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*Organization Studies* 2003 24: 187

DOI: 10.1177/0170840603024002343

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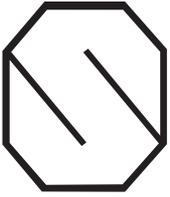
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# The Relative Impact of Country of Origin and Universal Contingencies on Internationalization Strategies and Corporate Control in Multinational Enterprises: Worldwide and European Perspectives

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## Abstract

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We examine the importance of country-of-origin effects and of universal contingencies such as industrial recipes in organizational practices at the international level of multinational enterprises. This is based on a study comparing European (Finnish, French, German, Dutch, Swiss, Swedish, British), American and Japanese multinational enterprises. Although multinationals are highly internationalized by definition, our study shows their organizational control practices at the international level to be more than anything else explained by their country of origin. Universal contingencies such as size and industry, on the other hand, are more related to internationalization strategy. Internationalization strategy and organizational control are associated with different sets of variables; to this extent they appear more decoupled with regard to each other than the literature suggests. Multinationals appear to follow tracks of coordination and control in which they have become embedded in their country of origin. Nationally specific institutions and culture have to be interpreted as particularistic but universally practicable facilitators of internationally competing organizational practices.

**Keywords:** multinational companies, internationalization strategy, corporate control, convergence, embeddedness, country of origin

## Introduction

A recurring theme in international organization studies is what happens to organizational practices as enterprises are increasingly exposed to internationalizing influences. Such influences can be divided into two main parts:

- 1 On the one hand, enterprise activities are internationalized through exposure to customers, suppliers or alliances outside a society or domestic economy of origin, and regulation by common and relatively homogeneous institutions. This kind of internationalization culminates in the formation of a multinational enterprise if and when non-marginal enterprise functions are localized in subsidiaries outside the country of origin.
- 2 Even enterprises that are not internationalized or multinational are subject to competitive pressures and regulatory norms, and they imitate or learn from each other. There is an international search for good or best organizational practices.

Organization  
Studies  
24(2): 187–214  
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SAGE Publications  
(London,  
Thousand Oaks,  
CA & New Delhi)

This debate continues, partly under new auspices, along a more established track. It is about the extent and explanation of convergence and divergence. The literature has used these notions in different ways. Two well-known scholars provide an authoritative definition: 'The subject of organizational convergence is concerned with how far organizations in different countries have travelled along a path to global convergence in operations and management, and conversely how far the influence of specific cultural factors must be understood and planned for if the manager is to be effective in cross-cultural situations' (Pugh and Hickson 1996: 3899). This may imply a longitudinal argument or research design demonstrating convergence or divergence over time, but many publications debating the extent of convergence versus divergence have limited themselves to comparing and evaluating the extent of convergence or divergence from the results that enterprise development has achieved at a given moment. Divergence is coterminous with the embeddedness of organizations and other actors in regionally or nationally different societies or in any other locally more idiosyncratic arrangements. Societies have characteristic and specific elements such as a normative institutional order, the cultural disposition of various actors in particular situations or across the board, and economic and industrial structures. Convergence implies a relative degree of disembeddedness of practices or structures, overriding more regionally or nationally specific institutions or behavioural predispositions.

Following Gooderham et al. (1999), we use convergence and divergence in the sense of the intratemporal prevalence of either tendency, measured by results achieved so far. However, in contrast to these authors, convergence may not be just the result of responding to 'rational' contingencies, denoting supposedly universally present and varying factors such as size, industry, environmental complexity or variability. Convergence may also be a response to institutional harmonization through, for example, supranational government and rule-making. And divergence may result from divergent contextual developments, in line with some specialization of economies and societies; contingency theory then predicts responses that are 'congruent' with, or 'fit', the context. This leads to the prediction of divergent (internal coordination and control) responses.

As Pugh and Hickson (1996: 3903) pointed out: 'Size and dependence are not in themselves convergence factors. Only if they change everywhere in the same direction will this be so.' For the purpose of this paper, sources of divergence will mainly be found in the characteristics of national economies and societies. This opens up a very wide field, which ranges, as Pugh and Hickson mention, from industrial structures, via education and training institutions, social mobility patterns, industrial relations structures and practices, to normative or quasi-normative organizational structures and practices. We do not intend to explore this field here — it would require a different paradigm, a different study design and above all a great deal more space (see chapters by the editors in Maurice and Sorge 2000). However, every element of this domain reveals a country-of-origin effect. Where this effect is preponderant, divergence is greater than convergence, at least for the time being or in terms of the time horizon of a study.

More recently, the 'sharp end' of the convergence–divergence debate has come to focus on the functioning of the multinational enterprise, where internationalization is suggested to be most pervasive. Here, internationalization involves all of the 'hooks' of Porter's diamond: factor conditions; firm strategy, structure and rivalry; demand conditions; and related and supporting industries (Porter 1990: 72). Internationalization in the multinational enterprise therefore affects all the fields governing its structure and functioning: tasks and general environment, internal structure and process, and generic strategies that establish meaningful relations between environment, context and internal structure and process.

This is the area on which our treatment is focused. More specifically, we focus on the most international and potentially most de-contextualized part of the multinational enterprise: its internationalization strategy and international corporate control. There is nothing in organizational life that is, through exposure to an international environment, more removed from potentially more divergent national or societal contexts than this. Note that we do not examine divergence between national subsidiaries. We focus on the international level in multinational enterprises, above the level of national subsidiaries and their internal organizational patterns, their own specific strategy and immediate tasks, and the general environment within the country in which they are located. We examine the terrain on which the forces working towards convergence are potentially strongest.

For the debate about convergence and divergence to be most meaningful, it has to address a wide and contextually varied population of organizations. To point out that a specific policy or practice is being adopted and implemented in a few multinational organizations would be a limited observation. The wider and more contextually diverse the population of organizations, the more robust are statements about convergence or divergence on this basis. We have therefore tried to maximize the number of contexts represented in the population of organizations to be studied, covering more countries of origin and countries of subsidiary location (of multinationals) than any other studies we know of. By focusing on where convergence is most plausible according to the literature, the test of the hypothesis of convergence with regard to multinationals is more stringent. In view of the breadth of contexts covered, the reliability of the result is high, compared with other studies.

We do not aim to explain how and why convergence or divergence occur and in what circumstances. As we will show, the literature on internationalization strategy and international control in multinationals has not developed sufficiently to make reasonably reliable and valid statements about the existence or non-existence of convergence in the field of multinationals. The first step therefore, before more detailed explanations are possible, is to provide a more valid and reliable account of the state of play between tendencies of convergence and divergence per se. It is this step that we limit ourselves to in this paper. On the other hand, we will not refrain from drawing some theoretical lessons that appear appropriate, given our findings.

