

TRANSLATING ‘WHO WE ARE’: ON INTER-ORGANIZATIONAL TRANSFER OF ORGANIZATIONAL PRACTICES AND VALUES IN MNCs

[Work in progress, please do not quote]

ABSTRACT

Recent work on the transfer of organizational values and practices in the context of MNCs includes a growing number of comparative institutional studies, which argue that transfer and adoption processes are socially complex, involving various cultural and socio-political struggles, which have been only superficially covered in traditional MNC research. We argue that the previous work on the transfer of values and practices in MNCs has overlooked the role of ‘discourse’ in these processes. In this paper, we take a discursive perspective on the transfer of values and practices within two Finnish MNCs. In that we focus on the linkage between the MNC-internal transfer of values and practices and the broader societal and institutional contexts of which MNCs form part. Based on our analysis of 64 personal interviews, we conclude that subsidiary-level outcomes of values and practices transfer processes in MNCs are influenced by (a) the ability of HQ management to influence subsidiary employees’ interpretations of what a particular value or practice means, (b) the subsidiary’s degree of institutional and cultural embeddedness in the host country, and (c) the ability of HQ to serve as an example of commitment in adopting, implementing, and integrating the value or practice in question.

Keywords: MNC, transfer, translation, boundary spanners, practices, values

INTRODUCTION

Recent work on the transfer and adoption of organizational values and practices in the context of multinational corporations (MNCs) includes a growing number of comparative institutional studies. Research in this vein takes a critical approach to the transfer and adoption (or non-adoption) of values and practices within the MNC, and to the impact of such transfer efforts. By and large, comparative institutionalists argue that transfer and adoption processes are socially complex and contested, involving various cultural and socio-political tensions and struggles which have been only superficially covered in traditional MNC research.

Comparative institutionalists argue that from a corporate viewpoint, a major challenge to the transfer and adoption of values and practices relates to legitimation. Organizational actors within the MNC may actively resist values and practices that are being transferred, and may do so in several ways: by adopting them only superficially through ‘ceremonial adoption’ (Meyer and Rowan, 1977), by de-legitimizing them, or by maintaining and re-legitimizing other values and practices. Furthermore, it has been argued that values and practices that are being transferred tend to undergo a process of ‘translation’ or ‘recontextualization’, meaning that they, or the meanings associated with them, are transformed in various ways. Finally, it has been pointed out that individuals may act as ‘boundary-spanners’ (Kostova and Roth, 2003) or ‘translators’ (Czarniawska-Joerges and Sevón, 1996) in the collective translation of meanings that is necessary for the diffusion, adoption and legitimation of a particular value or practice. These processes may jointly be termed ‘legitimation processes’. However, in examining them, previous work on the transfer of values and practices in MNCs has – with a few exceptions (Geppert, 2003) – overlooked the role of discourse.

In this paper, we take a comparative institutionalist approach to the transfer of values and practices within MNCs, in that we focus on the linkage between the MNC-internal transfer of values and practices and the broader societal and institutional contexts of which MNCs form part. However, we break new ground by approaching this issue from a discursive perspective, arguing that legitimation processes in MNCs often involve the juxtaposition of ‘global’ and ‘local’ discourses around specific values and practices. Discursive legitimation can in this context be seen as an essential part of various ‘translation’, ‘recontextualization’, and ‘hybridization’ processes.

Our analysis draws on 64 personal interviews conducted to investigate two cases where Finnish MNCs attempted to transfer some key organizational values and human resources practices from headquarters to important Russian subsidiaries. Our analysis suggests that attempts to transfer values and practices are interactive processes where both HQ and subsidiary rationalities come into play, and where actors at both levels may draw upon different discourses to promote their interests and legitimate their views. Our findings particularly highlight that it is not only headquarters that can draw upon ‘global’ discourses, nor only subsidiary representatives who draw upon ‘local’ ones. Rather, we

find that both ‘global’ and ‘local’ discourses are continuously present in the ‘transnational social space’ (Pries, 2001) that is the modern MNC, and can be drawn upon by different actors at different points in time.

Based on our analysis, we conclude that subsidiary-level outcomes of values and practices transfer processes in MNCs are influenced by (a) the ability of HQ management to influence subsidiary employees’ interpretations of what a particular value or practice means, (b) the subsidiary’s degree of institutional and cultural embeddedness in the host country and its consequent willingness to resist/adopt the value or practice, and (c) the ability of HQ to serve as an example of commitment in adopting, implementing, and integrating the value or practice in question.

‘GLOCALIZATION’ OF ORGANIZATIONS AND THE ‘TRANSLATION’ METAPHOR

Until recently, the majority of studies exploring the globalization of organizations from a neo-institutional perspective treated the globalization process mainly as a process of convergence, leading to increasing structural and cultural similarity between the different entities in the global environment (Ritzer, 2000; Meyer et al., 1997; Boli and Thomas, 1997). However, recently a new stream of research has been developed providing the insight that this does not necessarily imply homogenization of values and practices. Instead, this stream of research has been characterized as being attentive to variation. Scott (1995: 135) puts it as follows: “Rather than assuming that all organizations are alike, or when differences are found between organizations situated in varying social and cultural contexts, attempting to understate them or explain them away, current work is more likely to celebrate diversity and seek to account for the reasons why different forms arise.” Along the same lines, Robertson (1995: 25) proposes the term ‘glocalization’ to capture the dialectic nature of the globalization process as simultaneously ‘the universalization of the particular and the particularization of the universal’.

