



# Institutional Influences on Manufacturing Organization in Multinational Corporations: The 'Cherrypicking' Approach

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## Abstract

Research on the multinational corporation (MNC) is increasingly concerned with the alleged evolution of companies towards a more standardized and rationalized global organization. Only recently, this field has been informed by alternative approaches which generate a more differentiated picture and consider the influence of divergent national institutional contexts on the multinational organization. This paper makes a contribution to this debate from a comparative institutionalist perspective by focusing on manufacturing organization within MNCs. It argues that organization structures and processes in MNCs are sector specific and influenced by national institutional features of the home and host countries. Drawing on data from a specific industrial sector, it identifies the crucial role of home country and host country embeddedness in the (re)organization of manufacturing tasks and work systems. The key question is how actors shape the interaction of these institutional pressures and, hence, manufacturing approaches, location choices and work system designs. Research in British and German subsidiaries of three MNCs suggests that, particularly at subsidiary level, MNCs apply a 'cherrypicking' strategy of selected use of work system elements, shaped by the host country business system. It is shown that manufacturing strategies of MNCs originating from highly coordinated business systems are highly context specific and difficult (if not impossible) to transfer elsewhere. Moreover, 'cherrypicking' strategies in subsidiaries embedded in such contexts turned out to be highly problematic, especially when managers attempt to combine them with group-wide standardizing work systems.

**Keywords:** national business systems, work systems, enactment, Anglo-German comparison, multinational companies, manufacturing management

Research into the multinational corporation (MNC) over the past 30 years has been largely dominated by economic approaches (Morgan 2001). The thrust of the debate seems to be that evolutionary economic, technological and institutional isomorphisms will lead to more homogeneous organizational forms in MNCs (Bartlett and Ghoshal 1997), sometimes referred to as the 'Anglo-Saxonization' of international business activities (Ferner and Quintanilla 1998). The debate questions the persistence of national societal effects on the strategies and organizational design of MNCs in an increasingly internationalized business context (Meyer 2000; Mueller 1994; Ohmae 1990; Parker 1998: 50–51). Much of this interest in MNCs seems to have largely ignored the arguments raised by comparative institutional research over the

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last two decades. These studies have shown that production models such as Fordism and flexible specialization are based on historically grown and highly idiosyncratic societal conditions which cannot easily be transferred from one society to another (Hollingsworth and Boyer 1997; Kristensen 1997). This research then — if linked with the recent debate on the MNC — could cast an interesting new light on the influence and persistence of national idiosyncrasies in MNCs.

This paper makes a contribution to the debate on MNCs from exactly this perspective. Drawing on the European institutionalist tradition, this paper shows that key institutional aspects of national business systems (NBSs) which are assumed to differ among capitalist societies are still important in understanding local manufacturing approaches and work system designs, both MNC-wide and in localized settings (Whitley 1999). We will consider how divergent home country and host country institutional pressures interact in shaping work system designs of MNCs, especially the location and organization of group-wide manufacturing tasks. A key question is, in other words, the influence of industry specificity as well as home and host country pressures on key actors in selecting certain manufacturing strategies and related work system designs.

### **Enactment of Manufacturing and Work Systems in MNCs: Influence of Industry Specificity, Home Country and Host Country**

There is quite a considerable literature on the question of why MNCs choose to locate their subsidiaries in certain countries. Most of this literature has been dominated by contingency and economic approaches (see Morgan et al. 2001). Although this literature acknowledges varying degrees of global standardization and convergence of organizational forms (Bartlett and Ghoshal 1989; Harzing 1999), the general view seems to be that a combination of global competition and mimetic isomorphism (copying of 'best practices', termed 'organizational effects' by some; Mueller 1994) is resulting in the emergence of homogeneous strategies and network structures in 'global' MNCs across industrial sectors (Nohria and Ghoshal 1997).

This view is contested by institutionalist scholars who claim that national institutions and 'business systems' have a remaining and distinctive influence on dominant practices of firms in relation to work systems and, hence, the overall manufacturing approach of the firm (Lane 1992; Maurice et al. 1980; Sorge 1991; 1996; Whitley 1999). Only recently, the question has been raised as to *how and why international firms are likely to remain different* (Whitley 2001). Therefore, it can be expected that both group-wide work systems of MNCs and work systems at the host country level remain distinctive. Based on this debate, there are three key arguments we will draw on in this paper.

The *first* body of literature we draw on discusses historically grown, industrial sector specificities of innovativeness and competitiveness of certain production models. Most recently, authors such as Hollingsworth (2002) or Haake (2002) have offered a more comprehensive approach to understanding

how industry-specific production models are intertwined with societal institutional arrangements. Fordist production models, it is argued, rely on a combination of short-term contractual market relations and corporate hierarchies as well as unegalitarian and short-lived networks (Hollingsworth and Boyer 1997). The development of standardized mass production is therefore seen as the typical approach of companies of Anglo-Saxon origin (see also Williams et al. 1983). In contrast to Fordist patterns, flexible specialization or diversified quality production (DQP), combining high quality and customization with volume, is seen as incompatible with neo-liberal deregulated regimes of capitalism. Therefore it is argued that 'the long term success of DQP requires a high degree of trust and cooperation among economic actors — between workers and managers within firms, and between firms on the one hand, and their suppliers and customers on the other' (Hollingsworth and Boyer 1997: 24). This argument is developed further by Haake (2002), who distinguishes between individualistic business systems (e.g. the UK or the US), characterized by short-term employment, non-cooperative labour relations, market-based financial systems, arm's-length relations between firms on the one hand and communitarian business systems (e.g. Germany and Japan) on the other hand, with long-term employment, union-management cooperation, close ties with banks, state support for industries, and close relations to suppliers and within industrial associations. The latter are seen as the reason why companies from Germany are more successful in industries requiring a high specificity of organizational knowledge, such as machine tools, but less suited in industries where organizational knowledge specificity is low, as, for example, in financial services.

Comparative research on social production systems demonstrates impressively how differences in NBS characteristics are linked to a certain degree of organization-specificity of knowledge in an industrial sector. This significantly shapes industry-specific competitive advantages of companies in a particular NBS. However, little is known about the implications of these industry-specific advantages with regard to location decisions and work systems choices in MNCs. This study makes a contribution in this area.