We examine possible convergence and divergence on the basis of both the universalization of contextual conditions through the globalization of markets

(the 'rational' root of convergence, following Gooderham et al.) and the harmonization of laws and rules in the European Union and the European Economic Area (the institutionalist root of convergence). The first angle of attack leads us to examine multinationals from, and represented in, as many parts of the world as possible, whereas the second angle is more specific, pointing to the study of a sufficiently large population of multinationals active in Europe.

The paper is divided into four sections. In the first section, we discuss our concepts and conceptual background, identify the gaps in previous research and derive alternative hypotheses. This section concludes with two research questions that deal with convergence and divergence effects at the levels of the world and of Europe. A methodology section discusses the data collection, the sample and the measures used in the empirical study, and the results section presents answers to our two research questions. In the concluding section, we argue that not only does the view of the role of country-of-origin effects need to be changed, but also our view of how institutions develop and what role they play under internationalization.

## Concepts, Findings and Open Questions

### Concepts

Multinational companies (MNCs) by definition operate across the borders of nation states and societies. They are therefore distinguished from other enterprises by having two major sets of business and management phenomena that other organizations do not have:

- They have internationalization strategies as overall concepts and patterns of extending operations from a domestic base to other countries. Virtually all existing multinationals have come about through extension from a national domestic base or the merger or acquisition of enterprises in other countries.
- They have practices of corporate control geared to facing the specific problem that their subsidiaries in different societies are embedded in different societal contexts and, in the case of acquisitions or mergers, in different enterprise traditions.

This conceptual pair is a particular variant on one of the classical themes in the management and organization literature: the nexus between 'strategy and structure'. 'Structure' is like a two-faced coin (Mintzberg 1979). On one side is structural differentiation, i.e. a specific way of dividing an organization into separate organizational components, careers, occupations and jobs. The other side can be termed 'coordination and control' or, for short, corporate control. This comprises all the mechanisms instituted to tie the operations and decisions within and across components into a larger whole and establish coherence of meaning and purpose within the larger enterprise. We do not address structural subdivision directly here. We do focus, however, on the

classical theme of strategy and structure in an area that is specific to multinationals, by dealing with internationalization strategies and corporate control at the international level.

Internationalization strategies refer to the way multinationals fashion relations between headquarters, subsidiaries and the diverse markets and institutional contexts in which they operate. The main structuring dimensions of this concept are, following Bartlett and Ghoshal (1989), the interdependence of subsidiaries and headquarters (or global integration) and a responsiveness to local markets and other situational specificities. Corporate control is a large concept. But, following a synthesis of authors such as March and Simon (1958), Lawrence and Lorsch (1967), Child (1973, 1984), Galbraith (1973), Ouchi (1977, 1979, 1980), Mintzberg (1979, 1983), Merchant (1985), Kenter (1985), Bartlett and Ghoshal (1989), Martinez and Jarillo (1991) and Hennart (1991), it is mainly structured along two dimensions: the directness and explicitness of control on one axis, and the impersonality of control on the other (see Table 2).

### Research Gaps

Curiously, although the sharp end of the internationalization and convergence/divergence debate as identified above is appreciated as such, the empirical reality is either underinvestigated or researched with a distorting bias. Earlier studies of internationalization strategy and corporate control in multinationals are characterized by small sample sizes, a restricted number of countries (in terms of both the country of origin and the country of subsidiary location) and/or a restricted focus in terms of the variables under investigation. Studies in the area of corporate control tend to focus only on autonomy versus centralization of decision-making (see e.g. Daniels and Arpan 1972; Otterbeck 1981; Garnier 1982; Kriger and Solomon 1992) rather than on a more comprehensive range of control mechanisms. Those studies that have looked at a wider control portfolio (see e.g. Egelhoff 1984; Negandhi 1987; Birnberg and Snodgrass 1988; Bartlett and Ghoshal 1989; Calori et al. 1994; Wolf 1994) are characterized by small sample sizes (typically well below 50) and/or a limited number of countries under investigation (typically two or three). Of these studies, the one by Calori et al. (1994) is by far the most comprehensive and sophisticated. Calori et al. compared control mechanisms in cross-border acquisitions, with the USA, France and the UK as countries of origin and France and the UK as the countries in which the acquisition took place. They investigated a total of 70 acquisitions and included a number of control variables. Control was shown to be influenced by national 'administrative heritage'. However, they were able to compare only two countries at a time (USA vs. France and USA vs. UK) and were unable to control for industry effects.

Studies dealing with convergence/divergence and internationalization strategies are extremely scarce. Bartlett and Ghoshal's classic study (1989) compared American, Japanese and European MNCs. However, the study included only nine MNCs in total and, of the three European companies, two

were Dutch (Philips) or partly Dutch (Unilever) and the third was Swedish (Ericson) — hardly a representative group of European MNCs. They defined the European model as one of high local responsiveness and low interdependence, whereas the Japanese model had the opposite characteristics. American MNCs fell between these two extremes. Lane's (1998) study of the internationalization strategies of six British and four German MNCs focuses mostly on patterns of foreign direct investment and contains only limited and tentative statements about interdependence and local responsiveness. This is not surprising since the study was based on secondary data provided by the companies in question. To the best of our knowledge, no other studies have investigated country-of-origin effects with regard to internationalization strategies.

Although some of the studies mentioned above included MNCs from European countries in their research design, the number of European countries is usually limited to one or two. The focus of these studies is usually a comparison with or between MNCs from the USA and Japan. If more European countries are included in the research design they are simply lumped together as 'European countries'. A closer consideration of European multinationals is, however, called for to take proper account of more transnational multinationals. Following the influential work of Bartlett and Ghoshal (1989), transnational enterprises are a type that has been becoming increasingly important and is likely to be even more important in the future. Transnational multinationals are both 'globally integrated' and 'locally responsive', and they are less clearly tied into a single context of origin (they are less ethnocentric) by share ownership, human and capital resources, and their strategic centre of gravity. On the basis of the ratio of invested capital and human resources inside the country of origin to those outside, transnationality very much depends on the country of origin itself. Of the world top 10 transnational multinationals according to this criterion, only two are North American, none of them US, and the rest are European, mainly Swedish, Swiss and Dutch, sometimes in combination (Dowling et al. 1999: 18). The largest multinationals of the world are North American and notably US, to be sure, but they are less transnational than others in view of their greater preponderance of resources in the country of origin.

To examine divergence and convergence more systematically, we need a design that covers more countries and multinationals and allows a comparison of country-of-origin and other effects. We also need a design that gives due importance in sampling to those countries that breed more transnational enterprises. However, before discussing our sample design, we will elaborate on the conceptual background and the hypotheses and research questions of this study.