Within the ‘glocalization’ stream of research, three main metaphors have been developed: travel, translation, and hybridization (Perry, 1995; Czarniawska-Joerges and Sevón, 1996; Doorewaard and Bijsterveld, 2001). In these approaches, the organizational or management model is primarily seen as a cultural artifact that constructs the way in which organizational members perceive and interpret reality. The main concern of research is to try to understand ‘the changes that take place in a certain model during its journey from one social context to another, how its adoption is justified, how it is interpreted in the new context, and what social world it constructs’ (Frenkel, 2005: 279). An important concept in this tradition is that of ‘translation’ suggested by Callon and Latour (Callon and Latour 1981, Callon 1986).

[Translation means] displacement, invention, mediation, creation of a new link that did not exist before and modifies in part the two agents, those who translated and that which is translated. (Latour 1993: 6)

The spread in time and space of anything – claims, orders, artifacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it or appropriating it. (Latour 1986: 267)

The conceptual tools of the ‘glocalization’ stream of research have recently been applied also to the study of the internal workings of MNCs (Geppert et al., 2003; Geppert et al., 2006), an area previously dominated by more traditional approaches (see Williams and Geppert, 2006 for a discussion). MNCs may be considered particularly interesting contexts for exploring global-local dialectics, as they are considered a driving force of globalization in general, and particularly of the global diffusion of certain generic management-related values and practices. A common assumption, supported by much mainstream MNC management literature, is that headquarters controls the corporate network of subsidiary units, and uses this control to instill in these units a standardized set of corporate values and practices based on ‘global’ management principles. It is only recently that scholars subscribing to a translation perspective have in growing numbers begun to question this view, often quite forcefully (see e.g. Kristensen and Zeitlin, 2005).

In this paper, we suggest that the dialectics of ‘global’ versus ‘local’ favored by the (neo)-institutional perspective is one sided, too narrow, and somewhat oversimplified. In particular, it oversimplifies the social complexity of organizational processes within MNCs. A lot of studies within the (neo)-institutional stream of research have been relying too much on the assumption that the HQ side of the MNC ‘voices’ the ‘global’ discourse in this dialectics while subsidiaries ‘voice’ the ‘local’ discourse. Another type of dialectics that bears a lot of similarity with ‘global versus local’ is ‘Western’ versus ‘non-Western’ dialectics. For example, Clark and Geppert (2006) argue that in post-socialist countries the relationship between MNCs and local companies takes a form of an *asymmetrical relationship*. They conceptualize the managers from post-socialist countries as ‘peripheral participants’ (Brown and Duguid 1991) in relation to ‘power holders’ representing Western MNCs as they ‘have weak claims to legitimacy and one of their aims in international collaboration is to seek the legitimacy of full ‘membership’ of the Western management community of practice’ (Clark and Geppert, 2006: 344). While this claim might be justified to some extent, we argue that it is an error to continue to rely fully on this division into Western / HQ / global and non-Western / subsidiary / local. Our analysis shows that it is not always so that the ‘global’ part of the discourse is ‘voiced’ by the managers from the HQ and the ‘local’ part by the managers from the local subsidiaries. Sometimes it is quite the opposite. The local managers are more global in their business orientations and priorities than their counterparts from the HQ. Also, other types of discourses play a significant part in the discursive struggle within MNCs, e.g. cultural, ‘us’ versus ‘them’, etc.

THE MULTINATIONAL AS A ‘CONTESTED SOCIAL SPACE’

Studies applying a ‘translation’ perspective to MNCs suggest that while there is often a strong force towards global conformity in these organizations, national environments still exert significant (if not dominant) influence both at HQ and subsidiary levels (e.g., Geppert and Mayer, 2006; Williams and Geppert, 2006). In spite of globalization, MNC

headquarters and subsidiaries as organizations remain locally embedded in their respective home and host countries. Thus, the extent to which ‘external’ values and practices become institutionalized in them can be seen as strongly dependent on the specific institutional and societal contexts of these local environments. Concepts developed elsewhere are actively influenced by subsidiaries ‘translating’ and adapting these ideas (Czarniawska and Joerges, 1996). Doorewaard and Bijsterveld (2001) have used the metaphor of *osmosis* to describe what is happening during the ‘translation’ process of an idea as it has to fight its way through an ‘organizational membrane’ consisting of existing power networks, organizational culture and subcultures, in order to influence the existing set of organizational ideas. It makes ‘translation’ a non-neutral, power-based process of social construction.

Such lenses are particularly apt to highlight the tensions inherent in MNCs as being organizations which span countries, time zones, cultures and languages – and thus inherently splintered – yet arguably deriving their reason for being from their superiority to markets as conduits of resources, especially knowledge (Kogut and Zander, 1993). Cross-unit knowledge sharing has repeatedly been extolled as a strategic imperative (e.g., Ghoshal and Bartlett, 1989; Doz, Santos and Williamson 2003), yet scholars have been able to document numerous barriers to intra-MNC knowledge flows, such as the ‘stickiness’ of knowledge (Szulanski, 1996) or the existence of ‘corporate immune systems’ (Birkinshaw and Ridderstråle, 1999). In the MNC, the interunit tug-of-war which can be found in most multi-unit organizations is thus an even more complex game with even higher stakes.

Morgan and Kristensen (2006: 1471) accordingly conceptualize the MNC as “constituting a transnational social space within which different actors compete and negotiate with each other.” The MNC as a totality may be seen as a highly complex configuration of ongoing micro-political power conflicts at different levels in which strategizing social actors/groups inside and outside the firm interact with each other and create temporary balances of power that shape how formal organizational relationships and processes actually work in practice. Institutions enter into these processes, firstly as co-constitutors of the set of actors/groups and their mutual roles and identities, secondly as forms of restriction on the choices actors make, thirdly as resources that empower

actors and finally as rule-givers for the games that emerge (Morgan and Kristensen, 2006).

