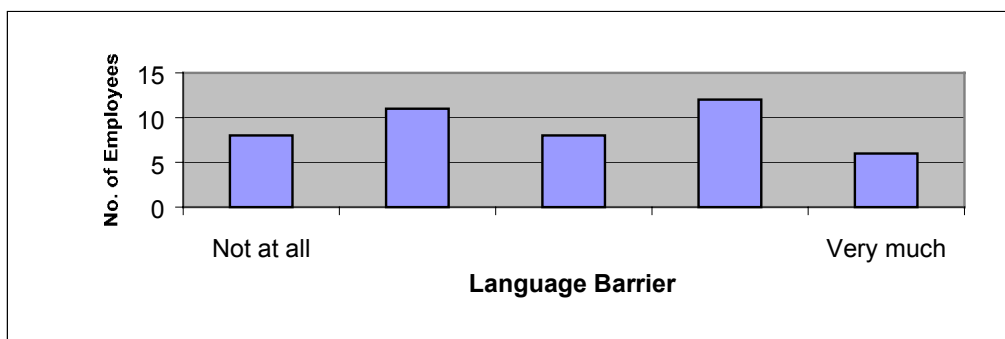

Diagram 10.

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Swedish people are in general quite good at understanding and speaking the English language.

" Even if most of the people at Astra are comfortable when using the English language well, we still have psychological disadvantage when it comes to deeper discussions."

However, there is a huge difference between comprehending day to day English and being able to comprehend professional business English.

"I think that it is very important that all have an understanding of the possible problems regarding the disadvantages of not being fluent in English and that Swedes in general do not have training in presentation and argumentation. Good training should be provided."

"As I see it the biggest problem is not the language as such but the different background for how to address people both seniors, of different sexes and younger staff. When we write official documents the differences in eloquence of language is the greatest. Personally, I am born in Germany and my words for expressing feelings are much greater in German than in English."

One problem the new organisation might face is creating a common language platform for research so it is possible for employees to adapt as fast as possible to new projects within the organisation.

As the comments below state, the employees at AstraZeneca, Mölndal feel that they are at a disadvantage when they converse with their English counterparts. One of the components in Haspeslagh & Jemison's model examines the understanding of each organisation and cultures. We know that if two cultures have the same structure, it is easier to merge them together than if there are big differences; and one of the fundamental factors when it comes to understanding each other and avoiding conflict is the ability to communicate freely.

"We have to speak their native language, which they talk much better of course"

"English is not a problem for me, but I think other people have language problems. English is not our native language but it is their native language."

"There are a lot of cultural differences in working procedures, which take time to understand."

The term "culture clash" has been used to describe a situation when two companies strategies, values, and missions are in conflict. That may be one of the most unstable factors when two companies decide to merge. (Senn, 1994) A forum where employees can meet and discuss the values, mission and underlying logic of each others organisation might help avoid uncertainty and frustration in future mergers. How is such a forum created and what factors in the merger can it address?

Is the organisation more decentralised or centralised than before the merger?

Diagram 11.

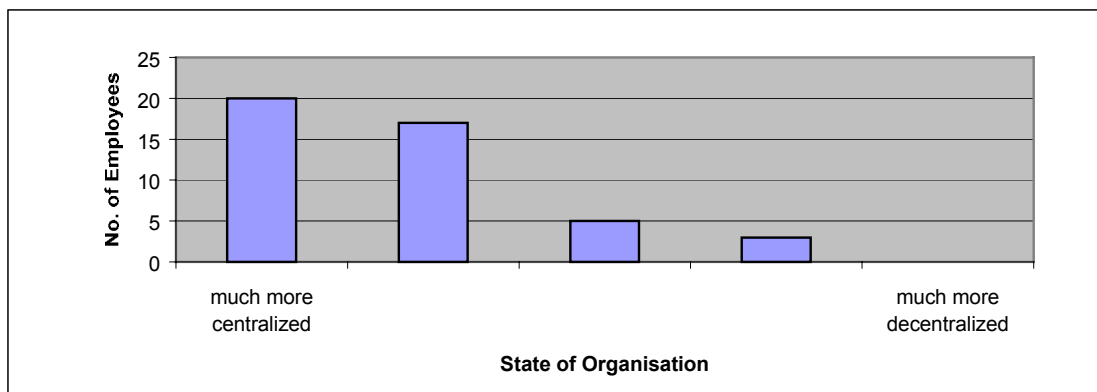From the response to this question and what we have picked up when discussing with people in the corridors is that the Astra employees' perception of Zeneca is that it is a traditional English hierarchical company.

"More hierarchy, especially in the English version"

The attitude towards the object reflects well in the comments made, the employees at Astra are used to a more liberated approach when working while

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Zeneca seems to be more prone towards controlling the different processes within the new organisation. This will create a problem that goes beyond the stated period when the assimilation of the two companies is supposed to be completed, because Astra is built on an entrepreneurial ground which is one of their strengths.