There is, however, a *second* area of work which has started, at least in part, to fill this gap. Particularly relevant here is the work of Harzing (1999) which, by extending the mainstream contingency approach of the MNC, provides evidence that sector-specific manufacturing strategies are also shaped by country of origin effects (COEs). More recently, Noorderhaven and Harzing (2003) have developed this idea further by arguing that COE, such as differences in internationalization and control strategies of MNCs, can be ascribed to the different national origins of MNCs rather than to variations in their task environment.

The focus of this stream of research is mainly directed at the influence of COEs on control approaches of MNCs (see also Harzing and Sorge 2003), and explains only one aspect of institutional influences, the effects of the home country. Moreover, the interplay of home and host country institutional pressures and the role of key actors in making choices about location and organization of manufacturing are neglected.

Recently though, there seems to be a growing interest in interrelating COEs and host country effects in MNCs, particularly with regard to host country subsidiaries where the NBS is significantly different from the one in the home country. This *third* literature has mainly focused on the areas of human resources management (Edwards and Ferner 2002; Ferner 1997; Ferner et al. 2000; 2004; Wächter et al. 2003) and employment and industrial relations (Muller-Camen et al. 2001; Muller 1998; Turner et al. 1997), with recent expansion of the discussion to include diffusion of work systems (Saka 2004). The latter work analyses how work system designs developed in the Japanese headquarters were actively translated and, hence, hybridized in the British subsidiaries. What is more and similar to our research in this paper, Saka focuses on how home country and host country institutional pressures interact by putting more emphasis on social action.

In line with the latter study, we argue that key actors do respond to institutional pressures by making choices about work system design and manufacturing organization, and, as a result, tightening or mitigating certain home and host country institutional pressures. Here we particularly refer to Weick (1979: 164) in assuming that the environment is 'selectively perceived, rearranged cognitively, and negotiated interpersonally'. Accordingly, the question we raise is: how do the institutionalized environments of the home and the host country influence the selection and rearrangement of manufacturing organization and work system designs in MNCs?

Summarizing, we would then argue that our study goes beyond traditional comparative institutionalist studies in three respects: first, it focuses on how home and host country institutional legacies interact in shaping manufacturing organization and work systems. Second, we assume that home and host country institutional pressures are tightened and mitigated in enactment processes (Weick 1979) at various levels (headquarters (HQ) and subsidiaries) where key actors select certain elements of country-specific work system designs. Third, we will discuss the previously rather neglected case of institutional change within a societal context and its influence on MNCs' manufacturing and work systems design by referring to our Finnish case study. This societal transformation process, as we will see, leads to certain decisions regarding global manufacturing strategy and the selection of work system designs.

## Research Design and Methods

This research is to investigate whether, to what extent and in what ways actors within MNCs deliberately take into account certain elements of host country work systems in their group-wide manufacturing approach. We investigate this particular link in the sector of heavy engineering of lifts and escalators. Our primary aim is to find out how key actors in these organizations perceive certain elements of NBSs, and how work systems at group and subsidiary levels are enacted.

In this study we apply Whitley's work systems approach, which is closely intertwined with certain NBS features. Thus, 'work systems are characterized

by contrasting ways of structuring tasks and jobs, of controlling how work is allocated, performed, and rewarded, and of structuring employment relationships' (Whitley 1999: 88). Key features are task organization and control, workplace relations between social groups, and employment practices and policies (for details see Tables 3 and 4, left-hand column). Furthermore and in accordance with the discussion above, it is assumed that manufacturing strategies of MNCs, at both global and local level, are based on certain work system designs which are either predominantly Fordist or else DQP methods, and which reflect (ideally) either the institutional features of more individualistic or more communitarian NBSs (Haake 2002; Hollingsworth and Boyer 1997). Our main interest here then is how these institutional pressures were mitigated in the enactment processes, with actors deliberately selecting and combining some characteristics of work systems, while at the same time retaining or changing other elements of work system design in their manufacturing approaches.

We selected three out of the four major global players in a relatively small part of the engineering sector — lifts and escalators. The lift and escalator industry is characterized by a strong focus on the function of engineering as a substantial part of the value-adding process during manufacturing. As earlier research has shown (Maurice et al. 1980), there is a particularly strong link between manufacturing and the national institutional framework, making the choice of manufacturing as a field of investigation quite promising for our purposes. Furthermore, the whole industrial sector is heavily affected by globalization pressures in terms of standardization of products, convergence of manufacturing technologies, as well as the emergence of a more global market for its products (Iwer 2000).

Table 1 provides an overview of the three companies, a US, a Finnish and a German MNC. All were operating profitably and had recently (within the last five years) taken over former competitors, both globally and within the countries of our study.

In order to allow for paired comparisons, we chose MNCs with national subsidiaries in both Germany and the UK. The main reason for this selection is that these countries offer quite distinct cultural and institutional backgrounds

	US MNC	Finnish MNC	German MNC
Total no. of employees worldwide	63,000	23,000	28,500
Proportion of employees abroad	84%	94%	93%
Proportion of sales abroad	76%	91%	89%
No. of countries with overseas subsidiaries	200	40	102
No. of overseas manufacturing plants	40	14	23
<i>Size of German subsidiary</i>			
sales (€m)	700	243	421
employees	4,000	1,800	1,822
<i>Size of UK subsidiary</i>			
sales (€m)	144	205	120
employees	2,700	1,295	800

Table 1.  
Basic Data on the  
Companies Studied

Sources: Annual Reports 2001 and interviews by the authors

Table 2.  
The Interviews  
(Conducted between  
May 2000 and June  
2001)

	US MNC	Finnish MNC	German MNC
At HQ	Member of the Executive Board	Head of Management Development Director of Rollout and Administration Support	Member of the Executive Board Head of Accounting and Internal Auditing
In German subsidiary	Director, Finance Director, Quality Director, Human Resources Director, Service and Maintenance	Managing Director Director, R&D Director, Controlling Systems	Head of Controlling Head of R&D Commercial Director Head of the Works Council and Member of European Works Council
In UK subsidiary	Director, Human Resources Regional Service Manager Regional Service Manager	Managing Director Director, Engineering Director, Manufacturing Plant	Managing Director Director of a Regional Service Centre Head of group-wide UK Works Council and Member of European Works Council Regional Service Manager and Member of Works Council of one Service Centre

and contrasting NBSs on many criteria (Lane 1992). Furthermore, Anglo-German cross-cultural research has a fairly long tradition in studies of international business so that we were able to build on a substantial body of literature (e.g. Lane 1992; 2000; 2001).