In other words, MNCs can be seen as “sites of conflict and contradiction in which alternative conceptions of the purpose and nature of economic activity arise” (Morgan and Kristensen, 2006) – contested terrains in which headquarters and subsidiaries engage in negotiation and conflict over a multiplicity of possible future forms, directions, and destinies for the MNC, and do so by drawing on the resources available to them – such as the institutional advantages of their host locations (see also Morgan, 2001a; 2001b). Subsidiaries may mobilize national institutional resources to gain social space, economic importance and political power within the MNC. The subsidiary becomes a site of adaptation, but the main emphasis is placed on the local institutional context.

TRANSFER OF PRACTICES AND VALUES IN MULTINATIONALS

It is in this comparative institutionalist context that we frame the topic of this paper: the transfer of values and practices in MNCs. The notion of transfer implies that a certain practice is transferred from one institutional context to another. This process in turn can be constrained and influenced by differences in patterns of organizing, role of social structures, and unintended outcomes of power struggles between the two institutional contexts (Gooderham et al., 1999; Saka, 2004). Hence, the diffusion process is a context-dependent activity, strongly influenced by social pressures associated with the diversity of beliefs, practices, and social expectations. Kostova (1999), for example, differentiates between three types of context affecting the transfer process: social, organizational, and relational. The differences in these contexts might hinder the diffusion of a particular practice or even the very continuation of it.

During the last decade, values and practices transfer processes have been the subject of increasing interest by scholars in the comparative institutionalist vein (e.g. Ferner and Quintanilla, 1998; Gooderham, Nordhaug and Ringdal, 1999; Sharpe, 2001; Edwards and Ferner, 2002; Geppert, Matten and Williams, 2003; Saka, 2004; or Geppert

and Mayer, 2006). Work in the area has often been focused on management and HR practices, as they directly influence the work of organizational members (e.g., Ferner and Quantanilla, 1998; Sharpe, 2001; Saka, 2004; Blazejewski, 2006; Tempel, Wächter and Walgenbach, 2006). These studies suggest that processes of transfer and adoption tend to be complex, and involve various kinds of cultural and socio-political struggles.

Several researchers have used the concept of ‘institutional duality’ to describe the tensions that proliferate in MNCs in association with the diffusion of practices (Kostova and Roth, 2002; Morgan and Kristensen, 2006). It is defined as the situation when “within multinationals actors are pressured to conform to the expectations of their home context whilst also being subjected to the transfer of practices from the home context of the MNC itself.” (Morgan and Kristensen, 2006: 1467) For example, Morgan and Kristensen (2006) argue that it is institutional duality that leads to conflicts at the level of ‘micropolitics’. HQ managers transfer practices, people, resources, and values to subsidiaries in order to maintain control and achieve their objectives. Local subsidiaries have different capacities to resist these transfers or to develop them in their own interests depending on their institutional contexts. The result is one of ‘diverse micro-political struggles structured by particular configurations of organizational and institutional processes’ (Morgan and Kristensen 2006: 1469). In such contexts, the range of maneuver for actors is increased as they can draw on various institutional resources and societal discourses from the home and host context.

By way of a practical example, Ferner et al. (2005: 316) describe in the following way the main challenge experienced by one company when attempting to diffuse a set of practices from the HQ level to the subsidiary level:

“The isomorphic pulls exerted by corporate HQ were not sufficient to ensure... full compliance in form and spirit with institutional pressures... managers were able to derive bargaining resources from their rootedness within the specific institutional configuration of the host country.”

Several studies provide ample evidence of the problems of legitimating new values and practices, as well as of various kinds of efforts to resist new practices either by delegitimizing them, or maintaining and re-legitimizing old ones (e.g., Ferner and

Quintanilla, 1998; Sharpe, 2001; Woywode, 2002). We also know that these transfer and adoption processes involve 'translations' or 'recontextualizations' where the practices in question or the meanings associated with them undergo various kinds of transformation. For example, Ferner and Quintanilla (1998) have shown how globalization pressures have led to "Anglo-Saxonization" of HR practices, but in a distinctive "German manner" in German subsidiaries. Sharpe (2001) has illustrated the complexities involved in the local adaptation in the UK of Japanese management practices that depend, for example, on the meaning given to specific changes. Blazejweski (2006), focusing on the transfer of 'value-infused organizational practices' from a German parent MNC to a Japanese subsidiary, found several examples of practices that had to be adapted so as not to be culturally offensive. Saka (2004), in turn, has underscored the role of individuals as boundary-spanners in the collective translation of meanings that is necessary for the diffusion and adoption of particular. With a few exceptions (Geppert, 2003), these studies have, however, not focused on the role of discourse in these legitimation processes. This is precisely the area, to which we intend to contribute with our analysis.

METHODOLOGY AND RESEARCH DESIGN

This paper draws on material from a large scale project about competence management in two Finnish MNCs operating in Russia, one in the food industry and one in the tire industry. Within the project our team of researchers has studied the transfer process of organizational values from the HQs to Russian subsidiaries in an attempt to establish shared corporate cultures throughout the entire organizations. The first Finnish MNC has acquired the Russian firm in Saint-Petersburg already in 1997 and then another firm in Moscow in 2005. The second Finnish MNC has established a 'greenfield' operation (production plant) in Leningrad region in 2005. Up to now both companies were very successful in Russia. We have deliberately focused on two different cases - one 'greenfield' and one acquisition - in an effort to address in this paper the need to incorporate the social context in which organizational practices and values were

embedded into our analysis. Also, one has to note that despite the different periods of time that two companies have spent at the Russian market both companies have initiated the transfer process more or less in the same time period of 2004-2006. It allowed us engaging in more systematic cross-comparison of the transfer processes and their results.

