

**The London School of Economics  
and Political Science**

*Images of the Transnational Corporation:  
Sensemaking by German Managers*

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A thesis submitted to the Department of Sociology of the  
London School of Economics for the degree of Master of  
Philosophy (MPhil), London, August 2010

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## Abstract

This thesis discusses images of the Transnational Corporation (TNC) based on Bartlett/Goshal's (1989; 1998) proposal to consider the TNC as a particular type of supranational business organizations. The thesis tackles the question: are TNCs perceived by people working for large supranational organizations to be conceptually distinctive from other types of such organizations? For this purpose, several semi-structured interviews were conducted with managers working in Germany for two large corporations, i.e. DaimlerChrysler and Accenture. Interviewees had been challenged to make sense of the idea that their corporation is considered to represent the TNC rather than any other type of supranational corporation. The results of these sensemaking processes (Weick 2000) are compared and contrasted with Bartlett/Goshal's (1989; 1998) conceptualization of the TNC. In addition to highlighting key characteristic attributes of the two companies featuring similarities with Bartlett/Goshal's (1989; 1998) conceptualization of the TNC, important differences have been outlined. The results triggered the development of a typology of subtypes of TNCs, which is proposed in this thesis as the result of conceptual generalization (Yin 2003) from the case studies. The thesis also highlights the differences between the TNC subtypes employing Ritzer's (2003; 2004) conceptual distinction of "globalization" and "glocalization" processes and Hollingsworth (1991; 1996) distinction between monitoring and support networks. Finally, the thesis discusses Morgan/Kristensen's (2009) suggestion to employ the metaphor of the "court-society" (Elias 1983) in order to generate a particular image of the TNC with the two studied cases and the proposed typology of TNC subtypes.

# 1 Introduction

Organizations play increasingly a crucial role for social life (Perrow 1991; Coleman 1982) in various realms as modern societies become more and more “functionally differentiated” (Luhmann 1984, 2009). White’s (1957) notion of the “organizational man” – even though that notion was originally used to highlight the adaption of individuals working for large organizations to match their expectations - can be applied to emphasize that it is, for most individuals, inevitable to become at some point in their lives members of some kind of organizations or to be affected by decisions and actions made by individuals who act as representatives on behalf of some organization. Coleman (1982), White (1957), and many others have particularly emphasized the fact that the great numbers of formal organizations and the extraordinary power they have accumulated as they control important resources are one of the key characteristic features of our modern organizational societies<sup>1</sup>. Perrow (1991: 726) has even argued that the proliferation of particularly large organizations is one of the characteristic features of modern societies and that these organizations have “absorbed society”. With this notion Perrow (1991) highlighted the fact that more and more activities in societies are performed by and in large organizations rather than

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<sup>1</sup> The various features of the organization society and related issues, particularly the relationship between organizations as collective actors and individual actors, have been tackled by many authors including not only the above mentioned White (1957) and Coleman (1982) but also, to mention just a few, Presthus (1978), Denhardt (1989), and Perrow (1991).

by independent individuals. Simon (1996) has emphasized that organizations are ubiquitous<sup>2</sup> and Morgan (1990) and Schimank (2005) have discussed extensively various issues which should be taken into consideration in order to understand organizations in society and their key role.

However, it is important to emphasise that organizations cannot act by themselves but need individual actors as representatives acting on their behalf. Hence, individuals are the representatives of organizations, and some of these individuals own the prerogative of decision-making on behalf of the organization. I am referring to the owners, executives or, more generally speaking, managers of organizations with decision-making power. If organizations dominate individuals due to the asymmetrical distribution of power (Coleman 1982), then those individuals who dominate the organizations and represent it are dominating the other individuals affected by the actions of these organizations, that is, those who are members of these organizations (employees) and also those who are not members of the organization but are affected in their everyday lives in different manner by organizational behaviour. In order to understand organizations and their impact on individuals and society it is crucial to understand the sensemaking

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<sup>2</sup> Simon (1996) illustrated this very vividly with his example of an extraterrestrial life form visiting the planet earth able to see organizations as green entities and market transactions as red lines. He continues to write that the largest part of the planet would be covered by green entities which are connected by red lines. Simon (1996: 51) emphasized that “if our visitor would learn that these green areas are representing organizations he or she would be surprised to hear that these structures are called market society. Wouldn’t it be more adequate to call it organization society? he may ask”. Please note that quotes from sources in German are translations into English by the author of this thesis. Moreover, any kind of emphasis in quotes like italic or bold letter has been removed in order to enhance readability.



(Weick 2000) of important aspects of social reality (Berger/Luckmann 1966) by those who act on behalf of organizations as their sensemaking will have a major impact on organizational decision-making and action. Morgan (1990) has pointed out the importance of focusing on individuals and their generation of meaning while analyzing social processes and structures in order to be able to understand aspects of social life which are of interest in modern societies<sup>3</sup>.

But it is not very precise to talk about organizations in general and lump them all together, since organizations are different in many respects. Principally, no organization is the same as another organization as every organization is – due to its unique history and embeddedness – on a unique evolutionary path and will therefore exhibit idiosyncrasies. Path dependency theory (Djelic/Quack 2007) highlights the fact that unique history is always manifested in the present and the future of an organization as any decision in the past will limit the range of feasible actions (Schreyoegg et al. 2009). In other words, the path taken in the past limits but also enables at the same time an organization to make certain choices. But the shadow of the past or, as Bartlett/Ghoshal (1989; 1998) have phrased it, the “administrative heritage” of an organization is always present and has an impact on subsequent development opportunities and limitations.

