UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in International Business and Trade

Finding that right balance

A case of two globally merging MNCs' subsidiaries and their local integration process

Johanna Ehrby & Nils Florén

Supervisor: Roger Schweizer
Graduate School

"I thought merging was really easy. It became evident that it was not always easy."

<div align="right">-   Interviewed subsidiary manager</div>

Abstract

Mergers and acquisitions (M&As) are popular expansion strategies for multinational corporations (MNCs), and, in recent years, cross-border mergers have become more frequent. The post-merger integration process determines the success of M&As between MNCs, and is viewed as a collection of interrelated integration processes across geographical settings. Most often, mapping the integration process is done through an HQ-perspective, thus examining the integration process from a local perspective adds another angle of comprehension. Through a single case study, this thesis highlights a subsidiary integration process and its influencing factors, from a local perspective, in an HQ-decided M&A. Theoretical indications on integration processes in M&As guided the collection of data to determine the pre-, during-, and post-merger situation, and by applying an abductive research approach the theoretical framework was revised during the data collecting process. The results show how the subsidiary integration process is affected by the administrative MNC heritages carried into the merging process, and followed difficulties aligning strategies and cultures of the firms. Also, the applicability of communication and the quality of socialising events have an impact, along with local institutional and relational contexts. There is a need of balancing factors in the complexity of a mandated parental merging decision on subsidiary level. The findings may be applied by managers in MNCs, and guide future researchers within integration from a subsidiary perspective.

Keywords: *Multinational corporation, Headquarters-Subsidiary relations, Merger and Acquisitions, Subsidiary, Headquarter, Integration process, Communication, Transnational solution*

Acknowledgements

Abbreviations

HQ	Headquarters
IB	International Business
M&As	Mergers and Acquisitions
MNC	Multinational corporation
TW&C	Towers Watson & Co
TW	Towers Watson AB
WGH	Willis Group Holdings
WS	Willis AB
WTW	Willis Towers Watson

Table of Contents

List of Figures and Tables

1. Introduction

The introducing chapter outlines a background and problem discussion, followed by the purpose of the research, which will generate the core of the study; the research question. Also, delimitations and a research outline will be presented. The basic terminology is introduced to give the reader the necessary tools to follow; M&As, HQ-subsidiary relations, and integration processes. The thesis has applied, as explained in chapter three, an abductive case study approach, meaning theoretical concepts and empirical findings were developed simultaneously.

1.1 Background

For decades, mergers and acquisitions (M&As) have been a popular measure to rapidly increase corporate performance and portfolio of activities (Bauer & Matzler, 2014), and especially popular are cross-border M&As (UNCTAD, 2016, p. 124-125). The research on M&As have increased substantially since the 1970s, where different theoretical lenses have been taken (Larsson & Finkelstein, 1999; Birkinshaw, Bresman, & Håkanson, 2000a). Historically, research on M&As is viewed from one isolated perspective and is scattered on analysing separate phases in the M&A process, which has created barriers on developing more integrative research in the field (Larsson & Finkelstein, 1999; Bauer & Matzler, 2014). Thus, many motives for M&As have been studied (Jemison & Sitkin, 1986) where earlier research focused on strategic fit and the strategic negotiations prior to the M&A decision (Rappaport, 1979). Jemison and Sitkin (1986) influenced the traditional research view of M&As by taking a process perspective. In other words, M&As should be seen as a process ranging from pre-merger due diligence to the post-merger integration. This resulted in a growth in M&A research regarding the integration stage of the process (Steigenberger, 2016). Through the extensive literature on M&As as a process, the integration process has been argued to be a main determinant of the success or failure of M&As (Steigenberger, 2016).

1.2 Problem Discussion

Researchers stress the large number of M&As that fail (Bagchi & Rao, 1992; Bower, 2001; DiGeorgio, 2002a), where some authors discuss failure rates as high as between 70% and 90% (Christensen et al., 2011). Scholars have highlighted different reasons for the failures of

M&As, for example cultural differences, mismanagement, and inapplicable strategies (Osarenkhoe & Hyder, 2015), or lack of communication and shared information between the two merging firms (Weber, Belkin & Tarba, 2011). Nonetheless, the popularity of firms using M&As as a mean for increasing corporate performance has generated an increased complexity to their organisational structure. More firms are being involved in a hierarchical ownership network with numerous entities across borders, which on average include three national jurisdictions (UNCTAD, 2016, p. 147). Firms with operating entities in two or more countries are, according to Ghoshal and Bartlett (1993), referred to as multinational corporations (MNCs). MNCs operate in multiple geographical markets with numerous units connected through shared strategies and processes (Doz & Prahalad, 1987) and are facing a high level of complexity (Ghoshal & Westney, 1993). Doz & Prahalad (1991) argue that the size and complexity of MNCs prove that interdependencies and linkages between MNCs' units cannot be centrally structured and planned. Therefore, an M&A between two MNCs, which generally is decided in top management (Schweizer, 2005, p. 233), impact many geographically dispersed units and adds complexity to the M&A process. For example, MNC subsidiaries often experience a changed ownership after M&As, which result in a shift from one corporate structure to adopt and shape a new structure (UNCTAD, 2016, p. 124-125). However, changing a corporate structure and organisational strategy can be a difficult task (Bartlett & Ghoshal, 1998).

Scholars argue that a successful M&A can be measured by the degree of integration and by reaching synergies achieved through integration (Cartwright & Cooper, 1993; Birkinshaw et al., 2000a; DiGeorgio, 2002a; Zaheer, Schomaker & Genc, 2003; Yu, Engleman & Van de Ven, 2005). MNCs' complexity has an impact on the followed integration process (Yu et al., 2005), and management's attention to integration issues in such complexity is important for successful post-merger integration (Schweizer, 2005). Galpin and Herndon (2000) describe the balance between strategic needs of the integrating parties and the MNCs' organisational culture as determinants for integration success. However, the integration process in MNCs should not be seen as one integration process between two organisations, but a multitude of interrelated local processes between local subsidiaries of the merging MNCs (Schweizer, 2005).

The relationship between headquarters (HQ) and subsidiaries in an MNC is, according to Birkinshaw et al. (2000b), crucial when balancing control and cooperation between units. However, factors such as geographic, procedural, and strategic differences complicate the

structuring of MNCs (Doz & Prahalad, 1991), where interests of HQ and subsidiaries are frequently not aligned. Birkinshaw et al. (2000b, p. 322) note that "where the subsidiary desires autonomy, headquarters prefers control", which is also in line with Kostova and Roth's (2002) findings. In essence, the subsidiary's intentions to act for the local market are met by HQ's intentions of profitability on a global scale. Additionally, HQ and the subsidiary not only have different viewpoints of the firm, but are managed in strategically varying ways, which adds to the complexity of MNCs (Birkinshaw et al., 2000b). Thus, the design of existing strategies, structures, leadership and interrelations of integrating MNCs (Jöns, Hodapp, & Weiss, 2005; Jöns, Froese, & Pak, 2007), both on global and subsidiary level, influence the moulding of a new corporate structure (Haspeslagh & Jemison, 1991). In turn, this new corporate structure will impact the many local integration processes occurring after a merger between two MNCs (Schweizer, 2005).

As discussed, there are difficulties in cross-border mergers between MNCs (Yu et al., 2005; Osarenkhoe & Hyder, 2015; UNCTAD, 2016, p. 124-125), and how the integration in an M&A will be successful has been researched by scholars through different lenses (Haspeslagh & Jemison, 1991; Greenwood, Hinings & Brown, 1994; Birkinshaw et al., 2000a; Galpin & Herndon, 2000; DiGeorgio, 2002a; Bauer & Matzler, 2014) but most often as one single integration process with an HQ-perspective. Also, the majority of M&A studies are conducted several years after the merger (Cartwright & Schoenberg, 2006). Hence, it is of interest to examine the integration process from a subsidiary perspective after an HQ-imposed merger, which is, to the researchers' knowledge, a field of limited previous research. General subsidiary perspectives in an MNC and integration processes after an M&A have individually been researched, but more rarely how the integration process is accomplished from a subsidiary perspective.

1.3 Purpose of Research and Research Question

As suggested by Schweizer (2005), future research on the problematic situation of a local merger between subsidiaries after an HQ imposed decision to merge is needed. Therefore, the thesis will create a broader theoretical comprehension by taking a subsidiary perspective on a cross-border merger between two MNCs from a different industry and at an earlier stage in the integration process than previously studied. A more elaborate description of subsidiaries complex role in MNC integration processes will create a better knowledge base to utilise for both future academic research within the field and for management purposes. Also, the

combination of two individually large theoretical fields - HQ-subsidiary relations and the process perspective on M&As - will ideally spark a more venturous future view on international business (IB) studies. Therefore, the purpose of the research is to gain a deeper understanding of post-merger integration processes in MNCs from a subsidiary perspective.

Derived from the problem discussion and research purpose, the research question is:

How is the integration process of two MNC subsidiaries affected by the complex nature of an HQ-mandated merger?

1.4 Delimitations

Given the research question and the chosen approach some limitations were taken. As discussed, the subsidiary perspective on M&As has greater lack of research than the HQ perspective, and therefore by limiting the study to a subsidiary perspective the possible contribution to the theoretical field would be greater. Therefore, the HQ of the studied MNC was not contacted or visited for primary data collection. Further, the literature was conceptualised in a manner that would be relevant for a study with a subsidiary perspective. Additionally, small- to medium sized firms were not researched as the interest was to grasp MNCs' integration processes, which thereby limited the theoretical review. Also, the study is limited to a single case of integrating subsidiaries in order to - in the relatively untapped research field - collect data that was specific enough to describe the context. Lastly, the abductive process enabled the research to find unique applicable factors for explaining subsidiaries' integration processes by not having an extensive pre-determined outlook, and by continuous development.

1.5 Research outline

This research is divided into six chapters, including the introduction, and follows the outlined structure below. The thesis has applied, as explained in chapter 3, an abductive approach, meaning theoretical concepts and empirical findings were developed simultaneously.

Theoretical Review

This chapter presents the previous theoretical research on the subjects of HQ-subsidiary

relations, M&As and the following integration processes. The most relevant theoretical standpoints in relation with the purpose of the study have been summarised at the end of the chapter.

Methodology

The third chapter outlines the choice of research method to conduct a case study and deliberately motivates the reasons behind the processes and techniques in gathering, presenting, and analysing the empirical data.

Empirical Findings

The fourth chapter presents the empirical findings gathered through interviews, observations, and annual reports from the studied case. This includes interviewees' views on different factors that create challenges to their local integration process, structured in chronological order. Also a model to summarise the most important empirical findings is presented in the end of the chapter.

Analysis

The fifth chapter compares empirical findings with the theoretical research and further analyses as well as discusses various relevant findings.

Conclusion

The last chapter concludes the main findings and, in a structured and clear way, answers the research question. Further, it discusses theoretical contributions, practical implications for practitioners, as well as suggestions for topics and methods for further research.

2. Theoretical Review

The following section outlines the relevant theoretical concepts that lay the foundation for the thesis. The framework is focused around two areas; the first covering headquarter-to-subsidiary relations, the second covering integration processes in M&As. As further explained in chapter three, theoretical concepts for the thesis were developed over time using an abductive research approach. The concepts are elaborated on for ensuring their relevance and applicability, and are to the extent possible narrowed down. The purpose of including the specific theoretical frameworks herein is to create an understanding of the background to the research question, and thereby an increased understanding for the findings and the analysis of the research.

2.1 Headquarters-Subsidiary Relations

2.1.1 The Complexity of MNCs

Many authors have researched the relationship between HQ and subsidiaries in large MNCs, focusing on the multitude of challenges and tensions of organising across borders (e.g. Ghoshal & Bartlett, 1990; Roth & Nigh, 1992; Andersson, Forsgren & Holm, 2007; Ciabuschi, Dellestrand & Holm, 2012). In a variety of industries, MNCs can no longer compete through an assembly of nationally independent subsidiaries, but instead they need to, according to Porter (1986), integrate or link subsidiary activities across national borders. Further emphasised by Bartlett and Ghoshal (1998), the complexity of managing worldwide operations has increased during the last decades, which UNCTAD (2016) confirms is still increasing in the latest World Investment Report. Environmental changes have forced companies to adapt and optimise efficiency, responsiveness and learning simultaneously in their entire operations in order to be competitive (Bartlett & Ghoshal, 1998). Additionally, they highlight the complexity of building multiple strategic capabilities for MNCs since they have an increased organisational complexity by having subunits in different geographic locations. There are various administrative challenges in managing different strategic capabilities at the same time, where companies often experience dilemmas and trade-offs originating from their previous strategic approach. Bartlett and Ghoshal (1998) argue for three different factors impacting the dilemmas for companies; the configuration of companies' assets and capabilities, the assigned roles to their overseas operations, and diffused knowledge

within the company. Table 2.1 describes the different types of organisations and the characteristics of those type of firms that can create challenges when adapting to change. For example, organisations with a multinational strategy have a more dispersed and decentralised structure where its subsidiaries more easily respond to local demands. However, the scattered activities will generate negative effects on efficiency and the lack of consolidated knowledge harms learning in the organisation. On the contrary, a global company has consolidated its assets and capabilities which heighten its efficiency and creates products and processes centralised to a lower cost and higher speed. However, the central groups in charge of innovation of new processes and products can lack knowledge of subsidiaries' market needs which often result in inappropriate responses or large compromises that satisfies none.

Organisational Characteristics	Type			
	Multinational	**Global**	**International**	**Transnational**
Configuration of assets and capabilities	Decentralised and nationally self-sufficient	Centralised and globally scaled	Sources of core competencies centralised, others decentralised	Dispersed, interdependent and specialised
Role of overseas operations	Sensing and exploiting local opportunities	Implementing parent company strategies	Adapting and leveraging parent company competencies	Differentiated contributions by national units to integrated worldwide operations
Development and diffusion of knowledge	Knowledge developed and retained within each unit	Knowledge developed and retained at the center	Knowledge developed at the center and transferred to overseas units	Knowledge developed jointly and shared worldwide

Table 2.1. Organisational attributes of different types of company structures, outlined by Bartlett and Ghoshal (1998, p. 75).

Bartlett and Ghoshal (1998) highlight the importance to reach a 'transnational solution' for MNCs in competitive environments, which requires both global efficiency and local responsiveness as can be seen in Table 2.1. Pursuing an integrated strategy can generate a more complex global matrix structure, where managers focus on building a formal structure when identifying required changes in systems and processes. However, this is not suggested by the authors who describe transnational firms as organised in "a more gradual and differentiated way", where its complex design is supposed to ease clarity and simplify management processes (Bartlett & Ghoshal, 1998, p. 294). Therefore, top management's attention have to go beyond structure and formal processes, and realise that the MNC's organisational processes are built on understanding and commitment of individuals (Bartlett & Ghoshal, 1998). However, as argued, to change a strategic profile of a company can be difficult since there are both environmental forces and an administrative heritage of the firm that have influenced and shaped the existing one. They argue that changing the strategy is not the difficult part, but rather to change the biased mind-set to the existing organisational characteristics. A firm's administrative heritage, or organisational capabilities, has been shaped by a variety of historical and structural factors. Bartlett and Ghoshal (1998, p. 46) highlight "the impact of leadership on corporate norms and priorities, the influence of home country culture on underlying values and practices, and the powerful influence of organisational history" as the most influential factors. In line with these influences, Meyer and Rowan (1977) even earlier on had discussed organisational structures and the different external and internal pressures influencing a firm.

2.1.2 Organisations in an Institutional Context

Meyer and Rowan (1977) argue that organisational structures and individuals are moulded by their institutional context. Legitimacy is the emphasis of the article, where organisations' strive to obtain more legitimacy through the creation of procedures and practises within the environment they operate in. However, this can result in mismatches between improving the efficiency and the daily routines and rules of the production. Therefore, the authors argue that there are differences in external perception and internal effectiveness, resulting in a structural inconsistency in the organisational environment. Hence, for an organisation to achieve legitimacy, it is experiencing both internal and external pressures to change towards homogenisation, or in other words, resembling similar units with closely related environmental characteristics, i.e. isomorphism (DiMaggio & Powell, 1983). Further emphasised are the three different institutional pressures which result in isomorphism;

coercive, mimetic, and normative pressures. First, coercive isomorphism is an external pressure which can either be formal, through laws, regulations or legal standards, or informal, through expectations of the general public and driven by the strive for legitimacy. Second, mimetic isomorphism refers to when various uncertainties affect organisations to adopt or mimic another structure that seems more successful or legitimate. Lastly, companies experience pressures leading to normative isomorphism, and stems primarily from professionalisation, such as formal education and growing a professional network. (DiMaggio & Powell, 1983; Kostova & Roth, 2002)

Kostova and Roth (2002) further develop the institutional theory by taking a focus on MNCs' subsidiaries in situations where there are competing institutional pulls. Drawing from Scott (1995), they argue for an 'institutional profile', which is a specific set of regulatory, cognitive and normative institutions in a given country, and it reflects different sides of the same institutional environment. The 'regulatory pillar' regards the laws and rules that promote certain types of behaviour. The 'cognitive pillar' concerns the shared social knowledge and categories, such as stereotypes, that is used by people in the specific country. The 'normative pillar' regards the values and beliefs about human behaviour held by people in a certain country. Furthermore, the authors argue that there can be different types of isomorphic motivations for adopting social patterns, which influence the types and levels of adoption.

The relationship between HQ and subsidiaries within an MNC is characterised by the balance between subsidiary's autonomy and HQ's need for control (Kostova & Roth, 2002). The authors call it 'institutional duality', where a subsidiary is exposed to two sets of isomorphic pressures; internal, from HQ, and external, from the local country environments. They emphasise that HQ and subsidiaries reside in their respective individual environment and thus have different experiences of institutional pressures on their formal structure and activities. Therefore, activities that an MNC outlines for the entire conglomerate are influenced by the HQ's institutional environment. In other words, an MNC's home institutional context will indirectly affect its subsidiaries. The HQ impact, called 'relational context', defines the relationship through three characteristics; dependence, trust, and identity. Table 2.2 shows the different characteristics and the definition of them, as well as the effects these characteristics have on institutional pressures.

Characteristic	Definition	Effects on institutional pressure
Dependence	Subsidiary managers' belief of subsidiary relying on the support of HQ for providing major resources	The more dependence a subsidiary has the more will for complying
Trust	Subsidiary's belief that HQ - behave in accordance with commitment - is honest when discussing such commitments - do not take advantage of the subsidiary	Brings a positive effect on adoption, since trust reduces the feeling of uncertainty
Identity	The degree of attachment to HQ perceived by subsidiary employees A feel of belonging and acceptance of the MNC's common values and goals	Brings a positive effect on adoption since identification with HQ leads to employees preferring to become more similar as HQ

Table 2.2. Characteristics defining the relational context, adapted from Kostova and Roth (2002).

2.1.3 Subsidiary Responses

HQ is in need of centrally coordinating dispersed activities so that overall goals and strategies of the MNC are achieved. However, HQ does not possess the knowledge of the subsidiary, which creates difficulties in making all of the decision (Kostova & Roth, 2002). Consequently, MNC subsidiaries are provided with autonomy and decentralised decision making to be locally responsive (Nohria & Ghoshal, 1994). Furthermore, Bartlett and Ghoshal (1998) argue that subsidiaries can adopt different strategies toward HQ. Firstly, it may adopt an 'autonomous' strategy, and carry out most of the functions of the value chain in a relatively independent way towards its parent company. Second, in a 'receptive' strategic approach the subsidiary is highly integrated with the rest of the firm and few of the value chain functions are carried out locally. Finally, a subsidiary may adopt an 'active' strategy,

where many functions are carried out in the local context but in close coordination with the rest of the firm. Jarillo and Martinez (1990) support the same strategy differentiation.

The relationship between HQ and subsidiary can be viewed as a mixed-motive dyad (Ghoshal & Nohria, 1989), where there can be both interdependent and independent motives from both sides. Independent motives are asymmetric interests between HQ and subsidiary where, for example, one party want to interact and the other does not, and HQ may mandate an interaction between the parties affected by the level of authority. The interdependent motives are when each unit is motivated to internally transact information, for example trying to attain a common goal when competing on multiple levels with a global competitor. The authors argue that the context of subsidiaries is based on two conditions; the level of local resources and the complexity of the local environment. Drawing on Ghoshal & Nohria's (1989) argument on HQ mandated actions, both Oliver (1991) and Kostova and Roth (2002) discuss that there are differences in subsidiary response on adopting the actions. Oliver (1991) argues that organisations' responses depend on different factors, such as the unit that exercises the pressure, the multiplicity of demands, the distance between units within the MNC, and the level of dependence for the MNC on the institutional constituents. For example, there is a larger possibility that an organisation shows resistance towards an institutional pressure when the extent of multiplicity increases. The author argues that an organisation's response can vary by using different strategies consisting of a variety of tactics. The strategies range from passive conformity, most commonly when an organisation is experiencing high degree of uncertainties or is unaware of the institutional pressures, to proactive manipulation, commonly seen where institutional anticipations are newly started or weakly promoted. Kostova and Roth (2002, p. 216) further develop these responses by arguing that the adoption approach is divided in two components, a behavioural and an attitudinal component, which refer to "the actual implementation of the practice and the internalised belief in the value of the practice". The different levels and setup of these components determine the response adopted by the subsidiary. In other words, subsidiaries are taking different approaches toward HQ, and will therefore react differently to mandated organisational change. Schweizer (2005) argues that when MNCs' HQ impose decisions resulting in organisational change through an M&A, subsidiaries are exposed to an 'arranged marriage'. In other words, a parental decision that subsidiaries have no control over or impact on, which, according to the author, result in uncertainties on subsidiary level. MNCs' M&A decision results in a complex organisational change for subsidiaries to implement without their local context being taken into account, and

therefore complicates their activities after the merger; a so called arranged marriage syndrome.