"This is the most serious with thing the merger. We are used to taking our own decisions and today everything has to be communicated and agreed upon. "

Furthermore different organisational styles create difficulties when it comes to understand the underlying logic of each organisation. This might have impact on the willingness of people in both firms to work together, as well as it might be difficult to create a proper mental infrastructure to receive and transfer capabilities.

The diagram together with the comments give us some indications that the attitude towards the new organisational structure is of a negative nature, this might, if it is not addressed properly, become a potential threat to the integration process at AstraZeneca, Mölndal. Through discussion and comments made by our respondents, we have understood that after the merger an additional three to five levels were created in the hierarchical structure of the new organisation.

"More centralised. I think I am 8 steps from CEO Tom McKillop."

"More centralised, It seems like the focus is on appointing new managers instead of synchronising the research functions between the two organisation's"

Incentives are always good in a merger. In the individuals' minds, the level of compensation says a great deal about their relative worth, perceived value, and overall status within the company. The more independent the combining companies are, the less urgency there is to match compensation packages. However, when companies are assimilated or merged, nothing will create more opposition than differential in pay and benefits. (Senn, 1994)

An example of this is the travel policy that is to be launched globally. Before the merger AstraZeneca, Mölndal had a policy about travelling, the underlying logic

of that policy was: The length of the trip decided if you should travel business class, so even if you were not a top executive and you were travelling over the Atlantic you could travel business class. The new policy is based on title not the length of the travel, consequently, if you do not have a high enough position, you do not travel business class. As the standardised travel policy is calculated to save AstraZeneca, 29 million USD globally, it can be said that this affected AstraZeneca, Mölndal negatively since they had a more free and human approach to how their employees travelled.

" there is a shortage of personal performing clinical evaluation, not everyone can be a manager……."

In the new organisation standardised policies will be launched in order to structure the processes within AstraZeneca globally. (One example of this is the new travel policy) To what extent do you think this will influence AstraZeneca in Mölndal when it comes to Cost, Bureaucracy, and creativity?

When creating standardised policies, it is important to predict the benefits that can be drawn from them. It is dangerous to implement a policy on the grounds of merely saving money and not thinking about the underlying logic of that particular function remaining the way it is. By only focusing on monetary gains, it can in some cases destroy important functions that are critical to the organisation's success. As AstraZeneca, Mölndal is built on the underlying logic of being self-directed and free in its interpretation of what is important for the success of the organisation, an entrepreneurial spirit has been the driving force for AstraZeneca, Mölndal.
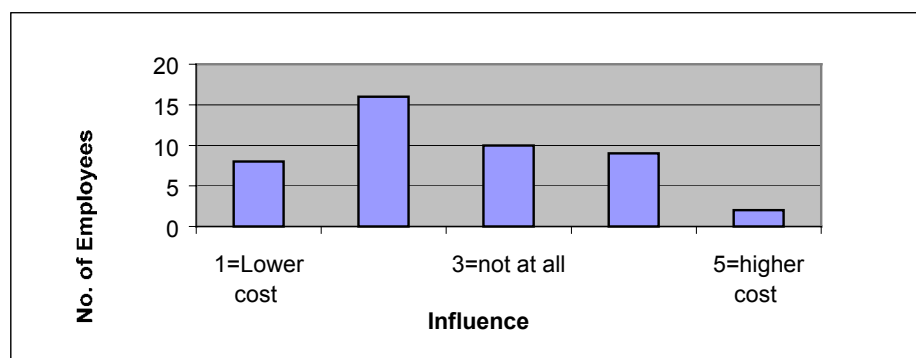

Diagram 12.

Our survey shows us that the attitude toward the question concerning cost, bureaucracy, and creativity indicates that people at AstraZeneca in Mölndal think that standardised policies will be cost effective but at the cost of more bureaucracy and less creativity.

"Far more documents have to be filled out and filed"
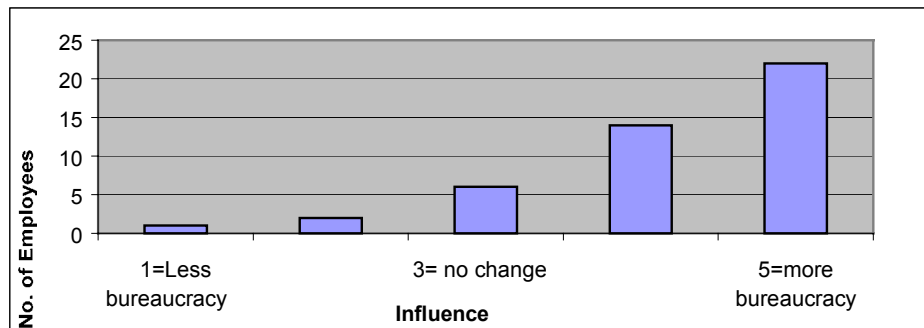

Diagram 13.