Our main source of data is qualitative. We developed interview guidelines and semi-structured questionnaires in German and English for managers involved in or responsible for the design, change and implementation of work systems in their companies. A key aim was to select interviewees who were actively involved in strategic change processes, both at the national and international level. Table 2 provides an overview of the interviews conducted. In addition to this data, we used internal documents, in-house presentations, corporate publications, and coverage of the companies in the business press.

We applied a multiple case study approach (Yin 1994) to compare both the focus of manufacturing strategies related to home country embeddedness and the host country-specific local adaptation. While it could be argued that this research method is limited in terms of generalizing across sectors (Hammersley and Gomm 2000), it nevertheless provides an in-depth ethnographical study (Schofield 2000) of the relevance of national institutions to the global manufacturing strategies of MNCs, and of the importance of locally enacted adaptations (Easterby-Smith et al. 2002: 50–51). In examining the contextual rationalities of MNCs, ethnographic research has proved useful (Sharpe 2004). A case study approach in international business issues is particularly recommended as institutional research in MNCs is still a rather recent phenomenon (Ghauri 2004).

In the following comparative discussion of our empirical findings, we will analyse the three MNCs in our sample within the context of our theoretical framework. This will first involve an analysis of global group-wide work systems and the way their enactment is influenced by the NBS of the MNC home country. The second step will be to analyse how these group-wide manufacturing strategies, as defined above, are enacted in the different national subsidiaries in Germany and Britain respectively.

### **The Group-Wide Manufacturing Strategies of MNCs**

In this section we will briefly discuss the group-wide manufacturing strategies of the three MNCs by comparing their group-wide work systems. In doing so we wish to make two points. First, we would like to show that all three companies have different strategies and work systems. Second, we argue that there is a link between the NBS of the country of origin of the MNC and their respective choice of work systems and manufacturing strategies. This analysis will then lay the basis for developing deviations from these group-wide strategies, what we call 'cherrypicking', as the main theoretical contribution of this paper. As we have already analysed the group-wide strategies and their link to the country of origin elsewhere (Geppert et al. 2003; Matten and Geppert 2004) we shall keep this section fairly brief and would chiefly refer to Table 3, which provides details of the comparative analysis of the group-wide work systems.

The US-based MNC is a division of a larger conglomerate and reflects the characteristic features of a Fordist work system that are typical for such a company (Faulkner et al. 2002; Ferner et al. 2004; Royle 2002; Wächter et al. 2003). The key goal of the US company is to be the cost leader (Porter 1980) in the global market for standardized lifts and escalators. A focus on shareholder value led to rationalization, reducing global manufacturing plants by more than half and worldwide R&D facilities by more than two-thirds (Iwer 2000).

The German MNC is part of a conglomerate whose core division operates in the steel industry. Its group-wide work systems are characteristic for DQP (Sorge and Streeck 1988) or 'flexible specialization' (Whitley 1999). The MNC shows an extensive number of characteristics typical of a large German conglomerate with a powerful engineering culture (Warner and Campbell 1993). It focuses on the high-value market segment and has a strong focus on unit production and the development of customized solutions.

The Finnish MNC is the most interesting case in our sample because it reflects both the remaining influence as well as the institutional transition of the Finnish NBS (Laurila and Ropponen 2001; Lilja et al. 1992; Tainio 2001). Moving from bank and family-owned patterns to a shareholder-dominated ownership structure, the NBS is presently undergoing a significant shift towards being influenced by the international capital markets. Consequences include a 'financialization' (Tainio 2001) of organizations, more short-term horizons for business decisions, and a stronger focus on shareholders that

Table 3. The Group-Wide Work Systems of the MNCs Compared

Characteristics of work systems		US MNC	Finnish MNC	German MNC
<b>General type of group-wide work system</b>		<p>Fordist</p> <ul style="list-style-type: none"> <li>● Orientation towards mass markets</li> <li>● Standardized products and large-scale production</li> <li>● Low level of skills in manufacturing plants</li> <li>● Cost leadership</li> </ul>	<p>Delegated responsibility towards Fordist</p> <ul style="list-style-type: none"> <li>● Orientation towards mass markets</li> <li>● Standardized products and large-scale production</li> <li>● Medium level of skills in manufacturing plants</li> <li>● Technology leadership</li> </ul>	<p>Flexible specialization</p> <ul style="list-style-type: none"> <li>● Orientation towards top-end niche market</li> <li>● Customized products and order production</li> <li>● High level of skills in manufacturing plants</li> <li>● Quality leadership</li> </ul>
<b>Task organization and control</b>	Skill level	<p>Low</p> <ul style="list-style-type: none"> <li>● Skills are kept at the lowest possible level, focus on low skill demanding repetitive work patterns in manufacturing and service</li> </ul>	<p>Medium to low</p> <ul style="list-style-type: none"> <li>● Skill level is low in manufacturing plants, but relatively higher in those locations which have an R&amp;D function for the entire group</li> </ul>	<p>High</p> <ul style="list-style-type: none"> <li>● Skill level and its maintenance is a high priority in all subsidiaries and at group level</li> </ul>
	Fragmentation	<p>High</p> <ul style="list-style-type: none"> <li>● R&amp;D, manufacturing, sales and service are all organizationally and geographically separate</li> </ul>	<p>High</p> <ul style="list-style-type: none"> <li>● Recent reorganization into ‘front line’ and ‘supply line’ separates manufacturing and R&amp;D from sales and service functions</li> </ul>	<p>Low</p> <ul style="list-style-type: none"> <li>● Decentralized organization of R&amp;D, manufacturing, sales and services across the multinational group allows for dense integration of functions</li> </ul>
	Worker autonomy and involvement	<p>Low</p> <ul style="list-style-type: none"> <li>● Standardization of products leaves little scope for worker involvement</li> </ul>	<p>Medium to low</p> <ul style="list-style-type: none"> <li>● The focus on high technology solutions allows for worker involvement in R&amp;D locations</li> <li>● The long-term aim for the group though is to standardize products and manufacturing processes globally which minimizes worker autonomy</li> </ul>	<p>High</p> <ul style="list-style-type: none"> <li>● Management at group level puts strong emphasis on the development and use of local knowledge</li> <li>● Extensive involvement of workers in innovation, quality management and other work systems design measures</li> </ul>
	Managerial control of work organization	<p>High</p> <ul style="list-style-type: none"> <li>● Strong ‘performance culture’ based on financial control measures</li> <li>● Growing centralization of managerial control in the US (recent closure of European sub-HQ)</li> <li>● Centrally devised product policy and marketing strategies</li> </ul>	<p>High to very high</p> <ul style="list-style-type: none"> <li>● Globally standardized management system for all business processes imposed by HQ on subsidiaries</li> <li>● Rapid growth through acquisition over the last decade leads to authoritarian and power-based imposition of the new standardized management system</li> </ul>	<p>Medium</p> <ul style="list-style-type: none"> <li>● Relatively high in the choice of market segment (high value products) and focus on complex engineering solutions which is a global strategy of the MNC</li> <li>● Relatively low in assigning each subsidiary a maximum degree of choice of technologies, work system design and local market strategy leading to heterogeneous subsidiaries</li> </ul>