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<sup>3</sup> Morgan (1990) also pointed out that we need to see the individuals not only as a representative of the organization always acting in the best interest of the organization, as for example the “steward theory” (Davis et al. 1997) assumes, but also as individuals with self-interests which may be, in some instances, in conflict with the interests of the organization as the “principal-agency-theory” (Jensen/Meckling 1976) highlights.

Nevertheless, despite the fact that every organization is historically a unique collective actor, some organizations are very similar in their structure or culture, for example, or in some other elements. These similarities can be used in order to bundle organizations together for analytical reasons and to focus on organizational populations (Hannan/Freeman 1977; McKelvey 1982)<sup>4</sup>. There are two fundamentally different approaches for dealing with the problem of distinguishing between organizations while at the same time bundling some organizations together for analytical purposes. These two approaches, as Ghoshal/Westney (2005:5) have pointed out, are rooted in the debate as to whether there are differences in terms of degree or in terms of kind. This distinction between kind and degree basically refers to the problem of whether differences between organizations and, at the same time, significant similarities between some organizations can be (or should be) based on the measurement of quantitative variations of identical variables (degree) or rather on the identification of different characteristic features (kind) allowing to differentiate between various types of organizations.

The decision concerning how to approach this fundamental question, that is, how to model and structure differences between domestic and supranational corporations (and of course also how to deal specifically with differences

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<sup>4</sup> This assumption is of key importance for any scientific approach since if we would treat every organization as a completely unique collective actor, the only thing which could be done by organizational studies would be writing individual organizational histories (ideographies). Even though Dilthey (2002) and others like Weber (1968) highlighted the importance of ideographic research in the Social Sciences and Humanities in order to be able to understand (*Verstehen*) events, without the identification of regularities and likelihoods there would be no possibility to focus on regularities or similarities indicating patterns allowing a nomothetic approach (Bunge 1999).

and similarities between various kinds of supranational organizations) has important theoretical and practical consequences as Ghoshal/Westney (2005: 5) have pointed out in the following words:

The objective of theory is to simplify by focusing on the essential. To the extent that a simpler empirical setting can allow for testing and enhancing theory, choosing a more complex setting is merely bad research design. Therefore, the question of degree versus kind matters. If it is merely a difference in degree, the only rationale for the theorist's interest in the MNC [Multinational Corporation] is to delineate the range of variations within which a theory is robust. The MNC will be of particular interest only to the extent that the theory in question is focused on any of the specific variables or outcomes that are likely to be influenced by that variation. If, on the other hand, the MNC is indeed a distinct kind of organization, with characteristics that make existing theoretical models and paradigms inappropriate or inapplicable, then it would clearly provide the opportunity both for extending and enriching current theories and for building new ones.

Ghoshal/Westney (2005: 5) have continued to emphasize that the simple but key feature distinguishing the supranational from the national corporation is the fact that the activities of the former type of organization are spanning the political boundaries of nation-states and their respective national markets. Does that mean that all supranational corporations are therefore the same in kind and can be bundled together or is there some ground for highlighting some differences in their attributes or key characteristics? It is the task of research and/or conceptual and theoretical work to make sense of the idea of qualitative different types of supranational corporations and to address the question what the key characteristic features of each of the classes or types of supranational organizations are. In fact, as Ghoshal/Westney (2005: 5) have outlined, most researchers who looked at the supranational corporation in the 1980s had "focused on what differentiated

the new model of the MNC from older forms". In the literature it is often stressed, that in the course of the globalization process, organizations have changed and will continue to change and new types of supranational organizations have evolved in the course of time (Westney/Zaheer 2001). In other words, a significant part of the research was concerned with the question of whether there are distinctive types of supranational corporations, including new emerging types. As a result, some significant conceptual development has taken place and several attempts and typologies intended to offer a distinction in kind between various types of supranational corporations have been developed during this period.

Bartlett/Ghoshal (1989; 1998) have proposed a very popular and well known typology distinguishing four different kinds or types of supranational corporations and have used and popularized the term "Transnational Corporation" (TNC) while using it for labelling a qualitatively new type or particular kind of supranational corporation. Bartlett/Ghoshal (1989; 1998) have claimed that the TNC is characterized by some distinct attributes or characteristic features compared to other, previously distinguished types of supranational companies. This thesis is particularly concerned with Bartlett/Ghosal's (1989, 1998) idea of the TNC as a qualitatively distinctive type of supranational corporation and will aim to contribute to the development of knowledge focusing on this supposedly unique kind of supranational company. The generation or development of additional knowledge concerning the TNC may allow to better understand the operational logic and institutional mode and to be able to take a more differentiated analytical approach to that particular type of supranational business organization. This knowledge may also help to shed new light on the challenges the proliferation of this qualitatively new type or form of supranational company might have for millions of people who work for TNCs occupying different posi-

tions and playing different roles as individuals representing these types of collective actors, or are somehow affected by TNCS, for example customers, politicians, social and environmental activists.