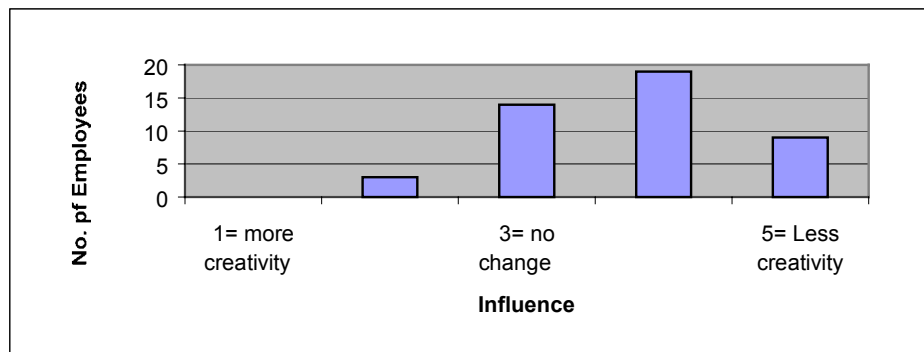*"The Bureaucracy seems to increase"*

Diagram 14.

As the diagrams above indicate, the new organisation seems to be built on the underlying logic of a more controlled environment with a more hierarchical structure. Our impression is that the controlling part of the merger comes from Zeneca. Since the feeling among people is that it was not there before the merger.

Although people have this opinion they are well aware of the fact that when an organisation expands the rules, the organisation has to be more rigid before consolidation can take place, the question is how much? For example, some firms automatically impose their administrative systems and practices on the other firm without considering whether these systems are suitable in their new environment. (Haspeslagh & Jemison) Another aspect that supports this is the indication pointed out in the diagram that the decision process have become slower than before at AstraZeneca, Mölndal.

"Necessary to clarify the rules. Makes it easier to do the right thing in a smoother way hopefully."
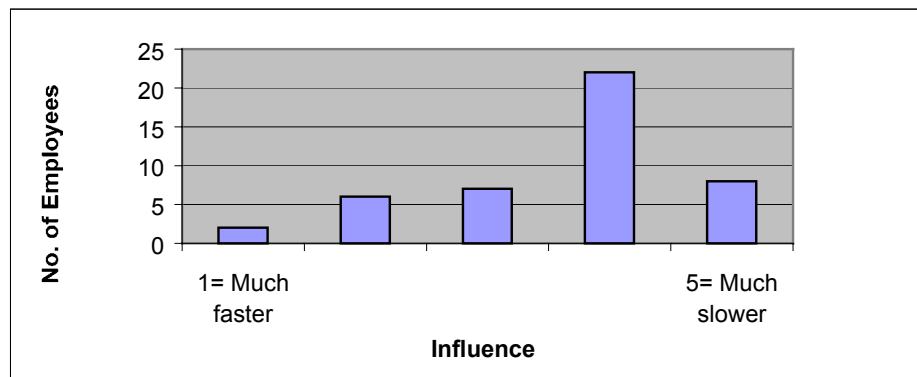
Slower or faster decision process

Diagram 15.

To continue the discussion from the last question, the outcome of the above diagram can be traced back to the centralisation of the organisation. As mentioned in the theory one aspect is the leadership vacuum. As when senior executives fail to provide a new vision, the middle manager has to spend a lot of their time on interpersonal leadership tasks with each employee to guarantee the participation of key personnel and groups.

"I can already see the slow process in decision and budgeting questions."

Consequently this forces them to shift focus from important value creating processes, and will eventually create bottlenecks that influence the whole decision process of the organisation . What communication infrastructure is needed in order to avoid bottlenecks in a merger?

In your opinion should AstraZeneca implement standardised policies globally or should decisions be taken at local sites. (Astra Zeneca, Mölndal)
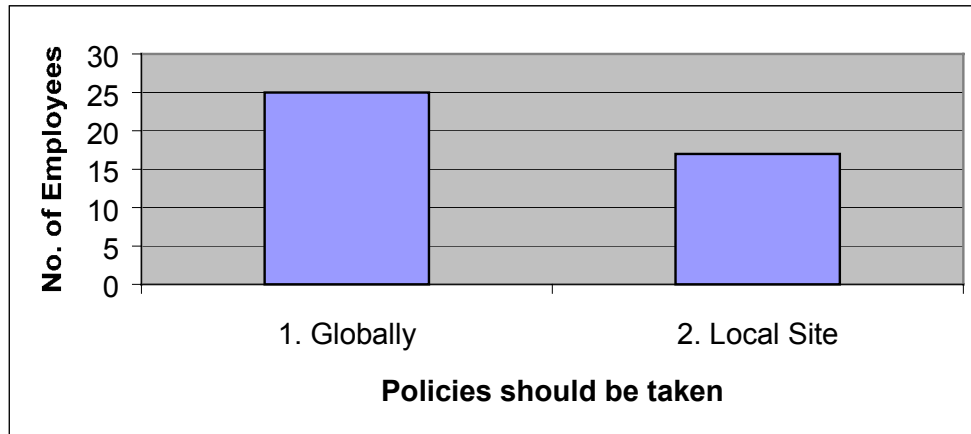

Diagram 16.