Our analysis is based on 64 interviews with managers at subsidiary and HQ level, as well as corporate documents and material in the public domain concerning the companies and their corresponding industries in general. Our interview data was collected between January and December in 2006. As our international research team has both Russian and Finnish researchers we developed interview guidelines and semi-structured questionnaires in Russian, Finnish and English for our respondents in both organizations. All interviews were recorded and later transcribed verbatim.

Our research can be categorized as drawing on, in terms of Child (2000), a 'high context' approach. It examines the process of transfer in all its cultural and contextual complexity. In the previous studies that used this approach, a case study method was the most widely used one. The case study methodology is seen as the most appropriate method to depict the social complexity of the transfer process. Overall, the 'high context' research tends to uncover contradictions, conflicts and resistance within relationships between foreign and local partners that fully corresponds to our intentions in this paper. To do that, we use a discursive perspective.

According to Fairclough (1995: 56), discourse is "the language used in representing a given social practice from a particular point of view". In other words, "discourse refers to a set of meanings, metaphors, representations, images, stories, statements and so on that in some way together produce a particular version of an event" (Burr 1995: 48). Therefore, the discourse analysis is a good methodological tool for the analysis of meanings and attitudes which are often implicit and do not lay at the surface of organizational actors' everyday activities. It has a potential of uncovering contradictions, conflicts and resistance involved in discursive struggles for legitimation between the organizational actors within MNCs.

The legitimation processes often involve the juxtaposition of globalist and local discourses around specific practices and values. Here, discursive legitimation can be seen as an essential part of various 'translation,' 'recontextualization' and 'hybridization'

processes (e.g., Fairclough and Thomas, 2004) - concepts that many comparative neo-institutionalist scholars have used without recognizing their discursive implications. Sometimes, the result may be hegemonic in the sense that specific practices and values are legitimated and the alternatives to them de-legitimated. However, legitimation processes often lead to more complicated outcomes. Fairclough and Thomas (2004: 392) put it as follows: "The globality of any discourse, therefore, seems to be limited in any totalizing sense. The hegemony of various types of global managerialist discourse is not solid or stable but involves a process of re-negotiation within local contexts (Chouliaraki and Fairclough, 1999; Salskov-Iversen et al., 2000). This involves a global/local dialectic that acknowledges the contested nature of discourse and its ambiguity."

Intertextual linkages are important in this kind of discursive analysis as they allow us to understand how broader discussions around the practices and values in question affect specific legitimation processes. For example, specific practices and values can in general be taken as popular management ideas or fashions (Abrahamson, 1996), which usually adds greatly to their legitimacy in specific contexts. Alternatively, practices may be portrayed as examples of 'Americanization' or western cultural domination (e.g., Prasad, 2003), which may significantly undermine their legitimacy in particular local contexts. Discursively, it would thus be important to map out the linkages between discussions in specific social and organizational contexts and the wider discussions around the same practices, for example, in the media to better understand legitimation dynamics in particular organizational settings.

Finally, a discursive perspective allows us to better understand the naturalization of specific practices in MNCs. 'Naturalization' here means rendering something normal, typical, ordinary, or otherwise something that becomes accepted without specific reflection (e.g., Foucault, 1980). In this sense, naturalization can be seen as the outcome of discursive legitimation: something that no longer requires specific discussion. This provides us with a conceptual linkage from explicit discourse to the silent acceptance of specific practices and values. It also helps us to see the importance of specific discursive struggles in the spread and adoption of particular organizational practices and values in the MNC context.

TWO FINNISH MULTINATIONALS

In this section we turn to providing more detailed descriptions of two cases that were analyzed in this study.

Fazer Bakeries in Russia

Fazer operations in Russia involve, firstly, the highly successful operations in the Saint Petersburg area in terms of the gradual acquisition of Hlebny Dom, which has started in 1997 and now is the biggest bakery in Fazer Bakeries. Hlebny Dom has later expanded its bakery operations by acquiring two additional bakeries in St. Petersburg, Michurinsky and Vasileostrovsky. Secondly, Fazer has extended their Russian operations through the acquisition of Zvozdny, located in Moscow. The business has so far developed less successfully in Moscow than in St. Petersburg.

Fazer's management has indicated its desire to expand in Russia to capitalize on the currently ongoing consolidation in the Russian baking industry and the huge size of the market. The company is attempting to develop a set of dynamic capabilities – mainly related to capability to quickly and efficiently acquire new bakeries – that could be successfully leveraged in different parts of Russia. However, experiences from Moscow indicate that the knowledge that Fazer acquired through its operations in St. Petersburg during last 9 years might not as such be generalized to other cases in other parts of Russia. Also, the Russian baking industry has been developing rapidly in recent years and several local players have emerged, constituting a certain threat for the company.

Both companies that Fazer acquired in Russia - Hlebny Dom and Zvozdny – have had along history dating back to the Soviet times. Both companies were established in 1930th and both were privatized in the beginning of 1990th. However, prior to being acquired by Fazer, companies have had different degrees of success on their domestic markets. Hlebny Dom has become one the leading bakeries at the market of Spb in terms of its market share, while Zvozdny has been quite a marginal baking player in the Moscow region. The communist legacy of both firms has been reflected for instance in the fact that the area of HR management was not very sophisticated partly due to the fact

that in traditional Soviet organizations HR was not seen as a critical function. Rather the HR department played a more administrative role being responsible for employee accountability and control. It also meant that such managerial concepts like shared corporate culture and corporate values have not been paid much attention in both companies.

Corporate values roll-outs were undertaken in both Hlebny Dom and Zvozdny. At the level of the HQ some interviewees argued that the roll-outs were broadly speaking successful, and that the Fazer values have been internalized by employees in the Russian units. There appeared to be less agreement in the Russian organization about the value in the employees sharing key Fazer values. Further, Russian interviews suggest that comprehension and internalization of the values could still be deepened.