2.2 Integration Processes in Mergers

2.2.1 The Valuable Integration Process

There is an extensive amount of literature on the M&A integration processes (Haspeslagh & Jemison, 1991; Greenwood et al., 1994; Weber, 1996; Galpin & Herndon, 2000; Birkinshaw et al., 2000a; Larsson & Lubatkin, 2001), where the processes are divided into various sub-sections. Haspeslagh and Jemison (1991, p. 106) describe the post-merger integration process as "an interactive and gradual process in which individuals from two organisations learn to work together and cooperate in the transfer of strategic capabilities". Galpin and Herndon (2000, p. 170) explain the process as connecting "operations, systems and procedures [...] to the cultures of the organisations that have come together", while Greenwood et al. (1994, p. 240) highlight how the integration process is troublesome since merging "[...] heightens members' awareness of their own culture and acts to polarise differences rather than emphasise similarities". Further, the integration in MNCs should be embraced as a collection of interrelated local processes between subsidiaries of the merging MNCs, rather than one integration process between two organisations (Schweizer, 2005). In relation to the several views on integration processes, Greenwood et al. (1994), Birkinshaw et al. (2000a), Larsson and Lubatkin (2001), Schweizer, (2005), and Yu et al. (2005), among others, highlight how most of the merger-value is achieved in the integration process.

2.2.2 Strategic Capabilities

Haspeslagh and Jemison (1991) describe how 'strategic capabilities' in the organisation need a level of appreciation within both of the integrating parties of the M&A, in order to be successfully applied. The foundation towards integration is a due diligence process to uncover those capabilities of relevance for the post-merger integration (Galpin & Herndon, 2000). An increased understanding of how and why operations, functions, and general managerial actions have been successful in the individual pre-merging firms provides integration opportunities (Haspeslagh & Jemison, 1991; Galpin & Herndon, 2000). Such strategic capabilities are frequently examined in the due diligence process (Cartwright & Cooper, 1993), and therefore, for consistency, the same capabilities are examined once the integration process is over. However, there are suggestions that human capabilities are more important for the integration than strategic capabilities (Cartwright & Cooper, 1993).

As opposed to attempts of transferring some capabilities from one entity to the other, the mere understanding of success factors that are highlighted in the due diligence process is a good start (Haspeslagh & Jemison, 1991). Cartwright and Schoenberg (2006) highlight how success in an M&A cannot be related only to the fit in strategic capabilities. If, however, the two integrating entities are proven to be embedded in largely different fields, allocating resources on understanding the merger may be a waste of time. Cartwright and Cooper (1993, p. 58) state how "ability to integrate" was deemed more important than the strategic fit for managers of integrating firms. The due diligence process in an M&A of two vastly operationally different firms is therefore only related to strategic capability understanding and appreciation, and not definite strategic capability transferring paths.

Haspeslagh and Jemison (1991) highlight how transfer of strategic capabilities, local atmosphere, and internal interactions affect the process of integration. The factors are all interrelated and one is not achieved without the other (Haspeslagh & Jemison, 1991). The authors argue interactions within the firm, and the nature of them, affect the atmosphere, which affect the ability to transfer financially related and strategic capabilities. On the contrary, transfer of strategic capabilities affects how managers interpret the local atmosphere and its internal interactions. Further, Galpin and Herndon (2000) divide the integration process into the connection between strategic needs of the integrating parties and the MNCs' organisational culture, where the combination of the two determines integration success. Regardless of what factors the integration process is divided into, the interrelation between them and how they are managed will influence the entire process.

2.2.3 Organisational Culture

The importance of organisational culture when merging firms adds to the complexity of integration (Weber & Tarba, 2012). Zaheer et al. (2003, p. 188) define 'organisational culture' as "the norms and patterns of behavior that have evolved over time", which is in turn a pre-decider of 'organisational fit' (Weber & Tarba, 2012). Organisational culture can, further, be explained as a system of beliefs, values and assumptions shared by management about the desired way of the organisation (Weber & Tarba, 2012).

Weber and Tarba (2012) highlight how marginal the emphasis on organisational culture differences are prior to the merger, yet also how important the same differences are in the integration process. Mapping the cultural differences is suggested to take place before forming a legal bond between the firms (Cartwright & Cooper, 1993). Traditionally, few

M&As are cancelled because of lack of cultural or human organisational factors (Cartwright & Cooper, 1993). Human aspects (see 2.2.6.1), when negotiating the terms and reasons for the merger, often come in second hand to commercial, strategic and financial (Haspeslagh & Jemison, 1991; Cartwright & Cooper, 1993). The organisational cultural differences between the MNCs found in the due diligence process should be shared as early as possible (Weber & Tarba, 2012), without adding time pressure to the integration process (Haspeslagh & Jemison, 1991; Galpin & Herndon, 2000). For an extensive time in the post-merger process, the organisational differences between the merging entities are kept and valued, and re-incorporated when facing difficulties (Yu et al., 2005).

Being able to define the organisational culture of firms - through a due diligence process - that are to be combined is fundamental for evaluating how appropriate the organisational fit is (Weber & Tarba, 2012), where factors such as strategy, structure, leadership, and interrelationship are argued to be determinants (Jöns et al., 2005; Jöns et al., 2007). According to Cartwright and Cooper (1993) the term organisational fit is a frequently used term yet poorly defined, which can be explained; two firms are not necessarily compatible only on the basis of being culturally similar. There are few indications that two merging firms with great cultural differences are less likely to achieve integration success (Weber, 1996). What is, on the other hand, evident is how organisational fit is. Therefore, organisational fit encompasses no universal definition; it is unique from case to case (Cartwright & Cooper, 1993; Weber, 1996). Further, defining and measuring the organisational cultures and fit in M&As are rare in relation to defining and measuring financial and strategic fit during the due diligence process (Galpin & Herndon, 2000), which create a gap between what is practiced and what is theoretically suggested to be practiced. The degree of organisational fit is discussed throughout the integration processes, and has been used as a tool for justifying mergers (Haspeslagh & Jemison, 1991; Cartwright & Cooper, 1993; Weber & Tarba, 2012). In essence, if an organisational fit exists in addition to financially oriented factors the M&A can be more easily warranted.

2.2.4 Organisational Identity

Mael and Ashforth (1992, p. 103) define 'organisational identity' as a "perceived oneness with an organisation and the experience of the organisation's successes and failures as one's own". The identity embodies the relationship between the organisation and the employees, while organisational culture, as explained, is the seen behaviour (Zaheer et al., 2003), beliefs, values and assumptions, and how they have developed over time (Weber & Tarba, 2012). In

other words, the organisational identity and culture are related, but the identity in addition covers the interrelationship of individuals and the organisation as a whole. The organisational identity is, according to Zaheer et al. (2003), more easily distinguishable in merger of equals and in mergers of two relatively similar organisational cultures. Further, the 'we and them' syndrome, where employees have a strong organisational identity, can be more evident in a 'distributive' merger of equals (Zaheer et al., 2003). If a less strict approach to the merger is taken - an 'integrative' approach - infringement upon employee's identity is not as likely.

Well-performing firms tend to have a higher sense of identity, which in turn will lead to less likelihood of identity-integration success (Zaheer et al., 2003). The perception of what is fair and not fair in a merger of equals is highly related to how the integration of organisational identity is handled, in addition to the pre-existing success rate. Zaheer et al. (2003) suggest to, as early as possible in the integration process, implement an integrative approach on the merger, and emphasise that a new identity is needed to be created through that approach. The integrative approach will stop employees from over-emphasising unfair and irrelevant aspects of the integration. To add to the suggestions of Zaheer et al. (2003), engaging in M&As creates more confusion and wariness of employees' identity (Mael & Ashforth, 1992). How the identity is kept in line varies from case to case (Mael & Ashforth, 1992).

2.2.5 Power Struggles in Mergers

Of the many M&As during the 1980's and 1990's, few were labelled as 'merger of equals' (UNCTAD, 2000; Zaheer et al., 2003). Similar patterns are seen in the last decade (UNCTAD, 2016). Zaheer et al. (2003) describe some variations of equality depending on how strictly it is defined in the merger. If approaching it generally, there should be a close-to 50/50 stock swap between the two firms, and members of the board should come from both firms in order for the term merger of equals to be applicable. Zaheer et al. (2003) explain two different forms of equal merger, one 'distributive' and one 'integrative'. In the former, all aspects down to smallest detail of the merger are equal, while in the latter the overall balance in the merger is equal, meaning each side will gain some and lose some to create an overall equality.

The assumption of equality can lead to no specified culture being adapted at all (Zaheer et al., 2003). For employees of firms engaged in a merger of equals, the very definition of the process creates no incentive for abandoning one's own organisational culture, and also not adapting to another organisational culture. As no firm is overtaking or being overtaken, there

are risks of magnifying differences rather than integrating the organisations (Zaheer et al., 2003). Cartwright and Cooper (1993) argue that employees in an organisation that have been informed of a merger of equals, where the best of two worlds will be kept after the integration process, have a difficult time identifying the equalities of the merger. Since no acquisition takes place, and no organisational culture is engulfed into the other, integrating problems in merger of equals stop synergy building (Zaheer et al., 2003). The authors argue that applying an integrative perspective, and thereby accepting that in some aspects the merging partner is stronger, creates a better chance for reaching synergies. Also, the integrative perspective will lessen employees need to hold on to capabilities that stop synergy building. However, few mergers are equal enough in their integration that balancing of capabilities occur, and, thus, fragmentation and clashes will show (Cartwright & Cooper, 1993).

Although both parties of newly formed firms are aware of an intended equality, known as a 'collaborative' integration, post-merger surveys show opposite tendencies, where one organisational culture often feel suppressed (Cartwright & Cooper, 1993). Once two organisational cultures are being integrated, there is, ideally, adaptation of the cultures into one new culture, which embodies the best from each; a collaborative merger (Cartwright & Cooper, 1993). Pursuing a collaborative merger in an integrative manner will therefore create an opportunity to avoid that one culture feels silenced. Adaptation in a collaborative merger requires a balancing procedure of the cultures, where the most appropriate practices and cultural distinctions are weighted to determine which to keep. Rather than suppressing one organisational culture in the integration process, a win-win scenario is created, thus adding value (Zaheer et al., 2003). The more different the two integrating cultures are, the longer and more difficult will the process be before a common organisational culture is achieved, but also generate a greater value once achieved. Although the merging firms are of different organisational cultures, they are not destined to encounter problems only on the basis of such differences (Larsson & Lubatkin, 2001).

In summary, the findings of Cartwright and Cooper (1993), Larsson and Lubatkin (2001), Zaheer et al. (2003), and Yu et al. (2005) on merger of equals are somewhat conflicting; in one set of findings both integrating organisational cultures remain as a result of the equality, and in the other findings one organisational culture was perceived as removed as a result of the same equality.

2.2.6 The Early Stages of Mergers

Organisational features that have not been identified during the negotiating and preparing stages will most probably show up as integration starts (Greenwood et al., 1994). There are difficulties in identifying the relevant differences in organisational structures beforehand, and difficulties in balancing the normal firm-specific activities whilst the integration is ongoing (Greenwood et al., 1994). Further, Haspeslagh and Jemison (1991) suggest a balanced combination between delegating strict time- and task oriented integration goals and creating the appropriate slack needed for manoeuvring through uncertainties. The preparation before merger completion can, according to Harrison and Farrell (2008), foster a quicker and therefore more efficient and value adding early stage of the integration, meaning up until 18 months.

Regardless of efforts made the merger will impact the revenue-generating procedures, and it is important to maintain such impact as low as possible yet achieve the most integration (Greenwood et al., 1994). They argue that the everyday rhythm and business cycle is important to start, and tend to start, as early as possible in the integration process. It implies that from the first instance of normal business procedures after the merger, the integration process is not achieved as effective as possible (Greenwood et al., 1994). Further, they highlight tendencies that managers' feelings toward the merger become less positive after the first six integrating months. Their studied examples show that once strategic procedures are developing, cultural difficulties surface. Birkinshaw et al. (2000a) describe the same occurrence as once 'task-related' aspects are developing 'human-related' difficulties surface. As tasks align, with help from cultural integration, new cultural requirements are set on core values of the previously individual firms, hence more human-related adversity arise. Such core values may be more difficult to identify, evaluate and change when strategic procedures of the newly formed firm are already in setting; increasingly difficult than in the first 18 months of the merger (Greenwood et al., 1994). Looking beyond the early stages of the integration process, Yu et al. (2005) show how managers in integrating firms are not fully focused on the core business of the newly formed entity until the fifth integrated year. Up until five years of the merger, efforts are not allocated to the reason for the merger itself - increasing sales, increasing productivity, and improved quality - although management expects a shifted focus much earlier (Yu et al., 2005). Naturally, there is a need for continued business activities throughout the integration process, and the optimal integration level is only hypothetically possible, hence finding an appropriately balanced focus is of essence

(Greenwood et al., 1994; Yu et al., 2005).

2.2.6.1 Human vs Task Integration

Birkinshaw et al. (2000a) outline how the post-merger process can be separated between 'human' integration and 'task' integration. Some literature point to a dependence between human and task integration (Birkinshaw et al., 2000a; DiGeorgio, 2002b; Yu et al., 2005; Harrison & Farrell, 2008; Apaydin, 2014), while other viewpoints on the matter suggested independence of the two (Haspeslagh & Jemison, 1991).

Birkinshaw et al. (2000a, p. 400) describes well-developed 'human' integration as "creation of positive attitudes towards the integration among employees on both sides". Human integration should generate satisfaction and a shared identity among employees. Also, human integration should be regarded as a necessity for task integration; not as an achieved success in itself. If task integration is pursued prior to human integration, risks of fusing problems increase (Apaydin, 2014). Although human integration is not achieved, task integration may be achieved fully, and vice versa. Also, for task integration to be achieved there is no requirement of complete human integration. However, creating well-developed human integration is a sufficient starting point. In relation to merger of equals, there are tendencies that employees of acquired firms, or firms whom feel acquired, need more reassurance about the future prospects than other employees. Hence, only by the perception of being acquired the need for human related integration processes increase.

Birkinshaw et al. define 'task' integration as "identification and realisation of operational synergies" (2000a, p. 400), and it should be regarded as a process, and not an instant solution. Managers at integrating firms have a history of realising the need for responsive task integration, and subsequent operational synergies, yet few experience such synergies. The identification and realisation are, therefore, only marginal steps towards incorporated task integration. (Birkinshaw et al., 2000a)

If put in comparison, human- and task integration do not necessarily occur to the same extent, and emphasis on one or the other may lead to a less successful integration (Apaydin, 2014), but they should be regarded as dependent on one another. Too much focus on human integration lead to satisfied employees yet less successful "operational synergies", and too much task-oriented emphasis lead to high synergy-integration on the expense of less

motivated employees (Birkinshaw et al., 2000a, p. 399). Also, the lack of consideration to human-related aspects in the preparation before integration will lead to a slower and less successful task integration, thereby affecting the commercial and financial aspects (Harrison & Farrell 2008).

If applying the task integration concepts, there is an assumption that a merger of equal is in fact equal, which can lead to confusion of who is responsible and in charge of the process (Zaheer et al., 2003). Managers in merging firms are in need of "clear allocation of responsibilities" in the early stages of post-merger integration, meaning up to 18 months, to avoid departure of needed personnel and increase chances for operational synergies (Birkinshaw et al., 2000a, p. 411). To some extent, delegating responsibilities is more important than awaiting the most appropriate allocation of such responsibilities. Attempting to reach distributive equality in the merger is difficult, if not impossible, and it is at the cost of clear responsibility allocation. Achieving task integration in the medium-term years following the merger is hindered by encountering problems in the early stages (Birkinshaw et al., 2000a). If, however, the firms are generally well-performing a successful merger is more easily achieved (Birkinshaw et al., 2000a), yet the integration of identity, as mentioned, is hindered by individual high performance (Zaheer et al., 2003). The more effectively a unit is working, the better possibilities for task integration and thus greater success in the merger. Such notion makes a separation of the task integration into two stages; one in which efficiency is reached, and one in which integration is sought. Yu et al. (2005) see the efficiency and integrating time-periods as overlapping, and they occur simultaneously. Also, if problems cause the task integration to be less productive in the early stages of the merger, a similar task integration attempt will be incorporated later on, in the medium- or long term (Birkinshaw et al., 2000a).

2.2.6.2 Loss of Personnel

As shown, lack of organisational cultural fit can be the root for integration shortcomings, and, more precisely, have an impact on the human factors of the integration as illustrated hereafter (Weber & Tarba, 2012). A poor organisational fit with large cultural differences can, for example, result in the departure of key personnel and expertise during the integration process (Hambrick & Cannella, 1993; Lubatkin, Schweiger & Weber, 1999; Weber & Tarba, 2012). In the first year of integration, there is a relationship between losing autonomy in the new MNC and higher frequencies of leaving the firm (Hambrick & Cannella, 1993). In other words, if a manager feels as though her autonomy is lost during the integration she is more

likely to choose to leave the firm. The departure of management does also, in the early stages after merger completion, impact the productivity, performance, and morale in the merging firm (Lubatkin et al., 1999). The term 'relative standing', which refers to how managers status, in their own perception, change in relation to colleagues, is affected in an M&A (Lubatkin et al., 1999). The relative standing changes in the integration process, either to perceived higher or perceived lower personal status. Once two firms are combining, managers compare their status to their new colleagues and to their own previous status (Hambrick & Cannella, 1993), and if the perceived status is lower than before they are likely to feel inferior or unappreciated (Lubatkin et al., 1999).

2.2.6.3 Socialisation and Autonomy

Finding a culturally right partner should be assessed, measured, and evaluated in the pre-merger process to ease the post-merger integration (Weber & Tarba, 2012). Dependent on the partner, a variation of employee-level activities is suggested. Socialisation activities are, according to Larsson and Lubatkin (2001), about the only effective way of creating an incorporated new organisational culture. Training, cross visits, and events, herein 'socialising informalities' are, if employees are given its own autonomy, effective when attempting to create a new culture out of two existing ones. A joint organisation is easier achieved if the employees themselves are given forums for social exchange, and a new culture can be formed on employee terms (Larsson & Lubatkin, 2001). If, on the other hand, there is little employee autonomy, more formal means of social control need to be implemented on the expense of slower incorporation. Further, Larsson and Lubatkin (2001) explain that the more formal the mechanisms for integration are when creating a new organisational culture; the less likely a new organisational culture will be achieved. Conversely they argue the more socially informal the methods are, the more likely is the chance of a new achieved culture.

Acceptability of a changed organisational culture is dependent on the personal expectations of the change (Cartwright & Cooper, 1993), and the direction of the change (Greenwood et al., 1994). If employee participation and autonomy are weakened because of changed organisational culture the changes will be more resisted. Greenwood et al. (1994) point out how the motivation among employees towards an M&A, regardless of the partners per se, affect integration success. Defensive behaviours have shown to occur when motivations for the integration changes are not justified. Therefore, not only an appropriate organisational partner (Weber & Tarba, 2012) but also a willing merging partner have shown to be elements of merger success (Greenwood et al., 1994). Further, the decline in motivation in favour of

the merger is related to employee values rather than how the new structures or processes are formed (Hambrick & Cannella, 1993; Weber, 1996). In relation to theoretical thoughts on autonomy (Hambrick & Cannella, 1993; Larsson & Lubatkin, 2001), Weber (1996, p. 1182) adds how "tension and negative attitudes toward the merger" are evoked when autonomy is lost. This will in the long run have direct effects whether the merger will be labelled as successful or not (Weber, 1996).

2.2.6.4 Communication

DiGeorgio (2002b) gives indication on difficulties in keeping communication on target during an M&A, and develops guidelines on what to do. Communication is a highlighted factor in the "keys to integration success" (DiGeorgio, 2002b, p. 267), which emphasise the need to analyse it.

A communication plan should be part of an integration process (DiGeorgio, 2002b), and is especially important in the early stages of the integration. The plan is suggested to be brought to customers before the merger completion date, and it should be a two-way dialogue when developed (DiGeorgio, 2002b). Communication problems in the preparation process have, according to Weber (1996), shown negative effects on the commitment to the integration process, and therefore a lesser success. For whichever reason the communication is poor - if it relates to cultural differences, trust, or pre-merger conflicts - the effects will impact the integration process (Weber, 1996; DiGeorgio, 2002b).

