HOW DO SUBSIDIARIES CONFRONT INSTITUTIONAL DUALITY? IDENTITY CLAIMS AT HINDUSTAN LEVER 1961 -2009

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INTRODUCTION

The elegance of the integration-responsiveness framework - a core element of international management discourse for nearly three decades - lies in its ability to capture the complexity of the multinational corporation's (MNC's) strategic and organizational challenges in a parsimonious manner (Bartlett and Ghoshal, 2002). Our aim is to position the subsidiary at the heart of the integration-responsiveness tension and to develop a theoretical understanding of how the subsidiary is able to confront this tension. We argue that, on account of institutional duality, the integration-responsiveness tension at the level of the global headquarters gets transformed, we argue, into an *incessant* 'nation responsiveness-corporation responsiveness' tension at the subsidiary level.

For the multinational subsidiary, born of and seeking legitimacy from both the parent corporation and the host country, the nation responsiveness-corporation responsiveness tension is embedded into its identity. Therefore, the research question we engage with in this essay is: *How does the subsidiary management employ organizational identity as a device to navigate the nation responsiveness-corporation responsiveness tension confronted by the subsidiary?*

Our research setting for studying this question is Hindustan Lever Ltd. (renamed Hindustan Unilever Ltd. in 2007) – the Indian subsidiary of Unilever Inc. – one of the world's leading multinational enterprises in fast moving consumer goods. Using qualitative procedures and grounded theoretic techniques, we study the evolution of identity claims made by the subsidiary management over a forty-nine year period at Hindustan Lever. In doing so, we seek to understand how the management of identity claims and the management of the nation responsiveness-corporation responsiveness tension are interlinked. Our findings lead us to propose a process model of subsidiary identity management.

THE INTEGRATION-RESPONSIVENESS TENSION

The integration-responsiveness tension emerges from the framework provided by Doz, Bartlett and Prahalad (1981: 63) where they described how the MNC drive towards "international competitive advantage through global rationalization of advantage is tempered by the needs and wishes of host nations and the diverse demands of their markets." Consequently, they argued, managerial decision making in MNCs needs to reconcile conflicting demands for local responsiveness and global integration. Global integration enables the MNC to manage its operations as a unitary efficient entity with streamlined processes and consistent product offerings. Local responsiveness emerges from the attempts of the MNC to meet the demands of local authorities in host countries and to adapt the product offerings of the MNC to the tastes and peculiarities of the local market. However, "since national responsiveness often can be achieved only at the expense of global consistency and clarity, tensions can be created" (Doz *et al.*, 1981: 64). Moreover, strategic choices at a given point of time can hardly resolve these tensions once and for all.

A Subsidiary Perspective

In order to survive and grow in the host country, subsidiaries try to behave, at least in part, like other local enterprises. In doing so, they come to reflect the values, norms and cultural practices peculiar to the social context in which they operate (Rosenzweig and Singh, 1991). However, their ability and even their aspiration to 'go native' gets tempered by the administrative heritage endowed by the MNC organization and the hierarchical control exercised by the parent corporation (Rosenzweig and Singh, 1991). Consequently, every multinational subsidiary exhibits, in the words of Raymond Vernon (1977), 'the elements of a double personality.' In effect, the subsidiary confronts twin isomorphic pressures, i.e., institutional pressures to conform emanating from the MNC organization (the internal environment) and those emanating from the host country institutional environment (the external environment) (Kostova and Zaheer, 1999). The subsidiary's need to acquire and maintain its legitimacy in both the internal and the external environments creates the condition of institutional duality (Hillman and Wan, 2005; Kostova and Roth, 2002).

In other words, when the integration-responsiveness tension percolates down to the level of the subsidiary, the nature of the tension undergoes a transformation. This is so because in the case of the subsidiary, the MNC organization itself constitutes an 'environment' seeking responsiveness from the subsidiary. We propose, therefore, that the subsidiary confronts a 'nation responsiveness–corporation responsiveness' (NR-CR) tension. Managing this tension is hardly a trivial challenge. As Vernon (1981: 523) noted, the subsidiary can never really 'respond single mindedly' to the interests of the national environment because the interests of the MNC are essentially cross-national.