<b>Workplace relations between social groups</b>	Separation of managers from workers	High <ul style="list-style-type: none"> <li>● Centralization of decision-making in the US; strong emphasis on financial coordination and control mechanisms implement palpable divide between ‘the controllers’ and ‘the controlled’</li> <li>● Group-wide hierarchy selectively favours financial management skills and downgrades engineering and technical skills</li> </ul>	High <ul style="list-style-type: none"> <li>● The management system centralizes decision-making and implements a tight financial controlling system for the entire group</li> <li>● At subsidiary level influences of British artisanal or German DQP system seem to prevail, with the result of mitigated effects of the group-wide work system</li> </ul>	Medium to low <ul style="list-style-type: none"> <li>● Both subsidiaries revealed high levels of participation in the design and reorganization of work systems</li> <li>● Employee representatives on the board of the group involves workers’ representatives from all subsidiaries in many decisions of strategic importance for local subsidiaries</li> </ul>
	Strength of trade unions/works councils	Low <ul style="list-style-type: none"> <li>● Subsidiaries had either no significant union representation or — where required by law — were considered as a necessary evil and ‘location disadvantage’ (<i>Standortnachteil</i>)</li> <li>● Multiple cases of union ‘avoidance’ or ‘circumvention’ strategies were observed</li> </ul>	Low to medium <ul style="list-style-type: none"> <li>● Attitude of management on group level see unions as an impediment to a swift implementation of their global management systems</li> <li>● At local level — depending on local employment law — works councils had constructive working relations with management</li> </ul>	High <ul style="list-style-type: none"> <li>● All subsidiaries had strong union representations and works councils; UK head of works councils’ self-assessment was his position was strongest in UK compared to other MNCs</li> <li>● Senior management considers strong legal position of works councils as a strength in favour of stable and predictable relations with workforce</li> </ul>
<b>Employment practices and policies</b>	Employer commitment to employment security for core workforce	Low <ul style="list-style-type: none"> <li>● All subsidiaries experience constant threat of closure in favour of locations in ‘low-cost countries’</li> <li>● Restructuring from manufacturing to sales and service only in Britain led to redundancy of all former staff and subsequent re-employment of new (lower skilled) staff</li> </ul>	Medium <ul style="list-style-type: none"> <li>● Management rhetoric suggests clear preference for maximizing shareholder value; management practice though reveals some concern for employment security</li> </ul>	High <ul style="list-style-type: none"> <li>● Board members see shareholder return just as one goal; keeping employment secure ranks as equally important</li> <li>● Unavoidable layoffs are carried out with careful consideration of social situation of employees</li> </ul>
	Employer commitment to skill development	Low <ul style="list-style-type: none"> <li>● No group-wide policies or initiatives for skill development were observed</li> </ul>	Low <ul style="list-style-type: none"> <li>● At group level, highly skilled engineering staff are employed to ensure technology-based cost leadership in mass markets</li> <li>● At shopfloor level in the subsidiaries, little emphasis is laid on skill development</li> </ul>	Medium to high <ul style="list-style-type: none"> <li>● Numerous initiatives by group-wide works councils/European works councils towards skill development</li> <li>● Due to relative autonomy of subsidiaries, considerable differences in initiatives at local level (German subsidiary had a large number of programmes; British subsidiary did not show much sign of systematic skill development)</li> </ul>

Table 4. The Work Systems in the German and British Subsidiaries Compared

Characteristics of work systems		Subsidiaries in Germany	Subsidiaries in Britain
<b>Task organization and control</b>	Skill level	High in all subsidiaries All subsidiaries had high levels of skills among shopfloor workers, senior staff on the shop floor and engineering staff in construction and R&D	<i>US MNC</i> : Low Recent changes aimed at lowering skill level <i>Finnish MNC</i> : Medium <i>German MNC</i> : Low Small group of highly skilled workers for customization at HQ
	Fragmentation	<i>US MNC, German MNC</i> : Low High level of integration of manufacturing, R&D and sales functions <i>Finnish MNC</i> : Low to medium Recent efforts to separate manufacturing and R&D functions met acute resistance	<i>US MNC, German MNC</i> : High Strong separation between manufacturing and service <i>Finnish MNC</i> : Low Sales & service well integrated with small batch craft production
	Worker autonomy and involvement	<i>US MNC</i> : High <i>Finnish MNC</i> : High Recent tensions arose because of reduced autonomy <i>German MNC</i> : Very high Various initiatives and policies to increase involvement	<i>US MNC</i> : Very low <i>Finnish MNC</i> : Medium <i>German MNC</i> : Very low
	Managerial control of work organization	<i>US MNC</i> : Medium to high Shared with works council ( <i>Mitbestimmung</i> ) <i>Finnish MNC</i> : Medium to high Clashes with works councils and their legal entitlements <i>German MNC</i> : Medium Shared with works council ( <i>Mitbestimmung</i> )	<i>US MNC, German MNC</i> : Very high <i>Finnish MNC</i> : Medium A distinct amount of shared control with workers takes place
<b>Workplace relations between social groups</b>	Separation of managers from workers	<i>US MNC</i> : Medium <i>Finnish MNC</i> : Medium Though tendency towards stronger separation visible <i>German MNC</i> : Medium	<i>US MNC</i> : High <i>Finnish MNC</i> : Medium <i>German MNC</i> : High Bridged by paternalist style of Managing Director
	Strength of trade unions/works councils	High in all subsidiaries In the <i>Finnish MNC</i> attempts being made to weaken the position of works councils	<i>US MNC, Finnish MNC</i> : Low No particular role for works councils <i>German MNC</i> : Medium to High Considerable strength through membership in European works council of the multinational group
<b>Employment practices and policies</b>	Employer commitment to employment security for core workforce	<i>US MNC</i> : High <i>Finnish MNC</i> : High <i>German MNC</i> : Very High	<i>US MNC</i> : Very low <i>Finnish MNC</i> : Medium <i>German MNC</i> : Medium to low
	Employer commitment to skill development	<i>US MNC</i> : Medium <i>Finnish MNC</i> : High, but recently declining <i>German MNC</i> : High	<i>US MNC, German MNC</i> : Very low <i>Finnish MNC</i> : Medium to high Recently discouraged through higher staff turnover