### 1.1 Transnational Corporations (TNC)

The core assumption of this thesis is, in accordance with Bartlett/Ghoshal (1989), that the TNC may be considered to be a distinctive and proliferating type of supranational companies. While many cross-border operating companies are assumed to develop ultimately into TNCs in the course of their evolution (Bartlett/Ghoshal 1989, 1998, Westney/Zaheer 2001), it is the contention of the thesis that existing cross-border operating companies should not all be treated as the same. However, in order to “label” various types of cross-border companies, many different terms, for example “international corporation”, “inter-territorial corporation”, “multinational corporation”, “worldwide corporation”, “transnational corporation” (Hu 1992: 107) or “global corporation” and “metanational corporation” (Doz et al. 2001), have been used. While these notions are on one hand often used interchangeably to describe the emergence of the “stateless company”<sup>5</sup> (Reich 1992) as some authors subsume all kinds of cross-border operating companies under one of these terms they have chosen. For example, Sklair (2001)

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<sup>5</sup> Micklethwait/Wooldridge (2003: 175) illustrated polemically the idea of the stateless corporation as follows: “Businesspeople were partly to blame for the notion. They had long dreamed, as the chairman of Dow Chemical once put it, ‘of buying an island owned by no nation and of establishing the world headquarters of the Dow company on the truly neutral ground of such an island, beholden to no nation or society’. It suited corporate chieftains to give the impression that their companies could raise camp and desert any government that disappointed them”.

and Dunning (1994) employed the term Transnational Corporation (TNC) to refer to all cross-border operating companies. On the other hand other scholars, including Bartlett et al. (2003: 1) and others have argued that we have to acknowledge significant and important differences among various types of cross-border operating companies as these differences have impact on the experience of social life and therefore should exclusively use a particular expression in order to label a particular type of supranational corporations.

This thesis aims to provide some new insights concerning the nature or, to put this into other words, the characteristic features of Transnational Corporations (TNCs) as a qualitative distinct type of cross-border operating corporation in the context of the ongoing globalization process. TNCs are both affected by globalization processes (objects) and are at same time important actors (subjects) shaping globalization processes. TNCs have a significant impact on the way this process of social transformation materializes while changing the everyday life of millions if not billions of individuals and the social fabric of many societies around the globe (Sklair 2002; Dicken 2003). Particularly, large cross-border operating companies, like those of the Fortune Global 500, are important agents and vehicles of the process of capitalist economic globalization (Sklair 2002).

Sklair (2002: 37) demonstrated that some of the world biggest economic entities, measured by revenues, are not nation-states but large supranational corporations. Collinson/Morgan (2009: 4) reported the result of a study stressing that 51 of the largest 100 economies were cross-border operating companies while the rest were nation-state economies. Moreover, Collinson/Morgan (2009: 4) had emphasized that, so far, there was a continuing growth in numbers of supranational corporations. The authors, drawing on

UNCTAD statistics, reported that an estimated number of 37 000 cross-border operating companies with approximately 170 000 foreign subsidiaries in the early 1990s have grown to around 77 000 companies with more than 770 000 subsidiaries in 2005. This demonstrates the importance of supranational corporations from an economic point of view and why it is important to acquire as much knowledge as possible concerning their operational logic including the characteristic features distinguishing types of supranational corporations. These facts demonstrate that, in order to understand globalization processes, we must, next to other issues of course, attempt to understand the “nature” of these supranational cross-border operating corporations as much as we can. This thesis attempts to contribute to such an endeavour while focusing on specific questions intended to direct the analytical approach into a particular direction which, as I hope to demonstrate in this thesis, will help to advance our analytical tools we can employ when it comes to making sense of the particularities of such supranational corporations.

The foci of this thesis are on three issues: First, it investigates junior managers' conceptions of the factors triggering the development of TNCs. More precisely, it investigates their views as to what causes the emergence of TNCs. Secondly, this thesis seeks to reveal the main characteristics or key attributes of the emerging TNC according to the opinion of some junior managers assumed to be working for such a qualitatively distinctive new kind of a cross-border operating company. Thirdly, this thesis tackles the main challenges with which the management of a TNC will be confronted with and which need to be solved in order to ensure that the TNC will work efficiently. Hence, this thesis will contribute to three important issues, questions or areas in the field of organization studies as the first question refers to the question of *why* TNCs as particular unique types of supranational

companies emerge. The second question refers to the issue of *what* key features constitute the TNC as a particular type of organization. The third question addresses *how* the management of the TNC must prepare to encounter inherent problems in order to manage effectively and efficiently.

In fact, this thesis argues that in order to understand the TNC as a unique type of corporation scientists as well as practitioners must understand which criteria or attributes important actors, in particular those who work for large cross-border operating supranational companies, are using in order to make sense of the idea of the TNC as a unique and different type of cross-border operating company as has been proposed by Bartlett/Ghoshal (1989; 1998). It is therefore of major interest to reveal the attributes managers focus on in order to make sense of the particularities of the TNC because TNCs are argued to be one of the central actors of the globalization process (Sklair 2001). The last question of this thesis refers to a more practical issue since, as TNCs evolve, the management of these companies may be confronted with particular tasks that have to be addressed in order to manage this new organizational kind properly.

In order to accomplish the aforementioned goals, this thesis adopts a sociological approach which focuses on the “mental constructions” (Berger/Luckmann 1966) or “mental representations” (Moscovici 1981) of a particular object of social reality. In this case the particular object of social reality is the concept of the TNC as, presumably, a unique and qualitatively distinctive type of supranational company. This thesis is therefore concerned with the result of “sensemaking” processes (Weick 1969; 1999; 2000) by some junior managers when it comes to the task to make sense of an important object of social reality. In other words, this thesis takes into consideration the lived experience of people, particularly of those who work



in supranational organizations and are supposed to be familiar with the emergence of the TNC, as they may consider their own organizations to represent the TNC rather than any other kind or type of cross-border operating companies distinguished by Bartlett/Ghoshal (1989; 1998). Drawing on the sociological tradition of hermeneutics and qualitative research by emphasising the importance of revealing the subjective meaning of certain social aspects by relevant actors in order to be able to understand (*verstehen*) them, an approach promoted by Max Weber (1968), this thesis brings back individual social actors and their subjective experiences and knowledge into the sociological discourse on organizations and globalization. This thesis is therefore also intended to illustrate the usefulness of focusing on and understanding the “mental representations” of the TNC which are shaping the globalization process (Sklair 2001), and which are shaped by the globalization process at the same time. It is intended to reveal or reconstruct the main attributes that junior managers use in order to make sense of the particular unique “nature” of the TNC (Bartlett/Ghoshal 1989; 1998) based on the assumption that the company they work for can be considered a “prototype” of this particular type of cross-border operating companies.