It is understood at AstraZeneca, Mölndal that when the two organisations merge, it is important to create a common platform for how functions within that new organisations are to be performed.

"Both are necessary. Policies are sometimes good to see what directions should be taken. By reading the same texts all of us can use the same language/professional terms etc."

It is a fine line between protecting the organisation through policies and destroying important value creating functions. As the success of the pharmaceutical industry lies in the hands of its researchers, it is important not to interfere in a way that limits their capability to create.

"Global in general, but local initiatives should be encouraged".

To be able to realise the synergy effects when combining the two organizations, a common platform has to exist, this is an area where policies make a big difference. Preparing the infrastructure for capability transfer.

"If there is to be a future for global organisation, the guidelines must come from a global policy"

"Since the global organisation is global, the policies also have to be global. The choice is made when choosing organisation."

When merging two companies, it is very important to identify which cultural factors have historically made an organisation great in order to avoid "throwing out the baby with the bath water". (Senn, 1994, p. 235) For example if a company's historical success was based on its, flexible and entrepreneurial organisation, a high amount of standardised work processes can begin to destroy what once made it great.

"Concerning global processes affecting our work with parties outside the site we should have the same working policies. Otherwise I don't think it is necessary."

"There needs to be space for acceptance. This can vary depending on the company culture and the subject policy. Some policies can be implemented globally."

When we studied this question closer we discovered that there was a distinct difference in how the functions within AstraZeneca,, Mölndal thought this should be applied in the organisation. The pharmaceutical function was in favour of taking policy decision locally while the clinical function was in favour of policy decisions being taken on a global scale. The reason for this might come from how differently these two function work, they both do research, but on different grounds. The pharmaceutical functions work with Pharmaceutical, *compounds test formulas* concerning tablets, capsules, and infusion injections etc. The clinical units are responsible for the clinical *evaluation* of new substances, which are tested on humans (patients and healthy humans) while PSNL work with marketing strategies, models and licensing. We believe that since the pharmaceutical functions work with more abstract material then the clinical function, they are afraid that rules will only limit them in their creativity.

Do you think your attitude towards the merger in general will influence your attitude towards the future standardised policies?
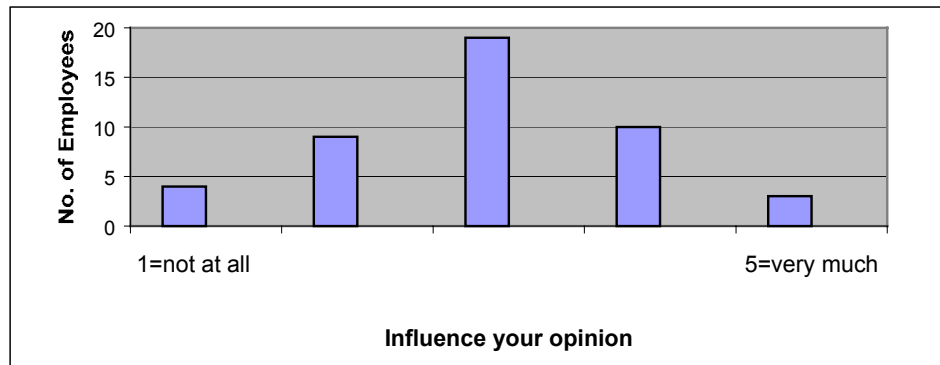

Diagram 17.

Due to the hypothetical nature of the question it is hard to make any definite conclusions for what will actually become reality. However, it is possible to use it as an indicator in order to make appropriate alterations to avoid it becoming reality. Today the underlying attitude towards the merger seems to have an effect on the present and future policies introduced to the organisation.

It is reasonable to assume that the stage in the merger the organisation is at the present moment will have an impact on the attitude towards change. As we have mentioned earlier the organisation is in a stage where there is a lot of information floating around, memos, emails, media, Intranet, Internet and meetings. An informational overload might appear where it is hard to differentiate between what is real and what are rumours.

At this stage the respondent is reacting towards an object at that specific moment in time and space, meaning that it is based on what information the respondent has at hand at that very moment when making his/her judgement. As time passes by the employees, perception of "their" company will unconsciously change toward becoming the true picture of their "new" company.