Organizational Identity

Recent research in international management suggests that organizational identification plays a key role in determining how subsidiaries navigate the problem of institutional duality (Kostova and Roth, 2002). Tripsas (2009: 444) observes that "organizational identity serves a coordinating role, providing a focal point for both insiders and outsiders about what constitutes legitimate action on the part of an organization. As such, identity guides the development of capabilities, the acquisition of knowledge, the evolution of routines, and the framing of issues". As we examine the subsidiary's strategic choices at key junctures, organizational identity could provide theoretical clues into the antecedents (why was a given strategic option out of the potentially several chosen?) as well as the consequences (what was the impact upon the organization's goals and objectives?) of the said choice. Thus, for the researcher seeking to understand how the subsidiary navigates through the NR-CR tension, the concept of organizational identity provides a powerful theoretical lens.

Organizational identity resides in the self-referential meaning emerging in response to questions such as, "who are we as an organization?", "what business are we in?", "who do we want to be as an organization?" in relation to larger contexts of cultural meaning (Albert and Whetten, 1985; Corley and Gioia, 2004; Corley *et al.*, 2006). Organizations, unlike individuals, can possess multiple identities "without appearing hopelessly fragmented or ludicrously schizophrenic, as an individual might" (Gioia, 1998: 21). A specialized case of multiple identities is hybrid identity where the distinctive identities intertwine so as to lend themselves to a new, synthesized. A hybrid identity would typically correspond to the synthesis of twin, fully articulated identities in an organization where one would not normally expect the twin identities to go together (Albert and Whetten, 1985; Corley et al, 2006). Albert and Adams (2002) stipulate that hybrid identities are specifically those that are viewed by the organization as simultaneously inviolate (neither can be compromised), incompatible (the juxtaposition is conflict-ridden, by definition), and indispensable (neither can be dropped). In this paper, in keeping with the subsidiary's compulsion to respond to headquarter imperatives as well as host country demands, we conceptualize the subsidiary as having a hybrid identity – an identity framed by the synthesis of two, distinct and often opposing identities - a parent corporation identity and a host country identity - which are simultaneously inviolate, incompatible, and yet indispensable.

Following Ravasi and Schultz (2006), we view the two perspectives on organizational identity as complementary. We adopt a view of multinational subsidiaries as social actors while borrowing from the social constructionist perspective to allow them agency in managing their identities over time. Given the long span of time covered by our study, a social actor view of subsidiaries enables us to focus on the changing character of their identity claims ('sensegiving') – as collective actors - in response to an ongoing NR-CR tension, while setting aside the actual process of emergence of identity change *within* the organization ('sensemaking'). At the same time, the concept of institutional duality suggests that subsidiaries seek to conform to the stronger institutional pressure emanating from either the MNC organizational environment or the host country environment. Therefore, we view identity as malleable and ever-shifting – a view more in consonance with the social constructionist perspective than with the social actor perspective.

METHODS

We chose Hindustan Lever as the research site for our study for two reasons. First, Hindustan Lever's long history as a large and profitable multinational subsidiary that was well-regarded in the host country brought it to our attention. Second, Hindustan Lever is listed separately on an Indian stock exchange. This implies that, in addition to the responsibilities towards Unilever's shareholders, the subsidiary had a separate responsibility to their Indian shareholders. These are twin responsibilities for the subsidiary that may be potentially mutually conflicting. This suggested that Hindustan Lever may have faced a heightened form of the NR-CR tension.

Data and Analysis

The Chairman's annual speech to shareholders of Hindustan Lever is our principal data. We analyzed transcripts of speeches made by Chairmen of Hindustan Lever Limited at the annual general meeting of the company's shareholders from 1961 to 2009. A tradition of delivering a speech on the state of the company and its activities at the annual general meeting of shareholders was started in 1959 by the second Chairman of Hindustan Lever, S H Turner. With a decidedly introspective tone, these annual documents interpreted the company's past on an ongoing basis while envisioning its future. The public availability, uniformity and regularity of production of these speeches made them particularly suitable for our purposes.

Our data comprised 49 speeches delivered at successive annual general meetings of shareholders by 9 consecutive Chairmen of Hindustan Lever. This corresponded to 416 pages of transcripts and 213,192 words. The average number of pages per speech transcript was 8.5 pages and the average number of words was 4351. In order to develop the context for our narrative of identity evolution at Hindustan Lever, we used three other (supplementary) sources of data – 1. Corporate histories, 2. Newspaper and newsmagazine databases, and 3. Company press releases, financial statements and annual reports. Data extracted from these sources were not coded but were utilized to develop a chronology of the history of Hindustan Lever and to construct a coherent narrative.

As we proposed to develop new theoretical insights out of our data, our analysis followed procedures for grounded theory development specified by Strauss and Corbin (1990) and Charmaz

(2006) as well as more general prescriptions for the conduct of qualitative research given by Miles and Huberman (1994).