### **Conceptual Background**

Although our focus is on the international level of the multinational enterprise, the conceptual background of possible hypotheses is very much rooted in the wider comparative organization and management literature. Gooderham

et al. (1999) yielded the unequivocal result that cultural and institutional determinants in the country in which firms were located were more influential than determinants arising from a firm's context (size, industry/sector, etc.). The overriding influence of institutional settings in their study is, however, not surprising. The study focused on purely national companies — multinational enterprises were not considered. Studies investigating business systems in different European countries (for example, Whitley 1992; Whitley and Kristensen 1996) also found consistent and enduring differences between European countries. Similar results attesting to the persistence of embedded institutions in corporate governance under globalization have been presented by Pauly and Reich (1997) and Guillén (2000), focusing respectively on multinational and domestic enterprises, as identified in the introduction to this article. More hypothetically, Westney (1993) saw the multinational enterprise as exposed to contradictory influences:

- the regional diversity of subsidiaries, their contexts, markets and environments, making for persistent organizational divergence (isomorphic pull exerted by regional or national environments);
- international or global terms of competition in markets, and of regulation, making for institutional convergence (isomorphic pull exerted by an international environment);
- consistency and integration, notably in the transnational enterprise, exerting an isomorphic pull towards an enterprise model that may lie between national models and represent a sort of international practice.

Extending this reasoning, one might hypothesize that multinational enterprises (with substantial production and marketing subsidiaries outside their country of origin) would show a more pronounced influence of internationalized organizational concepts, as a form of convergence on an international template that varies according to universalistic determinants. International-level practices would presumably be analogous to influences resulting from received contingencies such as size, sector/industry and other environmental factors, and the industry recipes (Spender 1989) and strategies they imply.

Similarly, Mueller (1994) has argued that divergence between countries, as depicted by, for instance, the societal effect approach (Maurice and Sorge 2000), may have been overemphasized. He distinguished three separate effects on organizational structures and processes: the societal effect, the organizational effect and the globalization effect. The organizational effect focuses on convergence through learning across borders in multinational enterprises, and the globalization effect features convergence across borders through the globalization of the world economy. Multinationals are hypothesized to be subject to the more universalizing influence of both the organizational and the globalization effect. The globalization and the organizational effects are thus taken to override the societal effect. This argument is a more specific and topical rendering of earlier convergence theory, first put forward in the late 1950s by Harbison and Myers (1959: 44): '... organization building has its logic which rests on the development of management and there is a general

logic of management development which has applicability both to advanced and industrializing countries in the modern world.' The only thing that national or cultural factors could do was slow down this inevitable process.

Mueller's approach, however, is more refined than earlier convergence theory, since the effect of globalization would be different from the organizational effect: globalization would lead to convergence more or less across the board, on a more universal template of good practice, whereas the organizational effect might lead to convergence on an enterprise-specific norm, which might even be that of its country of origin. Convergence on an enterprise-specific norm would then not be convergence within a larger population of multinationals. It might be termed 'more internationally clustered divergence'. Although Mueller's treatment thus allows for more differentiated pictures of effects, the empirical foundation for the argument in favour of increasing organizational and globalization effects is restricted. It is based on specific cases rather than a methodologically controlled comparison of a number of multinationals from different countries.

### **Hypotheses and Research Questions**

The discussion above shows the relative empirical openness of the question about which way the balance with regard to convergence and divergence in internationalization strategy and control of multinationals is tilting. This openness allows us to formulate two opposing and alternative hypotheses:

- 1 The internationalization of activities reduces the salience of embeddedness in countries of origin, relative to globalization and organization effects. Multinationals will therefore be more influenced by factors that are not embedded in societies or national economic orders.
- 2 The internationalization of activities evokes the reproduction of specific institutions and cultural habits at the international level. Multinationals will therefore be strongly influenced by institutions and predispositions arising in the country of origin, even at the international level.

The argument about divergence versus convergence in multinationals can be developed at different geographic levels. The most aggregate level is the world level, where we find studies on multinationals the world over. This level is above all convenient for examining the 'globalization effect'. The next salient level is the world region or continent, for our purposes the European level. This level allows us to examine an effect that is likely to contain both globalization and institutional isomorphism through supranational government and rule-making. Another level encompasses bi-national or tri-national comparisons. But we cannot pursue this comparison here, in order not to lose focus. Whereas globalization and institutional isomorphism are two major possibilities following from a convergence hypothesis, a bi-national comparison is less meaningful given the terms of this paper. It would restrict rather than expand the breadth of the organizational population studied, and our point of departure was that convergence should be investigated with regard to a broader rather than a more restricted organizational population.

At the world level, we will investigate the relative weight of embeddedness in the country of origin (its institutional order, cultural repertoire and industrial structures) compared with task contingencies that are perceived as universalistic, i.e. as variables characterizing supranational markets and other segments of the task environment. To repeat, we are primarily concerned with this relative weight, which is still a contentious matter. We therefore do not advance or use any substantive framework of variables to compare national institutional settings because this would have overburdened the paper. In view of the paucity and methodological limitations of research on organizational practices in multinational enterprises in different continents, a broad assessment of relative weights and their implications is sufficiently novel. We then deal with the relative importance of intra-European variety compared with worldwide variety in internationalization strategies and control. This is methodologically analogous to analysis at the world level, but it will demonstrate effects of institutional isomorphism through supranational government that might be as great or greater than any globalization effect.

In conclusion, there are different measures of support for our alternative hypotheses regarding the effect of universal variables and that of institutionally specific contexts. There is, however, a lack of systematic empirical research into this effect for the international level of multinationals, where the proponents of globalization and organizational effects could be expected to have a stronger argument. Differentiated according to geographical levels, our hypotheses lead to two research questions that deal with the country-of-origin effect:

- 1 What weight does the country-of-origin effect carry compared with more universalistic factors?
- 2 Do European multinationals exhibit any institutional or cultural isomorphism and concomitant convergence that allow them to be treated as a more homogeneous group?

## **Sample and Methodology**

### **Data Collection and Sample Description**

Data for the study were collected by means of a large-scale international mail survey. Questionnaires were mailed to the managing directors of some 1650 wholly owned subsidiaries of 122 multinationals in 22 different countries. The selection of the 122 multinationals was based on the 1994 Fortune Global 500 list. Eight manufacturing industries with a good representation of multinationals from different countries were selected and the largest multinationals in these industries were included in our sample.