"Yes and no- I am in favour of standardised policies. However the bigger and more centralised an organisation gets, the bigger the risk is that the policies might not work in the way I think they should. E.g. they become more detailed and more people don't see the intentions and thereby don't apply them in the

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best way in actual situation. I also see that this is how it has been working in (at least some parts) the Zeneca organisation. E.g. People tend to stick to rules and not take responsibility and try to develop things that are not their responsibility."

In your opinion, who is the dominant party in the merger?
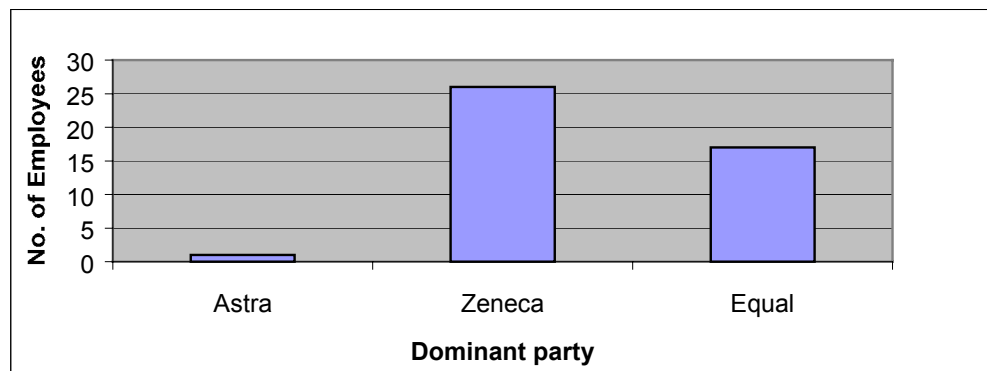**Astra / Zeneca / Equal**

Diagram 18.

"We" versus "they" phenomenon is an important issue to be aware of in mergers (Kleppsto, 1994). When companies are combined their staff almost immediately begin to focus on the differences between the companies. In many M&As the staff see themselves as the winners or losers, typically the dominant company wants to impose changes. (Senn, 1994)

"Within our function, Zeneca's way of working has been set as a framework and many of the new top managers are from Zeneca."

Employees often feel that working with people in other organisations is a zero sum game, where the benefit for one group is at the expense of another. (Haspeslagh & Jemison, 1991)

"Astra might be slightly more dominating in R&D and Zeneca in PS&L, it's give and take".

As we can see in the diagram above, a majority of the respondents feel that Zeneca has the dominant role in the merger, it can be said that many of the

respondents from the different functions feel that they are the losers in this merger.

"It feels more like a takeover then a merger."

One respondent felt that Zeneca had an advantage since they have experience in performing merger and acquisitions. Another respondent addressed the fact that the main office is situated in England together with the President, there was also concern for how strong the Swedish top managers were and that there was a possibility that in the future a foreign CEO will run the Swedish organisation.

As the diagram shows, only one of the respondents thought that Astra was the dominant party in the merger. Comments made by the respondents tell us a bit about their attitude towards the merger: As we stated many times before, uncertainty and insecurity can be vulnerable for the merger, this might end in loss of key personnel.

"I think most Swedish employees have difficulties understanding small subtle things in English and speak as directly as English people do."

"Zeneca, Mostly because they have the big advantage of English as their native language."

It should be mentioned that in this study the respondents were limited to AstraZeneca, Mölndal. If one had included employees from Zeneca in this study the outcome may have been different.

Do you feel that there has been a leadership vacuum?

It is much argued that leadership is even more important after a merger when people in the two organisations are brought together and expected to accept new concepts. As we mentioned earlier, lack of leadership makes it difficult to create an understanding for the merger and eventually employees in the two firms will go back to their "own ways of doing things". During a merger people need to be inspired to move towards new goals and visions. It is important that the top managers can provide a vision and pass on it to the middle management that

often are the ones actually performing the implementation. (Haspeslagh & Jemison, 1991)
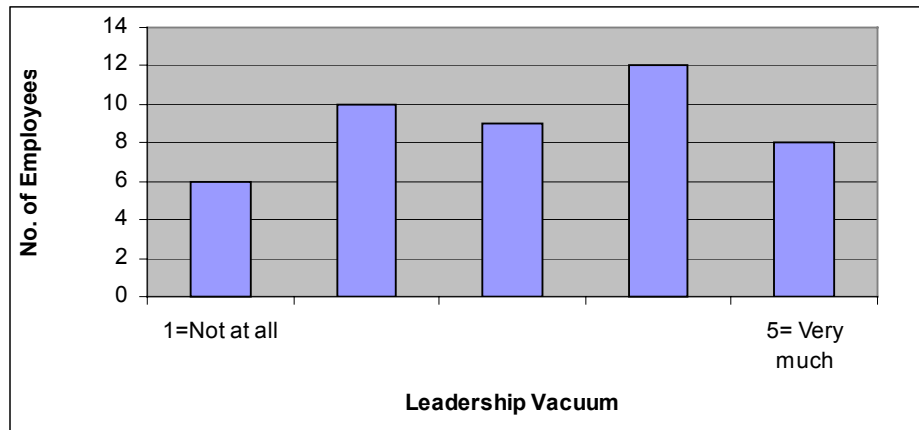

Diagram 19.

