In the Introduction to this edited volume, the editors, Geppert, Matten and Williams, argue that research into MNCs has suffered from two biases. The first is the notion derived from Bartlett and Ghoshal’s (1989) evolutionary framework that because of economic and technological forces MNCs are universally evolving from “outdated” models of internationalisation such as the multi-domestic and converging around “transnational solutions”. The second, and related, bias is the “overwhelming influence” (p.1) of the North American perspective, not least a product of the dominance of its scholarship in the field of MNCs. The aim of Geppert et al. is, by investigating MNCs whose home country is not in North America and by drawing on the work of European researchers, to challenge these two biases and in so doing, revealing a fuller spectrum of patterns of internationalisation.

The great and immediate strength of this volume is that for the most part the various contributors are drawing on and synthesising findings from extensive research projects. In other words the various chapters are highly mature pieces of work each of which has stand-alone import. If it has a weakness it is that the Bartlett and Ghoshal framework is not explicitly defined making it difficult to adjudge whether this volume represents a corrective or a confirmation of the correctness of previous research. This reviewer would contend that the Bartlett and Ghoshal framework, or evolutionary thesis, comprises two distinct parts both of which should be borne in mind when assessing the findings contained in this volume:

i) MNCs are evolving into “transnationals” that are characterised by high levels of global integration and local responsiveness, i.e. MNCs are increasingly “thinking global” and “acting locally”.

ii) In order to achieve global integration and synergies from their localized operations, MNCs are increasingly using socio-integrative control mechanisms that engender “a common understanding of, identification with, and commitment to the corporation’s objectives, priorities and values” (Bartlett and Ghoshal, 1987:78) so that the relative importance of other control mechanisms such as output control is decreasing.

In addition it also should be recalled that Bartlett and Ghoshal adopt a largely firm-level view of these developments in the sense that the evolution of MNCs to transnationals is viewed from the locus of the firm and its strategic intentions. Firms are, as it were, “free” to become transnationals. In contrast Geppert et al. approach the issue of MNC evolution from a societal or macro-institutional viewpoint. The MNC is viewed as being exposed to two major forces. “On the one hand, there are the forces of globalisation which work towards global markets and globally convergent rationales of conducting business. On the other hand, there are specific national backgrounds, which influence organizational processes, structures and actors in distinct ways” (p.2).

Geppert et al argue that by choosing Europe as the volume’s empirical arena, with its dual exposure to the low context effects of globalis-
sation and the impact of its variety of high context distinctive business systems, the interplay between convergent and divergent forces on the MNC can be made particularly apparent. In particular the volume focuses on Germany and Britain because their business systems have traditionally been represented as polar opposites in the European context. While German firms are institutionally highly embedded, British firms are much less so. The question is whether the distinct national effects conferred by the German business system are wilting away in the wake of globalisation processes, or whether firms’ strategic choices remain distinct.

Part One of this volume looks at the divergence-convergence dichotomy in cross-national organizations in Europe. With the exception of Brussig and Gerlach’s chapter, which emphasizes how dependent many globalised SMEs are on their larger full-fledged MNC partners, the emphasis is on large MNCs. Mayer and Whittington examine the convergence thesis, i.e. the notion that there is one best way of organizing, one best way of managing if firms wish to succeed in the global economy, by examining the adoption of the multi-divisional (M-form) organization by large industrial corporations not only in Britain and Germany, but also France. The M-form – that is the separation of strategic control and operational control – originated in North America in the 1920s (Chandler, 1962). Its essence is that operations are decentralised into clear divisions with strategic decisions residing with HQ, which monitors profits and allocates resources according to consistent financial criteria. By 1969, 77 per cent of large American industrial firms had adopted the M-form as their mode of corporate organization. In Europe the figures for Britain, France and Germany were respectively 74 per cent, 42 per cent and 40 percent. That is up to 1970, “the majority of continental European firms were still resisting the multidivisional long after its discovery in the United States” (p.23). Commentators argued that this was a function of their different business systems. In Germany and France technical backgrounds are more prevalent among senior managers than in Anglo-Saxon economies where accounting and finance skills dominate, “both of which are well suited to the remote management style of the multidivisional” (p25). These skills are particularly important in the Anglo-Saxon setting where firms depend to a much greater extent than their continental counterparts upon short-term and detached relationships in the capital markets. There is therefore an objective need on the part of management to convey to capital markets the finance conception of control as embodied in the M-form. However, despite these factors, Mayer and Whittington find, using macro-level data, that by 1993 French and German firms had, by and large, adopted the M-form. In other words, “there is little evidence for substantial national barriers to the diffusion of the multidivisional …(in that) large corporations in Western Europe appear to be converging on the common model of the multi-divisional firm ” (p.31/33). Nevertheless, they argue, on the basis of evidence culled from in-depth interviews with firms, that convergence is too simplistic a notion unless research is also sensitive to diversity at the micro-level. That is while the essential, abstract, organizing principles of the M-form may be in place, their assembly and implementation has been enacted in locally specific ways, so that convergence is accompanied by diversity. However, it is difficult to contend that these findings in any way undermine part one of the Bartlett and Ghoshal thesis.