A pilot mailing was sent to 96 subsidiaries in 12 different countries at the beginning of June 1995. Questionnaires for the final mailing were mailed in two batches: one in October 1995 and one in January 1996. Incentives to increase response rates included an announcement postcard, a reminder, an offer of the results, an international committee of recommendation, and

several methods of making the relation between researcher and respondent less anonymous and more interactive than is usual in the mail questionnaire approach. The overall response rate at subsidiary level was 20.0 per cent, varying from 7.1 per cent in Hong Kong to 42.1 per cent in Denmark. Since this variance in response rates across countries might introduce a response bias, the country of subsidiary location is included as a control variable in our analysis.

Table 1 summarizes the response rates and number of respondents by industry, subsidiary country and country of headquarters location. The total number of 287 subsidiary responses represents 104 different headquarters; and the number of responses per headquarters varied from 1 to 11.

### **Variables and Measures**

Our aim is to assess the case for and against embeddedness versus universal contingencies. In terms of specific variables this means that we are comparing the relative impact of the country of origin of the multinational enterprise (MNE) compared with industry and organizational size and age on the MNE's internationalization strategy and approach to corporate control. The country of origin and industry for each MNE were identified from the 1994 Fortune Global 500 list. Information about the age and size (number of employees) of the MNE was gathered from the Directory of Corporate Affiliations (1996). Size and age were also measured at subsidiary level through the same questionnaire that measured our dependent variables. Since the variable size at both headquarters and subsidiary levels was badly skewed, the natural logarithm of this variable was used as the final measurement of size at headquarters and subsidiary levels.

Our questionnaire data were collected at subsidiary level and the operationalization of internationalization strategy addressed this level. This may raise doubts about the adequacy of the level of data collection, since we are conceptually aiming at the international level of strategy, coordination and control. However, the practicalities of obtaining detailed data that conform to accepted operationalizations of international strategy and control dictate the gathering of data at subsidiary level. In line with Bartlett and Ghoshal (1989), we used two variables: the subsidiary's level of local responsiveness and its level of interdependence with headquarters and other subsidiaries. Both local responsiveness and interdependence can be directly linked to internationalization strategies. In Bartlett and Ghoshal's terms, global multinationals would combine a high level of interdependence (and particularly headquarters–subsidiary interdependence) with a low level of local responsiveness, whereas multi-domestic multinationals would show the reverse pattern. Transnational multinationals would combine a high level of interdependence (and particularly interdependence between subsidiaries) with a high level of local responsiveness. Local responsiveness was measured with four items asking for the percentage of local R&D and local production incorporated in products sold by the subsidiary and the percentage of products and marketing substantially modified for local markets (see the appendix).

Table 1  
Number of  
Respondents by  
Industry, Subsidiary  
Country and  
Headquarters  
Country

	Number of Respondents	Response Rate (%)
Industry		
Electronics	41	17.1
Computers, office equipment	26	16.2
Motor vehicles and parts	30	20.4
Petroleum (products)	20	21.4
Food & beverages	34	18.4
Pharmaceutical	46	23.8
Paper (products)	25	20.6
Chemical (products)	55	21.3
Various	10	17.1
Subsidiary Country		
Argentina	4	12.9
Austria	8	19.0
Belgium	14	20.3
Brazil	15	22.1
Denmark	16	42.1
Finland	8	32.0
France	14	13.6
Germany	16	15.5
Hong Kong	5	7.1
Ireland	11	30.6
Italy	21	24.4
Japan	16	28.6
Mexico	10	15.2
Netherlands	25	26.6
Norway	13	40.6
Singapore	10	13.6
Spain	14	15.9
Sweden	11	20.4
Switzerland	14	29.8
UK	25	18.8
USA	13	11.4
Venezuela	4	13.8
Country of Location of Headquarters		
Finland	23	24.0
France	26	18.6
Germany	32	21.8
Japan	38	16.7
Netherlands	16	31.5
Sweden	41	24.6
Switzerland	31	30.4
UK	25	19.7
USA	55	14.3

As respondents would not be likely to know the exact percentages, six answer categories were created: 0 per cent, 1–25 per cent, 26–50 per cent, 51–75 per cent, 76–99 per cent, and 100 per cent. Interdependence was operationalized using the percentage of intra-company sales and purchases. Respondents were asked to differentiate purchases from or sales to headquarters and subsidiaries. As with local responsiveness, six answer categories were created.

We had to expect such measures to vary, not only between multinationals as comprehensive entities but also between subsidiaries. Furthermore, we had to expect the headquarters of the larger entities to be at pains to find more aggregated and precise figures. Because this would have militated against a satisfactory response rate, a disaggregated collection of data was required. However, using subsidiaries as a unit of analysis in no way implies that the structures and practices thereby revealed do not characterize the strategic intentions and policies of the more comprehensive multinational entity. The actual picture of interdependence and responsiveness may deliberately vary within the larger concern, and this variance may help to characterize it more accurately than would a concern-wide average with very wide variance.

Corporate control mechanisms can be defined as the instruments that are used to make sure that all units of the organization strive towards common organizational goals. Numerous control mechanisms have been identified. However, an extensive literature review resulted in a synthesis of four major types of control mechanism, as summarized in Table 2. Based on the literature review, several constituent elements were defined for each of the four control mechanisms. Expatriate control was added to the direct personal control category, because creating mini-headquarters at subsidiary level will be an important way for multinationals to realize direct supervision or centralization of decision-making.

To measure the various constituent elements of the different control mechanisms, we adapted and supplemented the questions used by Martinez and Jarillo (1991) and subjected them to a factor analysis (see Table 3). An oblique rotation, direct oblimin, was used instead of one of the more common orthogonal rotations (equamax, quartimax, varimax) because correlation between the different control mechanisms could be expected. Bartlett's test of sphericity was highly significant (609.778,  $p = .00000$ ). KMO's measure of sampling adequacy was .69, which is considered acceptable for the application of factor analysis. Three factors were extracted that had an eigenvalue of greater than 1. These three factors explained 58.7 per cent of the variance.

The factor analysis clearly distinguished the indirect and direct personal categories, with high loadings on the constituent elements of each category and loadings below .30 on the other items. Questions for the two impersonal control mechanisms, however, all loaded on the same factor, so the first factor was identified as impersonal control.