There is a need for mutual communication between management and employees to improve the integration process, and effective communication is to some extent initiated by listening. Also, reasons for the merger, areas of the merger that will pose improvement, personal appreciation to employees, and personal relevance as a result of the merger are of essence to communicate prior to the merger. Leadership on multiple levels in the organisation, networking and socialisation events, and a multitude of information channels are suggested focus areas to ease the integration, and continued communication throughout the integration, for example through surveys, is suggested. (DiGeorgio, 2002b)

2.3 Theoretical Review Summary

To summarise, there are difficulties in cross-border mergers (Yu et al., 2005; Osarenkhoe & Hyder, 2015; UNCTAD, 2016, p. 124-125), and the theoretical review discusses different factors, directly or indirectly, impacting the local integration processes between MNC

subsidiaries. It is argued by theorists that it is not the chosen factors themselves that are important but more the interrelation between the factors chosen, and the management of them, that will influence the integration process (Galpin & Herndon, 2000). Therefore, the summary highlights five relevant factors in relation to the purpose of the study which, in interrelation, will provide a theoretical foundation for answering the research question; (1) determining organisational fit, (2) MNCs' subsidiaries in an institutional context, (3) balancing main business and integration, (4) socialisation and human-related aspects, and (5) communication.

Two merging MNCs' organisational fit is important to achieve integration success. Organisational fit between two MNCs is unique from case to case (Weber, 1996), but factors such as strategy, structure, leadership, and interrelationship are argued to be determinants (Jöns et al., 2005; Jöns et al., 2007). Therefore, in order to evaluate the integration process of two merging MNC subsidiaries, there is a need to define merging MNCs prior organisational identity (Mael & Ashforth, 1992) and organisational culture (Zaheer et al., 2003). Doing so will help define the administrative heritage of MNCs and their subsidiaries when exposed to change (Bartlett & Ghoshal, 1998). Bartlett and Ghoshal (1998) argue that changing an organisation's structure and strategic capabilities, which an integration process would require, is difficult due to both administrative heritage and environmental forces that have formed the existing ones. Integrating firms' existing strategies, both on global and subsidiary level, can therefore influence the moulding of a new corporate structure. Hence, one important factor for subsidiary integration processes is to determine MNCs organisational fit through outlining their respective organisational culture and organisational identity, and what differences could exist, both on global and subsidiary level.

In an MNC, the balance between HQ's need for control and subsidiaries level of autonomy is important (Nohria & Ghoshal, 1994; Kostova & Roth, 2002), where both parties' motive to interact can differ (Ghoshal & Nohria, 1989), and the parties are influenced by different environmental contexts (Kostova & Roth, 2002). Therefore, the institutional context of the country a MNC subsidiary is present in and the relational context within the MNCs can expose pressures on the subsidiary, and affect the level of local adoption and type of responses from HQ mandated directives. In other words, two merging MNC subsidiaries' institutional contexts - the relation towards HQ and between the merging subsidiaries and also the subsidiaries' local context - are factors for local integration success, and therefore in need of evaluation.

The relationship between focus on main business and the integration process has an impact on both the time and the level of success in an integration process, where finding the right balance is crucial. Also, strategic capabilities, such as operations, functions, and general managerial actions are essential to identify for the MNC integration to be successful, and they are often observed during the due diligence process. Transferring these strategic capabilities is important, but also difficult, in the integration process and a level of appreciation within both integrating MNCs is needed to successfully be applied. However, once strategic operations are unfolding more human related difficulties appear, and thereby have an impact. (Greenwood et al., 1994)

Socialisation and a focus on human-related aspects of the merging process have been shown important in the integration process. Birkinshaw et al. (2000a) argue that human integration is recommended to be focused on before task integration. However, in most integration processes task integration is prioritised. During the integration, socialisation activities are generally the only effective way of creating an incorporated new organisational culture, yet forced and poorly fitted socialisation activities stemming from a parent-mandated decision will make an obstacle for integration. Thereby, applicable socialising informalities and human-related focus are effective when attempting to create a new culture out of two existing ones (Larsson and Lubatkin, 2001), and consequently a factor for the local integration process.

Communication in an integration process is emphasised as a key to integration success. Functioning communication has been proven important to not reduce commitment level and trust amongst employees, especially in complex settings (Weber, 1996). Mutual communication is needed within the newly formed MNC - between management and employees - to improve the integration process, and the importance of listening is highlighted. Further, communication regarding the term merger of equals is proven problematic, where authors highlight that the term can lead to employees' lack of observing an equality in mergers, and lack of incentives of changing their own organisational culture (Cartwright & Cooper, 1993; Zaheer et al., 2003), which in turn will have an effect on the integration process.

3. Methodology

The following chapter is divided into five segments. Each segment is representing a methodological choice made during the project process, and reasons behind that specific path. Each segment presented herein has been guided by the research question to ensure collection of the relevant data, presented in chapter four. For clarification, the studied case in the research is referred to as the organisation, source organisations, subsidiaries, or data source. The method of data collection is guided by the writings of Merriam (1998), Ghauri (2004), Bryman and Bell (2011), and Yin (2014).

3.1 Research Approach

Given the problem discussion, and intentions of making an in-depth description of a set of circumstances in an organisation, the authors applied a case study approach (Merriam, 1998; Ghauri, 2004; Yin, 2014). As the study's research question desires to explain 'how' a specific phenomenon is characterised when two subsidiaries merge into one, Yin (2014, p. 10) would suggest a case study is "the preferred research method". The study intents to highlight the integration between subsidiaries with a subsidiary perspective which demanded direct involvement and interviews with managers in the organisation. Further, the research question regards the complexity of integration, and if attempting to research more factors through a different approach, it would infringe on the quality and ability to describe the subsidiary integration. As the background understanding suggested, the field of interest was complex and a 'relativist' perspective, where findings are dependent on the observer, was applied (cf. Yin, 2014). In order to be able to answer the stated research question there was no other way than to get profound access into the subsidiaries, be able to construct qualitative interviews, and elaborate on the subsidiary actions in the integration process. Further, through pre-existing knowledge it was determined that the research area from a subsidiary perspective was not extensively studied, which suggested a case study on the subsidiary perspective was needed (cf. Ghauri, 2004; Yin, 2014). In order to problematise and create understanding in a relatively integral part of M&A studies, the personal interactions, communications, and internal perceptions were of essence for answering the research question. Also, finding a unique case was an opportunity to problematise and create understanding for unique circumstances, in line with suggestions from Aharoni (2011), which created a research

requirement for a specific case. To summarise, the field of research and the research question demanded a case study approach, and a unique case needed to be examined.

3.2 Research Design and Selection of Case

Once decided on a single case study approach the immediate network and surroundings were examined to find the appropriate case in relation to the research interest. A specific and interesting case-scenario had been in mind for some time, and upon further description it showed the great complexity and uniqueness needed for the research. This created a need for examining this specific case in order to create understanding. The source organisations had recently gone through a merger initiated by its parent companies, and the integration process was underway on global and subsidiary level. The case gave indications on structural differences, the parent companies could be labelled as MNCs, and the subsidiaries were integrating. Given that, the case, from an IB perspective, was unique and assessed to be able to provide an answer for the research question, which provided a need to examine it (cf. Aharoni, 2011). Although the source organisation in itself was not extraordinary the ongoing process it was in was. Further, the research question gave the boundaries for the case, as it related to a specific process in time, which gave the temporal and contextual boundaries for the case, in line with Ghauri (2004). Also, the research purpose had no pronounced intention of finding a statistically generalisable answer to the research question, rather to problematise a process in a unique case (cf. Yin, 2014). Therefore, selecting a case was dependent on the accessibility to the case, which was granted for these specific subsidiaries. The source case was in the reasonable surrounding with reasonable contacts that could be utilised for access, described by Merriam (1998) as a combination of 'convenience' and 'network' selection, in addition to the already stated unique factors.

As the organisation had subsidiaries in Sweden the likelihood of company-access was perceived higher than if it did not. The source subsidiaries were contacted through previous networking channels, and therein started the research process. Initially, a research on the specific data source was not completely outlined. Therefore, there was a need to determine what was hoped for of the organisation and a research project around it. The intentions of research and how it was applicable for the specific source organisations was explained, and how its unique situation provided reasons for research, which eventually led to a first face-to-face meeting with the MNC-subsidiaries of Willis Towers Watson in Stockholm, Sweden.

Case selection requirements	Location			
	Stockholm, Sweden	**Malmö, Sweden**	**Gothenburg, Sweden**	**Helsinki, Finland**
Convenient	X	X	X	
Within network	X			X
Both subsidiaries present	X			

Table 3.1. Case selection requirements.

The choice of Stockholm, Sweden as the focus for the research project was determined - in combination with convenience and network selection - on theoretical basis (cf. Merriam, 1998). Stockholm, Sweden became the only relevant location to the field of research as it was the only geographic location of the case organisation within reasonable convenience and networking that held offices of both MNC subsidiaries (see Table 3.1). Therefore, other locations of the organisation, even though fulfilling the convenience and networking criteria, could be ruled out. Other locations that were considered and within the boundaries of the source case were Malmö, Sweden; Gothenburg, Sweden; and Helsinki, Finland.

3.3 Data Collection

The collection of data was divided into primary and secondary collection. For the purpose of not being overwhelmed with an unmanageable amount of data (cf. Yin, 2014), the collection of data was determined by the research question. In order to identify the relevant data, the research question bounded the field of data that was used for analysis. Also, the uniqueness of the source case in relation to the study's research question ensured that in the unlikely event of grasping too much data the authors would still be able to find relevant use of such data.

3.3.1 Primary Data Collection

The primary data was collected through semi-structured interviews, designed after recommendations by Bryman and Bell (2011) and Yin (2014), and accounted for about three-quarters of the empirical findings, mostly concentrated to the post-merger integration. Seventeen questions were asked that, in accordance with the boundaries of the case and the

research field, related to the complexity of the case and its uniqueness (see Appendix A). Each interview spanned from 30 minutes to 1 hour and 15 minutes, which indicate the flexibility needed for ensuring appropriate data collection that could provide an answer for the research question. Further, the semi-structured interview design was chosen in order not to over-complicate the setting so that answers of relevance would be left out by interviewees. If, for example, a survey or a structured interview had been conducted there was a risk of not collecting the data of relevance for the unique case (cf. Yin, 2014). Further, all interviews were, upon consent, recorded, and initiated with a short introduction to the purpose of the interview, and the terms of anonymity; all to ensure the highest quality data were provided. For the same reason, all interviews were held in Swedish, which was the native language of all interviewees, to heighten the feeling of a safe environment to share information. All interviews were conducted in the same building, in the same manner, and asked by the same interviewer to ensure no external factors would change results, which also proved to be the most convenient method for the organisation. The conducted interviews were ethically guided by the principles of Bryman and Bell (2011), and under the permission of the subsidiaries leadership. As interviewers, the authors were aware that some interviewees and responses would be left out had not full anonymity and consent been offered to individual managers. The interviewees were asked, in advance, if they would like to participate, and upon the date of interview were further informed of the anonymity policies: no individual responses would be linked to individual managers. Such anonymity is inspired by Yin (2014), and, after some collaboration with subsidiaries' managers and leadership, it was decided that no specific answers would be linked even to a basic description of the interviewees.

The first meeting with the source organisations provided more clarity in what an eventual research project would look like. Also, it altered the proposed research question for the study as previously unknown characteristics of the subsidiaries were explained, which clarified the area of interest. The research was guided along the way by the subsidiaries' management in finding a relevant research area that would more likely guarantee results, which, in the abductive approach (shown in Figure 3.3) continuously affected the theoretical review. Communication continued with the source subsidiaries after the first face-to-face contact, and together attempted to reach a common ground of interest. From researching point of view, the authors expressed interest in large-scale access to the source organisation, with a high number of interviews, while, naturally, such is not necessarily possible to achieve amidst a high-performing firm. The leading management were helpful in finding a reasonable common level

of interest, and the research criteria could be fulfilled without disrupting the company's work extensively. For collecting primary data the target population at the case was intended to be representative of the source subsidiaries and reflect the purpose of the study, hence to give an appropriate insight into the complexity of the situation. With that in mind, prerequisites were determined for the primary data collection of the source organisation, and can be found in Table 3.2.

Interviewee prerequisite	Importance		Comments
	High	**Low**	
Employee of the subsidiaries prior to merger announcement	X		For ensuring accuracy in results
Current employee of the subsidiaries	X		For increasing relevance and heed
Present in Sweden	X		For convenience
Daily contacts with HQ		X	For applicability purposes
Ethnography-spread among interviewees		X	For increasing external validity
Business-segment spread among interviewees		X	For increasing reliability

Table 3.2. Interviewee data collection prerequisites. Based on own assessment in relation to research question.

3.3.1.1 Primary Data Collection Accessibility

The interviewee prerequisites were presented to the subsidiaries' management and, through collaboration it could be assessed who and how many interviews were to be conducted to create appropriate representation. There was a balance between the intended number of interviews and what the organisation was able to offer. Once the level of access to the data source had been determined, the subsidiaries' management of the source organisation helped setting up interviews with employees fulfilling the prerequisites presented in Table 3.2. With the information that had been provided in the introductory contacts with the subsidiaries' management, the organisational structure became more understandable. This gave clarity to

the criteria for employee interviews in order to create representation in relation to this study's research field. A rough interview schedule was designed, which was flexible in case of unforeseen interview circumstances. Continuously throughout the collection of primary data the researchers engaged in dialogue with the organisation to increase the number of interviews, which, with much appreciation, was possible. Further, based on the criteria for the study, the authors were able to assess that the accessible population of the source organisations would be sufficient for reaching the research purpose of the study, and, as described by Ghauri, 2004, represented the subsidiary in an appropriate way.

Seven interviews with the subsidiaries' managers were conducted in February and March of 2017; two with managers of the smaller merging subsidiary and five with managers of the larger subsidiary, which was close to a relative proportion of the number of employees. The average experience of the interviewees within each subsidiary was eleven years for the smaller and seven years for the larger. There were some variations in work experience of the case interviewees, but they were deemed to not influence the data collection since all interviewees were employed at the source subsidiaries both before and after the merger. The variation in experience was seen as a potential for skewed responses, but was counterbalanced by a representative variation in business-segment and ethnography. The interviewee quotes were depicted in an anonymous manner in order for the interviewees not to be identified (cf. Yin 2014). Also, all interviewees were asked if the interview could be recorded, and informed of the intentions for the research project and that no interview questions were mandatory to answer, or could be linked to them specifically (see Appendix B). Further, the subsidiaries' management were offered to examine the empirical findings, and thereby, in collaboration with the researchers, find the appropriate level of anonymity for the data collection, and, later, the research project as a whole. As a result of the dialogue with the subsidiaries' management on anonymity, it was determined that no quotes or descriptions of interviewees would be linked.

3.3.2 Secondary Data Collection

Secondary data was collected to provide a separate view of the source organisation, and not primarily for collecting data in addition to that provided through the primary data collection. Secondary data provided a more elaborated view of the preparation, completion, and integration process, and gave opportunities for triangulation of factual data, and provide a nuanced contextual point of view on the subsidiary managers' responses. Naturally, as several interview questions asked during primary data collection regarded description of complex

situations from a personal point of view there was no need to triangulate with secondary data for evaluating the factual correctness; rather to put such findings into a contextual environment. Further, secondary data provided for about a quarter of the total empirical findings, and was comprised of annual reports from the source organisations, both on conglomerate level and subsidiary level. Additional secondary data was collected through news articles, internal news publications, internal management reports, and world investment reports. No secondary data was regarded as reliable until thoroughly elaborated on, and once the data was appropriately assessed it was put into context, as recommended by Yin (2014). The secondary data was mostly used when the authors described the pre-merger situation in the MNCs and subsidiaries, and tangible facts about the merger between the two MNCs. For example, annual reports provided information on what actions were taken on global level during the pre-merger and merger stage, and also information on shareholder voting, subsidiary revenues, and subsidiary size.

3.4 Research Process and Data Analysis

The research process can be described as an 'abductive' process (cf. Dubois & Gadde, 2002; Ghauri, 2004; Lipscomb, 2012; Timmermans & Tavory, 2012). By applying an abductive approach (illustrated in Figure 3.3) the study's theoretical understanding developed and revised continuously alongside the collection of data. This allowed for coding the analytical data throughout the entire data collection process, and the studied phenomenon was reconsidered and the theoretical framework reviewed guided by the empirical context. In other words, as interviews were held and secondary data was collected the researchers drew conclusions which determined, continuously, what to include in the findings and the theoretical review, which Dubois and Gadde (2002) would describe as an abductive process.
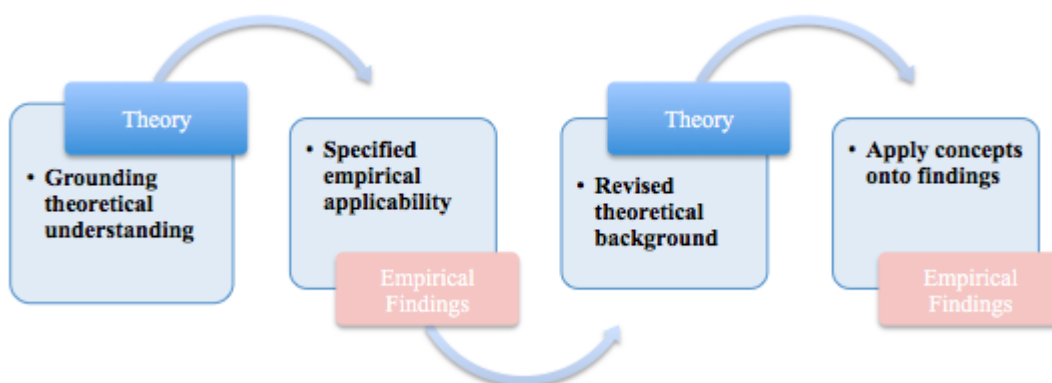

Figure 3.3. The research process – an abductive approach

Throughout the abductive process data was sorted from interviews into categories, guided in the changing theoretical and empirical structures (cf. Ghauri, 2004). Once initial interviews were transcribed it was highlighted what answers were covering what time, theme, and of what relevance, which further developed the theoretical understanding. For the better part of the data-collecting interviews the researchers were able to code the categories into that of the interview questions. Also, as the interviews were semi-structured and the theoretical understanding was changing in the abductive process, thorough analytical coding was conducted, once the data was transcribed, throughout the entire process. As suggested by Ghauri (2004) and illustrated in Figure 3.4, the coded material was divided, as mentioned, between (1) time, (2) theme, and (3) relevance. That became the basis for the data in the empirical findings-section, and the basis for excluding other data after coding.

Coding data with regards to **time**; is the data regarding before, during or after the merger?

Coding the data with regards to **theme**; under which category does the data fall?

Coding data with regards to **relevance**; is this data related to our research question?
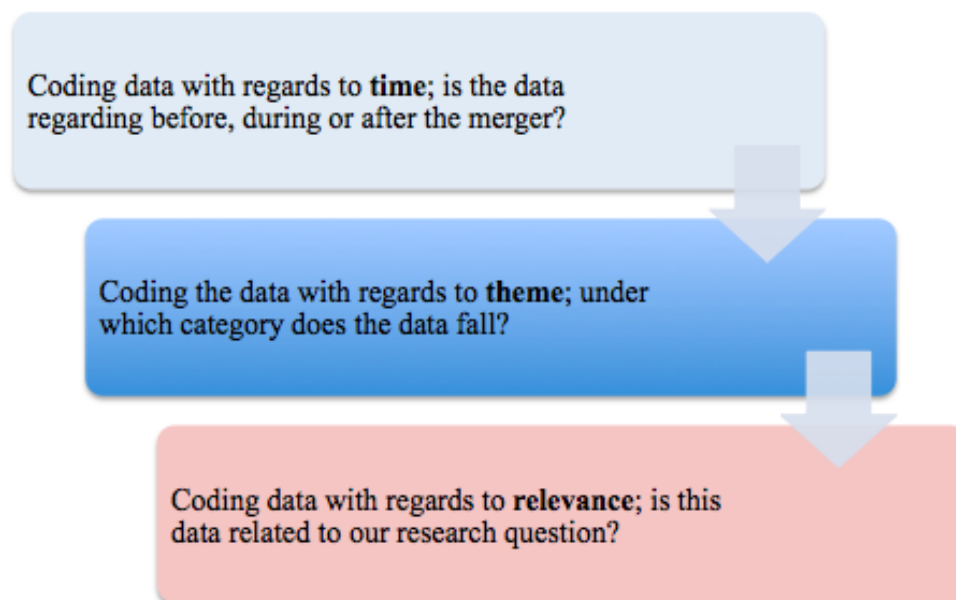
Figure 3.4. The analytical coding of data.

First, coding with regards to time was chosen in order to simplify the reading. Therefore, the authors' presented the empirical findings in chronological order; the data was coded as before, during, and after the merger. For example, interviewees could give relevant information on all three aspects of the process in one answer, and, therefore, the first coding step separated them. Second, within the coded time-frames, the findings were structured on themes that were developed throughout the abductive process. For example, data relating to integrating a new organisational structure, cross-selling, or communication were extracted from the sources, and organised. The abductive approach ensured that findings that had not been elaborated on through the theory could be used. The themes that were elaborated on were partly extracted

from the study's theoretical framework, and partly from the data collection (see Table 3.5), with a fairly even distribution between the two. Last, the coded findings were discussed and compared to the theoretical review, and structured based on relevance for answering the research question.