Nokian Tyres in Russia

Nokian Tyres is an old company that historically has been relatively focused on Finland. The company's combined HQ and factory in the town of Nokia is an icon of Finnish industrial history. Nokian Tyres has nevertheless been able to hold its own in the international marketplace in competition with giant international tyre companies, and has also been able to survive on its own on the stock market after being sold by Nokia Corporation.

Nokian Tyres started its expansion into Russia with an aborted joint venture with a company called Amtel. When this venture folded, Nokian Tyres decided to invest in a greenfield factory in Vsevolozhsk. The factory and the local organization were built from scratch in a very short time. The Russian organization now has a headcount of some 300 persons, recruited in less than 2 years, and the transfer of manufacturing competences has been highly successful. Some reasons given for this success are: quick decision-making, good relationships to authorities, professional transfer of production capabilities, and close cooperation between the Russian Managing Director and two Finnish production experts. The Vsevolozhsk factory now generates a large percentage of Nokian Tyres's business. The dynamics of the case are shaped by the tensions inherent in developing from a Finland-based challenger to an established international player.

ANALYSIS

FAZER BAKERIES

The general dialectics of global versus local

After Fazer has acquired both companies the Finnish management has engaged in transferring to the Russian subsidiaries some HRM practices that were in place in Finland. This process was not easy and has had some 'hidden stones' mainly due to cultural specifics of the Russian employees and the need for the Finnish side to take into account these differences during the transfer process. The management of Fazer has also seen the role of a common corporate culture as crucial for success in Russia. Several values roll outs were accordingly undertaken in Hlebny Dom and in Zvozdny. The overall impression at the level of HQ is that these roll outs were successful and that the Fazer values have been well internalized in the Russian units. However, at the level of the newly acquired companies there were indications that there were some complications in this process. The transfer of corporate values has been complicated by the differences in perceptions of the role that values may play between Russian and Finnish managers. Obviously, the perception of values' significance influences the amount of efforts that managers are willing to spend when introducing and promoting these values within the organization.

In the case of Fazer the 'global' logic has been reflected in the general belief at the HQ level that being an MNC Fazer needs to possess a set of corporate values that has to be spread in all parts of the organization. Interestingly, the internalization of these values by the employees was not seen as very important. Rather their mere existence and awareness of the employees about what are these values have been prioritized. One interviewee has put it as follows: *"If the company is serious, then it should have some values which the employees should share or should not share, but they should know it."* At the same time, the corporate values as perceived by the HQ were viewed as some sort of universal and context-independent. At the HQ level there was a belief that these values represent widely established managerial 'truths' that do not need to be questioned and

hence assumed to be shared by the entire community of the 'managerial practice'. *"It's about doing things in the common way with the common target, and the reason behind that we have a common target, it's a business reason."* The acceptance and sharing of the corporate values was viewed as the way to succeed and as the means of survival in the face of international competition. *"In the future, I am sure that it [HD] just cannot live on its own, because it's a part of the big picture. And for that, we need the values..."*

The logic described above has led to a conclusion at the HQ level that the Fazer values can be transferred to Russian subsidiaries as they are. The adaptation of values was not seen as needed and even in some way contradicting the business logic and thus being irrational. *"You cannot have different sets of values in different markets, in different cities...The principle of... taking care of our people, of having the same perceptions for certain ways of doing things must be the same everywhere."*

Overall, the attempt of the corporate HQ to transfer values to Russian subsidiaries following the managerial discourse on the need for every MNC to have a shared corporate culture with the set of corporate values has been resisted by the Russian employees. The Russian interviewees have drawn on the discourse depicting Russian employees as being more people-oriented as opposed to very formal and more process-oriented employees from the HQ. The Russian employees were also described as having less understanding of the Western managerial practices and hence being unprepared to internalize the values that are seen as a part of the managerial practice in the West.

"It was something like a push from Fazer side that we should provide discussions here about the company values...It was done a bit... too much efforts I would call it, too much push from Fazer and it did not work here. It was very formal not even discussion but very formal lectures, people did not understand what are you talking about."

Interviewees also drew on the cultural discourse. They underlined the specifics of the Russian culture and hence the need for values to be adapted to the Russian mentality prior to their transfer to Russian companies. Interviewees have indicated that there was more need to localize the values, to adopt them to local circumstances in order to substantiate the 'dry' and formal Western business concepts with more 'live' meaning, which could make them easier to decipher and hence more understandable for the Russian employees.

"There were lots of words which people did not quite understand and it was impossible to start any discussion at all... So that kind of initiative really failed. Here we are trying to adopt it somehow to Russian culture, make it more living you know, not so formal."

Interestingly, at the same time the managerial level employees in Russia have also tried to differentiate and distance themselves from the shop floor employees. Managers claimed that they do understand the values transferred from the HQ for they have been familiarized with the principles of the Western management. But the real barrier for the values' successful transfer is the inability of the shop floor employees to understand them. Therefore, Russian managers have drawn on the identity discourse dividing the employees of the Russian organizations into 'us' versus 'them', i.e. managers versus shop floor employees. At the same time, these differences between social classes in Russia were presented as another reason for more local adaptation and better communication in order to ensure that the values are understood and internalized by the shop floor employees in Russia. That's how one of the top managers in Russia has put it:

"The values as such they are true values no doubt, just people did not understand what was the point and why we started to discuss these kinds of things... what was new for them is passion for customer, they did not understand who is the customer, is it next department or lets say hypermarket chain or a client who is buying particular product in a shop. What has failed in that case was the way of communication. I tried to do it so that I tried to explain why it is becoming more and more important, what is the difference and in another way what should we do to provide better quality, why lets say we should wear clean uniforms and wash our hands and things like that, very simple things. What does it mean quality because it is always a matter of how you put your question...And then if you explain with some very simple examples why it becomes important that your working place is organized in a good way, there are no any nuts and bolts laying around, there is the risk that they somehow get into the product and so on. Then we get complaints from the clients and then it becomes much more interesting for people. But if I just followed that presentation which was sent from Fazer, which was very formal, which was really bad translation maybe from Finnish to English and from English to Russian, then it was a failure definitely."