Table 2  
Classification of  
Control  
Mechanisms on  
Two Dimensions

	Personal/Cultural (founded on social interaction)	Impersonal/Bureaucratic/Technocratic (founded on instrumental artefacts)
Direct/Explicit	Centralization, Direct Supervision, Expatriate control	Standardization, Formalization
Indirect/Implicit	Socialization, Informal Communication, Management Training	Output Control, Planning

Table 3  
Factor Analysis of  
10 Questions  
Measuring Control  
Mechanisms

Variable	Impersonal	Indirect Personal	Direct Personal
Output Control	.766	-.043	-.081
Planning	.727	.134	-.124
Procedures	.702	.065	.199
Standardization	.647	.029	.270
Informal Communication	-.226	.792	.078
Shared Values	.196	.777	-.000
International Training	.246	.688	-.114
Centralization	.234	-.075	.744
Personal Surveillance	.185	-.141	.717
Expatriate Control	-.249	.164	.657

Actual expatriate presence is a more direct way to measure expatriate control as identified above. Three questions were used to assess the presence of expatriates in a given subsidiary. These questions asked for the nationality of the managing director, the number of top five jobs held by expatriates and the total number of expatriates working in the subsidiary. The last item was subsequently divided by the total number of employees to arrive at the share of expatriates in the subsidiary's workforce. The nationality of the managing director was coded 0 if the managing director was a local (HCN) and 1 if the managing director was a parent country national (PCN). The small number of third-country nationals was disregarded.

Table 4 presents the means, standard deviations and minimum and maximum values for each of the variables. Some cases had missing values, so the number of observations varies between 282 and 287. Because we excluded third-country nationals, the variable 'Managing Director PCN' has only 245 observations.

The study used a key-informant approach and our results are therefore based on the information of a single respondent in each organization. This limitation is shared with virtually all large-scale studies of multinationals. The prevalent response rates in international mail surveys make any other approach infeasible in practice. In addition, although every care was taken to formulate questions as unambiguously as possible, our study used perceptual measures to operationalize some of the constructs. This was done primarily because the nature of concepts such as control mechanisms is not immediately quantifiable. As a result, the answers to our questions might contain an element of perception, which might reduce the validity of our findings. However, questions elicited information on actual practices and policies rather than opinions on such practices, which might be personally coloured and depend on the person of the respondent instead of on the organization. Finally, although our sample was relatively large compared with those in other studies, the sample size for the individual countries was still relatively small, which means that peculiarities of individual multinationals might influence the results.

Table 4  
Descriptive  
Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
HQ size (log)	283	8.30	13.45	10.87	1.06
Subsidiary size (log)	285	1.39	9.39	5.59	1.55
HQ age	277	5	708	92.00	62.00
Subsidiary age	275	2	285	41.00	32.00
Local manufacturing	283	1	6	3.31	1.71
Marketing modification	283	1	6	3.49	1.56
Product modification	283	1	6	2.61	1.38
Local R&D	282	1	6	2.26	1.24
Purchases from HQ	285	1	6	2.56	1.56
Sales to HQ	284	1	6	1.39	0.78
Purchases from subsidiaries	285	1	6	2.40	1.26
Sales to subsidiaries	284	1	6	2.03	1.13
Output control	285	1	7	5.05	1.42
Planning	285	2	7	5.52	1.21
Procedures	285	1	7	3.98	1.45
Standardization	285	1	7	4.44	1.63
Informal communication	285	1	7	4.74	1.27
Shared values	285	1	7	5.17	1.31
International training	285	1	7	4.05	1.69
Centralization	286	1	7	3.55	1.58
Personal surveillance	286	1	7	3.41	1.53
Direct expatriate control	285	1	7	2.50	1.79
% expatriates in workforce	287	0.00	0.67	0.03	0.08
Managing director PCN (HCN = 0, PCN = 1)	245	0	1	0.38	0.49
Number of expatriates in top-5 positions	287	0	5	1.33	1.35

## Empirical Results

To test the relative impact of country of origin versus the universal factors, SPSS's General Linear Model (GLM) factorial procedure was used. The GLM procedure is a relatively new statistical technique that provides regression analysis and analysis of variance for one dependent variable by one or more factors and/or variables. In contrast to linear regression analysis, this technique allows a combination of categorical and continuous independent variables, without the necessity to recode categorical data into individual dummy variables. One-way ANOVA was used to test differences between groups of countries. Since the variable 'Managing Director PCN' is a categorical variable, logistic regression was used for the overall analysis and Kruskal Wallis tests were used to test the difference between groups of countries.

### How Important Are Country-of-Origin Effects?

We first analysed the impact of country of origin in isolation, using a GLM factorial analysis with the country of origin as the only independent variable (this is similar to doing a one-way ANOVA analysis). The results of this analysis can be found in the first column of Table 5 and they show that country of origin does indeed have significant explanatory power for most variables.

For nearly 80 per cent of the variables the country-of-origin effect is significant at the .05 level.

However, in order to assess the relative importance of the country of origin compared with universal factors, all variables should be included in a single analysis. Since we are interested in the country-of-origin effect rather than the country-of-location effect, the country of location of individual subsidiaries was included as a control variable in this analysis. Furthermore, since differences between home countries might simply be a reflection of their stage of internationalization, the percentage of foreign sales to total sales was also included as a control variable for each multinational. A second GLM factorial analysis was then conducted that included country of origin, industry, HQ and subsidiary size, HQ and subsidiary age, and the control variables country of location and level of foreign sales as explanatory variables. Table 5 shows the results of this analysis.

With regard to local responsiveness, including the universal factors and the control variables in the analysis removes any trace of the country-of-origin effect. This effect appears to have simply been caused by a differential distribution of the universalistic contextual and control variables across countries. Differences in the level of local responsiveness appear to be caused more than anything else by the size of the subsidiary, with larger subsidiaries showing a higher level of local manufacturing, local product modification and local R&D. The type of industry also has an impact, with the computer and automobile industries showing a low level of local production and product modification, whereas the opposite is true for the food and beverages industry. To that extent, responsiveness appears to be associated with universalistically conceived variables.

A different picture appears with regard to interdependence measures. The country of origin has a clear impact on the level of purchases by subsidiaries from either headquarters or other subsidiaries, even when all the universalistic contextual and control variables are taken into account. On the other hand, and not surprisingly, there is an industry effect with regard to purchases from the HQ, with the industries shown above to have a low level of local manufacturing portraying a high level of purchases from the HQ, and vice versa. Whether a subsidiary sells a large proportion of its output to either the HQ or other subsidiaries appears to be determined mostly by its size and age, with larger and older subsidiaries more likely to sell a large proportion of their output internally.