Theme	Abducted from	
	Theoretical review	**Empirical findings**
Administrative heritage	X	
Institutional context	X	
Communication and socialisation		X
Strategies and main business		X

Table 3.5. The abductive process of theme.

As suggested by Bryman and Bell (2011), the coding is not to be confused with the analysis. However, as the study was abductive there was continuous diversion between the empirical findings and the theoretical review, and the coding eventually formed into an analysis. The purpose of the research was not to generalise from the data that was applied, rather to problematise and create understanding, and therefore the interviewee responses were not labelled as correct or incorrect. Seemingly irrelevant information was also taken into account in the first and second stage of coding throughout the abductive process in order to not shape the research in a predetermined manner. Also, no data was given different relevance depending on what information was provided, only of the relevance itself. This approach may, according to Bryman and Bell (2011) and Yin (2014) be summarised as a 'descriptive' study, which was demanded by the research question. Further, as the research question related to the integration process at subsidiary level, the coded data on post-merger occurrences were heavily drawn from when analysing. Data relating to before and during the merger served as stepping stones towards understanding the post-merger integration. In essence, the analyses were skewed towards data coded as 'after the merger', and the two other time categories

served as supporting data.

3.5 Research Quality

3.5.1 Internal Validity

The study applied as many of Merriam's (1998) and Yin's (2014) strategies for internal validity as possible, and are outlined herein. First, the study used several forms of data on as many of the coded themes as possible in order to increase validity. For example, when describing pre-existing attributes of the researched subsidiaries, triangulation between primary and secondary data was used to increase the contextual description of the study's findings. Second, as agreed upon in the formation of the case research the empirical findings were presented to the subsidiaries management with the purpose of increasing validity and ensuring the findings could be published. After the dialogue, the findings were revised thoroughly so that highlighted factual misinterpretations were corrected. Also, the dialogue highlighted some areas of the findings that not necessarily had misinterpretations but could be misinterpreted as facts by a future reader. Those findings were revised for clarification, without creating bias or infringing on the researching integrity to assess data. After the revision, the empirical findings were again presented to the subsidiaries' management and cleared for final publication. Third, the research process was supervised by experts of the given field, and reviewed by independent trustees throughout. Fourthly, to ensure the highest relevance of the research for the source organisation, the leading individuals at the subsidiaries gave guidance to what could be researched. If not for the consultation with the source subsidiaries the applicability of the study's research question had not been as high. Last, the researchers, in collaboration with the supervisor, shared no pre-existing attitude towards the investigated organisation, which increased the neutrality of the data collection. Throughout the process, there were no assumptions made regarding factors outside of researching control.

3.5.2 External Validity

In the most extensive manner possible the research attempted to investigate the case in a manner so that it may be repeated, which is suggested by Bryman and Bell (2011) and Yin (2014). Factors such as age, gender, experience, and position were discussed with the source organisation to create the most general interviewee selection and greatest possible representation of the source subsidiaries, in order for future studies within the field to replicate more easily. Further, the theory and empirical findings were highly descriptive

throughout the abductive process (c.f. Yin, 2014) in order for the process to be more valid. Approaching the research with an abductive method allowed the study to adapt, modify and develop the theoretical framework and the findings, and thereby, as suggested by Yin (2014), increase validity and the possibility to make an analytical generalisation.

3.5.3 Reliability

A social environmental study, which the studied case is according to Bryman and Bell (2011), is difficult to replicate. However, attempts were indeed made to enrich the reliability, drawn from Merriam (1998). First, to the extent possible, data was triangulated between primary and secondary sources. Although not always referred to in the empirical findings, the collected data was put into contextual perspective. Second, the interviews were conducted in an easily describable social manner, which can then be replicated. The setting for the collection of primary data can to the closest possible extent be done again. Also, at no instance did the authors communicate with the interviewees beforehand; an insurer of the highest possible level of reliability. Third, the selection prerequisites of the primary data interviewees were done in a manner that can be easily explained, and with no personal criteria, yet with high level of representation. Last, all secondary data were made sure to relate to, in a reliable manner, the topic of research.

4. Empirical Findings

The following section will outline the findings in the studied case; the merger between Willis Group Holdings and Towers Watson & Co with a subsidiary perspective. The findings are presented in temporal order, as suggested by Ghauri (2004), in its impact on the source organisation; (1) prior to the merger, (2) the merger, and (3) the post-merger integration process from a local perspective. The first and second sections are more heavily derived from secondary data, while the third is mostly derived from primary data. Also, the categories of data are chosen based on relevance for confronting the developed theoretical review, and are attempted to be left without own opinions. For clarification, the administrative structures of Willis Group Holdings and Towers Watson & Co may be referred to as Legacies. If not otherwise stated, the findings are based on interviews and reports from the case source.

4.1 Prior to the Merger

4.1.1 Willis Group Holdings

Willis Group Holdings (WGH) has a history dating back to 1828, and is one of the leading companies in insurance broking in the world. The company is incorporated in Dublin, Ireland but for administrative convenience the principal executive offices are in London, the United Kingdom. It has an aspiration on becoming the leading global risk advisory, insurance and reinsurance, and human capital and benefits firm in the world. WGH states: "We believe we are one of only a few insurance brokers in the world possessing the global operating presence, broad product expertise, and extensive distribution network necessary to meet effectively the global risk management needs of many of our clients", proving its extensive global footprint (WGH, 2015, p. 13). WGH has created its strategy on the foundation of three drivers of financial and operational growth:

- Increase profit from existing business
- Acquiring businesses that fit strategically for WGH and that will grow profits
- Improved performance through operational change

WGH emphasises the importance of client services and has a collaborative way of working, called "Connecting Willis". The company believes that through good teams of employees, and their collaboration, they achieve great results in client services. The shareholder letter in

the 2014 annual report states that "[...] every Associate around the world can complement their local expertise with access to Willis' global capabilities." (WGH, 2015, p. 3)

WGH had, prior to the merger, a classic geographical organisation structure with a division of three geographical segments; (1) Global, (2) North America and (3) International, and through its subsidiaries it developed and provided a large selection of insurance broking, risk management, and consulting services. However, in the first quarter of 2015, less than a year prior to merger completion, the company reorganised its business into four reporting units; (1) Willis Capital, Wholesale and Reinsurance, (2) Willis North America, (3) Willis International, and (4) Willis Great Britain. The units of North America and International barely changed in this process, but the Global reporting unit has been divided into two parts. UK insurance has become Willis Great Britain and the other divisions under Global have been collected under a business segment called Willis Capital, Wholesale and Reinsurance. With an extensive geographical presence WGH is operating in close to 120 countries with a network of around 400 offices and about 22,100 employees, where 3,700 of them are employed by its associates. (WGH, 2015)

Revenue by segment WGH (FY 2015)

Capital, Wholesale and Reinsurrance
21%

International
28%

Great Britain
17%

North America
34%

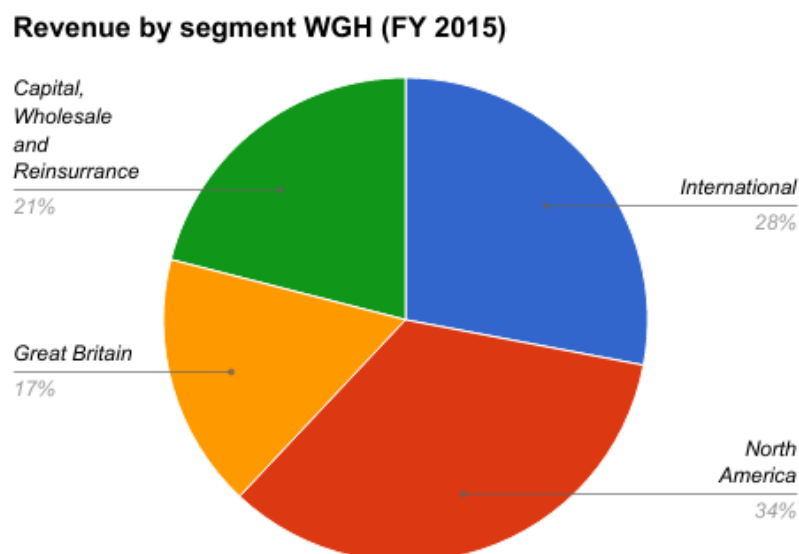*Figure 4.1. Revenue by segment WGH (WTW, 2017).*

Legacy Willis' revenues are evenly spread over the four different reporting units, as can be seen in Figure 4.1. In late 2015, Gras Savoye, a leading French broker, joined Legacy Willis and brought access to the French market, increased the number of employees, and also broadened its presence to 140 countries (WTW, 2017). WGH has been working in a business

atmosphere where its activities are subject to legal requirements and governmental regulatory supervision in the countries operating in.

4.1.1.1 Willis AB

The Swedish subsidiary, Willis AB (WS), has been operating since 1991, and has its main office in Stockholm. The company is wholly-owned by Willis Holding AB, which is in turn wholly-owned by Willis Europe B.V. that is a part of Willis Group with the parent company WGH Ltd. Furthermore, in 2015 WS had revenues of 231 million SEK and 146 employees. (Willis AB, 2016)

During 2014, WGH, through Willis Europe B.V., bought a major share of Max Matthiessen AB; a consultant and broker within insurance, benefits, and HR (Hedman, 2014; MM, 2017). The purchase was suggested by WS and was in line with corporate strategies. Max Matthiessen AB has around 450 employees in Sweden and is, since the purchase, 75% owned by Willis Europe B.V.. Max Matthiessen AB is currently sharing office with WS in Stockholm, Sweden, and their services are targeting mostly small and medium sized customers.

WS focuses on providing locally-adapted products and services by making use of local expertise together with the Group's global presence and experience. According to managers at the Swedish subsidiary, their business is focused on Swedish based companies. The subsidiary's personnel are used to making decisions independently, as long as the subsidiary is profitable and the decisions are in line with the strategic goals of the Group. A subsidiary manager explains: "Willis AB is a very autonomous company, acting like a local firm in a multinational conglomerate". WGH's subsidiaries have built strong local cultures with influence and adaptiveness in their respective local market. They have an entrepreneurial atmosphere with local decision making ability in order to keep high efficiency in the local context. The focus has been to foster employee satisfaction, since it's through their knowledge that customer-relations are built. A subsidiary manager describes the employee viewpoint: "The mentality has always been if you lose the employees you run the risk of losing the customers. It is deeply rooted into our company's DNA".

4.1.2 Towers Watson & Co

Towers Watson & Co (TW&C) is a global provider of human capital and risk management consulting (TW&C, 2015). The firm was formed in 2010 by a merger of Watson Wyatt

Worldwide and Towers, Perrin, Forster & Crosby, Inc. The main customers for TW&C are large companies, both multinational and domestic, and many of the largest corporations in the world are Towers Watson's clients. The company has around 14,800 employees and is present in 37 countries worldwide. Its largest geographical market is America, which amounts to 63% of the total revenues. It has its principal executive offices in Arlington, Virginia and its largest office in New York. As can be seen in Figure 4.2, the company's services are divided into five different business segments; (1) Benefits, (2) Risk and Financial Solutions, (3) Talent and Rewards, (4) Exchange Solutions, and (5) Other. The four largest segments are the central focus within the structure of the company, which is built on an international standpoint. Moreover, Figure 4.2 shows that the largest business segment, seen to revenues, is Benefits, which employs approximately 7,300 associates. The Benefits segment, further, is a mix of four different parts, where retirement stands for more than half of the segment's revenue. Also, TW&C provides human-capital focused M&A services, where the firm consults their clients with a focus on people-related areas of M&As. "Deep M&A expertise worldwide, with some of the most senior well-known M&A experts" is used by TW&C to describe its capabilities that can be utilised in the merger (TW&C, 2016a). TW&C participates in every part of the M&A, from pre-deal target evaluation, through due diligence, to post-deal integration strategy and implementation. Further, it is offering helping "tools and techniques" to its clients management structure in the integration process; the very process the firm is currently in (TW&C, 2016b).
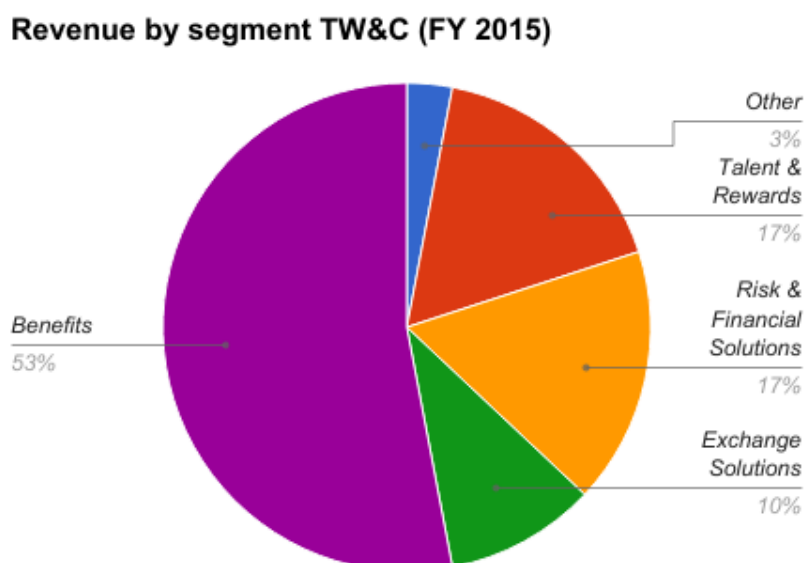

Figure 4.2. Revenue by segment TW&C (WTW, 2017).

According to interviewed subsidiary managers, TW&C has an organisational culture where subsidiaries are conforming to centralised decisions, which generate that each respective business unit in the subsidiaries will be assigned to a certain segment to work in, and when top management stop a certain process, the subsidiaries wait for further instructions. Also, the company focuses more on a business segment's profitability as a whole instead of evaluating every subsidiary's profitability.

4.1.2.1 Towers Watson AB

The Swedish subsidiary Towers Watson AB (TW) is wholly-owned by TW&C, and has its only Swedish office in central Stockholm. It has revenues of 61 million SEK and 32 employees in Sweden (Towers Watson AB, 2015). The company's main focus is global corporations with head offices in the Nordic region, and large local companies in Sweden. Furthermore, TW is focused on three different segments; (1) Benefits, (2) Risk Consulting and Software, and (3) Talent and Rewards. The company relies heavily on its personnel's competencies and sees them as their greatest asset. Further, the international standpoint of TW&C is shown at subsidiary level since Swedish employees work daily with different colleagues worldwide depending on what location their customers want assistance in, and management decisions are rarely made locally. There are also often colleagues within TW&C present at the Swedish subsidiary. Furthermore, one manager at the Swedish subsidiary emphasises on the non-presence of HR functions in the subsidiary, and that HR-personnel in the London office are only working part-time. Moreover, the process of decision making in the subsidiary is centralised in the global corporation, and, according to a manager at the Swedish subsidiary, it is not unusual to have to contact a number of people before a decision can be made.

4.1.3 Comparing Two Legacies

Willis Towers Watson (WTW) states that both legacies had similar strategic imperatives before the merger, as can be seen in Figure 4.3. Also, Figure 4.3 shows that the imperatives in organic growth are complementary, where WGH puts focus on making their current business and locations more efficient, and TW&C wants to penetrate new markets. Further, Legacy Towers Watson focuses on the entire business segment being profitable, with less focus on each subsidiary's profitability, whereas Legacy Willis has a large focus on each subsidiary's profitability.
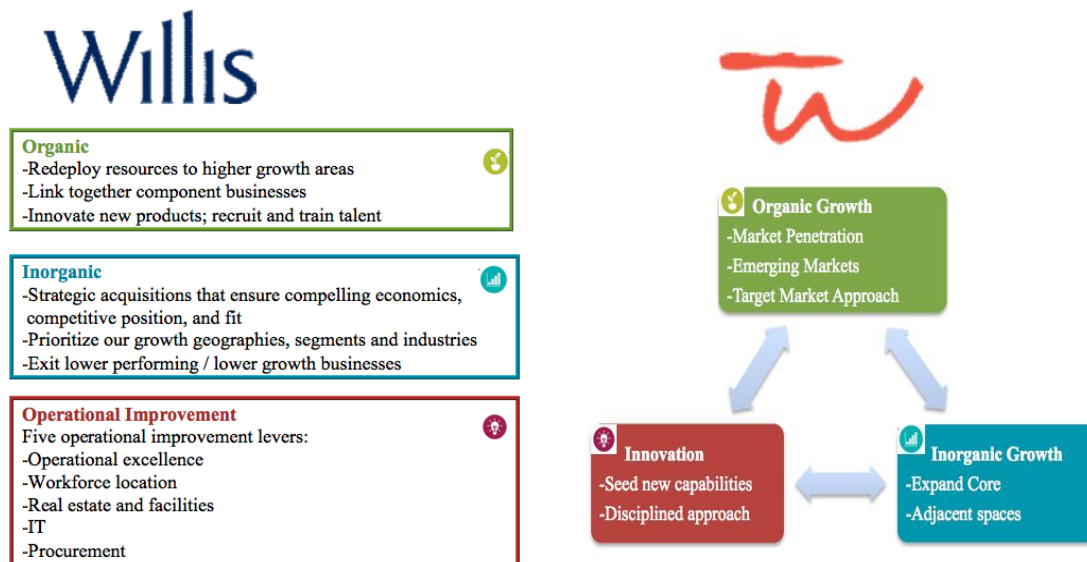
Figure 4.3. Compared strategic imperatives between WGH and TW&C (WTW, 2017).

Both MNCs focus on their employees and see them as their greatest asset. As mentioned, TW&C has its main focus on business segments, while WGH focuses on geographical segments, and adapts its business from that. In comparison, TW&C focuses only on the largest global firms in the world whereas WGH targets both large global firms and small to medium-sized local firms. A Swedish subsidiary manager explains how WGH has built its business by moving around in the world acquiring businesses, and then established a strong local culture with entrepreneurial spirit that generated that each subsidiary became relatively autonomous. On the contrary, TW&C has had a more centralised approach and concept, where the world's 2,000 largest companies are the main clients, and the smaller are not targeted. One subsidiary manager explains the two merging MNCs: "The two companies have two extremely different models and both have been very successful".

Legacy Willis and Legacy Towers Watson have worked in similar fields, yet with different approaches. WGH is in the highly regulated insurance business which requires approved certificates, whereas TW&C is working more as HR-consultants. Since TW&C has a history of targeting the absolute largest companies, the company has been able to roll out a similar business-package to most customers throughout the world. A manager at WS clarifies: "Since the insurance business is so regulated some decisions have to be made locally", which emphasises on the company's decision to have local expertise. A compact comparison is found in Table 4.4.

	WGH	TW&C
Revenues (FY 2015)	$3.8 billion	$3.6 billion
Employees	22,100	14,800
Strategy	Operate in attractive growth markets with a diversified platform across geographies	Focus on world's largest companies and have a target market perspective
Organisational mind-set and Culture	Engagement with clients is emphasised. High employee focus and team spirit.	Dedicated to profitable growth and its clients. Employees are seen as its greatest strength.
Organisational Structure	Central directives but more local decision. Stronger subsidiaries with semi-autonomous practises.	Matrix organisation with centralised decisions being delivered to its business segments.

Table 4.4. Comparing WGH and TW&C, based on WTW, 2017, 2014 Annual Reports and interviews.

4.1.4 The Competitive Landscape and the Nature of the Industry

Both WGH and TW&C have been successful in their fields. WGH was, before the present merger, the third largest in the worldwide insurance-sector, however, significantly smaller in total market value than its competitors Marsh & McLennan and Aon. TW&C was present in highly competitive industries; human capital and risk management consulting, where its largest competitors were Mercer HR Consulting, a Marsh & McLennan company, and Aon Hewitt Consulting, an Aon company.

According to KPMG (2016), the entire insurance sector is defined as being in favour of inorganic growth. KPMG's study states that 45% of the CEOs in insurance companies are planning on undertaking a merger within the next three years. As can be seen in Figure 4.3 above, both Legacy Willis and Legacy Towers Watson have inorganic growth as a strategic imperative, indicating the industry's focus in M&As. Additionally, all of the subsidiary managers have experiences of either a merger or acquisition, or both, prior to the present merger, which indicates that the sector is experiencing inorganic growth.

A merger with similar characteristics as the WTW-merger took place in 2010 between Aon Corporation and Hewitt Associates, Inc. The merger promised cost savings, operational efficiency, and cross-selling opportunities (Aon, 2010). According to Aon's latest annual report (2017) the company has decided to sell its employee-benefits unit, Aon Hewitt LLC, which are speculated to be due to lack of synergy effects. A sell of Aon's employee-benefits unit would be a step, by one of WTWs biggest competitor, in the opposite direction of what WTW is currently undergoing.