Geppert, Matten and Williams in their chapter “start from the assumption that global organizational strategies and processes are significantly shaped by concrete national environments and that the unified, globally harmo-
nized and standardized organization is clearly a myth and an oversimplification of a generally more complex reality” (p.42/43). In order to validate this assumption they chose as their empirical background the lifts and escalator sector. Globally there are only four major competitors in the sector, of which they had access to three: a US MNC, a Finnish MNC and a German MNC. On a concrete level they focussed on the global strategies of these MNCs with regards to the effect on their work systems at the subsidiary level. Their findings indicate that similar pressures emanating from HQ do not lead to homogeneous change management approaches in different host country subsidiaries. In simple terms they find that German subsidiaries through negotiations with HQ are able to adapt and skew HQ strategy in ways that reflect core features of the German business system, not least the high level of manufacturing skills. UK subsidiaries are similarly influenced by the British business system, including weak institutional barriers to redundancies and the well-developed Anglo-Saxon service culture, in their interaction with HQ global strategy. The result is different patterns of work system design in British and German subsidiaries. In that local managers exercise some degree of strategic choice, Geppert et al conclude that “work system patterns in host country subsidiaries are neither determined by the global policies of MNC HQ, nor are they entirely shaped by the social context” (p.62). What is particularly striking is that all three MNCs, regardless of country of origin, can be fitted around this central conclusion. It seems therefore somewhat odd of Geppert et al to attempt to employ these findings as a criticism of Bartlett and Ghoshal’s evolutionary framework in that Bartlett and Ghoshal are arguing that MNCs are becoming increasingly sensitive to the need to combine global integration with that of local adaptation. A globally integrative strategy does not preclude local diversi-ty, which in itself stems from the decentralised approach to operative decisions most MNCs, as Mayer and Whittington in this volume indicate, now employ.

Indeed this is precisely the conclusion the chapter by Becker-Ritterspach, Lange and Lohr, which looks at the same three MNCs: “strategic challenges in the industry only defined a corridor of potential strategic action and reorganization, they did not determine it” (p.77). Thus what they observe is many different patterns of local reorganization as well as a range of control mechanisms that generally do not include socio-integrative control mechanisms. In this sense while the first part of Bartlett and Ghoshal’s thesis is supported, the second part is not. Indeed their conclusion is that “it is doubtful… whether socio-integrative mechanisms can be readily created by deliberate management initiatives (p.92).

Harzing, Sorge and Paauwe also address this second part of the Bartlett and Ghoshal thesis, that is that socio-integrative control mechanisms are an increasing feature of MNCs in the relationship between headquarters and subsidiaries. Although their focus is on British and German MNCs their data set also includes US and Japanese MNCs. In regard to British and German MNCs, Harzing et al indicate that there is a greater tendency on the part of British MNCs to expand through acquisitions and a greater tendency on the part of German MNCs to exploit the comparative advantage of their strong home-base manufacturing skills. This accounts for their observation that there is a greater volume of purchases by German owned subsidiaries from their HQs combined with a marked tendency to avoid local product modification. Additionally they observe the greater frequency German MNCs make of expatriates as managing directors of their subsidiaries. Nevertheless, despite these unique country patterns, Harzing et al findings indicate that there are no statistically significant
differences in the use British and German MNCs make of various control mechanisms. Like US MNCs, but unlike Japanese MNCs, both make use of output control. Neither is inclined to use socio-integrative mechanisms. Indeed these latter mechanisms are not used to any great extent even by US MNCs, thus further undermining the second part of the Bartlett and Ghoshal thesis.