Drawing on the importance of developing an empirically “grounded theory” (Glaser/Strauss 1967; Strauss/Corbin 1997) of the TNC as a qualitatively distinctive type of supranational company in order to be able to understand better the internal operational logic of TNCs, several theoretical propositions will be derived by “analytical generalization” (Yin 2003: 10) from the empirical material collected and analyzed for this thesis. Drawing on the narrated mental constructions of the managers who were interviewed will allow the derivation of a “grounded theory” (Glaser/Strauss 1967; Strauss/Corbin 1997) of the TNC. Hence, this thesis is anchored in a particular qualitative research tradition and its intention is not to test a hypothesis or

to attempt generalizing results to a population of organizations but to generate hypotheses or a theoretical model attempting theoretical generalizations from the case study material.

I argue that this approach and the subsequent result is useful in terms of describing, understanding and explaining the emerging TNC as a qualitatively distinct kind of cross-border operating organization. In light of the fact that the emergence of TNCs affects people from all walks of life in their various social, cultural and economic areas of their everyday life, the importance of this research in its endeavour to provide a better understanding of TNCs as one of the main actors and conceptual sites of the globalization process certainly cannot be over-emphasized.

The TNCs can be considered as a “conceptual place” (Albrow 1996), enabling to scrutinize the social change in the context of the globalization process. The globalization process can be assumed to have impacts on the organization of cross-border operating companies as, for example, more “transnational practices” will be conducted within organizations - as Sklair (2002) suggested. Sklair (2002: 8) underlined that the “globalization process” has impacts on the organization of “social life” in various arenas of experience and action as the organization of “everyday life” becomes more and more organized in a way that existing political borders and cultural differences are becoming less and less important for the practices of actors. This thesis stresses that the globalization process must not be considered as some kind of abstract, intangible social phenomenon, but as a process which has a concrete impact on the “experiences” of people and their everyday life (Giddens 1991). Due to the fact that individuals are constantly constructing their social reality while trying to make sense of what is happening in their lives (Berger/Luckmann 1966), the globalization process can

be considered to change the everyday experience of people (Giddens 1999: 12) as well as the patterns of their practices (Sklair 2002). Albrow (1996: 80) stressed, therefore, that the consequences of the globalization process become manifested in the “experience of people” and should be researched accordingly. Albrow (1996: 80) pointed out:

Indeed, if the belief that a new epoch has emerged is based in reality, the evidence for it will be in people’s experience and it will surface in an obvious everyday way rather than in philosophical or sociological treatises.

It should be noted, at this point, that this thesis will supplement structuralist or materialist approaches that focus on and describe, explain and predict ‘transnational practices’ (Sklair 2002) as manifestations or indicators of globalization with a cognitive approach that focuses on the individual sense-making of the TNC as a distinctive type of cross-border operating company. This may help to be analytically better able to understand the causes and consequences of the “transnationalization process” many cross-border operating companies are supposed to undergo in the context of “globalization” while developing or evolving (Westney/Zaheer 2001) into TNCs.

Even though there are sceptic academics, claiming that the globalization process is a myth or rhetoric rather than reality (e.g. Hirst/Thomson 1996; Shipman 2002), the assumption that a new “human condition” (Plessner 2003; Arendt 2002) is emerging - and therefore changes in the organization of social life in many realms of life are visible as a consequence of the fundamental social transformation triggered by the economic, political and cultural globalization process (Giddens 1999) - is widely shared between the majority of academics. For example, sociologists such as Giddens (1999), Beck (1999) and Sklair (2002), economists like Stiglitz (2002), po-

litical scientists (e.g. Held et al. 1999), and other scholars have proposed that we are in fact confronted with an ongoing globalization process which is transforming social life of many people around the globe. It is an assumption of this thesis, embedding this piece of work into the broader discourse on globalization, that there is a transformative process termed “globalization”, which is having impacts on the organization of social life and triggering changes in various arenas of “lived experience”. However, even if this may not be the case as could be, argued, the assumption or the widely held belief by many people that there is a globalization process will make them act according to what they believe. It will be assumed for this thesis that the globalization process is a phenomenon not only affecting politics, markets and other institutions, but also corporations leading to the qualitative transformation of cross-border operating companies, in the sense that gradually more and more TNCs are emerging.

Having briefly outlined the general context of this thesis, that is, being found in the intersection of globalization and organizations, several research questions follow as they are the foundation for the conducted research and also guiding the structure of this thesis.

## 1.2 Research Questions

This thesis focuses on junior managers' cognitive sensemaking and, therefore, their mental constructions or conceptualizations of the triggering causes for the emergence of TNCs, the key attributes or characteristic feature of the TNC and, last but not least, the important challenges management must deal with in order to ensure that the TNC will be run smoothly.