often conflicts with employee interests. In terms of Bartlett and Ghoshal's (1989) model, the MNC is moving towards a 'global' company model, similar to the US MNC. We would argue that the leadership of the Finnish MNC in technological innovations in lifts and escalators is a reflection of the original Finnish NBS, which is backed up by other studies on Finnish technology companies, such as Nokia and others (Lilja and Tainio 1996). As a reflection of the transition in the Finnish NBS, the company uses a production system which aims to combine technical excellence with product standardization, looking to achieve cost efficiency on the one hand, and, on the other hand, developing products which allow quality leadership in mass markets for standardized commodities.

### **The Influence of Host Countries on Work Systems: German and British Subsidiaries Compared**

As we have seen, the group-wide work systems in the three MNCs of our sample differ quite considerably. However, when conducting our research at the subsidiary level, we were increasingly surprised by the relative homogeneity of work systems in the British and German operations of these MNCs. Table 4 provides an overview of the key characteristics of the work systems of the subsidiaries in both countries.

#### **Subsidiaries in Germany**

We start our discussion by looking at our German data, where the similarity of the three subsidiaries was most striking, as all three subsidiaries operate quite similar work systems, which are fairly closely aligned to the German NBS. Certainly the skill level is rather high compared to the British subsidiaries. For instance, in the German subsidiary with the highest skill level, 20% of the employees have an engineering degree and 75% of the shopfloor workers have a comprehensive vocational education ('Facharbeiterbrief'). By comparison, in the subsidiary with the highest skill level in Britain, only 4% had an engineering degree, and the workforce had, if any, only very selective formal qualifications in a limited range of skills ('National Vocational Qualifications').

Other characteristics of the work systems in the subsidiaries were similar. Generally, there was a high level of integration between different tasks, most notably R&D, manufacturing, and sales and service. Chiefly due to the powerful role of trade unions and works councils in the German steel industry and also to some other institutional factors (such as the 'continuous improvement system'), all three subsidiaries had relatively high levels of worker involvement and certain limits to managerial control of work organization. Similarly, the work systems in the area of workplace relations and employment practices were fairly similar across these subsidiaries.

While space does not permit us to elaborate on these characteristics in greater detail with evidence provided from our cases, our data does allow us

to say that, on balance, the work systems in the German subsidiaries fairly closely match the characteristics of DQP. This work system type can be said to be fairly typical of the German NBS, as discussed earlier.

This finding is not particularly surprising in the case of the German MNC's subsidiary, where the group-wide work system, reflecting the COE, is compatible with our findings here. They are, as one director put it, the only remaining site in the industry in Germany where an escalator can be produced 'from A to Z'. The work system of flexible specialization allows them to embark on their strategy of customized products for the more expensive segment of the global lift and escalator market. In a certain sense then, the work system in their domestic subsidiary more or less equates to a prototype for their global work systems.

The more interesting cases are the other two MNCs and their subsidiaries. Their group-wide work systems show characteristics somewhat incompatible with those of their German subsidiaries. If we first look at the US MNC, it is interesting to see that, while their group-wide work systems have quite a high level of fragmentation between various functions, the German subsidiary shows just the opposite. In this respect, the German subsidiary of the US MNC is most similar to the German subsidiary of the German MNC. The reason for this is that the German subsidiary has a specific role within the US MNC: it is one of the key locations for the development of high-tech components, such as electronic control equipment, as well as being the only production site for heavy-duty escalators within the global group, 85% of which are exported out of Germany to subsidiaries worldwide. In all our interviews it was agreed that the German subsidiary with its work systems was somewhat misplaced in this 'American culture'. At the same time, there was a clear perception that these specifics had a particular function for the entire MNC. With regard to the threat of losing manufacturing work due to high wages in Germany, the advantage of this German-style work system was explicitly underlined:

'A manufacturing plant itself could be moved elsewhere quite easily, but the mixture of an engineering center and a manufacturing plant is far more complex. You could split the two on an organization chart, but in reality this link is hard to sever.' (HR director, US MNC, Germany)

The cognitive perception of managers in the US MNC seemed to be quite clearly the nature of work systems in Germany and their economic consequences, which is enacted in their decision to locate in Germany:

'yeah, there is always this debate about "high wage country Germany" ... up to now we have been convinced by high productivity and high standards of quality ... If I have a wage base of 1000 Marks an hour but am able to produce an escalator in three hours, then this is a marvelous result.' (finance director, US MNC, Germany)

Interestingly, the Finnish MNC, in whose portfolio the German subsidiary plays a similar role as a key R&D location, has recently attempted to change this strong interdependency of functions: while our interviewees stressed that the company wanted to benefit from strength in engineering and R&D, the managers consistently chose Germany as its first location to manufacture a

new standardized escalator series for the global group. Enacting the institutional environment, as it were, the R&D director of the German subsidiary underlined that — among other things such as the number of engineers and the skill level of workers — one of the reasons for choosing Germany was the low level of fragmentation in the work system as the engineering and R&D location was 'only a 5-minute walk from the manufacturing site'. However, the attempt to make use of these location factors while at the same time trying to cut the narrow link between R&D and manufacturing on the one hand, and manufacturing and sales on the other, resulted in substantial conflicts and micro-political initiatives among key actors. Reflecting on the characteristics of the work systems, particularly the high level of worker autonomy and the strength of works councils, the fact that Germany is 'certainly not the hotbed of the corporate culture', as the director responsible for global IT at HQ put it, does not prevent the MNC from making use of some of the traits of the German work systems as a very crucial building block in its global operations. Standardizing products and manufacturing processes, and introducing new IT systems compatible with those in the global group and other group-wide work systems, as well as other standardization policies, reduces worker autonomy and strengthens managerial control over the work organization. Particularly in the Finnish subsidiary, where these change processes were still under way, ongoing substantial tensions were reported in all interviews.