4.1.5 Motives for the Merger

There are critics that are sceptical towards the merger between two different businesses such as these two, which top management responds with: "The rationale for [Willis] staying separate started to fade as the market changed, and it become more important to be global to serve our customers - it became much more important to have the right technology and analytic skills, and that required some scale." (Gray, 2016a). This has been confirmed by managers at the Swedish subsidiaries, who highlight the importance of structural change for WGH even without the merger in order to stay competitive.

Major incentives for the merger were how both companies wanted to leverage their mutual distribution channels and strengths in order to expand the global footprint, enhance market penetration, and build a strong platform to grow. The CEO of TW&C explained that both firms were moving toward becoming advisory, brokerage, and solution companies, which the merger would accelerate (Jones & Basak, 2015). Furthermore, from the interviewed managers, there have been concerns of the possibility of WGH being acquired. WGH was positioned as the third largest insurance broker, but far behind in terms of market cap - total value of the company - to its larger competitors Aon Plc and Marsh & McLennan before the merger, and could be exposed to such a threat. However, this is something that WTW's top management dismisses (Gray, 2016a). According to subsidiary managers, WGH had a smaller footprint on the US market than Towers Watson, & Co and was interested in increasing its influence there. Also, interviewees' mention that, in the US market, both companies saw numerous synergy effects if they merged, such as cross-selling opportunities and HR efficiency. From WGH perspective, in order to compete with the larger competitor, there was a need of an expansion of its product portfolio (Gray, 2016a). TW&C had an incentive to increase its overall geographic footprint and to get a local presence in more markets. Moreover, one incentive for the two companies to merge was for financial reasons, such as tax- and expense savings (Gray, 2016a). For example, a relocation of HQ to Dublin, Ireland,

would provide lower corporate taxes for TW&C.

4.2 The Merger

4.2.1 Merger Announcement

The merger between WGH and TW&C became public, followed by a plan of merger, in June, 2015 (WTW, 2016). The merger was labelled as a merger of equals wherein WGH formed a facilitating company, a 'merger sub', for the purpose of the transaction. The merger sub acquired TW&C and completed the merger in January, 2016. A new board was formed with members split evenly between the two previous firms, including both previous CEOs. TW&C's CEO would maintain the role as CEO at WTW, thus sitting at a corporately higher position than WGH CEO. Throughout the structure and to the extent possible, the merging firms were allocated every-other senior positions. One subsidiary manager highlights how it seemed more important to have an even spread of Legacy Willis and Legacy Towers Watson positions in the new management structure than to have the appropriate manager for each position. The subsidiary manager states: "Maybe it is better to have the correct person on the correct position, but that's how they started". From subsidiary perspective, both CEOs were still highly present and equally in control, where initial communications on directives for the merger completion were given by both CEOs, and not only the WTW CEO. The newly formed company incorporated on Ireland, where WGH had been legally situated since 2009. However, for administrative reasons the principal executive offices were set in London, the United Kingdom.

4.2.1.1 Merger Reactions

In accordance with laws and regulations on information regarding significant changes within publically listed MNCs, the merger of WGH and TW&C was surprising to interviewed subsidiary managers. Both Swedish subsidiaries were informed via an e-mail, and the information was further emphasised at subsidiary meetings held by top management or the subsidiaries' management.

The perceived probability of a merger between the firms, and how the information was communicated to managers, varies. Some subsidiary managers could in their own assessment see the chance of a merger beforehand, while others reported not having heard of the soon-to-be partnered firm. Building up to the merger announcement, some subsidiary managers anticipated a merger or acquisition, and fear thereof, while others did not anticipate anything

of relevant change. Several subsidiary managers are viewing M&As as the only reasonable way of expanding within the industry, stating there are few ways to grow "organically" which make M&As more frequent. The opinions are in line with the stated inorganic imperatives in Figure 4.3. Further, the clarity and applicability of the merger information was interpreted differently among interviewees, and the satisfaction of information on changes to come varied. Some interviewees saw the merger-information as relevant, enough and good, while others viewed it insufficient.

Shortly following the announcement of the merger, shareholders of TW&C filed a complaint towards its directors, stating they had breached their duties. The complaint claimed the upcoming merger to be unfair, and sought to stop it (WTW, 2016). Shareholders of both firms were "unhappy" with given terms, and third-party advisors suggested the terms to be voted down (Gray, 2016b). A shareholder vote was held by TW&C to evaluate if proceeding with the merger would be appropriate. There were, at least from TW&C's point of view, some measures taken to stop the merger that made its way down to subsidiary level, as illustrated by a manager noticing: "They [TW&C] had to vote several times to get that thing sorted. There were fairly conflicting forces up at the high level".

The shareholders' opposition towards the merger forced some changes in the plan of merger, and in the fall of 2015 both WGH and TW&C held internal so called extraordinary shareholder voting, where the proposals of changed terms were approved (Globe Newswire, 2015). The changes confirmed WGH would issue new shares to TW&C, which satisfied the previously discouraged shareholders of TW&C, and thereby reaching a closing of the merger. The extra shareholder voting did not postpone the merger completion date (Insurance Journal, 2015). However, as highlighted by subsidiary managers, there were uncertainties up until merger completion and the forthcoming process as a result of the shareholder voting, which, as stated by one manager, had some effects: "I did not know what this [the shareholder voting] would implicate".

4.2.1.2 Subsidiary Receptiveness of the Merger Announcement

All the subsidiary managers involved in this study had previous experience with M&As, but only one subsidiary manager had experience of a merger of equals. The news of the merger were incorporated and compared to subsidiary managers' previous endeavours with large organisational changes, whether intentionally or not. Without being particularly asked upon if comparisons are drawn, subsidiary managers do draw parallels, as illustrated: "I would say

there are great similarities. I see the same questions and trends as we did then, and challenges", when comparing to other merger experiences. To emphasise such manager experiences, when asked of experiences of previous M&As one manager states: "I feel like I recognise everything so far. There is nothing new".

Interviewees' previous experiences in M&As have been observed to impact the view on the current situation in the subsidiaries, and, further, created hopes of choosing the paths their experiences have taught them. Since the individual managers have different experiences of M&As, diverse comparing patterns can be seen from responses, including related to size, geography, perceived difficulty, and opportunities. One manager states: "Then, the differences [between merging parties] were larger than now since we were small and walked into something a lot larger", which indicates size impacts subsidiaries responsiveness. Another manager states; "It was difficult during the integration process then [...] the ease now is that we have no immediate competitors in our geographic area", thereby indicating geographical proximity as a factor in subsidiaries responsiveness. Further, a third manager highlights: "[The merger] gave completely different opportunities to work globally", which spark more individual than company-related subsidiaries responsiveness in the merger. There are no clear patterns if the receptiveness of the merger was greater in one subsidiary or the other. Regardless of great or little experience in M&As, the subsidiary managers with poor experiences had some scepticism towards integrating and creating WTW AB, and vice versa. Also noteworthy is the amount of rumours flourishing among subsidiary managers as to reasons for and effects of the merger.

Subsidiary managers' reactions to the merger have been positive, with a sense of forward-moving spirit colouring the company. There is no indication that the announcement was differently received between the two subsidiaries. As managers are aware of the difficult task of growing organically, the merger was perceived as logical. Managers from both subsidiaries could identify reasons for the merger. Few of the subsidiary managers felt the merger motives had anything to do with their specific subsidiary, rather the motives were global. There was an element of understanding the global merger motives, and accepting them, but doubting the ability to apply them locally. Both Towers Watson AB and Willis AB have been functioning well prior to the merger. From HQ perspective there were hopes of receiving more than the combined sum of WGH and TW&C market share; a notion acknowledged but doubted at subsidiary level. A subsidiary manager highlights the problematic situation: "We have an idea locally, but at the same time we are not staffed or equipped to spend time on extensive

product-development on the local level".

4.2.2 The Global Merger - Willis Towers Watson

4.2.2.1 The Forming of a New Structure

The merger generated WTW reaching around 39,000 employees in 140 countries (WTW, 2017). The new MNC's board of directors has highlighted that the amount of people that are being put together is going to be challenging, where the real test will be over the next decade.

In the initial months of the merger WTW saw structural changes. A new global structure was formed, divided into operating segments; (1) Corporate Risk and Broking, (2) Exchange Solutions, (3) Human Capital and Benefits, and (4) Investment, Risk and Reinsurance. The previous geographical segmentation of WGH had thus been split into more business segment oriented, however not those of TW&C, as can be seen in Figure 4.5. WTW has recognised risks associated with the new organisation, and are taking them into consideration moving into the integration process. "Our ability to successfully manage ongoing organisational changes could impact our business results", as stated in the WTW annual report, shows the existing awareness of risks associated with the new structured system (WTW, 2016, p. 22).

Figure 4.5. New organisational structure - a balanced matrix. Based on SEC, 2015.

The formed structure is a balanced matrix (Figure 4.5), and it impacts managerial structures, lines of reporting, and decision making processes. The logic behind the balanced matrix was to "[...] ensure maximum continuity of leadership in key lines of business and regions" (SEC, 2015, p. 19). The corporate top management has not labelled the balanced matrix as a compromise, but one local subsidiary manager claims: "I have nothing bad to say about the regional or business line organisation, but [...] I think this is a compromise". Also noted by a subsidiary manager: "The business units have received more importance than before, and we might be in a sort of vacuum where we don't know what is going on" indicating changes.

WTW has expanded its portfolio of services. As can be seen in Figure 4.6 below, the services are to be of a "broad appeal to clients worldwide" and give a powerful global platform of growth. Since merger completion, focus has not been on integrating a new product portfolio, rather rebranding the already existing one. This has generated that TW&C has only added or combined already existing business lines, while WGH has been encouraged to base its core on business lines instead of geographical areas.
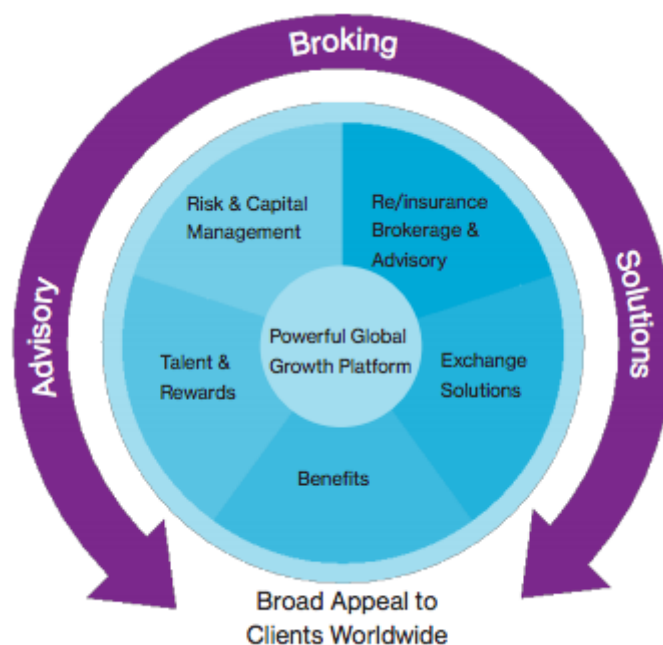

Figure 4.6. Broad appeal to clients worldwide. (WTW, 2017).

In the company's most recent annual report, the integration process is highlighted, and it emphasises how the new firm's product portfolio will not be fully functioning until the integration process is complete. From the interviewed managers' angle, the merger has

promoted a more dispersed market penetration and range of services, which thereby creates a wide customer offering. This implies that WTW is working in previously unknown business segments on unknown markets. Interviewees highlight the differences in company offerings, and how there were little similarities in markets, distribution, and offerings upon the date of the merger. Indications are not given as to such differences would be beneficial or hazardous for WTW or the subsidiaries in Sweden, simply highlighting their existence. One subsidiary manager notes: "It becomes pretty hard to see the great cross-selling opportunities here. That doesn't mean it is a bad thing to do, there are a lot of other relevant parameters". Other descriptions highlight: "[...] now, we have unbelievably different business segments. We have gotten an extremely broad product portfolio". Hence, the differences in products provided are highlighted but the process of reaching a workable solution is not yet completed.

4.2.2.2 Creating a New Decision Making Process

The incorporated balanced matrix system has posed changes on the decision making process for both merging firms, and the ongoing integrating process attempts to find a compromising solution. On the one hand, a history of autonomy and quick self-governing has been replaced with a more complex and slow process. The other point of view is used to a more global organisational structure and long decision making process. From such subsidiary perspective, several strategies from the corporate top management have needed to be taken into consideration. This point of view is significantly different than the autonomous and self-governing. The compromising decision making process, initiated as of merger completion, is a two-tiered design that need at least one business segment manager and one regional manager to agree on the decision proposed. The balanced matrix provides a more complex and slow decision making process for both WGH and TW&C, and their respective subsidiaries or line of business. As illustrated by subsidiary managers, decisions are now needed to be rooted with a different set of managers before confirmed. Subsidiary managers are noticing how: "[...] the more people who are involved the better the decisions become [...] but what is actually the process?". The decision making process is, as a result of the balanced matrix, not always clear, as highlighted in: "We have to balance everything. Is the CEO making the decisions? Or are we? Or the Western Europe manager?". Thereby, the process is changed for the involved managers, but perceived differently depending on past legacy belonging.

4.2.3 The Local Merger - Willis AB & Towers Watson AB

4.2.3.1 The Local Legal Merger

There is a schedule created by HQ where the subsidiaries in most need of a quick legal and functional integration are prioritised. So far, the Swedish subsidiaries have received low integration priority.

As opposed to the merger between WGH and TW&C, the two Swedish subsidiaries are not yet engaged in a legal merger. To be precise, the local integration process consists of, as explained by a subsidiary manager: "[...] two companies that conduct activity, Willis AB and Towers Watson AB, then we have a Willis-entity in Finland as well, and all of them have been managed more or less independently before".

According to the annual report of WS, the named subsidiary and TW are forming into sister companies, and not into one united subsidiary. The two subsidiaries are planning to co-locate to the current WS office, where, for the past two years, Max Matthiessen AB and WS have been combining offices. The reasons given for relocating to WS's office rather than TW's is, as stated by managers, related to size. Simply put, TW is able to move into the existing WS grounds, but not the other way around. Further, the option of relocating to a completely new office was not thoroughly discussed among interviewed subsidiary managers. A subsidiary manager note moving TW into WS office is a "relatively small project", yet that money still need to be spent on creating a functional work environment. Moreover, "[...] we are hoping to be done by the summer, but I am not entirely convinced", which highlights that, from corporate level, the integration focus is not directed specifically on Sweden at this time. There is little indication of dislike among subsidiary managers for physically relocating to WS office. However, there are some expressions about the difficulties when blending into new group compositions.

4.2.3.2 Preparation

As the two entities have not yet legally merged, the responsibility of the integration and future WTW AB has been assigned to the subsidiaries' CEO. The local CEO has over a decade of working experience within WS, and four years of those as CEO. The choice of new CEO of the combined subsidiaries has not been perceived as an issue among subsidiary managers.

No committee or group was, upon merger announcement, formed to ease the integration at subsidiary level. One manager notes: "If you go higher up to the [global] CEO we hear a lot

of *we have done so much, we have made so much progress, we have so many good examples of cross-selling*. I rather think that not a whole lot has happened with regards to that". The observation illustrates how a lack of committee or group responsible for the merger is likely not a subsidiary choice but a corporate decision, which, in this case, is not fully agreed with. Further, subsidiary managers have not been given a date as to when the integration should be fully completed, and, for the moment, WS and TW are partially operating as before. However, there was no clear indication that an undeveloped timetable for the integration process would be negative, as managers had identified the large differences between WS and TW.

4.2.3.3 Evaluating Local Synergies

WS and TW are using different sales channels for their services. As the services vary, the person of interest at the customer companies does not hold the same position when comparing WS and TW. On the one hand, HR-managers are responsible; on the other hand risk managers are the employees of contact. The difference will impact how the two firms integrate: "[...] that makes it a little harder. Personally, I don't believe in being an all-in-one salesperson", as noted by a subsidiary manager. Both subsidiaries' sales channels, as of merger completion, are continuing as individual processes. However, they are aspiring to use each other's sales channels in order to expand their customer base. The integration mechanisms have included increasing knowledge of what the other sales representatives are doing, but not yet integration attempts of combining the two into one position or employee. Currently, there is no great incentive for fully integrating the different offerings as the sales channels and portfolios are vastly apart. Yet, managers' view the differences as: "Good. We need to change the way we work", which marks contrasting standpoints for the evaluating of local synergies, and requires more mutual understanding in order to be successful. .

HQ have provided the Swedish subsidiaries with synergy opportunities of the merger; a better customer offering and cost savings. However, no goals of synergy creation have been provided from the parent company. Subsidiaries' management have had a difficult time, so far, identifying the synergy effects promoted from HQ. Although a broader customer offering with more services and more widespread expertise is an opportunity, such capabilities are, according to subsidiary managers, not relevant for all customers. One manager ironically illustrates the sales situation as: "Well, would you like a survey? Ok, not that, but how about a risk analysis?". What can be sold to one customer cannot necessarily also be sold to a new customer from the new colleagues. Whether correct or not, some interviewees have the

impression that no local synergies are identified, and that the merger will therefore not influence their daily work. Others, not least from TW, can reap the synergies of the merger, and be part of a geographically more spread institution, as one TW manager noted: "There were relations that we could utilise in the future, and, primarily, it has opened up opportunities in Denmark, where there are colleagues who understand what we do".

4.3 The Integration Process - A Local Perspective

4.3.1 HQ Directives

There is a centralised information and communication team that provides the global organisation with information through different channels such as e-mail, webcasts, and posted documents on the internal website. Most of the directives from HQ are being provided through those channels. Some directives have been delivered from the CEO of WTW, and other directives have gone through the Swedish CEO to distribute to subsidiaries personnel. The perception on extensiveness and quality of the information being provided from HQ differs in the Swedish subsidiaries. Subsidiary managers agree that the information exist if you want to look for it, however there are mixed opinions if that is the best way of communicating needed information. One manager says: "I am a curious person so I will not wait for information, and when I search for the information I always find it, which is really good", while another view it contrary: "If the information is vital for the employees to know you should not need to search for the information, but it should be pumped out in an understandable way so everyone will be well-informed".

4.3.2 Adopting a New Structure

The initial intention of taking the best from both companies and creating an, as illustrated by a subsidiary manager, "amazing mix" of both their models has not yet been achieved, where all of the interviewees at the Swedish subsidiaries see it as too complex. One manager states: "Just the other day when we were discussing a person's work title we realised that there were two parts of the organisation that had the same name, so we had to draw the entire organisation up in order to understand what this person was responsible for". Furthermore, the new structure has led to double the amount of employees in Europe, but has tripled the amount of managers in the region which, according to top management, would lead to slower decision but of higher quality. One of the interviewees says: "There has been an added layer of people between our CEO and the manager of Western Europe in the new structure". Even though there has been an added layer of managers in the hierarchy, the CEO of the Swedish

subsidiaries has locally been given a larger area of responsibility. The CEO is now a geographical manager of Sweden and Finland, which include both TW and WS. With that said, TW personnel have perceived it to be more locally-based influence after the merger. Furthermore, assigning responsible personnel further down in the hierarchy has taken a long time and is still not finished close to 18 months after merger completion, which is perceived as negative from a subsidiary perspective. The unclear structure on who to contact in certain context has created uncertainties within the Swedish subsidiaries. Moreover, one manager highlights: "The by-far largest risk we see [...] is the huge amount of internal focus". There is restructuring of personnel in the organisation, and different internal project groups in order to find synergies, which have generated reporting requirements from subsidiary managers to numerous amounts of people higher up. Also, the internal restructuring has led to people adapting to new assigned roles and positioning themselves in the organisation which have, according to interviewees, affected the financial results in European markets. During the first year of integration, WTW saw net losses of $32 million making its shares drop 6% (Gray, 2016b). In The Financial Times, the conglomerate CEO reacts: "I think you always have a little bit of loss whenever you go through some big changes like this in the merger". The WTW CEO also states that: "I think as we put the organisation together, we probably made it a little too complex too," confirming the interviewees' opinions on the organisation's balanced matrix structure (Gray, 2016b). One of the subsidiary managers stated that: "[...] it's only now, 14 months into the merger that most structural parts are falling in place". Another interviewee highlights a change during the integration process: "I don't think top management really understood how we worked at first, but now we are seeing a shown interest in understanding and adapting to our way of doing business". Many interviewees argue that the difficulty of the balanced matrix structure is truly evident in the organisation, and one manager states: "There was nobody that could explain the matrix, and one sign that this was not 100% thought through is that it is now dissolving to some extent".

The integration process at the Swedish subsidiaries started almost immediately after the merger announcement by assigning a new board of directors and reorganising local information channels. However, after that, the integration of new routines slowed down to let the already made changes sink in for the employees. According to the subsidiary management, the main reason behind the slowed integration was to not push employees too hard, since the subsidiaries emphasis employees are the main resource and competence that a consultancy firm has. Therefore, it was underlined that explaining and discussing the different

changes made with the employees were done before implementing more new changes.

During the integration process the subsidiaries have concentrated on keeping its customer focus, and have tried to avoid implementing too many new routines and guidelines at the same time. The reason behind is to not lower productivity through extensively trying to understand internal processes instead conducting sales and consulting services. The subsidiaries have started by implementing small and easy changes through social events in order to get to know new colleagues, and exchange experiences and knowledge.