More specifically, from these three issues several research questions have been derived. The research questions of this thesis are as follows:

- Are managers able to make sense of the suggested qualitative distinction and differentiation between the different types of supranational companies as proposed by Bartlett/Ghoshal (1989; 1998)?
- If so, to which kind of category or type distinguished in the typology proposed by Bartlett/Ghoshal (1989; 1998) do they allocate the companies for which they are working?
- What are, according to the interviewed managers, the main reasons for the emergence of TNCs?
- What are, according to the interviewed managers, the main attributes or characteristic features of the TNC?
- What are, according to the interviewed managers, the main management tasks and problems of the TNC which must be addressed by its management?
- What are the similarities and differences between the description of the triggering forces for the development of TNCs, the main unique and distinctive characteristic features and the management tasks which must be addressed between the cases as outlined in this thesis?
- What are the similarities and differences between the characteristic features of the TNC as outlined in this thesis, the triggering causes for the emergence of the TNC as well as the management task which must be addressed and the account of these three issues provided by Bartlett/Ghoshal (1989; 1998)?
- If there are differences, what kind of theoretical and conceptual consequences may be derived from these differences?
- Is there a metaphorical approach to create a particular image of the TNC which may be suitable and be related to the account of the TNC as pro-

vided by Bartlett/Ghoshal (1989; 1998) and the TNC as provided in this thesis?

The answers to these questions will help to better describe, explain and understand the characteristics of the TNC as a particular kind of cross-border operating company.

### 1.3 Methodology

The empirical research conducted for this thesis is based on a “case-study approach” (Yin 2003) and semi-structured interviews conducted with several junior managers in two large supranational companies. It is important to note that the decision to employ a case-study approach for this thesis has fundamental consequences for all other methodological issues. Yin (2003) highlighted that the case study approach is a research strategy which has impacts on the research design, data collection and data analysis. Yin (2003) stressed furthermore that for the purpose of enhancing the validity of the findings of a case-study research, a comparison of two or more cases is of great advantage. Following this recommendation I have chosen to conduct case-study research focusing on two supranational companies in two industries belonging to two economic sectors. Representatives of these two companies, namely DaimlerChrysler and Accenture, were approached in order to establish contact and make arrangements for interviewing the current or former participants of their elitist trainee-programme, in the case of DaimlerChrysler, and regular junior managers in the case of Accenture. From 1998 until 2008 DaimlerChrysler was a large supranational company in the automotive industry, created by a merger between two large inde-

pendent cross-border operating one German (Daimler) and one U.S. automobile companies (Chrysler). Having emerged in 2001, Accenture is a large supranational company, but it offers predominantly services instead of consumer products as is the case with DaimlerChrysler. In fact, Accenture provides IT services and other consulting services for other companies. This thesis uses empirical material primarily drawn from interviews with junior managers at these two companies. Interviewing several individuals in these two different companies, a multi-case study design (Yin 2003) was employed for this thesis.

In order to generate the data, in both companies, several junior managers who may be considered to have a high potential to advance in the organizational hierarchy, have been interviewed. The interviews were all recorded and transcribed to allow a systematic qualitative content analysis. The semi-structured interviews were designed to evoke the participants' mental constructs concerning the TNC as they made sense of the issues under investigation for this thesis. The qualitative content analysis of the transcribed interview material was intended to derive central categories for analytical purposes. The categories derived from the generated transcribed narrations from the interviewees, embedded in and supported by quotes in the chapters discussing the two cases, was further analyzed in order to offer a general account concerning the conceptualizations of the causes leading to the development of TNCs, key characteristic features of them, and consequences for the management of TNCs for each of the two companies.

The reconstructed mental constructions or conceptualizations concerning the causes and consequences of the globalization processes leading to TNCs, the conceptualisation of the main attributes of TNCs, and the main challenges for its management will be used in order to derive further theo-

retical or conceptual conclusions as advocated in sociology by the grounded theory approach (Glaser/Strauss 1967). This approach enables researchers to derive theoretical propositions, which can be used to develop a new 'theory' of the TNC or at least to expand, supplement or reformulate such an already existing 'theory'. The notion of an already existing theory of the TNC refers here to the attempt originally undertaken by Bartlett/Ghoshal (1989; 1998) focusing on explaining the emergence of this type of supranational corporation, highlighting its main characteristic features, and the key management challenges to be addressed by its management.

It may be questionable whether such an endeavour is reasonable to be undertaken as Bartlett/Ghoshal (1989; 1998) already have outlined the key characteristic features of the TNC, and employed the term in order to label a particular type or qualitatively distinctive kind of supranational corporation. But as will be discussed in more detail later on, Bartlett/Ghoshal's (1989; 1998) methodological approach and empirical ground is not without problems. Hence, this thesis can therefore also be considered to be a kind of a test of Bartlett/Ghoshal's (1989) conceptual framework of the TNC even though this is not the primary intention. However, since the label of the TNC indicating a unique type of supranational company has been first introduced by Bartlett/Ghoshal (1989; 1998), this thesis will also generate additional knowledge as it will become obvious if and in which sense junior managers are able to make sense of the idea which was proposed by Bartlett/Ghoshal (1989; 1998) that the TNC is a distinctive type of cross-border operating company.

But the conclusions derived from qualitative research might be considered as less valid and reliable than those derived from a statistical analysis of quantitative data. Given these disadvantages or problems of the applied



methodology, it is important to underline, at this point, the particular advantages of adopting a qualitative research approach for this thesis. Ritchie/Lewis (2003:3) stressed the advantages of a qualitative approach to social research as follows:

The overall research perspective and the importance of the participants' frames of references; the flexible nature of research design; the volume and richness of qualitative data; the distinctive approaches to analysis and interpretation; and the kind of outputs that derive from qualitative research.