In the diagram we can see that this to some extent is true. Many people feel as if there is no clear leader to follow since their managers are very occupied and seldom at the office. This is something that is expressed in the comments below and is also supported by our own experience in reaching our sponsors at AstraZeneca, Mölndal, that has been difficult sometimes. In the delicate process of a merger, it is important to have a leader, to inform and guide people through the integration process.

"A lot of new bosses, but not enough leaders. A vacuum has been created in the projects since many of the new bosses come from the projects. I hope this will be better with time."

Appointing new managers and creating new levels might not be the answer, the quality and ability to lead and inspire people has to be there. As stated in this section with the comment that there are many new bosses and they seem to be appointed from the projects, which might result in their having formal power to lead people but no informal power.

As mentioned in the theory, there is a risk of value destruction in a merger, here we can refer to the comment below where one employee is addressing the human capital in the organisation,"*400 with PhD's and probably 70 - 100 ass professors and about 25 industrial professors*". Since Astra is a knowledge

intense organisation, it is of utmost importance to manage this capital of fresh knowledge. If the new organisation fails to mange this capital it will become sour.

"For the past 12 months many of us have not seen our leaders more then 2-3 times a month. I myself miss the smiles on our faces. I think that this process, as you so well express it, creates a "vacuum" which is very severe in the long run. Do not forget that AstraHässle has 1500-1600 highly competent creative and skilled people. I think we are 400 with PhD's and probably 70 - 100 as professors and about 25 industrial professors. These human capital have so far not been awarded. Or am I the only one that has been forgotten."

How successful do you think AstraZenca will be in the future?

From all the comments made, discussions held and the outcome of the survey, we have detected a strong force of self-confidence in the employees at AstraZeneca, Mölndal. Although, the comments reflect uncertainty toward the merger and the future, the voice and the poise the employees use when they address their concern in the many issues are admirable, even at a time when it might be vice not to draw too much attention to your own person as an individual, they stand strong.
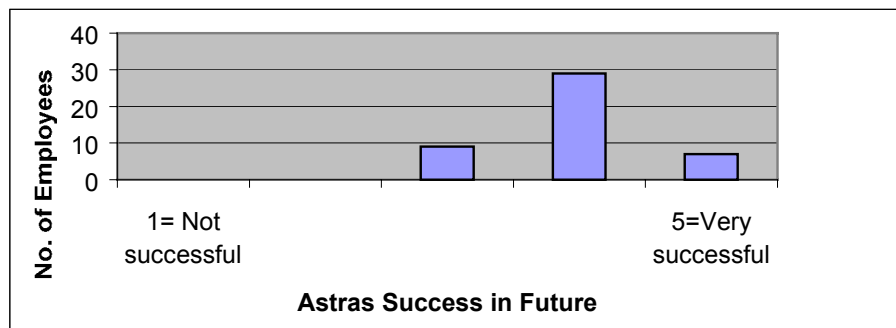

Diagram 20.

"In the short run quite successful. In the long run I think it depends very much on how they take care of creativity. (Allowing and taking care of development of new ideas). And it will be harder and harder to do, the more centralised the company becomes".

"Hopefully, but I have the feeling that this merger is not good for Astra.

It is important to have the time perspective in mind. I think that for the next five years it will be succesful, It's more doubtful that we can fill our product portfolio in the long run"

4.3 Choice of integration Strategy

Need for strategic Interdependence

		Low	High
High		Preservation	Symbiosis
Low		Holding	Absorption

Need for organisational autonomy

Figure 6: Matrix of integration strategies
(Source: Haspeslagh & Jamison, 1991)

4.3.1 Holding

Holding is not an option for AstraZeneca, Mölndal since they posses technical skills that are valuable to the new organisation and consequently this strategy seems to destroy the whole working environment that will eventually destroy value in the new organisation.

4.3.2 Absorption

As the strategy implies, the most valuable functions are absorbed into the new organisation leaving secular functions to eventually disappear. As mentioned above this is not a choice for AstraZeneca, Mölndal, due to the valuable knowledge they possess.

When it comes to AstraZeneca, Mölndal, the need for organisational autonomy is high due to the historical success of the site, the need for strategic interdependence is high which indicated that it could be favourable to use Symbiosis as a strategic choice when integrating the two organisations.