This tension between the German work system and the group-wide work systems in the US MNC subsidiary is noticeable too in the area of workplace relations between social groups. In particular, the role of works councils in both the American and the Finnish MNC was a rather contested one. As they are entitled to quite substantial influence on the design of work systems by law, their potential in interfering with global strategies implemented by local managers is substantial. No wonder then that we encountered palpable reservation among management concerning works councils, hearing claims such as 'the works council is undoubtedly one of the most crucial disadvantages of Germany as a location for manufacturing' (HR director, US MNC, Germany), or hearing them simply referred to with the use of expletives throughout the entire interview — '*Scheiss Betriebsrat*' (director, Controlling Systems, Finnish MNC, Germany). This contrasts quite substantially with the view in the German subsidiary of the German MNC:

'Co-determination ... is a social phenomenon which you simply accept if you accept a certain standard of civilization. ... The relatively ritualized form of co-determination in Germany is clearly an advantage ... this has now been practiced for so long that all parties involved know very well how to deal with each other.' (head of Controlling, German MNC, Germany)

In the area of employment practices and policies, the German subsidiaries all seem to operate quite similar policies, at least with regard to employees at lower levels of the organization. This is due to compliance with German employment legislation, although, again, there are considerable differences in attitude between the three MNCs. While the Finnish MNC was quite open about the fact that they would not hesitate to fire managers who continue to resist their new policies, one of the directors of the subsidiaries of the German

MNC expressed in an interview that non-economical considerations occasionally dominate their employment decisions. So, for instance, a manager in the MNC's HQ mentioned that the priority in implementing 'continuous improvement processes' was not primarily to save costs, but job security was seen as an equally important motivation.

Looking at the German subsidiaries of all three companies, we would argue that our research points to a key role of NBSs and their characteristic work systems in the decision of managers in MNCs to locate key manufacturing functions. This choice is relatively easy to understand in the case of the German MNC; the more interesting cases however are the US MNC and its subsidiaries: why do companies whose group-wide aims of producing standardized products for a global mass market with a more or less Fordist approach to their group-wide work systems locate key operations in a country whose strengths in terms of work system characteristics are quite different from their group-wide strategy? Our answer from our data would be that these MNCs are only too well aware of the 'beneficial' characteristics of some of the 'constraints' (Streeck 1997) of the German NBS. Managers in the US MNC had a particularly clear perception of the engineering and R&D strengths of the German work system, which they gave as the reason to source key components, as well as most of their global sales in more complex heavy-duty products, out of their German operations. Equally, the key actors in the Finnish MNC, as a fast-growing organization, based their location decisions on German engineering and skills to launch the pilot manufacturing of a globally standardized product and aimed at 'extracting' selected local strengths of their German work systems to make them part of their global ones. Throughout our discussions with those key actors, in particular at group level, it seemed that these MNCs are trying to cherry-pick particular elements and characteristics of national specific work systems and integrate them into their global manufacturing strategies. In both companies, our interviews with key actors in the subsidiaries and at HQ level gave a clear indication that the German NBS and its characteristics were the reasons for their choice of manufacturing location. However, in our case studies the limits and problems of such a cherry-picking strategy also surfaced. Work systems in the German subsidiary provided substantially powerful resources for resistance to the global strategy, particularly in the case of the Finnish MNC.

### **Subsidiaries in Britain**

The work systems of the British subsidiaries were not quite so similar on the surface as the German ones. However, there were some rather significant similarities and, overall, we would argue that — although in a different fashion — they echo and underscore our findings in the German subsidiaries. Despite some rather striking differences in the group-wide work systems of the MNCs of our sample, they all in some respect reflect the characteristics of the British NBS.

The most similar subsidiaries in terms of work systems and the recent changes applied to them are the American and the German MNC. This, in

itself, is a noteworthy finding given that their group-wide work systems differ quite significantly. Both organizations have recently (that is between 1998 and 2001) closed their remaining manufacturing operations and restructured their work systems in a rather similar fashion, so that they are only providing sales and service to their customers, while sourcing the products from other plants within the multinational group. The US MNC did it by laying off all existing employees in manufacturing and creating a centralized customer care centre in the Midlands with regional sales and service units throughout the UK. This represented a massive loss in skills given a strategy of newly employing only very narrowly skilled workers for the new tasks. The process unfolded somewhat differently in the German MNC, where only 9% of the workers were laid off and the rest were transferred into regional customer service centres. This slightly different approach, and the fact that they still retained a small workshop manufacturing site employing a small number of highly skilled staff (4% of their workforce), still seems to reflect the group-wide strategies at least in terms of targeting the upper market segment with more customized products.

Senior management in both companies stressed in interviews that their respective groups applied this approach in the UK for two reasons. First, the closure of manufacturing operations did not disrupt the sales and service functions of the organizations, and second, employment laws allowed for quick and cost-efficient lay-offs. These changes then benefited particularly from a work system characterized by high levels of task fragmentation, which allowed these organizations to quickly get rid of their manufacturing operations without incurring too much disruption to their other operations, most notably sales and services. We would argue that the latter action shows that these actors were aware of the particular work system characteristics in the UK, most notably high levels of fragmentation, and aligned their location and reorganization decisions accordingly.

A further facilitator of this rapid downsizing however is the UK employment law, which allows for much quicker and less costly redundancies than, for instance, the German legal framework:

'In the UK it is probably the easiest country in Europe to do different kinds of things. We really didn't have many obstacles ...' (director HR, US MNC, UK)

This again supports our cherry-picking argument that managers in MNCs deliberately take characteristics of the NBS as manifested in their subsidiaries into account in shaping their global operations. This is underscored by the case of the German MNC where the managing director explained that, while the UK was considered to be 'bad at manufacturing', its newly established highly flexible and profitable service operations 'became a model for the whole of Europe' within the multinational group.

Both the American and the German MNC have more or less adopted a Fordist work system characteristic of much of post-1980s Britain (Lane 1992; 1994). This applies also to the other characteristics of the work systems where there is low worker autonomy and involvement in both organizations. Although there is a slightly stronger works council in the German MNC,

workplace relations between social groups are fairly similar in both. Equally, employment practices and policies are similar in both subsidiaries and reflect common practice in Britain: Interviewees in both companies stressed how easy it was to lay people off — ‘much to the surprise of the HQ’, as the managing director of the German subsidiary added.