Part Two of the volume is concerned with the impact of the legacy of European industrial relations systems and their effect on MNCs’ latitude for strategic choice. The chapter by Tempel is based on research in the chemical and pharmaceutical industry. She compares two British and two German MNCs in terms of their pay determination and employee representation practices. She notes that the German MNCs respond to the “permissive”, low constraint British context by choosing not to introduce country-of-origin practices into their subsidiaries such as work councils. Likewise instead of collective wage bargaining they use the lack of regulation in the British business system to apply Anglo-Saxon individual performance-related pay. On the other hand Tempel observes that the British MNCs in the very much more regulated German setting have responded to the more constraining environment by adopting host country practices, including industry-level collective agreements and works councils. One immediate source of institutional pressure is the willingness of German subsidiary HRM managers to utilize German labour law and therefore to resist country-of-origin practices such as performance-related pay. As such both sets of MNCs “act locally” in that they adapt to local practices. It is unfortunate that Tempel does not comment on the fact that whereas the British MNCs are institutionally pressured to do so, the German MNCs are not.

Tempel also notes on the one hand the reluctance of the British MNCs to consider further investment in Germany, and on the other the tendency of the German MNCs to reduce their British workforces because of the lack of legally based representation structures. The latter part of this observation is further developed in Boggis’s chapter. Boggis reports her field research from foreign-owned manufacturing plants in South Wales. She finds that the weakness of British statutory regulations has created a situation in which “the highly credible threat of job loss in the UK has a dual effect of stirring up the fear of unemployment and providing an incentive for the acceptance of change” (p.224). Although the language of HRM is employed she argues that the introduction of new working practices is concerned with cost minimization rather than the empowerment or “up-skilling” of the workforce.

In the following chapter Ganter and Walgenbach examine the roles played by middle managers in British and German firms respectively. Employing a matched-sample of 30 middle managers in both Britain and Germany across three industrial sectors they observe substantial national differences in the way in which middle managers conceive their roles. Whereas British middle managers are more concerned with the human problem of motivating their subordinates, but in a hands-off manner, their German counterparts have a much stronger hands-on technical orientation. In Britain they observe the notion of a hierarchically superior position as a basis of authority, whereas in Germany this is rejected with authority being based on “expert knowledge”. Indeed for German managers there is a determination to be regarded by their subordinates as peers or colleagues rather than managers. Ganter and Walgenbach explain these differences as deriving from the different systems of management education and management careers in the two countries. In Germany the “dual system” of vocational training, i.e. both
in-company training through apprenticeships and general education in vocational schools, is the main route into middle management positions. “In other words all the training which German managers have received is directly related to the tasks of the positions they now occupy” (p.177). In Britain where the main route is either a higher degree or a qualification deriving from a professional association such as accountancy this is not the case and middle managers will move across a range of functional areas. In terms of careers, the German middle manager will rarely change company and equally rarely move into top management whose positions are earmarked for persons with university degrees including doctorates. In Britain middle managers are far more mobile in terms of employer and hierarchical position. Ganter and Walgenbach conclude, “it appears unlikely that the globalisation of business will lead to a convergence of managerial work and behaviour – at least not in the short run” (p.186). While a chapter of this kind clearly has merit in terms of the broader convergence-divergence debate, none of the firms examined is an MNC so that its immediate contribution to the overarching purpose of the volume is somewhat limited.

While both Tempel and Ganter and Walgenbach share a perception of the potency of national business systems undermining any attempts by MNCs at engineering convergence in their management practices, Royle draws on his research on McDonald’s to question this lack of strategic latitude. In 2002 McDonald’s employed around 2 million people in over 30,000 restaurants worldwide and has “a well-documented and long history of anti-unionism” (p.189). Royle finds that in relation to its European operations, where trade unions still have a relatively strong position, far from adapting, “McDonald’s has continued to try and impose its non-union system of employment relations whenever possible and has only made some adaptation where this absolutely unavoidable” (p.191). The result is that in Germany the union density of its operations is a mere 4%, in Norway 3.5%, France 1.5%. This is little more than the almost complete absence of union representation in Britain and Ireland, where unions have been largely marginalized. Clearly, as Royle, indicates there are a number of factors associated with the fast-food industry, that mitigate against unionisation, such as high labour turnover coupled to a large proportion of young, acquiescent, part-time employees. Nevertheless Royle documents how McDonald’s has consistently and largely successfully struggled against unionisation across Europe very often in the face of hostile press coverage. Concessions that have been made are generally “little more than a public relations exercise” (p.197). In regards to management attitudes, Royle finds many commonalities among British and German salaried managers in their attitudes to unions. Thus he concludes that, “regardless of societal differences, the McDonald’s corporate culture is quite effective in moulding the required responses of management to the unions” (p.203).