With regard to control mechanisms, the balance between convergence and divergence — between country of origin and universalistic variables — is tilted more clearly in one direction. First, however, the level of direct personal control does not seem to be explained by either the country of origin or any of the universalistic factors. Country of origin has the largest impact on the other two types of control: impersonal control and indirect personal control. Subsidiary size also influences the level of indirect personal control. Larger subsidiaries are more likely to experience a high level of indirect personal control from HQ. Although direct personal control does not seem to vary with the country of origin or the universalistic factors, a particular type of direct

Table 5 Significance of Country of Origin as an Explanatory Variable When Compared with Five Universal Variables

Variable	Country of origin, excluding control variables	Significance levels for individual variables using a General Linear Model that includes all individual variables and the two control variables: country of location and foreign sales					
		Country of origin	Industry	HQ size	Subsidiary size	HQ age	Subsidiary age
<b>Local responsiveness</b>							
Local manufacturing	.002	.236	.001	.270	.000	.931	.588
Marketing modification	.910	.869	.590	.854	.376	.189	.627
Product modification	.007	.379	.002	.821	.000	.134	.087
Local R&D	.048	.215	.978	.819	.002	.101	.698
<b>Interdependence</b>							
Purchases from HQ	.000	.000	.007	.254	.178	.597	.499
Sales to HQ	.321	.535	.100	.271	.001	.364	.048
Purchases from subsidiaries	.000	.004	.651	.291	.212	.713	.640
Sales to subsidiaries	.019	.293	.411	.542	.033	.211	.057
<b>Control mechanisms</b>							
Impersonal control	.000	.001	.302	.682	.112	.796	.838
Direct personal control	.037	.471	.823	.381	.381	.194	.232
Indirect personal control	.084	.004	.076	.111	.008	.626	.255
<b>Expatriate presence</b>							
% expatriates in workforce	.000	.007	.481	.993	.002	.330	.021
Managing director PCN	.001	.030	.020	.115	.292	.295	.025
Number of expatriates in top-5	.000	.006	.076	.025	.112	.479	.716
<b>Analysis of significant differences</b>							
Differences significant at .01	8/14 (57%)	6/14 (43%)	3/14 (21%)	0/14 (7%)	6/14 (43%)	0/14 (7%)	0/14 (0%)
Differences significant at .05	11/14 (79%)	7/14 (50%)	4/14 (29%)	1/14 (21%)	7/14 (50%)	0/14 (7%)	3/14 (21%)

personal control in multinationals, the level of expatriation, is strongly ( $p = .001$ ) influenced by the country of origin of the multinational. This is true for all three measures of expatriate presence in subsidiaries.

In addition, three of the universalistic factors have an impact on three different measures of expatriate presence. The fact that larger subsidiaries have a smaller proportion of expatriates in their workforce can be seen as an artefact of this measure: the *percentage* of expatriates will naturally be smaller in larger subsidiaries, even though the absolute level is larger. The managing director is more likely to be a parent country national in the automobile industry and more likely to be a host country national in the food and beverages industry. Finally, subsidiaries of larger multinationals are more likely to have a large number of expatriates in top-5 positions. However, since all of these universalistic factors influence only one measure of the same concept and all of them influence a different measure, we can safely conclude that overall the country-of-origin effect is much stronger. There is one other universal contingency though that does have an impact on both the percentage of expatriates in the total workforce and the nationality of the managing director: subsidiary age. The older the subsidiary, the lower the expatriate presence, which reflects the tendency of multinationals to use expatriates to set up new subsidiaries.

In summary, we can say that the country of origin has a significant impact on more variables than all of the universalistic factors, except for subsidiary size, which has an impact on an equal number of variables. Interestingly, the variables that are influenced by universal contingencies are mostly variables that are not influenced by the country of origin, and vice versa. Concepts that are related in one way or another to control by the HQ over subsidiaries seem to be heavily influenced by the country of origin of the larger concern. This is true both for the control mechanisms and for expatriate presence, which is a special type of control in multinationals. However, it is also true for the dependence of subsidiaries on either the HQ or other subsidiaries in terms of purchases, which can be seen as another way to control subsidiaries. Variables that are influenced by the universalistic factors — mostly subsidiary size and industry — are primarily those that reflect the subsidiary's local presence. In addition, the subsidiary's position in the corporate network in terms of being an important node in the corporate production network — through a high level of sales to either the HQ or subsidiaries — does seem to be affected more by universal contingencies than by the country of origin.

At this stage, it is important to note that this country-of-origin effect cannot be explained as a response effect, that is, because respondents from different nationalities respond in different ways. Since respondents were located at subsidiary level, responses for each country were given by 14–20 different nationalities. It is also important to note that the country-of-origin effect is not likely to be caused by differences within the parent company — rather than country — characteristics. We already included three important parent company characteristics in the analysis: size, age and level of internationalization. However, since some multinationals in our sample were represented by a large number of subsidiaries, this might have influenced our results. We

therefore repeated the analysis, excluding all multinationals represented by more than 4 subsidiaries, which excluded 16 of the 104 concerns in our sample. This did not result in substantial changes in the level of significance for the country-of-origin effects.

### **Is There Institutional or Cultural Isomorphism within the European Countries?**

Our second question was whether multinationals from European countries exhibit any institutional or cultural isomorphism and concomitant convergence that would allow them to be treated as a homogeneous group. To answer this question, we proceeded in two steps. First, if multinationals from European countries were indeed a homogeneous group, the country-of-origin effect should be more significant when we compare American multinationals, Japanese multinationals and multinationals from European countries as three distinct groups than when we compare multinationals from the nine individual countries as we did earlier. Second, if multinationals from European countries were indeed a homogeneous group, the country-of-origin effect should be insignificant if we compare multinationals from European countries alone. Table 6 sets out the results of these tests. The first column reproduces the results shown in Table 5. The second column compares multinationals from European countries with their US and Japanese counterparts, and the third column compares multinationals from the seven European countries alone. If multinationals from European countries were indeed a homogeneous group, significance levels should be higher in column two than in column one and column three should show insignificant results. Columns four and five indicate whether this is indeed the case.

In only 2 of the 14 variables is the significance level of the USA/Japan/Europe comparison higher than that of the comparison of the nine countries separately. For one of these variables, however, marketing modification, the country-of-origin effect is insignificant in *all three* comparisons. For the second variable, sales to subsidiaries, the significance level improved from .019 to .007. For 5 out of the 14 variables, differences *between* multinationals from European countries are insignificant at the .05 level. For three of these variables, however, the country-of-origin effect is insignificant in *all three* comparisons. Furthermore, for three of the five variables, the difference between multinationals from European countries *is* significant at the .10 level and for two of these the difference between Europe/USA/Japan is *not* significant. In fact there is only one variable, sales to subsidiaries, for which the difference between Europe/USA/Japan *is* significant at the .05 level whereas the difference between multinationals from European countries is *not*, and the reverse is true in three cases. We can therefore safely conclude that multinationals from European countries can *not* be treated as a more homogeneous group. At least to that extent, there is no visible isomorphism in Europe in internationalization strategies or control mechanisms.