Research Setting

In 1956, the separate subsidiaries of Unilever in India were consolidated into the newly formed Hindustan Lever Ltd. (HLL). HLL was listed on the Bombay stock exchange and 10% of the equity was sold to the Indian public. In 1961, Prakash Tandon became the first Indian Chairman of HLL. The 'Indianization' of the HLL management and the infusion of Indian ownership into the equity of the company had a definite impact on the aims and objectives of the subsidiary management. Lord Cole, Chairman of Unilever Ltd. during 1961 – 1970, remarked: "*There is no doubt in my mind that the fact of having a public participation has produced in the minds of the top Indians, not excluding the Chairman, the feeling that they are a public company and as such their attitude of mind on a number of points is rather different from that of a 100% subsidiary*" (Fieldhouse, 1978: 203).

Lord Cole's comment points to the possibility of contradictions emerging in the management task confronted by the HLL management as they sought to reconcile their ongoing responsibilities to Unilever HQ and their newer responsibilities to Indian shareholders (and the host country at large). How did these conflicting pressures shape the conceptualization and articulation of the subsidiary's identity? How does the evolution of the organizational identity reflect the manner in which the subsidiary management chose to confront the NR-CR tension? We explore these questions by examining the changing character of identity claims made by HLL Chairmen over the period from 1961 to 2009.

DISCUSSION

We found that HLL's Chairmen presented a variety of identity claims over the years corresponding to five successive identity profiles: a progressive marketing firm (1961-1969), a consumer-focused self-reliant firm (1969 – 1977), a core sector firm (1977 – 1991), a resilient consumer-oriented firm (1991 – 1996), and Unilever's FMCG subsidiary (1996 – 2009). This section discusses the key points pertaining to the process model emergent from this study of how multinational subsidiaries utilize the organization's identity as a navigational device to manage the NR-CR tension.

In our model, the primary influence on the subsidiary's identity, as the subsidiary comes into existence, is the parent corporation's identity. As Unilever considered itself an 'oils and fats' company in the early years and a FMCG company in more recent years, so did HLL. Identity overhang, therefore, can be understood as the ongoing influence of the dynamic of the parent's identity on the evolution of the subsidiary's identity.

Host country pressures upon the subsidiary, or demands upon the subsidiary for nation responsiveness, can challenge the identity of the subsidiary by showing it to be inconsistent with newer expectations from the subsidiary or can cause the subsidiary's management to reaffirm aspects of the organizational identity. Host country pressures can originate in either of four sources – host government regulations, localization of subsidiary management beliefs, competitive pressures, and normative expectations.

Alongside host country influences, the subsidiary's identity may also be challenged or strengthened by pressures emanating from the parent corporation or, more broadly, from within the MNC network. MNC network pressures on the subsidiary's identity can originate in either of four sources – global strategy, organizational structures and processes, intra-MNC competitive pressures, and personnel transfers.

The subsidiary management are compelled to interpret, on an ongoing basis, the stimuli emanating from the twin environments – MNC network and host country – in the form of new regulations, customer expectations, parent company strategies, intra-MNC recognition (or the lack thereof), etc. Any of the four sources each of host country pressures or MNC network pressures can present a challenge to the subsidiary's understanding of 'who we are as an organization?' Subsequent strategic responses reflect the outcome of the corresponding sensemaking cycle. These responses lead to *identity work*, i.e., the active management of the subsidiary's identity as a means of adjusting to the changed balance of NR-CR pressures while incorporating justifications for the said strategic responses into the subsidiary's identity.

Identity Work

Subsidiaries seeking to adjust to a changed balance of NR-CR pressures can undertake either of four varieties of identity work to alter the claims corresponding to their hybrid identity. *Identity affirmation* happens when a subsidiary responds to an identity challenge by reiterating and reemphasizing existing identity claims. In doing so, these claims may even be elaborated and extended. For example, in reiterating the importance of marketing to HLL's activities and in developing arguments about the importance of marketing to the availability of reasonably-priced goods and, in general, to the economic development of the country, HLL's managers chose identity affirmation. *MNC-identity induction* relates to the development of identity claims that enhance the MNC identity aspect of the subsidiary's identity. When Unilever adopted a policy to emerge as a focused FMCG player across the world, HLL's history was revised (cf. Gioia *et* al, 2000) so as to present the company as having a long history of selling FMCG products in the country rather than as a company with a 'core sector' identity. *Host country-identity induction* refers to the development of identity claims that enhance the host country identity aspect of the subsidiary's identity. HLL's adoption of self-reliance as a central identity claim in the 1970s and the development of a core sector identity in the 1980s were examples of host country-identity induction that accounted for acquiescence to host country demands by enhancing the host country aspect of their identity. Lastly, *Bipartisan-identity induction* connotes the development of identity claims that neither enhance the host country aspect of the subsidiary's identity nor the MNC aspect. An example was the emergence of resilience as an identity claim in HLL during the nineties.