The role of the subsidiaries' local embeddedness

In case of Fazer, the transfer of FW was seen as a success at the HQ level. However, still there were several nuances in the Russian institutional environment that Finnish managers did not take into account when engaging in the transfer process. For instance,

one interviewee has used the discourse of Russian people expecting the corporate values to be more rational as opposed to Westerners who expect these values to be more social-oriented. One might speculate that such logic has connections with widely known difference between Russian and Western people in their attitude towards the work-life balance issues. Western people are often perceived in Russia as working precisely 7.5-8 hours a day and not willing to sacrifice any of their personal time on top of that. While in Russia the working days of 10-12 hours are seen as a norm.

There is a minimum difference between Hlebny Dom values and Fazer values, because in Hlebny Dom there is one additional rational value of the company is added... Because normally values are only social, what the company is doing for their people. There is a little bit different perception in Russia. Values should also be partly rational.

There also appeared to be less agreement in Russian organizations about the benefit and the general need in having corporate values. Russian interviewees have described the corporate values as an ideological tool that is entirely irrational and creates possibilities for career advancements for bad professionals as well. To put it somewhat blunt, one can advance in one's career by showing the allegiance to the corporate values instead of possessing good professional skills. Such way of thinking might be attributed to the local embeddedness of the subsidiary, i.e. Russian socio-political, institutional, and cultural specifics or more precisely backgrounds. For during the Soviet times, the practice of promoting people based on their personal relations rather than their professional value was widespread. One of the Russian interviewees has put it as follows:

"For me all these beautiful things like values, like team spirit... Team for me is understandable but team spirit for me is not because for Finns what does it mean if you are team member? Very often it means that you sing company's hymn and you show that my company is all for me. I think that we only need people who can make good work, who have good professional skills but not people who sing company's hymns."

Furthermore, the very idea of having corporate values has been viewed in Russia as contradicting to the very idea of any private business enterprise – making money for shareholders. In this light, the introduction of shared corporate values was not seen as related to business activities of the company as such. Rather, it was perceived as one of the miscellaneous activities that companies need to engage nowadays in order to keep good public image, i.e. corporate social responsibility, environmental issues, etc.

"In reality we work to get money, we work to give money to our owners, our shareholders because otherwise we would be non-commercial company. And I understand that these values are only like PR not only external PR, of course, but also internal PR. But for me it is only PR."

The HQ as a role-model and the role of boundary spanners

Since the inception of its operations in Russia, Fazer has been pursuing the strategy of doing business locally with the hands of local people and not using expatriates. It has brought its dividends in terms of operational effectiveness and considerable market share that Fazer has obtained in Saint-Petersburg. Nevertheless, in case of Fazer's HQ transferring corporate values to its Russian subsidiaries the need to engage in more relationship-based approaches to disseminate values has been called for by Russian employees. It has been mentioned that *"Finns should really pay much more attention and dedicate particular persons to work on the day to day basis with values."* To develop more relationship-based approach that could potentially allow overcoming the cognitive barriers for the transfer of values more interaction between individuals from the HQ and the subsidiaries has been called for. Recently, Fazer has introduced a practice of exchanging the shop floor employees between the HQ and the Russian organization, which has indicated that more interaction-based approach is the right one and needs to be pursued further on. Here is how one of the Finnish managers describes it:

"The way to transfer values is by example... One thing, which has been very successful and people have been very happy with it, is that on a yearly basis we have 10-20 people coming over to Finland, and some Finns going over to Russia, so they really work side by side and see what their colleagues are doing. That's a very good way of doing things... there's always a gap between the introduction of a concept and the execution. And the gap is then needs to be filled by some mundane things like good example, perseverance and stuff like that, which is very practical."

However, there was an additional challenge associated with the transfer of values to the Russian organization and developing a more interaction-based approach for it, namely the lack of language skills on both sides of the organization. To overcome the communication barrier, boundary spanners are useful. Fazer's management has been relying on one person when dealing with their Russian counterparts. This person serves

as a management assistant, is fluent in Russian, and knows the Russian mentality. That's how one of the Finnish top managers describes her role in the organization:

"We have been lucky enough to have a key person here, (Minna), who has really been important. She has not only been an interpreter, she has been helping people in Hlebny Dom in many ways. So I mean she has really been much more important than people really realise."

Nevertheless, some Russian interviewees have questioned the degree of influence that the boundary spanner has had on actual decision-making upon issues related to managing relations between the HQ and the Russian organization, including the issue of corporate values transfer. The problem seemed to be related to the fact that the boundary spanner was not occupying a high rank position in the hierarchy of Fazer. In the words of Tushman and Scanlan (1981), she was not well connected internally within the Fazer's organizational structure. Hence, she had not actual power to influence and steer the decision-making processes at the HQ level. One of the Russian managers has put it as follows:

"(Minna) has been involved in transfer of values, but she is an assistant of vice president, and she's not a manager of Fazer Bakeries and so on. Of course, she gives her point of view and tries to explain something to her Finnish colleagues, but I can say that she's not a manager of the company."

NOKIAN TYRES

In Nokian Tyres, we examined two different types of efforts to transfer parent company practices and values to the Russian unit. Firstly, we discussed the transfer of concrete practices in terms of production competences and HR processes. Secondly, we probed into the transfer to the Russian unit of a set of corporate values, called 'the Hakkapeliitta Way' (Hakkapeliitta in this case denoting a well-known Nokian Tyres winter tyre brand¹).