It is particularly the volume and richness of the qualitative data which allows the reconstruction of mental constructions and provide a rich empirical ground from which to draw for a better understanding of the particulars of the TNC. In addition, using an approach rooted in the tradition of the 'grounded theory' (Glaser/Strauss 1967) for the analysis of the qualitative case study research material, the flexibility of qualitative research is of major importance as derived constructs of one person can be tested against the constructions of other persons. Moreover, qualitative research referring to the grounded theory approach enables the researcher to approach the field without any *a priori* theory or assumptions concerning the issue under investigation and hence helps researchers to remain open to the subjective experience and sensemaking of social reality by those persons who are interviewed. Last but not least, as Glaser/Strauss 1967) have emphasized, validity and reliability are not of major concern for research attempting to create a grounded theory or theoretical abstraction from the data as the empirical material may change but the generated categories and theoretical conclusions derived from it may not. Further details concerning the methodology employed in this thesis will be provided in Chapter 4 and in the Appendix.

## 1.4 Chapter Outline

In this last section of the introduction, I will continue to outline the structure of the thesis in order to provide an overview on the contents of the chapters and the flow of the arguments.

This thesis consists of eight chapters. Chapter 1 has so far outlined the key research questions and has also introduced the theoretical perspective of this thesis. In addition, I have briefly introduced the research field dealing with the development of supranational organizations and their role in the globalization process. This thesis is intended to make a contribution to this field of knowledge focusing on globalization and supranational organizations. Moreover, the methodology used in order to generate and analyse the empirical evidence was shortly discussed, including a brief evaluation of its advantages and limitations. These issues, however, will be tackled in more detail in some of the following chapters.

Following the introduction, Chapter 2 will link this thesis to the discourse concerned with the globalization process and will narrow down step by step the scope and highlight the focus of this thesis. Next to a brief discussion of Giddens's (1991; 1990) theoretical account of the globalization process and Sklair's (2001; 2002) globalization theory, I will discuss Ritzer's (2003; 2004) typological distinction between "globalization" and "glocalization". Furthermore, this chapter will discuss economic globalization as the wider context in which TNCs operate with particular reference to Waters (1995), before the role of TNCs will be briefly addressed. Drawing on Sklair

(2001), I will emphasize that TNCs can be seen as one of the main actors in the globalization process. They constitute a particular segment of the “conceptual space” (Albrow 1996) allowing the study of the globalization process and observe its consequences for social life. Sklair (2001) has argued, that one of the main actors to be considered in order to understand the globalization process are TNCs, as they are subjected to decision-making by their owners and executive as well as some politicians and bureaucrats, or, as Sklair (2002) has labelled these groups, the members of the “Transnational Capitalist Class” (TCC). This chapter is also intended to underline the importance of focusing on managers and their construction of social reality as they run and/or control the TNCs’ and engage in “transnational practices” (Sklair 2001). Supplementing Sklair’s (2002) focus on “transnational practices” for describing and researching globalization, this thesis will focus on the mental construction of managers in order to investigate further the TNC as a key actor in the globalization process. It will be argued that in order to understand the impact of TNCs on social life, it is important to understand the factors having an impact on the emergence of the TNC, the main characteristic features, and the inherent challenges for its management. Such knowledge will allow a more differentiated picture of the TNC and might help to overcome tendencies to treat all supranational companies as being the same, as some authors including Sklair (2001), Dunning (1994), for example, have done and continue to do.

Westney/Zaheer (2001) and others have argued, though, that various types of supranational companies have evolved over the last century and Bartlett/Ghoshal (1989; 1998) have claimed to have identified a new kind of emerging supranational company which they have labelled the “Transnational Corporation” (TNC). Chapter 3 is dedicated to a review and a discussion of key work primarily concerned with the distinction of various types

of supranational companies. In this chapter, I will show that some important research has been conducted dealing with the issue of this thesis. However, as I will demonstrate, this research must be seen critically as there are many problems involved. Nonetheless, I will review and discuss the typologies and distinctions made between various qualitatively different kinds of supranational companies as have been proposed by Perlmutter (1969) and Heenan/Perlmutter (1979) as well as by Bartlett/Ghoshal (1989). This chapter will primarily discuss Bartlett/Ghoshal's (1989; 1998) typology of supranational companies and focus extensively on the TNC. The critical review and discussion of this work concerning the subject of interest for this thesis will allow comparing this thesis with and contrasting its results with previous research. This approach will also allow highlighting the differences of the theoretical lenses, the employed methodology and results of this thesis and previous research. Pointing out some important shortcomings of previous, nevertheless important, research shall illustrate the necessity and fruitfulness of the case-study approach and the theoretical background I have adopted while conducting research focusing on the particularities of the TNC.

Chapter 4 will discuss the research methodology employed for generating and analysing the empirical data for this thesis in more depth. In this chapter, I will discuss the advantages and limitations of the adopted qualitative approach to hypothesis-generating qualitative research advocated by Glaser/Strauss (1967), Strauss/Corbin (1997), Eisenhardt (1989) and others. This methodological approach is useful for developing new knowledge including new concepts or, in terms promoted by Glaser/Strauss (1967), a "grounded theory" - in contrast to testing already existing concepts or theories. I will also address key advantages and limitations of the case study methodology (Yin 2003). In addition, I will elaborate on important issues

concerning the employed content analysis, which was applied in order to reveal categories interviewees use in order to make sense of the TNC as part of social reality (Berger/Luckmann 1966). The interviews were conducted with the intention to stimulate narration revealing the interviewees' mental representations (Moscovici 1981) of the particular attributes of their company as a possible 'prototypical' TNC. In this chapter, I will further provide a discussion of a metaphorical approach to organizational analysis as has been promoted particularly by Morgan (1986). This chapter will also deal with important issues which have to be considered when it comes to understanding the construction logic of concepts and categories and typology generation with particular reference to Max Weber (1968) and his methodological approach of ideal-type generation.