4.3.3 Implementing a Changed Decision Making Process

The new organisational structure has made the decision making more complex, since one geographic manager and one business segment manager has to unanimously agree on a decision in order for it to go through. One manager noted: "Previously, Willis has been used to deciding on a geographical perspective and Towers Watson has done the opposite and decides within respective business segment. Then you put these structures together and say that *now we make decisions in both structures*". As illustrated, the decision making process needs adapting. The interviewees all agree that the balanced matrix has resulted in a slower and more viscous process of making a decision, which is considered not to be favourable and efficient from either of the merged companies. TW&C had a matrix organisation before the merger, yet in the TW interviewees' opinion the new structure has made the decision making process more uncertain and complex since they do not know who to turn to in a variety of questions. What has been highlighted by subsidiary managers is how the business segments have a higher influence in the decision making process compared to the geographical segments. One manager said: "In a merger there is always a power struggle, where there always is a party that is stronger and therefore put their hallmark on the new structure". Another manager, further, states that: "[...] now it is more the business segments that make the decisions and not the geography, which is not necessarily a bad thing". Additionally, according to managers at WS, there has been a shift of decision making higher up in the organisation and decisions that could be influenced at a subsidiary level are no longer, to the same extent, able to. One manager highlights: "Well, it differs on who makes the decision, but the trend is that decisions are made gradually more central than local". On the contrary, TW's managers see a greater influence and involvement on subsidiary level and that they need to explain how their process of decision making was structured previously. Another observation concerning decision making relates to the global legal entity, where it is not one company with many local branches, rather, more than 100 legal entities with their own board of

directors and decision making responsibilities. According to subsidiary managers this will create problems in authority, and, more exactly, on who is responsible for what decision and who holds the problem that need to be resolved, which has been highlighted to be highly important in some local decisions. Moreover, some interviewees mention the decision making process has become political and unclear, where managers at subsidiary level perceive that there are a number of people that need, and want, to be involved in the decision. They emphasise the importance to not forget to ask for an employee's opinion who feels entitled to be asked. One manager describes the unclear organisational environment: "There have not been people with less to say, however, there have been uncertainties within these turbulent months when people have lost their position or gotten new positions".

4.3.4 Operationalising the Local Synergies

4.3.4.1 Implementation of Main Lines of Business

There is an overall feeling among the subsidiary interviewees that work tasks, from their individual perspective, has remained relatively unchanged throughout the merging process. Some change has been witnessed in what individual days constitute of, but are difficult to isolate as definite results of the merger, apart from a larger instance of reporting needs, and "[...] a great amount of internal focus for a while". The two merging subsidiaries have different business areas with broad product portfolios and are in their nature not going to overlap. One subsidiary employee noted: "The area that I work within is totally separate from what Willis does; there is no equivalent of that". Furthermore, few new routines fostering integration have been implemented on mentioned lines of businesses at present stage. "The cross-selling aspect is challenging to see so far", as stated by a subsidiary manager, but attempts of reaching such integration is still emphasised by HQ. The merger of wide portfolios has also meant wider range of services and corresponding customers, yet the same individual teams. It has been witnessed that both subsidiaries' customers are "very similar", however, as mentioned, different people are responsible on the customer side, which complicate using each other's customer contacts.

There are social changes as part of the integration process, where employees from each side are engaged in more social activities than before. Given such, networking and creation of more understanding between the merging subsidiaries is a common part of day-to-day activities. During the integration process there has been a frequent need of managers from both subsidiaries explaining and being explained to about their business activities. The subsidiaries management have implemented breakfast workshops once a week, and eat-and-

teach sessions, where, in an open social environment, employees from TW are invited to the WS office to foster understanding of each other's products. "It is a way to give everyone a little space and talk of good profits, and create a common culture between these two separate companies", as noted by subsidiaries management. Interviewees from both entities have showed positive attitudes towards the social integration, and in a more relaxed setting been able to learn of new colleagues' area of expertise. A subsidiary manager notes "You don't become a specialist of that [eat-and-teach], but it is the feeling of actually belonging somewhere and that there is some captain on top saying *this is the way to go*".

The foundation for the integration, both social and skill-based, has proven to be of essence during the early stages of the merger. A certain level of trust is needed, as reported by interviewees, in order to create cross-selling opportunities. One manager noted: "I have to explain to our customers why we have engaged in a merger and what benefits that can have on TW and for the whole MNC", thus marking not only knowledge building among employees but also among its customers. Another interviewee note: "[...] we needed a broader understanding for the whole company, and it was not that easy to learn and I have not understood everything yet", which heightens the difficulty of task integration. There are, as cited, incentives for integrating the different service lines, but not yet identified for cross-selling or customer improvement, rather for soothing customer concerns: "You have to find your go-to person […]".

4.3.4.2 Adapting to a Broader Product Portfolio

WTW states, on a global scale, there is a risk of "significant difficulties" in integrating the two businesses (WTW; 2016, p. 33). Further, the report states "[...] many of these factors will be outside of our control and any one of them could result in increased costs", and mentions, for example, difficulties integrating systems and achieving cost savings and synergies (WTW; 2016, p. 33). The two dissimilar product portfolios that are currently being integrated have sparked questions of whether integrating is really relevant. The Swedish subsidiaries have been given reasons of leveraging on the differences in portfolios. However, so far, managers have had a difficult time identifying the portfolio-leveraging opportunities. The integration attempts are trying to conjoin an insurance broking entity with a more HR-consulting oriented one, and problems of doing so have both been experienced and feared to increase. On the other hand, it is appealing to subsidiary managers to have a well-functioning broking portfolio "under the same roof" as a HR-portfolio and being applicable for a wider range of customers. There are no indications of resentment towards having a wide range of services; only more or

less pessimistic standings on the possibility of integrating them. One manager uses the words "I believe in a wide assortment", which is a representative opinion by the subsidiaries, but the subsequent integration tactics vary. Subsidiary managers can identify and work towards the synergy effects that are presented, but there is little indication of reaching such effects, according to interviewees.

4.3.4.3 Cross-Selling vs Employee Efficiency

From HQ point of view, the opportunity of cross-selling is existent since segments of WGH and TW&C do not always overlap. The cross-selling opportunities are hard to see at subsidiary level where one subsidiary manager stated: "I think that they overestimate that, the customers don't buy these two services in such manner". From a global perspective, WGH has hoped to cross-sell into the North American market, while TW&C is hoping to do the same trough WGH broad international distribution. Further, the lack of overlapping employee expertise has provided no reason to remove employees from their positions throughout the integration process. The number of employees is, and likely will be, the sum of the two merged firms. Internally in the new construction, finding a common value offering and cross-selling promotion became stronger because of the lack of natural personnel efficiency-changes, according to managers of the subsidiaries. Again, the cross-selling argument is perhaps more relevant on global level, as reaching new markets does not apply in the same way to the Swedish subsidiaries. A subsidiary manager is critical to the cross-selling promotion, saying: "We have spent an endless amount of time, centrally, to try and find that [the cross-selling opportunities]; I think it is completely dead". Although not to such extremes, the opinion is shared among other subsidiary managers, calling it "challenging to see" and "not a whole lot of synergies". Further complicating the situation are indications from more corporate-close managers, not present in Sweden, that the cross-selling is already underway, while the Swedish subsidiaries have not even identified if cross-selling is possible. More evidence towards cross-selling chances are shown, and one manager explains: "We have tested towards a few customers in Sweden, and they don't see that naturally".

4.3.4.4 Seeking a Cultural Balance

Subsidiary managers' point of view on equality of the integration process has shown tendencies. From subsidiaries perspective the merger, in a bigger picture, is indeed a merger of equals, but managers of both subsidiaries have seen signs of other actual initiatives in the integration. Although equal on paper, WS managers have seen a stronger TW strategical and structural emphasis than expected, and TW managers have seen a stronger WS impact. One

TW manager stated: "Well, Willis are the ones driving […] Willis are more the Wild West, and there is a little more ad hoc", and one WS manager noted: "As a whole, I think there are more Towers Watson trends happening". Given such statements, the perception of equality of the merger is not as successful as indicated and hoped for. Subsidiary managers are now, over a year into the integration, aware of the magnitude of integrating different cultures. Yet, managers have not seen the changes needed in order for full integration. One subsidiary manager states: "One of the largest differences is our corporate cultures", which is emphasised by other managers as being one of the largest challenges in the integration process.

No individual manager can confirm that one culture or the other has been overtaken, but now, close to 18 months into the integration, the merger is only perceived as equal by one interviewee. Subsidiary managers are, during the integration process, seeing how their new colleagues' former business culture is trickling down throughout the firm. However, noticing a non-equal integration process is not equivalent of a negative integration experience. Managers are both welcoming and unwelcoming to the tilted integration process, and not solely negative changes are witnessed. A WS manager states: "We are moving more towards their [TW] business model instead of ours [...] which is good". Further, a manager illustrates: "[...] one has to get more and more involved if to achieve a cultural change in the continued work, or else nothing will happen", which marks that inter-colliding is observed, but not necessarily negatively. There is also a question of having a culture to preserve at all in the first place, where one manager notices: "Willis has more culture", while, simultaneously "[...] there is definitely a clash of separate cultures […] and one of the cultures will be dominant". There is, as shown, understanding of cultural differences and troubles of retaining both. To summarise the cultural integration process at subsidiary level, a manager notes that the "[...] expectations were to create an amazing mix of both models, but no one is experiencing it as such, and both parties witness something different than expected".

4.3.5 Loss of Personnel

WTW states, in the most recent annual report, that a forthcoming risk in the integration process is loss of key colleagues. A significant part of the businesses practiced at the Swedish subsidiaries are based on relationships with clients. If large turnovers of employees as an effect of integration difficulties are witnessed, valuable colleagues will leave and potentially turn to competitors. The risk has been recognised by the subsidiaries management, whom also highlights uncertainty may cause loss of employees: "The danger is that people get tired of it

and leave for some other employment where it is clearer".

WS managers have, to some extent, identified how some Legacy Willis managers throughout the organisation are replaced by Legacy Towers Watson's and are fearing to lose top competencies in the Legacy Willis services. From TW's point of view, there is no mention of fear of internal competence loss. Interviewed subsidiary managers fear that more senior employees, with extensive expertise, have less interest in remaining in a changing composition of the firm. As illustrated: "I think that the Towers Watson-people that come in do not understand what we are doing, in the same way as we don't have any idea what they do over there". Similar misunderstanding can be identified the other way around, where a TW manager states: "Quite often we have to explain how we work." The 2016 risk analysis by WTW has identified loss of employees as being negative for "maintaining client engagement" (WTW, 2016, p. 23), and loss of expertise as a consequence.

4.3.6 Communication

From merger announcement to merger completion new logos for WTW were developed and launched. The new image outwards is fully integrated, and there is no doubt the two firms, cannot be seen without the other. A WS manager explains it as "Really professional [...] and for the formalities of it [the merger] there has been great information". Thus, the internal integration promotion is showing tendencies of clarity. Other managers were not as receptive, stating: "It seemed like the most important was to get the new logo out" and does not highlight positives thereof. The launching and functioning was well-working from day one, but there is some room for improvement for the actual design of the integrating subsidiaries new image, according to managers.

No perceived change in communication patterns from or to HQ has been identified from subsidiaries management perspective. Managers' view of an unchanged communication towards HQ have been indicated being related to the distance, both physically and in power, to the corporate top. On the other hand, the subsidiaries' top management, having a closer relation to HQ, have witnessed communication changes as a result of the integration. Moreover, having a more subsidiary-adapted communication would encourage the subsidiaries to integrate processes, and, if not, reach a more positive attitude towards them. Indications of the opposite are largely summarised by one manager's attitude: "All of this is really easy, and still they manage to screw it up all the time".

The communication penetration varies, and subsidiary managers even within the same branch

find the communication and information given widely different. Further, interviewees at the Swedish subsidiaries trust the communication given to them, both internally and from HQ. However, the degree of trust is not consistent. One subsidiary manager illustrates it as: "I do trust the directives that are given, but I don't take them too seriously, written in a way that makes me feel 'oh dear, you have no idea how we are working here'". Another subsidiary manager illustrate the level of trust as: "Well, I think I have trusted the communication".

Information penetration is not consistent throughout the organisation, and subsidiary managers have, partly at their own decision, not taken information to heart. Therefore some subsidiary managers have not involved in communication to the extent necessary to understanding the integration process. Managers are working in a different manner than the communication channels are developed for, and therefore making the communication a means of compulsory information sent from HQ. The HQ-to-Sweden communication has frequently been irrelevant, yet professional, during the integration process, but there are little indication of a change in communication as a result of the merger. Interviewees have been unable to identify any direct link or cause between miscommunication and the merger, or improved communication and the merger.

The goals of the integration process are communicated to the Swedish subsidiaries but have been deemed "far away" from applicable. Although easily understood, the goals are not adapted to subsidiary practices, at least not those of the Swedish subsidiaries. If central corporate goals are applied to, as noted by a subsidiary manager, subsidiary geography, subsidiary business entity, subsidiary segment and customers, such goals are no longer applicable, no matter the level of clarity. A clearly stated corporate goal is, in such sense, often irrelevant.

4.3.6.1 Communication Changes during the Process

The Swedish subsidiaries' management have seen changes in communication throughout the integration process and their view on the communication may explain why managers within the subsidiaries have a different opinion on global integration intentions. The communicated intentions when integrating WS and TW organisational strategy changed after some time into the process, where the targeted 'one-size-fits-all', promoted more by TW&C, was replaced with a more adapted one. Subsidiary managers' perceive that HQ is not prioritising its communication correctly. Factors of highest relevance for the subsidiaries have, according to subsidiary managers, not been communicated from HQ. A subsidiary manager illustrates the

situation: "I had expected the different geographies had been more consulted when the corporate top wrote common guidelines."

4.4 Empirical Findings Summary

The empirical findings have been structured in a chronological order and in order to structure it in relation with the purpose of the study a summarising figure has been compiled (see Figure 4.7). To simplify the understanding of the empirical findings and be able to apply it to the analysis, Figure 4.7 is divided into four different findings sections; (1) the two MNCs, (2) the merger and a changed managing structure, (3) directing the local merger, (4) and the local integration process.
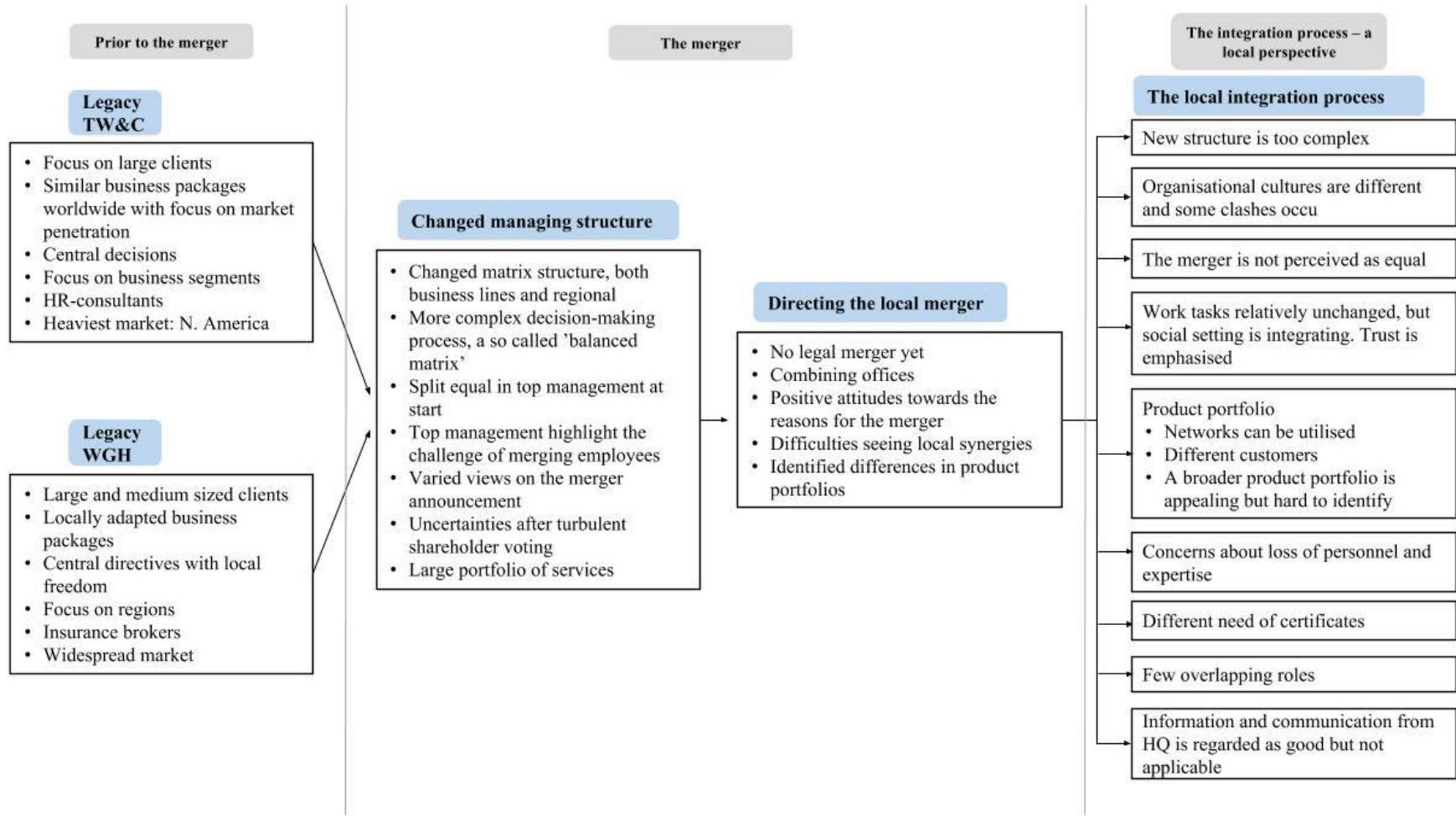
Figure 4.7. Empirical findings summary, compiled by the authors.

5. Analysis

This chapter confronts the empirical findings evolved from the case study, presented in chapter four, with the theoretical review, presented in chapter two, in order to determine how the complexity of cross-border M&As impacts the integration process on subsidiary level. Drawn from the findings at subsidiary level, an elaboration on the themes will create the base for concluding remarks. As explained in chapter three, the empirical core for the analysis is the post-merger findings because of the given research purpose, where the pre- and during findings act as supporting data.

5.1 Analysis Structure

Building on the purpose of the study, with a continuously developed theoretical review and empirical findings, the analysis discusses the impacts on local integration. As Schweizer (2005) argues, when two MNCs merge it generates multiple integration processes across their units, often situated in different geographical contexts. If HQ decides to implement a global organisational and structural change there are factors that are impacting a local integration process between two MNCs' subsidiaries. Hence, the analysis is structured to understand and evaluate factors influencing a local integration process between two MNC subsidiaries after a parent mandated decision, which will enable an answer for the research question. Four different focus areas are examined closer; (1) the impact of administrative heritage, (2) MNCs' subsidiaries in an institutional context, (3) communication and socialisation, and (4) main business and strategic capabilities.

5.2 The Impact of Administrative Heritage

The empirical findings show differences between the local subsidiaries structure, strategy and norms, and similar differences are shown between their parent companies before merging. Weber and Tarba (2012) argue finding an organisational fit is essential for integration success, and the larger the organisational differences are the longer the integration process will take. Therefore, it is important to outline the administrative heritage of the merging firms and determine the organisational differences in culture and identity, both on a global and local level, to estimate the organisational fit. In line with Bartlett and Ghoshal (1998), TW&C can

be defined as having a more global organisational strategy, since the company's focus has been on its business lines on a global scale and not on a specific subsidiary's profitability or regional segments. Also, the indications on more centralised HR-functions and decision making are characteristics of a global strategy, according to Bartlett and Ghoshal (1998). On the contrary, WGH has been focused on each subsidiary's profitability and has had a widespread geographical footprint with more self-sufficient and influential subsidiaries, which is in line with Bartlett and Ghoshal's multinational organisational strategy characteristics. Combining the two MNCs' organisational structures where both global and multinational characteristics are evident has shown difficulties. As the M&A is built up by a combination of several subsidiary integrations, noted by Schweizer (2005), the combining of the structures are different in each of the integrating subsidiary units across the MNC. Also, the empirical findings imply that corporate top management perceives the merging MNCs to have similar strategic goals, and are moving towards becoming advisory, brokerage, and solution companies, which is in line with Zaheer et al.'s (2003) definition about a shared assumption on the desired way of the organisation. In contrast, this does not include the culture on local level, as the findings indicate how relations towards colleagues and the corporate top, perceived autonomy, and customer base are not similar. The empirical findings imply that the organisational culture and its identity is deeply rooted within the subsidiaries, and a more elaborate organisational behavioural definition on subsidiary level would have, as highlighted by Weber and Tarba (2012), affected the integration process to the better. As the corporate top management emphasises on how the MNCs have similar strategic goals there is a misinterpretation by HQ of what is relevant for their subsidiaries' integration success. Similar strategic goals will not ensure that the local integration process becomes more practical, which is evident at the subsidiaries.