4.3.3 Preservation

By granting the subsidiary autonomy, it helps to maintain its organisational culture, unfortunately this does not enable the new organisation to transfer technical capabilities between them easily,. Hence losing synergy effects.

4.3.4 Symbiosis

The fourth type of strategic integration approach is the most complex, but also the most rewarding. By transferring technical capabilities while keeping the two organisational boundaries intact a symbiotic environment is created. The first step is to coexist and the focus is placed on autonomy and preservation. When this is accomplished, the focus turns towards the actual transfer of capabilities. This is a slow and tedious process, but as mentioned before, if it is successful the fiscal will be is substantial.

5. Conclusion and comments

As mentioned earlier, the aim of our study was to identify problems and to try and understand the factors that influence the integration process in a multinational company. In this section we will bring forth the outcome of our analysis and with that information, we will answer our research questions.

From our study we have found several attitudes that have an impact on the integration process in a merger. Here we will list the objects that were influenced by people's attitudes; we find them important to recognise when entering a merger:

We have studied attitudes that are connected to the phenomenon of organisational change; mergers are associated with large-scale reorganisations within the organisations that are involved. This change process strongly affects the people involved in the merger and their perception of their surroundings. This perception is built on a set of values, norms and ideas, this set can be described as an attitude. We believe it is possible to trace these attitudes in order to see if they have an impact on the integration process in a merger. We have found a significant number of attitudes and tried to see if they can influence the integration process at AstraZeneca, Mölndal.

5.1 Attitudes surrounding the merger

Uncertainty- Uncertainty is something that often has a negative impact on moral. In this case we found that the uncertainty level did not change much from when the merger was announced in April and when we conducted our study seven months later in November.

To be able to benefit from the synergies created in a merger time is of the essence, and if the uncertainty level remains high long after the merger, these benefits may be lost. In connection with uncertainty we studied the level of

enthusiasm felt by the employed involved in the merger. The uncertainty feeling associated with change often leads employees to experience a loss of enthusiasm about their work and their organisation.

Compared with the level of uncertainty, which has decreased, the level of enthusiasm has slightly increased following the first seven months of the merger. Consequently, we believe that these two variables are highly connected e.g. when one of them increases, the other decreases, vice versa.

"The uncertainty has been high and the enthusiasm has been low during parts of the "transition period.""

Involvement – Our study has shown that most of the employees at AstraZeneca, Mölndal, are not involved in managing the merger. The overall indication concerning this question is the level to which people are involved in the merger.

People feel that they are too far away from the top to be able to influence the integration process. This creates a feeling of not being able to control the situation, thus, creating a high degree of uncertainty. When looking at the level of involvement we found that the level of **information concerning the merger** is there but the capability to access it and understand it is limited.

Not being informed about the direction of the change process creates insecurity and that is something that should be avoided as much as possible in a merger. Determinism might appear and this will interfere in the work of creating a suitable atmosphere for capability transfer and finally jeopardise the whole integration process and destroy value for the organisation.

"Difficult to access and hard to comprehend"

The level of **responsibilities** has been unchanged the first seven months since the merger. However, concerning the level of being able to take **initiatives,** one third of the respondents felt that it had decreased.

"After the merger we have a more articulated work process, it is decided that all should work according to a set frame of rules, with no exceptions."

Moreover, the respondents felt a decrease when it came to change in **job satisfaction.** This can be traced back to the low enthusiasm, the high level of uncertainty and the decreased ability to use one's own initiative. This can be dangerous for an organisation whose success is highly dependent on the level of satisfied workers. To maintain a high level of satisfied workers it is important to give the workers room to create.

Language- The result from our study shows that the employees at AstraZeneca, Mölndal, feel that they are at a disadvantage when they converse with their English counterparts. One problem the new organisation might face is creating a common language platform for research so it is possible for employees to adapt as fast as possible to new project within the organisation. If this is not created it might in the end influence the processes within the new organisation negatively, making the projects lose momentum.

Organisation- decentralised or centralised- The outcome of our study gave us a strong indications that the attitude towards the new organisational structure is of a negative nature, this might, if it is not addressed properly, become a potential threat to the integration process at AstraZeneca, Mölndal. Through discussion and comments made we have understood that after the merger, an additional three to five levels were created in the hierarchical structure of the new organisation.

"Centralised, this is the most serious with the merger. We are used to taking our own decisions and today everything has to be communicated and agreed upon.".

"More centralised. I think I am 8 steps from CEO Tom McKillop."

The majority of the respondents in our study have been employed at AstraZeneca, Mölndal, for more than four years. Since they have been used to working in a decentralised environment, it can be difficult for them to adapt to a more centralised organisational structure, this might lead to loss of key personnel influencing the integration process negatively.