In Chapter 5, drawing on the interview material and some documentary analysis, an account of DaimlerChrysler as a prototypical TNC highlighting its characteristic features will be outlined and discussed. This chapter will provide an insight into the representations of junior managers of a large supranational company concerning the triggering factors leading to the development of their company to a TNC. The various triggering factors will be systematized, enabling a clear picture of some key triggering factors fostering the emergence of TNCs according to the interviewees. Chapter 5 is also dedicated to a discussion of the main attributes of the TNCs based on the assumption that the company the interviewees were working for may best be categorized as a TNC rather than any other kind of supranational corporation drawing on Bartlett/Ghoshal's (1989; 1998) typology. Chapter 5 will also deal with the main challenges for the management of emerging TNCs: those issues which must be particularly addressed, according to the opinions of the interviewees, in order to ensure the TNCs functionality. Based on the interviews an image of DaimlerChrysler corporation will be constructed

which will allow the reader to capture some particularities of this company as a supranational organization. It will also highlight the internal complexity of the company and issues relevant for conducting business across borders which seemed to be rooted in the fact that the company was created by a merger of previously independent large supranational companies.

Chapter 6 draws on the second group of interviewees, which were all junior managers of Accenture, the second large supranational company. These individuals have been questioned about their view concerning the triggering factors concerning the development of their companies into a TNC, the main characteristic attributes of their company as a TNC, and the main challenges for its management. The image created in this chapter shows a somewhat similar yet at the same time somewhat different picture of Accenture compared to DaimlerChrysler. The interviews suggest that the differences in some details, while exhibiting at the same time similar characteristic organizational features, may primarily be rooted in the organic growth of the company.

Chapter 7 addresses the importance of understanding the nature of the TNC in a more general manner, as, according to the grounded theory approach (Glaser/Strauss 1967; Strauss/Corbin 1997), some kind of theory building, or to use a more moderate phrasing, concept development, will take place. In the first step, I will compare the key attributes of the TNC and the main challenges for its management as outlined by the junior managers for each case and highlight differences and similarities between DaimlerChrysler and Accenture. I will also highlight similarities and differences between the results of the current presented research discussed in this thesis and Bartlett/Ghoshal's (1989) seminal research. In the next step, I will propose an empirically grounded typology of subtypes of TNCs based on the qualita-

tive conducted social research (c.f. Kluge 2000) as it is the task of this thesis to produce some “analytical generalizations” (Yin 2003). In order to employ a commonly used approach to typology construction in organization studies and management, two dichotomized dimensions will be combined creating a typology featuring four TNC subtypes in a four-cell matrix. The two companies studied for this thesis, representing two subtypes, will be allocated to the two cells of this matrix. I will continue to discuss the two distinguished subtypes conceptually analyzing internal globalization processes drawing on Ritzer’s (2003) previously discussed distinction of types of globalization processes. Moreover, I will relate the two distinguished TNC subtypes with key literature discussing network governance mechanisms, particularly with Hollingsworth’s (1996) work, and suggest that for each type of the two TNC subtypes closely described in this thesis, a different type of network governance mechanism or logic seemed to be dominant. Finally, in this chapter a new metaphor proposed to generate an appropriate image of the TNC in general and the two TNC subtypes in detail will be discussed, with reference to Morgan/Kristensen’s (2009) proposition that perceiving TNCs to be like ‘court societies’ (Elias 1983) is helpful to create a suitable image of the TNC as a unique kind of supranational corporation since this image generates a particular perspective and provides a focus or conceptual lens.

Chapter 8 is dedicated to a concluding discussion of the empirical results of this thesis in the light of the employed theoretical framework. It is intended to demonstrate the fruitfulness of the conducted research and the findings. This chapter will also highlight the contributions of this thesis to the field of study. First of all, I will summarize the main arguments of this thesis, including the theoretical framework and the main results. However, I will also address some inherent limitations worth keeping in mind and discuss issues

which might be considered in further research. Last but not least, in order to demonstrate that the TNC this thesis is focusing on may not be the “last word spoken” nor the last conceptual proposition to be expected in a field of knowledge concerned with different types of cross-border operating companies and their characteristic features, I will briefly discuss Doz et al.’s (2001) concept of the “Metanational Corporation” (MENC). This will help to become aware that despite the fact that Bartlett/Ghoshal’s (1989; 1998) contribution is currently the most discussed and employed concept in the field, their conceptualization of the TNC, while at the same time claiming that this organizational model is the most suitable way to organize cross-border operating corporations in order to maintain or even enhance their competitive advantage, is not the latest attempt to propose a particular new organizational model when it comes to organize for conducting business across borders and certainly will not be the last distinctive concept developed in the field. Nevertheless, it will also be emphasized that Doz et al. (2001) conceptualization of the “Metanational Corporation” (MENC) does not add much value to the field as it is largely identical with Bartlett/Ghoshal’s (1989; 1998) concept of the “Transnational Corporation” (TNC). Hence, the approach of this thesis to propose to distinguish between subtypes of TNCs in order to make sense of differences between some kind of supranational corporations seems, from this perspective, to be more promising.



## 2 Globalization and Corporations

Globalization is one of the key themes sociology and other disciplines have focused on in the last decade. In this chapter, I will discuss some of the major sociological literature on globalization, focusing on economic globalization and the role of business organizations within this process. It is the task of this chapter to relate this thesis to a particular research stream in sociology and not to provide a comprehensive review of the literature on globalization<sup>6</sup>. The importance of business corporations operating cross-borders as vehicles of globalization and at the same time as objects of the globalization process will be highlighted. This chapter will also serve to emphasize the relevance of distinguishing between various types of supranational corporations and the importance of understanding the key characteristic features or attributes of the TNC as a particular type of such organizations.