Table 6 Significance of Country of Origin as an Explanatory Variable in Three Sets of Comparisons

Variable	Significance of difference between MNEs from all 9 countries (1)	Significance of difference between European, Japanese and American MNEs (2)	Significance of difference between European MNEs (3)	Is 2 is more significant than 1?	Is 3 non-significant at .05 level of significance?
<b>Local responsiveness</b>					
Local manufacturing	.002	.158	.002	No	No
Marketing modification	.910	.607	.880	[Yes]	[Yes]
Product modification	.007	.874	.002	No	No
Local R&D	.048	.142	.088	No	Yes
<b>Interdependence</b>					
Purchases from HQ	.000	.000	.000	No	No
Sales to HQ	.321	.571	.161	No	[Yes]
Purchases from subsidiaries	.000	.000	.017	No	No
Sales to subsidiaries	.019	.007	.089	Yes	Yes
<b>Control mechanisms</b>					
Impersonal control	.000	.000	.018	No	No
Direct personal control	.037	.300	.027	No	No
Indirect personal control	.084	.466	.057	No	[Yes]
<b>Expatriate presence</b>					
% expatriates in workforce	.000	.047	.000	No	No
Managing director PCN	.001	.003	.026	No	No
Number of expatriates in top-5	.000	.000	.009	No	No

[...] Differences are not significant in any of the three comparisons.

## Discussion and Conclusions

The balance between convergence and divergence that results from this study is differentiated but clear. On the whole, internationalization strategy is visibly related to universalistically conceived variables, especially industry and size. In this case, country-of-origin effects are mostly explained by industrial structures, so that country of origin has less of an effect apart from them. On this basis, it is possible to say that universal patterns appear to work with respect to internationalization strategy. However, this is different from the notion of convergence as it is commonly used. The working of universal strategic regularities linked to size and industrial structure does not imply a convergence of specific strategies; where size and structure developments diverge between countries, strategies will also become different, as was pointed out by Pugh and Hickson (1996: 3903). Since some amount of specialization by countries in the international division of labour has to be taken into account, notably specialization of a country's multinationals on the global scene, the spread of universalistic regularities may by that token even imply divergence. This finding indicates a mixture of universal regularity and divergence that the literature does not face up to.

Control mechanisms, on the other hand, are more clearly and directly related to country of origin. They are not mediated by size and industrial structures. But we hasten to add that, since the concept is rich in content and we did not dissect it into different elements, it may again include characteristics of industrial structure different from those taken into account directly here. Of course one may wonder whether the country-of-origin effect is an explanatory variable in its own right or whether it is simply a proxy for other causal factors that happen to differ between countries (see also Ferner 1997). However, we have included some of these variables — industry and host country distribution, enterprise and subsidiary size and age, and level of internationalization — as control variables. This had only a partial impact on the extent or significance of the country-of-origin effect. Further, as Ferner (1997) indicates, trying to reason away this effect in this way may miss much of the point, because some of these differences may themselves be the typical result of differences in national business systems. For instance, national business systems promote a prevalence of sectors and subsectors in national enterprise populations.

It is striking that control mechanisms remain firmly and primarily impregnated by the country of origin. This is counter to the intuition, influenced by widespread speculation, that the corporation becomes footloose and de-contextualized by internationalization. These results provide further support for the existence of unique country patterns, even for the most internationalized companies in the world in their most supranational corner. This extends and even requires the application of societal analysis to multinationals. We therefore find a strong counter-argument to Ohmae's (1990) suggestion of nationless corporations. Following Hu (1992), we think it would be better to describe multinationals as national firms with international operations instead. With respect to mechanisms of control, therefore,

whereas there may be some convergence of control practices across countries within individual multinationals (a Mueller-type organization effect), the opposite appears to be the case across multinationals from different countries, where there is divergence. We are therefore observing clustered divergence, in which globalization appears to promote organization effects (in Mueller's terminology), but this organization effect is rooted in the country of origin and thus a result of societal effects, much as societal analysis would claim.

Another aspect of these findings is that there appears to be a gap between internationalization strategy and mechanisms of control which was not to be expected: strategy is related to industrial structures and size, and only through these to country of origin, whereas control is first and foremost directly related to country of origin. Strategy and control could not, on the basis of the more general literature, be expected to relate almost consistently to different variables. It might be that the multinationality of enterprises requires this break to occur, and further research could examine this hypothesis. Multinationals may be led to conduct strategy, which has strong commercial and financial elements, in a way that, although having regard to the specificities of national markets and financial conditions, is de-contextualized with respect to conditions prevailing in the home country. On the other hand, in the choice of coordination and control of the enterprise at an international level, it would appear that the enterprise is internally shot through much more intensively with social, sociopolitical, sociocultural and socioeconomic specificity. This would lead to the diversity of templates in internal governance.

One is led to infer that the language of international control in multinationals can never be a de-contextualized sort of Esperanto. For coordination and control to happen consistently and in legitimate form, they might have to be more firmly based on a more parsimonious choice of cultural repertoire, institutional background and, possibly, industrial-structural background. In this perspective, a multinational with a truly footloose strategic apex will experience the fate of the tower of Babel: it will collapse. Although this is speculation, it might be useful by leading to further research that could examine the viability of truly 'polycentric' and even 'geocentric' entities.

Another important conclusion of our study is that there are large differences, in virtually every field investigated, *between* European countries. The emergence of supranational government and rule-making has not led to a convergence within Europe that is more significant than that at a world level. Although Europe is becoming more integrated economically and politically, this has not resulted in a similarity of management practices, not even for the most internationalized companies. Indeed, it may be questioned why it should. If political and economic integration takes place, this may very well lead to specialization by multinationals from different nations in terms of sectors, products and product/market combinations. To the extent that this occurs, an institutional isomorphism in the European population of multinationals and their subsidiaries is therefore not to be expected, probably not because it is non-existent but because it is overcompensated by specialization. Accordingly, there is no confirmation here for a 'net' convergence owing to supranational government and rule-making. This is consistent with societal

analysis as expressed in the concluding chapter of Maurice and Sorge (2000). Supranational government need not be deprived of convergence effects through isomorphism on some scores; but it will be counteracted by isomorphism through institutional and socioeconomic specialization in the underlying nations. As a result, taking both effects together, on balance divergence remains in place. This may mean that it is a qualitatively different kind of divergence from what may have been observable in the past.

Finally, on the basis of our findings and their interpretation, we extend a strong plea for more empirical research into the country-of-origin effect for multinationals in general and the study of previously neglected multinationals of European origin in particular. A lack of systematic empirical research in international management has created several myths (see e.g. Harzing 1995). The field of international management is, alas, full of partial insights blown up into conclusions that exceed the methodological foundations on which they stand. Divergence between multinationals from different countries of origin appears to be stronger than suggested, and it may be rooted both in industrial structure and in a nexus of factors interacting in the country of origin. To explore this nexus through more detailed research could be on the agenda for the future.