Winner or loser- When companies are combined, their staff almost immediately begin to focus on the differences between the companies. In many M&As the staff see themselves as the winners or losers, typically the dominant company wants to impose changes. From the result of our study, Zeneca has the dominant role in the merger, it can be said that many of the respondents from the different functions feel that they are the losers in this merger. This creates a frustration that will influence many aspects concerning the merger negatively, e.g. the atmosphere for capability transfer.

5.2 Cultural influence

The awareness of different culture and how it influences the integration process is crucial to the outcome of the merger. The effects of such cultural differences on the attitudes and behaviour of top executives are important to investigate to learn about the underlying assumption of those particular groups' perception of their surroundings and what triggers them. We believe that culture is an important factor t in how our respondents reacted towards the questions they were asked to answer.

The understanding of the financial and competitive benefits concerning the merger by the employees at AstraZeneca, Mölndal, is high. The long run benefits for the new organisation are for the future to tell. However, we want to stress that it is important to be aware of the negative attitudes in the organisation that might have an impact on the post merger integration process. This will affect the short-term synergy effects and eventually the long run synergy effects. Although, the employees at AstraZeneca, Mölndal show a negative attitude towards some aspects of the merger; Their response towards the question addressing the future success of AstraZeneca, Mölndal, shows a strong faith in the future and their involvement in it.

5.3 Consequence of Standardised policies

From the above attitudes we have come to the following conclusion. When creating standardised policies it is important to predict the benefits that can be

drawn from them. It is dangerous to implement a policy on the grounds of merely saving money and not thinking about the underlying logic of that particular function remaining the way it is. By only focusing on monetary gains it can in some cases destroy important functions that are critical to the organisations success.

To be able to realise the synergy effects when combining the two organizations, a common platform has to exist, this is an area where policies make a big difference. Preparing the infrastructure for capability transfer, it is of course of high importance to identify which cultural factors have historically made an organisation great in order to avoid "throwing out the baby with the bath water". For example if a company's historical success was based on its, flexible and entrepreneurial organisation, high amounts of standardised work processes can begin to destroy what once made it great.

Our survey shows us that the attitude towards the question concerning cost, bureaucracy, and creativity indicates that people at AstraZeneca in Mölndal think that standardised policies will be cost effective but at the cost of more bureaucracy and less creativity.

5.3.1 Decision process

When integrating two organisations it is important to understand how they can communicate in the best way possible. Some firms automatically impose their administrative systems and practises on the other firm without considering whether these systems are suitable in their new environment. Another aspect that supports this is the indication pointed out in our study that the decision process has become slower than before at AstraZeneca, Mölndal. This is highly connected with the fact that the organisation has moved towards a more centralised nature, where decisions have been moved higher up in the organisation going through more levels. The momentum of the projects might be lost, since the decision process slows them down.

"The Bureaucracy seems to increase"

5.4 How will the consequences affect the different function?

We have found that the overall attitude towards the merger is similar. What differentiates the functions from each other is how they think the policies should be applied within the new organisation. The Clinical function within AstraZeneca, Mölndal, are in favour of applying standardised policies globally while the Pharmaceutical function are in favour that concerning standardised policies should be taken at local sites.

The reason behind this as we see it is that the success of the pharmaceutical industry lies in the hands of its researchers (Pharmaceutical function). It is important not to interfere in a way that limits their capability to create. The employees at the pharmaceutical function that are research based feel that there is a risk that standardised policies will interfere with their ability to create. While the clinical function's research is of a more administrational nature where pre set rules make it easier to perform their task.

"If there is to be a future for global organisation, the guidelines must come from a global policy"

"Concerning global processes affecting our work with parties outside the site we should have the same working policies. Otherwise I don't think it is necessary."

The third Function that we studied was PSNL, we could not detect any difference from the overall picture, the reason for this might be that we did not receive as high response as the two other functions.

It is important that the new policies that are laid down on the new organisation help support the creation of a suitable atmosphere for transfer of capabilities. Building up an organisation that supports creativity creates such an atmosphere.

5.5 Integration Strategy

As mentioned in the analysis, we recommend that AstraZeneca should strive to fulfil this strategy. Important synergies can be realised by transferring technical

capabilities. While keeping the two organisational boundaries intact, a symbiotic environment is created. They need to go from the first step to coexist where the focus is placed on autonomy and preservation. When this is accomplished the focus should turn towards the actual transfer of capabilities. This is a slow and tedious process, but as mentioned before, if it is successful the fiscal rewards are substantial.

5.6 Cultural Aspects in a merger

As we said earlier, we believe that cultural differences have an important place in a merger. It is important to understand the differences within the cultures that are going to be merged together. Furthermore, we believe, as our study indicates that it is possible to use attitude as a frame of reference when deciding how to integrate the two organisations. By doing this a smoother and more effective integration process can be possible.