A somewhat different case is represented by the subsidiary of the Finnish MNC, which still has a sizable (350 employees) manufacturing plant for escalators in the North of England. They have a fairly highly skilled workforce, which produces small batches of highly customized heavy-duty escalators mostly for the domestic market, where a number of customers still follow a ‘buy British’ philosophy. In addition, the plant serves as a buffer for their German subsidiary to cover for overcapacity during peak times. Though completely different from the two other MNCs, we would still argue that in the choice of location, this MNC also deliberately chose the British NBS because of its specific strength in the area of ‘artisanal’ manufacturing (Whitley 1999: 92) or ‘specialized component production’ (Sorge 1991: 169) of highly customized and technically sophisticated products. The strength of the British NBS here is that it is less rigid than, for instance, the German and more open to sub-solutions and variations. As Sorge noted (1991: 167) ‘the British organization is somewhat more equivocal’ offering what he refers to as ‘pockets of professionalism in maintenance, production, engineering, production control etc.’ — of which the British subsidiary is a very good example. Though the subsidiary owes much of its work system infrastructure to the fact that it was previously a subsidiary of the German subsidiary of the Finnish MNC for more than 15 years, the work system very much exhibited the characteristics of this specific British work system variant: there was considerably low task fragmentation, a substantial amount of worker autonomy and involvement, and rather close relations between managers and workers. In other words, the subsidiary in Britain shows another example of this cherrypicking strategy: the company chose the UK as a location for a particular kind of manufacturing well-suited to the work system characteristics of the British NBS.

### **Subsidiaries Compared: Logic and Limits of a ‘Cherrypicking’ Strategy**

The six case studies on which this paper is based have revealed what we called a cherrypicking approach by the MNCs in question. However limited, the cases seem to offer different rationales for such a strategy. In the case of the US MNC, our research revealed the logic of a rather deliberate decision in favour of a country due to certain institutional factors. It made specific use of the British NBS in changing their work systems to a sales and services-only organization. The logic of cherrypicking in the US MNC suggest more of a deliberate choice between locations, which also became evident throughout the German interviews, using Germany in the sourcing of engineering and customized products for their entire multinational group. However, our reference to this imagery of cherrypicking as the rationale for organizing and/or locating manufacturing aims at expressing the high degree of selectivity of this process, in that it is normally directed at a particular element of the

respective national work system. In the case of the US MNC in Germany, which has the longest legacy of this strategy, the subsidiary found itself in a rather peculiar position. While the managing director emphasized that the German subsidiary held considerable weight in the multinational group, the work systems themselves seemed relatively isolated within the group. Their main plant in rural Germany (Lower Saxony) struck the researchers as a 'normal' German SME which, as it were, by mere coincidence has all its clients within the same MNC. In a similar vein, the second most important plant manufacturing high-tech components again had in place work systems that were not at all indicative of a plant belonging to a larger US multinational conglomerate. Staff, management and mentality were strongly German, even the language remained, with only top management being exposed to the culture, policies and language of the American HQ.

This relatively successful approach of cherry-picking is also adopted by the Finnish MNC as well. However, the logic here seems to be somewhat more complex. The decision to buy the German subsidiary was never framed in terms of a choice of Germany as a location as such, but more as growth by acquisition to become one of the four global market leaders. However, once the subsidiary was acquired, the decision to make Germany a central R&D and manufacturing location was a result of a deliberate decision based on a benchmarking exercise between the German and US subsidiaries. The decision based on perceived strength of the German institutional framework then seemed to have emerged over time and thus the logic of cherry-picking is not only a deliberate decision (as in the US MNC) but also intertwined with path dependencies. This is even more evident in the British subsidiary: the subsidiary was part of a larger acquisition and the decision to continue manufacturing there evolved primarily from the strong market position of the subsidiary in a market which strictly speaking is not the main target segment of the multinational group. However, even though the cherry-picking did not involve such a strongly deliberate choice, our case study data and interviews revealed quite clearly that the Finnish MNC sees its continuing engagement in the UK justified by certain institutional characteristics of the location. In particular, interviewees stressed the 'buy British' approach of the London Underground and other large domestic customers as beneficial for the British subsidiary. 'New standard products ... are going to Germany and I feel that more and more of the heavy-duty big range will come to us,' the director of manufacturing of the UK subsidiary explained, reflecting on the particular strengths of his subsidiary's work systems.

The attempt by HQ to 'use' their German subsidiary as a launch pad for their globally standardized escalator manufacturing faced significant resistance at all levels of the plant. Their preliminary solution has been to replace the first and second level of national management with Finnish nationals and other executives from HQ. This approach has been successful thus far. However, these experiences show that cherry-picking selective elements of the national work system (such as skill level or low task fragmentation) while trying to avoid others (such as specific workplace relations or employment practices) would appear to be highly problematic. Work systems obviously are not only deeply entrenched in the particular NBS and endure longer than

Table 5. Characteristics of a 'Cherrypicking' Strategy in the US and Finnish MNC

	Element of work system which is object of 'cherrypicking' strategy in host country	Limits to the 'cherrypicking' strategy imposed by the national business system of the host country
<b>US MNC</b>	<i>Britain</i> Benefiting from fragmentation and weak employment relations in closing manufacturing operations	<i>Britain</i> Initial loss of customers who preferred buying from British manufacturing plant
	<i>Germany</i> Benefiting from highly integrated work system, high skill level, high productivity for global sourcing of engineering, R&D and manufacturing of customized special products	<i>Germany</i> Relatively isolated position of German subsidiary within the multinational group as supplier of high-tech components and products; low level of integration within group-wide work systems of German subsidiary
<b>Finnish MNC</b>	<i>Britain</i> Benefiting from artisanal work system to manufacture customized products	<i>Britain</i> Problems of recruiting and losing skilled workers to competitors in the service sector
	<i>Germany</i> Benefiting from high skill level for R&D and developing new products	<i>Germany</i> Strong resistance to fragmentation of the work system and to losing control of the work organization; result: replacement of local managers by managers from other parts of the group and from HQ

corporate policies which try to use and 'instrumentalize' them; they are also deeply interdependent in their array and set of characteristics. In other words, 'the rules of the game [*i.e. the institutional framework of the NBS, DM/MG*] are usually longer-lived and more deeply entrenched than are the specific policies [*i.e. globalization policies of MNCs, DM/MG*] ... which they govern' (Whitley 1997: 257). What we witnessed in our case studies then, is a strategy which can only be successful if the national work systems live a relatively isolated life within the MNC (American case) or if power is used to enforce separation between the desirable and the less preferred elements of the work systems (Finnish case).