This changes the picture of how institutions and culture should be interpreted. And this lesson has to be applied in the explanation of variety on a world scale. There is poor support for 'net' convergence on the basis of responses to universal contingencies converging. Country of origin comes forward as one of the most important predictors of multinationals' organizational practices at international level. The nature of internationalization strategy appears possibly to be more decoupled from organizational control than would be the case in a nationally homogeneous enterprise context. This more general finding, which of course needs more research and corroboration, lends more weight to the view that societal institutions constitute 'different but equal' practices. From this picture, a notion of universal state-of-the-art practice cannot be ascertained and demonstrated. Societal context and domestic economic strengths appear to define a particular 'rationale' of international organizational practice.

This rationale could imply more independence between strategy and structure than the familiar strategy–structure nexus suggests, whether it is structure following strategy or the other way round. Local institutions and culture may operate as universally applicable facilitators of international organizational practice even at the international level of multinationals. We would add that convergence may be a realistic prospect only within enterprise-specific templates that differ, rather than on a universal template. The overall picture would thus be one of 'net' divergence remaining between societies — not remaining against convergence but being spurred on by its occurrence. The divergence of, for example, European business systems emerged through the very different adoption, application and further development of a potentially and originally more convergent force, such as American business, management and organization practices (see Djelic 1998; Sorge 1999). In a similar vein, the unifying forces of supranational orders, more global competition or

multinational enterprises may again spur on different local transformations. It is the interdependence of divergence and convergence that sticks out, rather than shifts from one to the other over time and across places.

## Appendix

### Construct: Local Responsiveness

Six-point scale: 0 per cent, 1–25 per cent, 26–50 per cent, 51–75 per cent, 76–99 per cent, 100 per cent.

- Please give your best estimate of the percentage of R&D incorporated into products sold by this subsidiary that is actually performed by this subsidiary.
- Please give your best estimate of the percentage of company products sold by this subsidiary that have been manufactured (to any degree) by this subsidiary.
- Please give your best estimate of the percentage of company products sold by this subsidiary that have been created or substantially modified for this market.
- Please give your best estimate of the percentage of marketing for company products sold by this subsidiary that is consciously adapted to local circumstances.

### Construct: Interdependence

Six-point scale: 0 per cent, 1–25 per cent, 26–50 per cent, 51–75 per cent, 76–99 per cent, 100 per cent.

- Please give your best estimate of the percentage of purchases (incl. parts/semi-manufactured articles) from headquarters in relation to the total amount of purchases of this subsidiary.
- Please give your best estimate of the percentage of purchases (incl. parts/semi-manufactured articles) from other subsidiaries of the group in relation to the total amount of purchases of this subsidiary.
- Please give your best estimate of the percentage of the yearly output (incl. parts/semi-manufactured articles) of this subsidiary that is sold or delivered to headquarters.
- Please give your best estimate of the percentage of the yearly output (incl. parts/semi-manufactured articles) of this subsidiary that is sold or delivered to other subsidiaries of the group.

### Construct: Control Mechanisms

Likert scale: 1–7.

#### Direct Personal Control

- **Centralization** (reversed scored): In some multinational firms, (strategic) decision-making is largely centralized at headquarters; in other firms

subsidiaries have a large amount of autonomy. In general, what is this subsidiary's autonomy to decide its own strategies and policies? (Scale anchors: very little autonomy – very high autonomy)

- **Direct supervision:** In some multinational firms, headquarters' managers strive for a close personal surveillance on the behaviour of their subsidiaries. Other firms do not use this kind of direct personal supervision. Please indicate the degree of personal surveillance that headquarters' managers execute towards this subsidiary. (Scale anchors: very little surveillance – very high surveillance)
- **Expatriate control:** In some multinational firms, parent country nationals are assigned to subsidiaries to ensure that headquarters' policies are carried out. Others do not send out expatriates or do this for other reasons. Please indicate the degree to which headquarters uses expatriates to directly control this subsidiary's operations. (Likert scale: 1–7; scale anchors: very little expat control – very high expat control)

#### Direct Impersonal Control

- **Standardization:** In some multinational firms, all subsidiaries are supposed to operate in more or less the same way. In other firms, such standardized policies are not required. In general, what is the degree of standardization that headquarters requires from this subsidiary? (Scale anchors: very low standardization – very high standardization)
- **Formalization:** Some multinational firms have written rules and procedures for everything and employees are expected to follow these procedures accurately. Other firms do not have such strict rules and procedures, or, if they have, there is some leniency towards following them. Please indicate the kind of rules and procedures that headquarters exerts towards this subsidiary. (Scale anchors: very loose/no procedures – very strict procedures)

#### Indirect Impersonal Control

- **Output evaluation:** Some multinational firms exert a high degree of output control, by means of a continuous evaluation of the results of subsidiaries. Other firms exert very little output control beyond the requirement of occasional financial reports. Please indicate the degree of output control that headquarters exerts towards this subsidiary. (Scale anchors: very little output control – very high output control)
- **Planning:** Some multinational firms have a very detailed planning, goal setting and budgeting system that includes clear-cut (often quantitative) objectives to be achieved at both strategic and operational level. Other firms have less developed systems. Please indicate the type of planning/goal setting/budgeting that headquarters uses towards this subsidiary. (Scale anchors: very simple/no planning – very detailed planning)

### Indirect Personal Control

- **Socialization:** Some multinational firms attach a lot of value to a strong ‘corporate culture’ and try to ensure that all subsidiaries share the main values of the firm. Others do not make these efforts (or, having made it, have had no success). To which extent do the executives in this subsidiary share the company’s main values? (Scale anchors: no shared values at all – fully shared values)
- **Informal communication:** Some multinational firms have a very high degree of informal communication among executives of the different subsidiaries and headquarters. Other firms do not foster that kind of informal communication and rely exclusively on formal communication channels. Please indicate the level of informal communication between this subsidiary and headquarters/other subsidiaries of the group. (Scale anchors: no informal communication at all – daily informal communication)
- **International management training:** Some multinational firms make extensive use of international (as opposed to purely national) management training programmes. In these programmes, executives from different subsidiaries and headquarters follow courses that deal mostly with the transfer of company-specific knowledge. What has been the participation of this subsidiary’s executives in these kinds of training programmes in the past couple of years? (Scale anchors: no participation at all – very high participation)

### Construct: Expatriation

#### Expatriate Presence

- How many of the top five jobs in this subsidiary are held by expatriates (employees on temporary assignment from either headquarters or other subsidiaries)? Tick boxes 0–5.
- What is the nationality of the managing director of this subsidiary? Tick boxes: nationality of parent/headquarters country, nationality of subsidiary country, other (third country) nationality.
- Please indicate the number of expatriates currently working in this subsidiary.

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