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Paper Title:

Isomorphic Pulls or Transplantation Practices? An Analysis on the Implications of Post-Acquisition Strategies of Indian Multinationals on Host Country Labor Relation Systems

One of the most interesting developments within the global political economy recently has been the surge in multinational companies participating in international production from outside the traditional triad (Japan, North America, and Western Europe). Demonstrating this verity is that between 1992 and 2006 there was a five fold numerical increase in non-triad multinational companies (NTMCs) actively participating in the global economy (UNCTAD 2007).

The most salient element accompanying this rapid numerical expansion has been NTMNCs growing preference for brownfield investments, i.e. mergers and acquisitions, over greenfield investments, the most widely pursued investment strategy of NTMNCs until the turn of the century. Some recent examples include the Mittal/Arcelor take-over, the Dubai bid for US port authorities, the Lenovo acquisition of IBM's personal computing division, Tata Motors acquisition of Britain's Jaguar and Landrover brands, etc. Moreover, not only are NTMNCs increasingly preferring brownfield investments, but what is perhaps more arresting is that the triad has been the primary target of these investments. Thus, the unprecedented numerical expansion of NTMCs does not in itself represent *the* most striking development in the global political economy recently. Rather, the most salient, and consequential, issue currently confronting the global political economy is the reality that NTMNCs are steadily coming into control of, if not fully owning, a significant portion of triad tangible *and* intangible assets.

The relevance of the aforementioned developments lies in the extent to which they are apt enough to structurally transform the power relations which define and regulate the global political economy, both at the national and transnational level. As a result, it should come as no surprise that the increased amount on NTMNC takeover activity has been interpreted *in* the triad as an explicit threat *to* the triad.

In comparison to their counterparts from other non-triad regions, Indian MNCs have completed the largest volume of takeovers in the triad last eight years. Moreover, Indian MNCs have particularly focused on acquiring firms from the triad which are active in the knowledge intensive sector, i.e. the sector which has in the post-war period been dominated by triad MNCs. Despite the significant surge in Indian MNC takeover activity in the triad, there remains a dearth of literature on the implications posed by these

takeovers for host country labor relation systems, both at the firm and national level. This paper will make the first inroads into filling this gaping lacuna by analyzing four acquisitions performed by three Indian MNCs in two host countries since 2001 (Table 1 below).

Empirical Case Studies

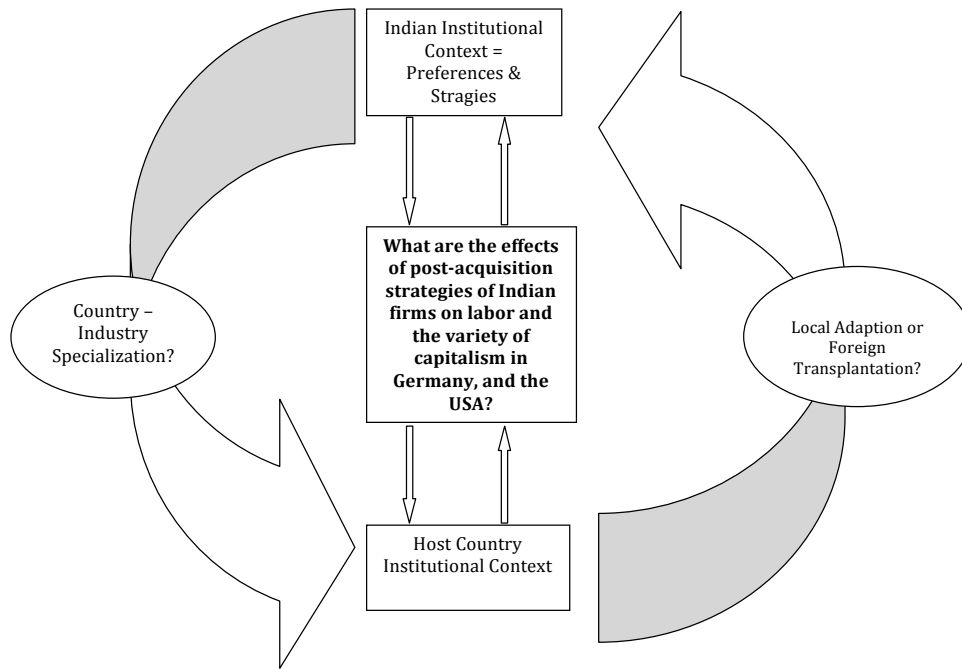
Indian Acquirer	Target Firm	Host Country	Industry	Year of Acquisition
Dr. Reddy's	Betapharm	Germany	Pharmaceuticals	2006
Dr. Reddy's	Trigenesis	USA	Pharmaceuticals	2004
Zydus Cadila	German Remedies	Germany	Pharmaceuticals	2001
Ranbaxy	Signature	USA	Pharmaceuticals	2004

Acquisitions in the pharmaceuticals industry have specifically been chosen because the 451 acquisitions performed by Indian MNCs in the triad since 2000 have primarily been concentrated in the Automobile & Automobile Components and Business Service & Information Technology, and Pharmaceuticals industries. As this paper is one part of my current PhD on the post-acquisition strategies of Indian MNCs in all three industries, it will draw upon the field research and interviews I have done to date in the Pharmaceuticals industry. Furthermore, this paper will look at acquisitions in two of the three host-countries I am researching in my PhD, Germany and the USA. These two host countries have been chosen given the substantial differences in both in terms of Germany possessing an institutionally strong regulatory system for labor relations and the USA having an institutionally weak regulatory system. This difference is crucial given that it essentially pre-determines Indian parent firms' room for maneuvering when formulating and implementing their pre- and post-acquisition strategies.

In exploring how the post-acquisition strategies of Indian MNCs impact host country labor relation systems this paper will sequentially perform a three-tiered analysis that focuses on the home, host-country national, and host-country target firm levels. The home country analysis will explore the labor relations systems in India and in three parent firms, which will subsequently provide the basis for analyzing the impacts of the post-acquisition strategies in the host-country as it will enable a comparison to be made between home and host country labor relation systems. In turning to the host-country analysis, the paper will seek to explore whether any tensions arise at the firm and national level after the acquisition and how the Indian parent firms have responded to these tensions.

Theoretically, this paper will depart from a Varieties of Capitalism framework, which puts emphasis on the extent to which national socio-economic institutions structure and shape the strategies and preferences of firms. Moreover, it will supplement the Varieties of Capitalism framework with advances made in Organizational Theory in analyzing the strategies and preferences of firms in host country environments and the extent to which firms are more likely to transplant practices or adapt to their local environments. Figure 1 below summarizes the structure of the paper.

Chart 1: Research Structure



In relating this paper to the theme of the conference, the acquisitions which will be analyzed have indeed been made possible as a result of the spread of financialization across the world. Indeed, each of these acquisitions have been funded by large Western investment banks, and as a result the formulation and implementation of post-acquisition strategies in target firms is also significantly related the financial standing and performance of the target firms pre- and post-acquisition. Notwithstanding as parent firms are subjecting themselves to the demands of investors, these investors have significant affects not only on the formulation of post-acquisition strategies by parent firms, but also in the extent to which the target firm has the power to resist drastic change to their labor relations systems. If indeed the financial standing pre-acquisition is poor, and(or) financial performance post-acquisition is poor, the first area within the target firm to be affected will be the labor relations systems.