Turning to the US MNC in Britain, the cherrypicking argument is not as strong (as Britain is actually quite hospitable to aspects of the group-wide work systems), but still visible. When local management decided to close down their manufacturing operations, the subsidiary initially lost a number of important contracts from public investors who still pursue a 'buy British' purchasing policy. The boundaries of this approach are also visible in the Finnish subsidiary in Britain. While investing on a moderate level in workforce skills and training (such as NVQs), the plant director complained in the interview that, due to the fact that service and maintenance in the industry is not very integrated in any one particular firm, quite a number in his workforce had been headhunted by competitors (the German and the American MNC) or other service providers. Moreover, local management complained that it was hard to find skilled labour, again a sign of the host country effects, featuring the shortcomings of the specialist and technical education in Britain. Table 5 provides an overview of the major options and limits of such a cherrypicking approach by MNCs.

We did not associate this approach with the German MNC, as the company does not operate the same group-wide strategies with regard to its work systems. As a German MNC, they were fairly embedded in the German NBS, which did not require any selective approach in their domestic subsidiary. In the British subsidiary, the question of selecting part of the national work system did not play a role, as the HQ leaves wide autonomy to its subsidiary and — rather than cherry-picking elements of a British work system pattern — allowed for an adaptation largely compatible with the national institutional framework.

## Discussion and Conclusions

This study addresses the so far sparsely discussed issue of how home and host country pressures interact in shaping group-wide work systems and manufacturing approaches. Coming back to Whitley's (2001) question of 'how and why are international firms different', we conclude, that the degree and sustainability of (local and (trans)national) institutional diversity of the MNC appears to be interdependently related to how and why key managers decide to standardize global manufacturing tasks and develop group-wide work system designs. The enactment of manufacturing organization is still largely influenced by the degree of institutional embeddedness of the MNCs as a whole, as well as its subsidiaries in distinct societal contexts. We have seen in the case of the German MNC that manufacturing strategies of MNCs originating from highly coordinated business systems are highly context specific and difficult (if not impossible) to transfer elsewhere. This cannot merely be interpreted as a symptom of evolutionary backwardness of this 'multi-domestic strategy', as Bartlett and Ghoshal presumably would put it, but, rather, shows the remaining institutional distinctiveness of NBS and, with it, the COE. The company's manufacturing and work system design is strongly supported by the remaining idiosyncrasies of the German financial, educational and industrial relations systems.

While some argue that the German model of capitalism and the industrial relation system in particular is outmoded and an obstacle to attracting FDI (see Hans Boeckler Foundation 2004), this study suggests that institutional constraints are sector specific and remain beneficial to managers in those industries where German companies are traditionally highly competitive and innovative. The competitive advantages of the German subsidiaries in the lifts and escalators sector emerged precisely because of the existence of national institutions based on a high degree of associated coordination mechanisms, and on collaborative relations between business and labour associations, just to name a few NBS elements. However, in other industrial sectors such as financial services or the computer industry, the same institutional arrangements might well be an impediment to more radical innovations (Hollingsworth 2002) — a possible reason why, in these industries, managers from communitarian NBS prefer to cherry-pick companies and labour in Anglo-Saxon countries.

We would also argue that the COE thesis helps to explain why the management of the US MNC felt bound to move further towards low-cost leadership based on standardized mass production, in a context in which the pressure to outsource certain manufacturing tasks to low-wage countries is growing. Contrary to DQP, where close collaboration of manufacturing with service and R&D functions is crucial, these tasks are much more fragmented in the Fordist production model and therefore it appears to be easier for management to coordinate centrally (Hollingsworth 2002; Wächter et al. 2003).

However, in the Finnish case we found a somewhat mitigated COE. Reflecting the recent transformation of the Finnish business system, key actors began to redefine some of the established rules of the game, both internationally as well nationally, leading to the 'financialization' of many Finnish companies involved in international business. The small size of its home market, in contrast for example to Germany and the US, as well as its increasing openness to foreign investment, set the stage for significant changes in the corporate governance of leading home-based firms (Tainio et al. 2001). We would argue that in comparison to the rather large home economies of the other two MNCs, these global isomorphic tendencies and contingencies negatively moderate the strength of the COE (Noorderhaven and Harzing 2003). Nevertheless, we have seen that certain elements of the traditional, more communitarian NBS are still relevant and continue to influence the company's international manufacturing approach.

A key finding of this study was that the Anglo-Saxonization of group-wide work systems in two cases went hand in hand with certain cherrypicking strategies at the host country level. The British-German comparison shows that subsidiaries position themselves quite differently in the same industrial sector. On the one hand, we found strong similarities in the strategic approach to manufacturing in all three MNCs, exploiting the 'beneficial constraints' (Streeck 1997) of the German NBS and its particular work system designs. On the other hand, we observed the low degree of institutional embeddedness of work systems in Britain which led to the closure of fragmented and poorly performing manufacturing units, as well as the narrow focus of subsidiaries on highly specialized production in one case.

Our analysis shows that attempts to transform DQP-based work systems into a more standardized global mass production approach causes severe coordination problems and conflicts with local management and employees. This manufacturing approach brings into question key features of the communitarian work system and will therefore most likely weaken its innovative capabilities and, with it, the institutional underpinnings of the cherrypicking approach. Particularly interesting is the Finnish case where the decision to impose a global standardization of products and production process caused an increasing politicization of the German subsidiary, as we have discussed in more detail elsewhere (Geppert 2003). This reaction indicates institutional differences in the underlying 'premises' or 'third order controls' between HQ and subsidiary managers about the focus of restructuring of the established manufacturing and work system design (Perrow 1986; Weick 1995). The production model imposed by the Finnish HQ is an attempt to replace this

institutionally founded form of 'premise control' based on mutual trust across various hierarchical and functional levels with premises which favour standardized and formalized control. The key actors in the German subsidiary, however, remained committed to DQP, which requires highly developed skills, knowledge and authority-sharing between management and employees at the firm level.

Our study evidences that managers enacting global manufacturing strategies tend to underestimate the interdependence of institutional settings and are rather selective when applying cherry-picking approaches. We have seen that production models such as DQP, based on a highly organization-specific work system design, cannot easily be transferred to other countries, which indeed explains the cherry-picking strategy of the US and the Finnish MNC. However, this strategy becomes problematic in certain industrial sectors of highly coordinated NBSs when it is combined with global manufacturing approaches based on centralization and standardization.

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