¹ The 'Hakkapeliitta' winter tyre has a history going back to the 1930s, and it was reported to us that it is now becoming a generic word for studded winter tyres in many areas of the former Soviet Union. Brand recognition among consumers is high and the product is highly respected, being something of a 'must-have' piece of winter equipment on the SUVs of successful people.

The case provided examples of all three types of legitimation processes – (1) ceremonial adoption/de-legitimation of the values and practices proposed by the HQ or maintenance and re-legitimation of alternative values and practices, (2) translation/recontextualization of values or practices, and (3) individual boundary-spanners/translators. Below, these examples are discussed in greater detail.

(1) Ceremonial adoption/de-legitimation of the values and practices proposed by the HQ,/maintenance and re-legitimation of alternative values and practices

It seemed that some of the parent company's HR practices had been adopted only ceremonially (the carrying-out of development discussions according to a particular format), or perhaps even de-legitimated by making reference to alternative practices (compensation and performance assessment system). Interestingly, the Russian subsidiary managers who defended this choice – all of whom had previous work experience from leading US multinationals – did in fact draw do so by drawing upon elements of 'global' discourse. They used the alleged superiority of the 'global' practices used by their previous employers as an argument to resist imposition of the Finnish parent's practices:

- The performance appraisal system that we have here... has not been really transferred [from Finland]. It has been transferred and adopted from the leading multinational companies operating in Russia and other countries.
- Our compensation system was adopted from the experience of multinational companies.
- Having that kind of school [a leading US multinational] in my background... helped us to organize [a HR function in the Russian unit] on another level, not as in Nokia.
- We simply try to take the best that they have there and transfer it here and what we do not like, we leave in Finland.

Also in other contexts, the key local managers who had, in effect, been responsible for building the Russian organization, often drew on a discourse that might be termed ‘global’. In the excerpt below, a key manager discusses the corporate culture of Nokian Tyres, notably separating it completely from its original cultural context and instead anchoring it squarely in a generic ‘transnational social space’:

Well, the company has a very strong culture. It's not like, it's not a Finnish culture, it's a corporate culture, which is really very strong, and it's one of the great assets of the company and one of the key success factors. [...] I think it's a uniculture, which is focused on achieving great results, which is focused on willing to win, willing to survive, willing to innovate, you know being always ahead of others.

Inversely, respondents at the Finnish headquarters did not so much emphasize alignment with *global* best practices as with integrating the Russian unit's operations better with the *parent company* and modifying its practices to correspond to parent company ways. These were specifically legitimized in terms of establishing ‘the Nokian Tyres way of doing things’, which was repeatedly acknowledged to be quite idiosyncratic and company-specific. Thus, in this case, it was not the parent company that used ‘global’ discourse to legitimize management efforts; on the contrary, the ‘local’ character of the parent's practices and values was often underlined by respondents.

(2) Translation/recontextualization of values or practices

In the case of Nokian Tyres, the transfer to the Russian unit of the ‘Hakkapeliitta Way’ corporate values was bound to be an interesting example. This is because Hakkapeliittas were originally Finnish soldiers who fought on Eastern European soil on the Swedish side in the 30 Years’ War of the early 17th century – and thus also fought with Russians.

The corporate values have been documented in a leaflet which features cartoons of a 17th-century knight (the ‘Hakkapeliitta’). The contents of the values, which have been defined by the present Finnish top management of the company, feature some concepts inspired by warfare-related imagery, although they are not overtly belligerent in themselves.

Interestingly, the values' relationship to war and fighting is known and accepted also in the Russian organization – even approved of. Russian respondents were consistent in their view that the corporate values had been accepted and internalized in the subsidiary:

'If we talk about the spirit within my department, I guess you can understand from my words that we are very aggressive, we want to tear apart, "to kill", to win the enemy... So HS fits us very well. This picture with the knight, with the sword... it is very good theme... [it] is liked not only by us but also by our distributors, our partners... more than Bibendum², which is associated with the man who got involved in a car accident and wrapped up with tissues...'

'People understand that if we really achieved all those results that we did, then these words are not just sounds. Following these values we managed to get our market share and our current position. So it is really valued by people.'

Nokian Tyres have achieved a high level of subsidiary buy-in into their corporate values in their Russian subsidiary by a combination of several means. One is consistent inculcation from the very inception of the Russian unit, which was established as a greenfield in 2003 and thus enabled the local management to start with a 'clean slate'.

Another factor is that the values have been translated and honed to suit the Russian context, although local managers were careful to point out that the fundamentals had not been changed.

"Of course we cannot make any changes, because this is the culture of the company. We have the same approach, the same words, nothing special."

"We didn't change anything; it cannot be changed if you want to keep it original and authentic. We were careful in selecting the words and making sure that the meaning was kept, but that the wording doesn't insult anyone."

"The word Hakkapeliitta we kept as it is and the rest we tried to translate, carefully thinking what each term could mean here. In the greeting of our President, we replaced 'Dear Hakkapeliittas' with 'Dear NT employees', because Hakkapeliitta is somehow a very Finnish word which might be perceived here aggressively. And the direct translation of Hakkapeliitta Spirit is causing some grins from shop floor workers when they say: 'Yes, here is some spirit flying here...' Maybe also this expression 'striving to survive' is a bit strange to the Russian mind. But we leave it as it is, trying after each translation to make explanations of what we mean here. Through explanations I think it is possible to achieve acceptance and understanding of these values. But sometimes we have these difficulties."

² A.k.a 'The Michelin Man', the friendly round-shaped mascot of competing French tyre company Michelin.