Looking at the two MNCs' relationship with their respective subsidiaries, there are more factors emphasising the differences in organisational structure. As shown in the description of TW, the findings highlight that TW's employees speak daily with colleagues all over the world and are used to management across borders. As mentioned, the decisions are made higher up in the organisation and many people have to be involved in the decision making process, which can be argued as caused by tight links between subsidiary and HQ and having more dependence, therefore characterising a receptive subsidiary (Bartlett & Ghoshal, 1998). The tight links to the corporate top have shown incentives for TW to implement parental strategies, and thereby also making it more timid towards individual subsidiary change.

Conversely, WS shows a strong local presence and culture, a larger influence in the decision making for local issues and, in addition, an entrepreneurial atmosphere, which is more in line with an autonomous subsidiary (Bartlett & Ghoshal, 1998). As an example, local opportunities were exploited before the merger through the purchase of Max Matthiessen AB, which was proposed by WS to HQ. So, on the one hand TW has strongly been influenced by HQ while WS has been in fact influencing HQ decisions before the merger. These differences in organisational structure and culture between the subsidiaries have created cultural clashes during the integration process. Integrating a more receptive and a more autonomous subsidiary has highlighted and clarified what the differences are rather than evened out the differences in organisational structure. As mentioned, WS's culture supports promotion of local opportunities. Therefore, it can be argued that there is a risk that TW is not only acting receptively because of their relation to HQ but also as a result of having a more locally opportunistic sister subsidiary. Further, the empirical findings highlight both difficulties in explaining how each subsidiary used to operate, and grasping how the other subsidiary operated before, especially shown in the implementation of main lines of business. Thereby, understanding and appreciating the main lines of business of the integrating partner, as noted by Greenwood et al. (1994), is a process that impacts integration success. However, the need to continue with customer services in both subsidiaries hinder full understanding. It is not until recently that mutual global and local understanding for each other's operations have shown, signifying, according to Bartlett and Ghoshal (1998), organisational differences. As shown, the process of understanding the administrative heritage of an MNC takes time and the currently developing integration process might change in the future based on the increased heritage understanding, as indicated by Yu et al. (2005).

The empirical findings imply that the merging MNCs are pursuing an "amazing mix" of the two organisational cultures. This draws parallels in trying to achieve a transnational solution (Bartlett & Ghoshal, 1998), which has led to some difficulties in the integration process on subsidiary level. This is in line with Bartlett and Ghoshal (1998), who highlight changing a strategic profile of an organisation is difficult. For example, the new structure generated a decision making process that involved one business line manager and one regional manager having to unanimously agree on decisions, which can be argued as an attempt to create global integration (business lines) and local responsiveness (regional segments) in every decision. However, this has been perceived, on a subsidiary level, as slowing down the decision making process and reducing the focus on the firm's customer relations. This is in line with Bartlett

and Ghoshal's (1998) argument that a key challenge is not to define a strategy, but to change the biased management and unidimensional organisational capabilities when building a more complex transnational solution. One side of the subsidiaries perceives the decision making is becoming more centralised, while the other perceive it more local, yet both agree on it being more complex and difficult to grasp. This is a result of the variation in subsidiaries' perception caused by their respective organisational heritage. For example, the balanced matrix structure is more natural for TW managers as it was, to some extent, used before the integration. Thus, changing the biased management is difficult since the integration process cannot erase the administrative heritage or subsidiary perceptions.

To summarise, there are two MNCs with two different strategies, one global and one multinational, merging to one combined strategy to pursue a transnational solution between the two organisational structures. Thus, trying to take advantage of global efficiency from TW&C and local responsiveness from WGH in order to manage its competitive environment. Implementing a transnational solution on subsidiary level is not yet achieved as a result of too diverse organisational cultures and decision making processes, indicating a slower integration process caused by administrative heritage. Additionally, within the MNC, the two subsidiaries had different approaches both towards HQ and its local context and are now integrating operations locally to adopt the new MNC structure, routines, and activities. Therefore, a parallel can be drawn to Kostova and Roth's (2002) argument on institutional duality for both of the subsidiaries.

5.3 MNCs' Subsidiaries in an Institutional Context

In line with research within institutional theory and management of change (DiMaggio & Powell, 1983; Scott, 1995), the empirical findings on for example HQ-promoted cross-selling opportunities and customer differences show that the two subsidiaries are exposed to both external and internal institutional pressures to change. This have further shown to affect the subsidiaries' actions as units within the MNC. Therefore, first the local institutional context will be analysed and then the relational context with HQ will be examined.

5.3.1 Local Institutional Context

The empirical findings highlight especially two different pressures from the local institutional environment. Firstly, the subsidiaries' customers require information about the merger and what changes it will generate, which is in line with DiMaggio and Powell's (1983) informal

coercive isomorphism as customers have a need for legitimate services. The customers, in a local context, are having difficulties understanding the benefits of the merger and the broadened portfolio of services. The findings show that the customers are one of the most important concerns for both subsidiaries, which multiply the importance of this local external pressure. The customers require services of the local firms, and, conversely, the local firms are dependent on their customers. This pressure the local firms to adapt to the customers' needs, which is to provide legitimate services, and therefore there is a larger focus locally on responding to customer pressures than on the integration. Further, as TW&C offers M&A services to its customers it can be argued that TW has higher expectations to find tools to integrate successfully, which according to Cartwright and Cooper (1993) is more important than the strategic fit. Secondly, WS is in a regulated market that needs an approved certificate to operate, which is an additional measure of coercive isomorphism. It is highlighted that this requires some decisions regarding local regulations to be made locally. The certificate is not needed for TW's business, and can therefore be argued as a complication in the integration process of the two units since they have different regulations to conform to. This is in line with Cartwright and Schoenberg's (2006) argument of how too large differences in business fields complicate integration. Regardless of the attempts made to integrate, the differences, which are not perceived large on corporate top level, are seemingly larger for the subsidiaries since they are operating in a different institutional context.

5.3.2 Relational Context

The empirical findings show that the subsidiaries had no impact on the merger decision in line with the argument by Ghoshal and Nohria (1989) on HQ-mandated independent motives. Therefore, it was perceived as a mandated decision from HQ, without considering local demands and challenges, which also is in line with Schweizer's (2005) suggestion that the merger is seen as an arranged marriage from a subsidiary perspective. However, the merger was considered both reasonable and good from a subsidiary perspective, for example, one manager highlights: "Good. We need to change the way we work". This implies a positive attitude from the subsidiaries toward the HQ mandated decision to merge and thus also the integration process.

The empirical findings indicate that a new decision making process - the balanced matrix - developed by HQ had to be adopted by its subsidiaries, and provided a pressure from HQ on the subsidiaries. The increased number of people to report to in the organisational structure is perceived from the more autonomous subsidiary as taking too much time from its core

business, where the managers from the more receptive subsidiary perceives it as business-as-usual, which further highlights the relational differences of the merging subsidiaries. The different views can be explained by using Bartlett and Ghoshal's (1998) argument of subsidiaries adopting different strategies towards HQ, and therefore, according to Kostova and Roth (2002), have different level of responses. Therefore it can be argued that the diversity in responses requires understanding between the two subsidiaries and in turn is slowing down the local integration process.

The findings imply that even though integration directives were given by corporate top management, some independence on local level were emphasised by HQ managers, because HQ left subsidiaries' top management in charge of integration practices. This implies that, the integration success for the MNC is dependent on the integration practices on local level, in line with Schweizer (2005). The global goals of the integration process at the subsidiaries are not decided on local level, and the goals are perceived as "not applicable". Therefore, the ongoing process could be argued as an arranged marriage, as explained by Schweizer (2005), since the practicalities and goals of the integration are determined on different levels in the MNC, and with a poor ability to be applied. HQ has emphasised on the need to find synergies both through more effective employee management and cross-selling, however no operational way on how to achieve it has been given. The studied subsidiaries had next to no overlapping product portfolios, resulting in little opportunities for employee efficiency, which increased the emphasis on finding cross-selling opportunities. However, the cross-selling synergies have caused uncertainties on subsidiary level and resulted in a slower adoption process, where they want to wait for more instructions on how to operationalise it. The subsidiaries choice to wait for instructions is in line with Kostova and Roth's (2002) argument of having a high degree of dependence. However, the empirical findings show time and lack of resources to be the main reasons for not being able to operationalise cross-selling. Also affecting the implementation of cross-selling is the customer pressure on the subsidiaries that requires continued focus on the main line of business. Therefore, it can be argued that the focus on main line of business reduces focus towards HQ's integration goals and is slowing down the local integration process.

There have been changes in work roles and habits within the merging MNCs, which have resulted in some managers and employees getting higher status or perceived lower status within the new organisational structure. This has caused tendencies of uncertainty within the subsidiaries, which, according to Kostova and Roth (2002) creates a negative atmosphere

towards change. For example, the findings indicate that the equality in delegating responsibilities was more important than finding the right person for the position in top management, which is in line with the importance of delegating responsibilities rather than awaiting the most appropriate allocation of such responsibilities (Birkinshaw et al., 2000a). Therefore, the perceived strict equality has generated uncertainties on subsidiary level since they expressed the need to have certain expertise on corporate level. Moreover, even if corporate top management was chosen relatively fast, the choosing of managers in corporate middle management has taken a longer time. This has created subsidiary uncertainties regarding the responsibility in decision making, which has affected the local integration negatively. This perceived lack of leadership can be argued to be in line with DiGeorgio (2002b). Although the empirical findings show little direct differences in status on subsidiary level, they also indicate concerns in losing status as a result of the ongoing changes. Additionally, Hambrick and Cannella (1993) state that if you feel a perceived lower status compared to your colleagues after an M&A, you are more likely to leave the firm voluntary. From the perspective of the more autonomous subsidiary, the result of becoming less autonomous and less able to make decisions on a local level can be seen as receiving less status. However, there have been no indication of personnel leaving the local subsidiaries as a result of lower status, but there are concerns from the more autonomous subsidiary of losing expertise at a higher level within the MNC. Therefore, it can be argued that a perceived loss of knowledge at the corporate top can result in uncertainties on local level after a merger between two MNCs.

The empirical findings show changes within the culture of the new organisation in line with Kostova and Roth's (2002) research. Not only are the subsidiaries adapting to new colleagues, but there are also tendencies of changes in values and beliefs. Being in service-based industries, the findings emphasise the importance of establishing trust between colleagues. Also, the positive impact of trust when adopting organisational changes is highlighted, which agree with the author's argument on trust having a positive effect on subsidiaries strategic responses. The coordination of values and beliefs towards a common ground will increase the trust within the subsidiaries, and thereby a better opportunity for adopting a new organisational culture. However, the findings imply that the subsidiaries believe they are too far away from HQ to be able to grasp how HQ values are entirely applicable on a local level. Thereby, it can be argued that establishing new values and beliefs on subsidiary level is difficult to achieve when the values are made globally.

As discussed, the two Swedish subsidiaries are experiencing institutional pulls from both sides of institutional duality. Both institutional pulls create uncertainties and hesitations in the local integration process as they are experiencing the results of an arranged marriage, as described by Schweizer (2005), where the will of HQ and the subsidiaries are not aligned. The internal pull from HQ is argued to be stronger since the subsidiaries dedicate a significant portion of the internal focus towards organising the integration. However, the pressure from customers in the local context slows down the integration process slightly. In the relational context the empirical findings show communication between the HQ and its units as important, and will be further discussed.

5.4 Communication and Socialisation

The provided information during the integration process is inconsistently perceived by the subsidiaries, where some view it as good and others do not. Several different channels are used for communicating both within the subsidiaries and in relation with HQ. A plan for communication in a merger will help the integration (DiGeorgio, 2002b), but the plan for communication implemented by HQ is not working to promote integration at the subsidiaries. For example, the new organisational structure was communicated as a new way of working, and had to be adapted across the organisation. However, the findings suggest that the subsidiaries were not communicated on how or when to implement it fully, which have created uncertainties, less commitment, and unclear working environments. Also, the subsidiaries lack information to provide to their customers in order to explain the changes after the merger, such as cross-selling and the broader product portfolio. The directives given by HQ were perceived as correct but not relevant for the subsidiaries, which, according to Kostova and Roth (2002) will impact the sense of belonging and identity within the MNC. The subsidiaries feel they are far away from HQ and its directives, highlighting a varying degree of trust towards HQ's communication. The small relevance and applicability of the communication given to the subsidiaries have shown tendencies of making the local integration process more difficult. Therefore it can be argued that the subsidiaries are having a lower level of identification with HQ, but a varying level of trust towards HQ's directives. Uncertainties related to inapplicable communication, both before the merger and during the integration process, are witnessed at the subsidiaries. Weber (1996) argues that such uncertainties will affect the commitment to the integration process in a negative way, and therefore generate less integration success. However, the commitment level on the integrating

process at the subsidiaries are high which can be argued is because of the emphasis on socialisation from the subsidiaries' management.

The process on subsidiary level, which focuses on social integration and connecting with colleagues, while also learning about their different product-offerings, is in line with Birkinshaw et al. (2000a), and perceived as positive amongst local employees. This shows how human integration, through socialising informalities, is focused on before strategic integration, which is in line with Birkinshaw et al.'s (2000a) and Larsson and Lubatkin's (2001) suggestions. Birkinshaw et al. (2000a) imply that human integration is a necessity in order for task integration to be effective, and the findings show that little task integration is achieved on a local level. The emphasis on human integration and less task integration have been an active choice by the subsidiaries' management and have been shown effective since it indicates understanding of each other's products and previous structures. The focus on human integration before task integration that is found at the subsidiaries impacts the relationship with HQ as the subsidiary focus is not completely in line with HQ focus, and the local integration process is not on the same level as other parts of the MNC. For example, the view on how far the integration process has progressed differ between HQ and the subsidiaries. This indicates that the HQ perspective is the sum of all the many interrelated processes that are on-going within the MNC where the subsidiary have a different perspective. It also can be argued that HQ might not possess all detailed knowledge needed to obtain an overall status of the integration processes within the MNC. The empirical findings show how the integrating subsidiaries have a heritage of different levels of autonomy, which Larsson and Lubatkin (2001) argue need different levels of formality in socialising activities. However, both subsidiaries perceive the casual social events already implemented are enough and positive for the local integration process. The casual socialisation is imperative for generating a common organisational culture, according to the same authors, which is presently shown since it has generated greater understanding and balance of the two administrative heritages.

5.5 Main Business and Strategic Capabilities

The adaption of the organisational matrix structure at subsidiary level is a central part of the empirical findings, where the formal structure and slow decision making process is highlighted. This is contradictory to Bartlett and Ghoshal's (1998) argument that managers should look beyond structures to form an effective matrix organisation, and instead focus on understanding. However, the understanding of the matrix structure is lacking which have

created uncertainties on subsidiary level. For example, the subsidiaries do occasionally not know who to contact or who is responsible for certain issues. Also, the decision making process derived from the new matrix structure, resembling a transnational strategy, is perceived as too complex and slow which is contradictory to Bartlett and Ghoshal's (1998) emphasis that the complexity of the matrix structure should clarify and simplify management processes. The integrating subsidiaries are noticing that changes in the matrix structure are made during the integration process. This can be argued is because of HQ listening to the problems arising within the MNC. Also, the findings show differences in structural perception between the subsidiaries, as one emphasises it has become more locally adapted after the merger while the other experience it has adapted a more global mind-set. This is in line with the arguments by Zaheer et al. (2003), where the differences magnify between the parties in a merger of equals. Another big challenge, according to the findings, are the synergies of cross-selling between the two merging subsidiaries, partly due to the complexity of the matrix structure implemented by HQ in relation to subsidiaries' previous structures. Cross-selling has been promoted as a merger motive on subsidiary level but not been given clear instructions on how this is to be executed. There are inconsistencies between the suggestions from HQ and subsidiaries' view, where HQ is expressing instant synergy opportunities in cross-selling, while on a local level there are difficulties finding operational synergies within cross-selling. This is highlighted by one subsidiary manager stating: "It becomes pretty hard to see the great cross-selling opportunities here. That doesn't mean it is a bad thing to do, there are a lot of other relevant parameters", which can be linked with Birkinshaw et al.'s (2000a) argument that integrating is a process and not an instant solution. The process of operationalising the cross-selling opportunities requires time and resources that the subsidiaries cannot provide even if they have identified a possible solution. Therefore, it can be argued that time and resources on subsidiary level can be reasons for Birkinshaw et al.'s (2000a) argument that subsidiaries often do not see synergies being integrated, even if the subsidiaries realise operational synergies. Further, the findings show how different sales- and customer channels are used by the integrating subsidiaries, along with having different product portfolios and customers, which have made the local integration process more challenging in line with Cartwright and Schoenberg (2006) and Cartwright and Cooper (1993). Therefore, it can be argued that the strategic capabilities in cross-selling is in need of appreciation and understanding earlier before the possibility of integrating successfully, which is in line with Haspeslagh and Jemison (1991). In other words, the differences and variety between the subsidiaries' sales channels, product portfolios and customer needs have to be identified and

understood to be able to integrate cross-selling capabilities. This have proven to be time- and resource consuming, something that the subsidiaries have difficulties to provide on a local level.

The internal environment of people trying to find their positions instead of focusing on their core business is both in line with Zaheer et al.'s (2003) argument that a merger of equals can create confusion of who is responsible and in charge, as well as core businesses not being fully focused upon until the fifth year of integration (Yu et al., 2005). The case shows that during the early stages of integration the subsidiaries have focused more on human integration and their customers but they perceive that HQ has focused on more internal aspects. Therefore it can be argued that core businesses are earlier focused on by subsidiaries than HQ, since they are closer to the customers. In line with Greenwood et al. (1994), the above statement confirms that there are difficulties in balancing the core business activities whilst in an ongoing integration process, which will impact both integration and business success.

6. Conclusion and Recommendations

This chapter outlines the conclusion, which is drawn from the analysis in the previous chapter, which was reached by an abductive case study. First, the research question is answered and theoretical contribution summarised. Thereafter, limitations and suggestions for future research are provided, along with practical implications for practitioners.

6.1 Concluding Remarks of the Study

In this paper, the effects on a local integration process after a mandated parental decision to merge two MNCs have been examined. Hence, it has connected IB studies on the integration process in M&As and HQ-subsidiary relations.

Separate research on the integration process in M&As and HQ-subsidiary relations, respectively, have previously been extensively studied, however, the two fields of study put together have not yet received much attention, especially not from a subsidiary perspective. It has been argued that when two MNCs merge, several interrelated integration processes start in various geographical settings. Therefore, the thesis, based on a balance between a theoretical review combining the two research areas and findings from a single case study conducted at WTW, contributes by examining a local integration process between two subsidiaries when exposed to mandated organisational change. The research question is formed to examine the effects on subsidiary integration process after an MNC cross-border merger:

How is the integration process of two MNC subsidiaries affected by the complex nature of an HQ-mandated merger?

It has been shown that both subsidiaries' administrative heritage are affecting the local integration process due to cultural clashes appearing and therefore prolonging the integration process. There are difficulties to both explain how each subsidiary used to operate and grasp how the other subsidiary operated before. It is not until recently that there are indications, mainly thanks to socialisation, of understanding each other and finding a balance between them. Therefore the subsidiaries' administrative heritage have generated difficulties aligning strategies and cultures of the firms.

The relation to HQ is shown to have an impact on the local integration process. The directives given by HQ are not seen as applicable on subsidiary level and generate uncertainties within the subsidiaries. Also, HQ emphasises on finding synergies, one being cross-selling, which have added to the uncertainties within the subsidiaries because they have difficulties observing how to operationalise the cross-selling opportunities. The reason behind is mostly due to lack of time and resources on a local level, but also to not remove too much focus from the customers. Additional uncertainties at subsidiary level are created through the lack of clear appointment of responsibilities, where corporate top- and middle management have a perceived lower focus on the main business, which is highly important for the subsidiaries' local contexts. These uncertainties extend the local integration process since the subsidiaries decided to focus on their current respective main business and await more operational directives and a clearer decision making structure from HQ.

Communication has an impact on the local integration process where the local management have focused on socialisation between the two subsidiaries. The socialisation and communication with peers have generated greater understanding of each other's product portfolio and culture, but more importantly established trust. In turn, the local integration process has been perceived as positive and running smoothly by the subsidiaries employees, although the organisational differences are perceived high. However, there are communication ambiguities between HQ and subsidiaries on how far the integration process has come. This highlight both the multitude of interrelated integration processes that are present in the MNC, and the importance of a locally adapted communication for the subsidiary integration process.

The new matrix structure has impacted the subsidiaries' integration process, as it has slowed down the decision making process and increased complexity. Instead of staying flexible and adaptive for local concerns it is perceived as a fixed and difficult structure on subsidiary level, and thus, has resulted in their integration process slowing down.