Manifest and Latent Identities

Gouldner (1957, 1958) distinguished between manifest and latent social roles and identities. He observed that, for a given group, manifest social roles and identities are those that are "consensually regarded as relevant to them in a given setting" while latent social roles and identities are those that are similarly "defined as "irrelevant, inappropriate to consider, or illegitimate to take into account" (Gouldner, 1957: 284). Identities other than the one that is most "institutionally relevant and legitimately mobilizable" for a particular social role may "intrude" into the performance of that role (Gouldner, 1958: 283). In our model, subsidiaries are able to navigate the NR-CR tension by *transposing* their manifest and latent identities in accordance with the shifting demands made upon them by the MNC organization and by the host country constituents. If the subsidiary's hybrid identity has a manifest 'MNC' tendency, then the subsidiary's management can respond to pronounced host country pressures by making their latent 'host country' identity claims manifest and their 'MNC' identity claims latent. On the other hand, if the subsidiary's hybrid identity has a manifest 'host country' tendency at a time when pressures emanating from the parent corporation or the MNC network become pronounced, the subsidiary management may respond by making their 'MNC' identity claims manifest and 'host country' identity claims latent. This is in keeping with

Pratt and Foreman's (2000: 36) observation that "managers may cope with latent identity conflicts by making the identities salient." Since the subsidiary has a hybrid identity with both the host country and the MNC aspects of their identity being inviolate, incompatible, and indispensable (cf. Albert and Adams, 2002), our model emphasizes the dynamic interchangeability between these two aspects of the subsidiary identity.

An examination of the evolution of HLL's identity claims illustrates the transposition of manifest and latent identities as a means of managing the NR-CR tension. During 1961 – 1969, the Unilever heritage was a manifest identity claim for HLL that helped specify *who they were as an organization*. Thus, Tandon referred to how the professionalism of management was a strong tradition in HLL's 'parent company' and one that HLL was taking forward with its own progressive management in India. However, during 1969 – 1977, as host country pressures for conformity and for responsiveness to the host country's needs increased, Rajadhyaksha and Thomas (successors to Tandon) conceptualized the Unilever affiliation (not heritage) as a latent identity claim that helped them be 'self-reliant' by enabling access to new research on materials and processes that helped reduce the nation's import expenditure. In the latest phase of HLL's identity evolution, host country pressures eased off as India embarked on an economic liberalization program that imposed far fewer restrictions on foreign direct investment while Unilever itself ventured on a policy of tightening its control over its subsidiaries. Consequently, we find that the Unilever affiliation emerged as a manifest identity claim for HLL.

CONCLUSION

An important implication of our study is with regard to the role of the country manager. Bartlett and Ghoshal (1992) argued that the country manager has three roles – as a sensor of opportunities, as a builder of local resources and capabilities, and as a contributor to corporate strategy making. However, over time, the importance of the country manager seems to have dimmed. During the nineties, MNCs were observed moving towards a global business unit structure wherein subsidiaries were virtually broken up into discrete business activities, such as product lines or functions, which were then commandeered by the parent organization (Birkinshaw, 1995, 2001). The rise of emerging economies, however, renewed the need for a powerful country manager as developed economy MNCs sought personnel who could integrate the complex tasks involved in managing vast, unfamiliar markets (Quelch and Bloom, 1996).

In the contemporary era, where the country manager is gaining renewed respect in the MNC organization, our study proposes a fourth role for the country manager – subsidiary identity management. Indeed, it can be argued that this fourth role undergirds the three other roles proposed by Bartlett and Ghoshal (1992) by shaping the identification of opportunities, by facilitating or constraining the development of capabilities, and by legitimizing (or delegitimizing) participation by the country manager in corporate strategy making. While international management scholars widely acknowledge that characteristics and behavior patterns of emerging economy MNCs can significantly recast mainstream theory (Ramamurti, 2008), the corresponding potential in the study of emerging economy subsidiaries of developed economy MNCs has not been recognized.

REFERENCES AVAILABLE FROM THE AUTHORS