(3) Individuals as boundary-spanners/translators

The very active role of the Russian unit's top management in inculcating the corporate values can be considered in terms of boundary-spanning or translation. When the unit was founded, the three key Russian managers who were tasked with getting it up and running decided that it would be run based on the corporate values. They thus played an instrumental role in getting the values translated into Russian and integrating them into the recruitment and training processes of the new unit. This was done in a very thorough fashion, applying state-of-the-art Western management practices:

'The Hakkapeliitta Spirit was brought here from the beginning and has been widely communicated to the employees, starting from their first day when they go through the induction. They listen to these induction programs in their discussions with the HR manager and management in general. They get special leaflets with this information, what are the main cornerstones of this culture. And they hear about it every day. Like for example last week we had this internal party of opening the second stage, it was combined with the Hakkapeliitta Award of the Year ceremony. So these, all employees vote for the best employee of the year, which gets this annual award. So we use this word a lot, and not only literally, but also we mean it.'

The instrumental role of the three key managers in building the introducing the Hakkapeliitta Spirit in the Russian organization was widely acknowledged among respondents:

'They built the whole organisation based on this practice.'

The Nokian Tyres case clearly shows that global discourse is no longer the exclusive preserve of 'Western' managers, although that is the role that many Finnish managers would like to take in relation to Russian colleagues. On the contrary, there are several examples in the case of Russian managers drawing on 'global' managerialist discourse with equal or even greater skill and verve than their Finnish colleagues. One example is the strong emphasis on value-based management, which is shared by both the Finnish and the Russian management teams. With regard to this practice, we thus cannot find any evidence of a global-local rift between the parent MNC and the subsidiary.

Another interesting finding in the Nokian Tyres case is that there had not been a lot of local adaptation of the corporate values, although these clearly had their historical roots in Finnish history and heroic imagery, and could be constructed as offensive to

Russians. Apparently, skillful ‘boundary management’ or ‘translation’ by the Russian managers in charge of transferring these values to the newly established Russian unit had helped avoid potentially conflicting issues and instead helped create a situation where the members of the Russian organization were happy to embrace and participate in the construction of – even to some extent appropriate – the corporate culture.

By contrast, with regard to the HR practices, there was clearly an issue of ‘contested terrain’ to be observed. The Finnish headquarters made an explicit effort to transfer some practices used in Finland to the Russian unit. However, these practices were not embraced by Russian management, ostensibly because they already had practices in place that were based on their experience from ‘real’, global US multinationals and thus could argue that the subsidiary’s practices were actually superior to those of the parent company. Notably, there was an inversion of roles in this situation, in that it was the subsidiary, not the headquarters that found it convenient to draw on a ‘global’ discourse to defend its preferred position.

This shows that the deployment of ‘global’ discourse for the achievement of strategic ends is not the exclusive preserve of headquarters. ‘Global’ arguments exist ‘out there’ for any actor to grasp who has the requisite understanding of them to do so – and increasingly that will be the case also in markets up until now perceived as outside the dominant ‘Western’ sphere of influence.

DISCUSSION

Two firms that we studied have succeeded to a different extent in transferring values to their Russian subsidiaries. Three factors can be identified that have influenced the degree of success.

Firstly, it is the varying degree of embeddedness of local subsidiaries into the local institutional, cultural, socio-political contexts. The subsidiary of NT was a newly established organizational entity without prior history and hence deeply incorporated organizational routines and ‘ways of doing things here’. HD of Fazer has been

established during Soviet times and hence has had a long history and a set of deeply rooted routines and practices that the firm has been using for a significant period of time. Also, HD used to have its own set of values in place before FW values were transferred there.

Secondly, the role of boundary spanners has been different in two cases. In case of NT, from the inception and the start of the factory construction there were two persons (Lilia and Andrei) who have been very influential in spreading and facilitating the internalization of the HS values within the factory. One of them has been working at NT in Finland for a considerable period of time, speaks perfect Finnish and knows and understands the Finnish culture. The other has been hired as a HR manager. She has been very keen and persistent in her attempts to make sure that the HS values are spread among newly recruited employees through the employee recruitment, induction, and socialization processes. At the contrary, most of the managers who are running HD have come to the company before Fazer has acquired it. Thus, they were not able and not motivated to act as boundary spanners transferring FW values to new employees.

And, thirdly, the role of HQ in transferring values in two cases has been different. The HQ of NT has been putting a lot of emphasis on the importance of transferring and internalizing HS values in the Russian subsidiary. It has been seen by the management as the only efficient way of ensuring the sufficient level of integration and control between the HQ and the subsidiary. In a sense, by stressing the importance of the shared corporate culture and consistently emphasizing the internalization of HS values at the HQ itself, the HQ has acted as a role-model for the Russian subsidiary. On the other hand, Fazer has introduced the FW values in its HQ not so long time ago. These values were not very well internalized at the HQ level. Hence, the Russian subsidiary was not provided with an example of how these values should be put into practice or operationalized that to some extent has downgraded their importance in the eyes of local managers.

In conclusion, our research has shown that in line with Tsang (2001), old routines do hamper the diffusion of knowledge and discourage the internalization and institutionalization of new practices and values. Furthermore, it confirms the argument of Kostova and Roth (2002) that the 'depth of adoption within organizations is not necessarily driven by rational, efficiency-based decisions, but can be better explained in

terms of the interpretive social processes through which employees build perceptions about the efficiency of a practice'. Saka (2004) argues that the cognitive process of interpreting actions and structures is highlighted in the blending of old and new practices. Alternative work systems are evaluated in the light of existing organizational practices and adopters' own assumptions concerning effective ways of operating. The 'successfulness' of practices undergo through the process of 'translation' where they are recontextualized as they are disembedded from their original context. The role of boundary spanners is difficult to overestimate in the process of the cognitive change. Our research indicates that in line with Saka (2004) the presence of actors – so called boundary spanners – interacting intensely to diffuse new values and practices leads to the higher adoption of alternative practices.

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