There are several impacts, both positive and negative, on the local integration process after an MNC merger. A more important remark is the connection between the examined factors that create a balancing act in different settings. For example, the need for socialisation to overcome organisational differences but not take too much focus from main business, or the balance between the relation towards HQ and the subsidiaries' local context. Also, there is a

need to balance keeping one's own administrative heritage and adopting the other subsidiary's heritage together with each respective heritage toward HQ. Therefore, a mandated parental decision to merge creates a lot of uncertainties in the local integration process which subsidiaries are in need of balancing, by weighing the level of importance of different factors at their level.

6.2 Theoretical Contributions

This research project contributes to the theoretical literature by elaborating on how the organisational complexity of MNCs affects the integration process of M&As. Also, it contributes by highlighting HQ-subsidiary relations and the implementation of an MNC-decided strategy in subsidiaries, with a local perspective. The thesis has described a picture in a theoretical field which is most often researched from HQ-perspective rather than subsidiary perspective. Further, the research gives indication on how HQ-decisions are received and implemented at MNC subsidiaries, which is likewise most often studied from HQ point of view.

The thesis adds to the M&A literature by showing how a collection of interrelated integration processes compile the integration for the global MNC. By examining the integration on a subsidiary level, the research adds to the complexity of combining a set of globally different integration processes, especially given the research examination in the early stages of the integration. Further, it contributes by examining the application of a parent decided M&A on its subsidiaries by adopting a subsidiary point of view. Also, the thesis breaks new ground by investigating the integration process - imposed by the MNC with a subsidiary perspective - at the early stages. To the knowledge of the researchers there is no previous research on integration processes up to 18 months post-merger announcement.

Lastly, the thesis problematises the integration process from a local perspective, but, if adopting an analytical generalisation suggested by Yin (2014), one could claim that the findings should be generalisable for other subsidiaries of merging MNCs, in similar situations with similar characteristics, as the research is directed and derived from a combination of several previous recognised theoretical frameworks.

6.3 Practical Implications for Practitioners

This study has shown how an HQ mandated decision affects a subsidiary integration process,

and presents factors that both complicates and eases the process. Therefore, it can give some preliminary guidelines on what to consider when implementing and integrating an HQ merging decision between two subsidiaries characterised by large differences.

First of all, the case shows it is appropriate that HQ provide a subsidiary with some autonomy in the integration process, however, it emphasises on the need for clear directions and communication on how global strategies are applicable locally.

The study shows that the balanced matrix structure is perceived as strict and too complex, and there is a need for top management to make it more flexible to local concerns.

A focus on human integration through socialisation is shown to be productive, especially when presented by large differences in administrative heritage, and the case indicates it as a necessity for integration of other task related later. However, it is important not forget focusing on task integration in order to keep and develop strategic capabilities. Find a balance!

6.4 Limitations and Recommendations for Further Research

Since the study is focused on a single geographical location and case, researching more subsidiaries with other geographical contexts, subsidiary character, and in various industries to deepen the theoretical understanding in the field is suggested. In relation to other M&A studies on integration, this thesis is highlighting an early stage of the process. Therefore, further research on the same case in future years can give understanding insights on changes in local integration processes. Also, other parameters developed through alternative backgrounds should be used for evaluating the integration success to create a more thorough understanding. Lastly, this study has examined a merger which makes it interesting for further research to examine the subsidiary integration process after acquisitions in order to add a comprehensive standpoint to M&A literature.

7. References

Aharoni, Y., 2011. Chapter 3: Fifty years of case research in international business: the power of outliers and black sawns. In: R. Piekkari, C. Welch, eds. 2011. *Rethinking the Case Study in International Business and Management Research*. Cheltenham: Edward Elgar. pp. 41-54.

Andersson, U., Forsgren, M., & Holm, U., 2007. Balancing subsidiary influence in the federative MNC: a business network view. *Journal of International Business Studies*. 38(5), pp. 802–818.

AON, 2017. *2016 Annual Report.* [PDF] Aon. Available at: http://ir.aon.com/about-aon/investor-relations/financial-reports/quarterly-and-annual-reports/default.aspx. [Accessed 18 March 2017].

Aon, 2010. *Aon Completes Merger With Hewitt Associates*. [press release] 1 October 2010. Available at: http://ir.aon.com/about-aon/investor-relations/investor-news/news-release-details/2010/Aon-Completes-Merger-With-Hewitt-Associates/default.aspx [Accessed 1 March 2017].

Apaydin, M., 2014. The Role of Time in Post-Merger Integration. *European Scientific Journal*. Special edition 1, pp. 559-569.

Bagchi, P., Rao, R.P., 1992. Decision making in mergers: an application of the analytic hierarchy process. *Managerial and Decision Economics*. 13(2), pp. 91–99.

Bartlett, C.A., Ghoshal, S., 1998. *Managing across borders*. 2nd ed. London: Random House Business Books.

Bauer, F., Matzler, K., 2014. Antecedents of M&A Success: The role of strategic complementary, cultural fit, and degree and speed of integration. *Strategic Management Journal.* 35(2), pp. 269–291.

Birkinshaw, J., Bresman, H., Håkansson, L., 2000a. Managing the post-acquisition integration process: how the human integration and task integration processes interact to foster value creation*. *Journal of Management Studies.* 37(3), pp. 395-425.

Birkinshaw, J., Holm, U., Thilenius, P., Arvidsson, N., 2000b. Consequences of perception gaps in the headquarters–subsidiary relationship. *International Business Review*. 9(3), pp. 321-344.

Bower, J.L., 2001. Not all M&As are alike – and that matters. *Harvard Business Review.* April, 2001, 79, pp. 92–102. [online] Available at: http://hbswk.hbs.edu/item/not-all-mas-are-alikeand-that-matters [Accessed 1 May 2017].

Bryman, A., Bell, E., 2011. *Business Research Methods.* 3rd ed. New York: Oxford University Press.

Cartwright, S., Cooper, C.L., 1993. The role of culture compatibility in successful organizational marriage. *Academy of Management Executive.* 7(2), pp. 57-70.

Cartwright, S., Schoenberg, R., 2006. Thirty Years of Mergers and Acquisitions Research: Recent Advances and Future Opportunities. *British Journal of Management.* 17(1), pp. 1-5.

Christensen, C.M., Alton, R., Rising, C., Waldeck, A., 2011. The big idea: the new M&A playbook. *Harvard Business Review*. March 2011, 89: 48–57. [online] Available at: https://hbr.org/2011/03/the-big-idea-the-new-ma-playbook [Accessed 1 May 2017].

Ciabuschi, F., Dellestrand, H., & Holm, U., 2012. The role of headquarters in the contemporary MNC. *Journal of International Management*. 18(3), pp. 213–223.

DiGeorgio, R., 2002a. Making mergers and acquisitions work: What we know and don't know – Part I. *Journal of Change Management.* 3(2), pp. 134-148.

DiGeorgio, R., 2002b. Making mergers and acquisitions work: What we know and don't know – Part II. *Journal of Change Management.* 3(3), pp. 259-274.

DiMaggio, P. J., Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review.* 48(2), pp. 147-160.

Doz, Y.L., Prahalad, C.K., 1987. A process model of strategic redirection in large complex firms: the case of multinational corporations. in Pettigrew, A. (Ed.), *The Management of Strategic Change*, Basil Blackwell, Oxford, pp. 63-83.

Doz, Y.L., Prahalad, C.K., 1991. Managing DMNCs: A search for a new paradigm. *Strategic Management Journal.* 12(1), pp. 145-164.

Dubois, A., Gadde, L.E., 2002. Systematic combining: an abductive approach to case research. *Journal of Business Research.* 55(7), pp. 553-560.

Gray, A., 2016a. Jim McCann, Willis Towers Watson: will $17bn merger bloom?. *Financial Times,* [online] 19 September 2016. Available at: https://www.ft.com/content/ea959c6e-58cf-11e6-9f70-badea1b336d4 [Accessed 3 March 2017].

Gray, A., 2016b. Willis Towers Watson faces integration questions. *Financial Times*, [online] 4 November 2016. Available at: https://www.ft.com/content/45d6c7ca-a2a3-11e6-aa83-bcb58d1d2193 [Accessed 16 March 2017].

Galpin, T.J., Herndon, M., 2000. *The complete guide to mergers and acquisitions - Process Tools to Support M&A Integration at Every Level.* 1st ed. San Francisco: Jossey-Bass Publishers.

Ghauri, P., 2004. Chapter 5: Designing and Conducting Case Studies in International Business Research. In: R. Marschan-Piekkari, C. Welch, eds. 2004. *Handbook of Qualitative Research Methods for International Business*. Cheltenham: Edward Elgar. pp. 109-124.

Ghoshal, S., & Nohria, N. 1989. Internal differentiation within multinational corporations. *Strategic Management Journal*, 10(4), pp. 323-337.

Ghoshal, S., Bartlett, C.A., 1990. The Multinational Corporation as an Interorganizational Network. *Academy of Management Review.* 15(4), pp. 603-625.

Ghoshal, S., Bartlett, C.A., 1993. The Multinational Corporation as an Interorganizational Network. In: S. Ghoshal, D.E. Westney, eds. 1993. *Organization Theory and the Multinational Corporation*. New York: Basingstoke; St. Martin: Macmillan. pp. 77-104.

Ghoshal, S., & Westney, D., (1993). *Organization Theory and the Multinational Corporation*. New York: Basingstoke; St. Martin: Macmillan.

Globe Newswire, 2015. Willis and Towers Watson Shareholders Approve Merger. *Globe Newswire,* [online] 11 December 2015. Available at: https://globenewswire.com/news-release/2015/12/11/794885/0/en/Willis-and-Towers-Watson-Shareholders-Approve-Merger.html [Accessed 28 February 2017].

Greenwood, R., Hinings, C.R., Brown, J., 1994. Merging Professional Service Firms. *Organization Science.* 5(2), pp. 239-257.

Hambrick, D.C., Cannella, A.A., 1993. Relative Standing: A Framework for Understanding Departures of Acquired Executives. *The Academy of Management Journal.* 36(4), pp. 733-762.

Harrison, S., Farrell, P., 2008. *Measuring post-merger success: integration processes and human factors.* In: A. Dainty, ed. 2008. *Procs 24th Annual ARCOM Conference.* Association of Researchers in Construction Management, 3-12. pp. 3-12.

Haspeslagh, P.C., Jemison, D.B., 1991. *Managing Acquisitions - Creating Value Through Corporate Renewal.* New York: Simon & Schuster.

Hedman, T., 2014. *Willis ny huvudägare i Max Matthiessen.* [press release] 27 May 2014. Available at: https://www.maxm.se/newsroom/?p=7768 [Accessed 3 March 2017].

Insurance Journal, 2015. Willis Group, Towers Watson Agree to Merger. *Insurance Journal.* [online] 30 June 2015. Available at: http://www.insurancejournal.com/news/international/2015/06/30/373421.htm [Accessed 2 May 2017].

Jarillo, J.C., Martinez, J. L., 1990. Different Roles for Subsidiaries: The Case of Multinational Corporations in Spain. *Strategic Management Journal.* 11(7), pp. 501-512

Jemison, D.B., Sitkin, S.B., 1986. Corporate acquisitions: a process perspective. *Academy of Management Review.* 11(1), pp. 145–163.

Jones, S., Basak, S., 2015. Willis to Merge With Towers Watson in $8.7 Billion Deal. *Bloomberg.* [online] 30 June 2015. Available at: https://www.bloomberg.com/news/articles/2015-06-30/willis-group-and-towers-watson-agree-to-18-billion-merger [Accessed 16 March 2017].

Jöns, I., Froese, F.J., Pak, Y.S., 2007. Cultural changes during the integration process of acquisitions: A comparative study between German and German–Korean acquisitions. *International Journal of Intercultural Relations.* 31(5), pp. 591-604.

Jöns, I., Hodapp, M., Weiss, K., 2005. Kurzskala zur Erfassung der Unternehmenskultur. *Mannheimer Beitraege.* 3, pp. 1–30.

Kostova, T., Roth, K., 2002. Adoption of an Organisational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effects. *Academy of Management Journal.* 45 (1), pp. 215-233.

KPMG, 2016. *Getting strategic about inorganic growth: Insurance CEOs speak.* [online] 22 September 2016. Available at: https://home.kpmg.com/xx/en/home/insights/2016/09/getting-strategic-about-inorganic-growth-insurance-ceos-speak.html [Accessed 3 March 2017].

Larsson, R., Finkelstein, S., 1999. Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: a case survey of synergy realization. *Organization Science.* 10(1), pp. 1–26.

Larsson, R., Lubatkin, M., 2001. Achieving acculturation in mergers and acquisitions: An international case survey. *Human Relations.* 54(12), pp. 1573-1607.

Lipscomb, M., 2012. Abductive reasoning and qualitative research. *Nursing Philosophy.* 13(1), pp. 244-256.

Lubatkin, M., Schweiger, D., Weber, Y., 1999. Top Management Turnover in Related M&A's: An Additional Test of the Theory of Relative Standing. *Journal of Management.* 25(1), pp. 55-73.

Mael, F., Ashforth, B.E., 1992. Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behaviour.* 13(2), pp. 103-123.

Merriam, S.B., 1998. *Qualitative Research and Case Study Applications in Education.* San Francisco: Jossey-Bass Publishers.

Meyer, J.W., Rowan, B., 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology.* 83(2), pp. 340-363.

MM, 2017. *Max Matthiessen - Om oss.* [online] Available at: https://www.maxm.se/0_1.php [Accessed 3 March 2017].

Nohria, N., Ghoshal, S., 1994. Differentiated Fit and Shared Values: Alternatives for Managing Headquarters-Subsidiary Relations. *Strategic Management Journal.* 15 (6), pp. 491-502.

Oliver, C., 1991. Strategic responses to institutional processes. *Academy of Management Review.* 16(1), pp. 145–179.

Osarenkhoe, A., Hyder, A., 2015. Marriage for better or for worse? Towards an analytical framework to manage post-merger integration process. *Business Process Management Journal.* 21(4), pp. 857-887.

Porter, M.E., 1986. *Competition in Global Industries.* Boston: Harvard Business School.

Rappaport, A. (1979) Strategic analysis for more profitable acquisitions. *Harvard Business Review*, 57(4), pp. 99-110.

Roth, K., Nigh, D., 1992. The effectiveness of headquarters-subsidiary relationships: The role of coordination, control, and conflict. *Journal of Business Research.* 25(4), pp. 277-301.

Schweizer, R., 2005. *An Arranged Marriage under Institutional Duality.* Kungälv: Roger Schweizer & BAS Publishing.

Scott, W. R., 1995. I*nstitutions and Organizations.* Thousand Oaks: SAGE Publications Inc.

SEC, 2015. *Willis' Presentation to ISS Regarding the Strategic Merger of Equals.* [online] 30 October 2015. Available at:
https://www.sec.gov/Archives/edgar/data/1140536/000119312515360282/d44142d425.htm [Accessed 10 April 2017].

Steigenberger, N., 2016. The Challenge of Integration: A Review of the M&A Integration Literature. *International Journal of Management Reviews.* 0, pp. 1-24

Timmermans, S., Tavory, I., 2012. Theory Construction in Qualitative Research: From Grounded Theory to Abductive Analysis. *Sociology Theory.* 30(3), pp. 167-186.

Towers Watson AB, 2015. *Årsredovisning 2014-07-01 - 2015-06-30.* [online] Available at:
https://www.hitta.se/towers+watson+ab/stockholm/dxM_4OJKK7#arsredovisningar [Accessed 1 March 2017].

TW&C, 2015. *Annual Report 2014.* [PDF] Washington, D.C.: United States Securities and Exchange Commission. Available at: https://www.towerswatson.com/annual-report/downloads/towers-watson-form-10-k-2014.pdf [Accessed 13 April 2017].

TW&C, 2016a. Solutions - Insurance Industry M&A Consulting. [online] Available at:
https://www.towerswatson.com/en/Services/Services/insurance-industry-m-a-consulting [Accessed 13 April 2017].

TW&C, 2016b. HR M&A Consulting. [online] Available at:
https://www.towerswatson.com/en/Services/Services/hr-mergers-and-acquisitions [Accessed 13 April 2017]

UNCTAD, 2000. *World Investment Report 2000.* [PDF] New York & Geneva: United Nations. Available at: http://unctad.org/en/docs/wir2000_en.pdf [Accessed 12 April 2017].

UNCTAD, 2016. *World Investment Report 2016.* [PDF] New York & Geneva: United Nations. Available at: http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf [Accessed 12 April 2017].

Weber, Y., 1996. Corporate Cultural Fit and Performance in Mergers and Acquisitions. *Human Relations.* 49(9), pp. 1181-1202.

Weber, Y., Belkin, T., Tarba, S.Y., 2011. Negotiation, Cultural Differences, and Planning in Mergers and Acquisitions. *Journal of Transnational Management.* 16(2), pp. 107-115.

Weber, Y., Tarba, S.Y., 2012. Mergers and acquisitions process: the use of corporate culture analysis. *Cross Cultural Management: An International Journal.* 19(3), pp. 288-303.

WGH, 2015. *2014 Annual Report*. [PDF]. Washington, D.C.: United States Securities and Exchange Commission. Available at: https://www.google.se/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&sqi=2&ved=0ahUKEwigjrrI1-vTAhWmIJoKHZBCDRQQFgglMAA&url=http%3A%2F%2Fphx.corporate-ir.net%2FExternal.File%3Fitem%3DUGFyZW50SUQ9Mjg5NTM5fENoaWxkSUQ9LTF8VHlwZT0z%26t%3D1&usg=AFQjCNGWRFy1l8-pJX6rnT86eOIKGAQx_w&sig2=v-2L0gLATZ6AboAVyxKQ0A [Accessed 13 April 2017].

Willis AB, 2016. *Årsredovisning 2015*. [online] Available at: https://www.hitta.se/f%C3%B6retagsinformation/willis+ab/5564265295 [Accessed 16 March 2017].

WTW, 2016. *2015 Annual Report.* [PDF] Willis Towers Watson. Available at: http://investors.willistowerswatson.com/phoenix.zhtml?c=254268&p=irol-reportsAnnual [Accessed 14 March 2017].

WTW, 2017. *Management Presentation*. [PDF] Willis Towers Watson. Available at: http://investors.willistowerswatson.com/phoenix.zhtml?c=254268&p=irol-presentations [Accessed 14 March 2017].

Yin, R.K., 2014. *Case Study Research.* 5th ed.Thousand Oaks: SAGE Publications Inc.

Yu, J., Engleman, R.M., Van de Ven, A.H., 2005. The Integration Journey: An Attention-Based View of the Merger and Acquisition Integration Process. *Organizing Studies.* 26(10), pp. 1501-1528.

Zaheer, S., Schomaker, M., Genc, M., 2003. Identity Versus Culture in Mergers of Equals. *European Management Journal*. 21(2), pp. 185-191.

Appendix

Appendix A

<u>Intervjufrågor - Undersökning av fusionen Willis Towers Watson</u>
Datum och plats:
Avdelning och position:
Antal år i företaget:
Tidigare Willis Holdings Group / Towers Watson:

1. Hur har dina arbetsuppgifter förändrats sedan fusionen?
2. Har du tidigare erfarenhet av fusioner?
3. När och hur blev du informerad om fusionen?
4. Vad är din åsikt om fusionen mellan W och TW? Upplever du fusionen som rimlig?
5. Upplever du att ditt före detta företag har blivit uppköpt eller har köpt upp?
6. Vad är, i din mening, den största utmaningen med den nuvarande integreringsprocessen?
7. Har dina förväntningar av fusionen matchat de hittills tagna åtgärderna?
8. Enligt din åsikt, hur utförlig har information och direktiv varit under fusionen? Har vidtagna åtgärder matchat direktiven?
9. Litar du på de delgivna direktiven?
10. Har direktiven från huvudkontoret förändrats? *Mer eller mindre tydliga? Mer eller mindre strikta? Mer eller mindre applicerbara?*
11. Vad ser du som den största förändringen gentemot huvudkontoret sedan fusionen?
12. Upplever du att huvudkontoret är mer eller mindre involverade i ert arbete?
13. Hur väl känner du dig delaktig i huvudkontorets aktiviteter och målsättning?
14. Var upplever du att besluten tas? Har du sett en förändring i var och hur besluten tas efter fusionen?
15. Upplever du en förändring i auktoritet efter fusionen?
16. Har din motivation till att förmedla information till huvudkontoret förändrats sedan fusionen?

17. Har du något annat du vill tillägga angående det vi frågat om?

Appendix B

Information on intervjuer
- Hej och välkommen, och tack! GU, master student. Arbete om fusioner och integrationsprocessen, och hur en fusion upplevs på ett dotterbolag. Med hjälp av Johan/Isabella har vi fått rekommenderat att prata med Er.
- 30-40 min, 16 frågor, inget tvång att svara på alla frågor. Finns något att tillägga eller något helt annat så gör gärna det. All information, relevant eller ej, är vi glada att få. En uppföljningsintervju är såklart välkommen.
- Anonymitet 1 - ingen utanför det här rummet kommer få veta att det är just du som sagt detta.
- Anonymitet 2 - Johan kommer ta del av sammanställda intervjuer för att, utåt sett, inte 'bränna' företaget. Vi har ingen intention att hänga ut någon eller WTW.
- Får vi spela in?

- Har ni några frågor till oss innan vi börjar?