The discourse on the relative power of the MNC compared to the nation state continues in Part III, which looks at global challenges to established “models” of capitalism in Germany and the UK. Taplin dissects economic globalisation including supranational regulatory bodies such as the European Union, transworld governance through agencies such as the International Monetary Fund, the speed with which information can now be communicated, the massive flows of capital and the rise of MNCs “which have become effective agents of technology and which can use their economic clout to negotiate favourable tax rates as well as subsidies from governments” (p.246). Moreover, Taplin suggests that the resiliency of divergent capitalisms is being undermined as
firms in the consensual capitalist societies of Germany and Scandinavia are, as Mayer and Whittington observe, adopting Anglo-Saxon practices. However, Taplin argues that national states continue to matter because MNCs depend on them to underwrite “the rules of the game” and to provide essential levels of stability. Without well-functioning national states and the transparent legal systems and property rights they are the guarantors of MNCs lose much of their ability to trade across borders: “One has only to look at the MNCs that lost money in embryonic Russian markets during the 1990s to appreciate the benefits of the institutional supports that underwrite market legitimacy” (p.250). This is one significant reason for why the bulk of FDI in the last decade has gone to stable national states. Added to the institutional supports are the high value-added geographical locations, such as Silicon Valley and Baden-Wurttemburg, offered by nation states in the developed world that makes relocation problematic. In other words there is a symbiotic relationship between MNCs and nation states in which the latter still have the upper hand.

Lorbiecki addresses the relationship not so much of the nation state to the MNC as the relationship of minorities within the nation state to flagship MNCs and the manner in which these companies attempt to relate to their global markets. Using findings from her research into British MNCs she points to their lack of employee diversity in their home bases. For example BAES and BT are respectively 97 per cent and 88 per cent male and almost 95 per cent white. Despite this homogenizing propensity and all it implies for “same-mindedness” these companies are attempting to downplay their national identity. Thus both BAES and BT have dropped “British” from their names in order to become “one company in many countries”. The quandary for companies with so little intra-national diversity is how to respond to international diversity. Lorbiecki is critical of attempts by MNCs to adopt Hofstede’s (1980) cross-national approach in relating to their foreign subsidiaries because of its lack of sensitivity to diversity within countries (see McSweeny, 2002). In other words “acting locally” is highly problematic for MNCs with highly homogenous home workforces and as such they are predisposed to applying convergent management systems.

In the final chapter Schmidt with Williams examine new management orientations in Germany and their impact on the German model of regulation and consensus culture. They observe that change is being generated by foreign MNCs such as IBM whose position they refer to as a strategy of aggressive remodelling and by McDonald’s which is trying to avoid the German institutional framework altogether. They conclude that: “US-based (and UK) companies appear to be attacking national institutional frameworks in Germany, and in Europe as a whole, at both ends of the spectrum – in the low-skill, service-based sectors as well as in the high-skill, knowledge-based sector” (p.298). This is having an impact on domestic senior German managers who are becoming increasingly internationalised in their experience and attitudes, and therefore more likely to recommend innovations derived from their international contacts. Thus: “It seems likely that the era of ‘national models’ has ended” (p.291). However, despite conceding that there is a trend towards new Anglo-Saxon management frameworks that serve to minimise the costs and maximise the benefits of operating in different local, national and regional environments, Schmidt with Williams also argue that MNCs will have to adapt to localities “since the local is becoming a global resource” (p.291).

This final twist to Schmidt’s conclusion is strikingly similar to the reasoning underpinning the first part of Bartlett and Ghoshal evo-
volutionary framework. Indeed it seems to this reviewer that even when employing European researchers and restricting the focus to institutionlised Europe the first part of the evolutionary thesis of Bartlett and Ghoshal, i.e. that MNCs are increasingly developing the capability both to “think globally and act local” is actually borne out by this volume. On the other hand what distinguishes this volume from Bartlett and Ghoshal’s framework is though the much greater attention to the impact of institutional structures within national environments and the way in which these act to constrain firm-level strategy. In addition this volume, unlike so much of the US firm-level strategy literature, addresses the broader issue of convergence-divergence at the societal level and the role MNCs, particularly US MNCs, are playing as forces of institutional change. This is an ambitious task to which this volume makes an invaluable contribution. Finally, it is interesting to note that those chapters that address the second part of the Bartlett and Ghoshal framework, i.e. the increased use of socio-integrative control mechanisms to bind MNCs together, find no support for it. The control mechanism traditionally associated with the M-form, i.e. output control, holds sway (cf. Gooderham and Ulset, 2002).

**Literature**


