

IB CASE -2 (CO3,CO2)

Read the case carefully. Systematic analysis of the case, logical reasoning, justifying your solutions will carry more weightage.

Corporate Culture Changes at Warner Hindustan-Parke Davis

This case offers an insight into the post-merger cultural adaptation which takes place inside two entities where the merger apparently did not work.

In September 1988, Warner Hindustan was merged with Parke Davis-both offshoots of the same parent, Warner Lamber Company of the US. Parke Davis had a single location at Mumbai, and Warner Hindustan was multi-locational. The vagaries of the oppressive Drug Price Control Order (DPCO), the fact that both the companies belonged to the pharmaceutical industry, and the potential of realising synergies had tied to the merger. The objectives to forge an alliance were : creating a scope for growth, building complimentary in product portfolio, and leveraging their brandpower.

The two companies had very contrasting cultures. Parke Davis was a people- driven company which practised participative and democratic values. It was basically a positively-oriented conservative company. Here employees had interpersonal relationship based on trust and respect for each other. On the other hand, Warner Hindustan had a task-oriented culture. There was a high level of cost-and profit-consciousness, and a controlled, formal, and documented work culture. Risk-taking by managers was encouraged.

After the merger, the management focussed on the rationalising of facilities/resources, structuring departments, and allocating designations. However, no attention was paid to the two different sets of operating rules being followed in one post-merger company.

After the merger there was a continuous clash in the culture and working system for a long time, as if two separate companies were working under the same roof. The average employee felt alienated and insecure. It also led to the formation of cliques. After four years, in 1992, when conflicts manifested themselves in the form of work-stoppage and low productivity, the top management of the company got together and created a new vision and mission statement for the company. The purpose was to create a common set of goals for the employees of both the companies.

Though the efforts to resolve the problems had been taken, still differences were evident from the departure of several top managers. The process of cultural integration had apparently not succeeded.

- 1) Discuss the manner in which merger of the two entities took place. Analyse the case and find out the reasons as to why the process of cultural integration had not succeeded ? Justify your answer.
- 2) What strategy you would have suggested to merger of the two entities successfully ? Justify your suggestion.