The first section of this chapter is discussing the question what globalization, particularly economic globalization refers to. In the second step, some prominent theories of globalization and conceptualizations will be reviewed and discussed. I will focus on Giddens (1990; 1991), Sklair (2001, 2002), and Ritzer (2003; 2004) as particular prominent authors in this field. Instead of attempting a comprehensive review of the literature on globalization,

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<sup>6</sup> A collections of some of the key literature on globalization can be found in readers, for example Held/McGrew (2003), Lechner/Boli (2004), Panitch et al. (2004), Ritzer (2007) and in review oriented books and articles like those by Schaeffer (2003), Cohen/Kennedy (2000) to mention just a few.

which would be given the plethora of publications virtually impossible and would not really serve the purpose of this chapter for this thesis, this chapter will review the literature by imposing a particular order to the field. That is, I will employ and discuss McGrew's (2007) typology of globalization theories which will also be helpful for positioning the discussed particular theories of globalization in this chapter into the theoretical discourse in the field. It will be demonstrated that, given the typology proposed by McGrew (2007) the sample of globalization theories selected for a more detailed discussion in this thesis is following a logical structure<sup>7</sup>. I will continue with a discussion of Giddens's (1990) theoretical approach to conceptualizing globalization since this book gave rise to much research on globalization and provided an early and, perhaps, one of the best known definitions of globalization in the field. While Giddens' (1990; 1991) approach is of very general nature, Sklair (2002) emphasized the importance of TNCs for the globalization processes and the role of those who own and lead these companies for economic globalization. I will be particularly concerned with the role of the TNC in Sklair's (1995; 2000; 2002) work.

Ritzer's (2003) theoretical approach to the globalization process features, as I think, a helpful typology of sub-processes which are intended to sharpen the analytical view concerning of what is happening within the unfolding process globalization. Ritzer's (2003, 2004) conceptual distinction between two fundamental processes at work in the context of the overarching globalization process will be used as a heuristic device for analysing the relative

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<sup>7</sup> In this sense the discussion of the literature on globalization in this thesis follows the "sampling" approaches adopted by others, e.g. Robinson (2007), Beck (1999), and Sklair (2002).

importance of these two different processes unfolding inside the two companies in the later part of this thesis.

In the last section, drawing particularly on Waters (1995), I will engage in a discussion of the issue of economic globalization as a particular realm of this grand social transformation process. This discussion will conclude by highlighting the importance of supranational companies for economic globalization and with the claim that - even though many authors lump all kinds of cross-border operating companies together - it may make sense, for the purpose of enhancing analytical possibilities, to differentiate between some types of these modern “flagship firms” (Rugman et al. 2003). Due to different characteristic features and consequently different operational logics characterizing these different types of supranational corporations, their impact on economic globalization and the impact of economic globalization on them and the people working for them may be quite different. In particular, large cross-border organizations are important institutions of the capitalist system as they play an important strategic role as “flagship firms” (Rugman 1997; 2003) for a network of other firms. The way such flagship firms are organized or, to use a different term, the way their operational logic is designed, will have an important impact on the way they are conducting business with various stakeholders<sup>8</sup>. However, a detailed discussion of variations of supranational companies based on a typological and qualitative approach will be the task of the following chapter.

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<sup>8</sup> A comprehensive and up-to-date discussion of the stakeholder theory and approach to the modern firm may be found in Freeman et al. (2009).

## 2.1 Globalization: Process of Social Change

There is a multitude of literature available on globalization and it is therefore not the purpose - nor would it seem to be remotely possible - to review the literature on globalization in its entirety as part of a thesis. However, having said that, I intend to discuss the theory of globalization outlined by some selected key sociologists. Instead of reviewing or attempting a comprehensive review of the plethora of literature I will discuss some selected key theories of particular importance for this thesis, an approach similar to that employed by other authors. For example, Beck (2000) briefly reviewed in his book selectively theoretical approaches to globalization proposed by Wallerstein (1974), Rosenau (1990), Gilpin (1987), Held (1999), Robertson (1995), Appadurai (1990), and Bauman (1998). Waters (1995) provided a categorization of various theories of globalization based on their assumption concerning the question since when globalization as a particular process of social change is unfolding. Waters (1995: 11-64) provided also a critical review of many theoretical frameworks which are used by scientists focusing on the process of globalization in order to have a certain focus for their analytical efforts. Sklair (2002: 29-58) also provided a review of theories and conceptions focusing on globalization. Kellner (2002) tackled aspects of a critical theory of globalization discussing the fundamental transformations in economy, politics and culture. He also provided many references to works dealing theoretically with the process of globalization. Lechner/Boli (2000) offered an important collection of excerpts from original key theoretical work dealing with the globalization process, its drivers and consequences. Important theoretical reasoning about the process of globalization is also collected, for example, in Featherstone, M. et al (2002).

The selection of theories to be reviewed in this thesis is based exclusively on the particular usefulness of their theories and conceptualizations for understanding and relating this thesis and its results to the wider globalization debate. Nevertheless, before narrowing down the discussion to some selected globalization theories, I want to briefly introduce and discuss McGrew's (2007) typological approach to take inventory of the globalization theories in social science<sup>9</sup>.

McGrew (2007) proposed recently a typology which can be used in order to sort various individual theories and approaches to conceptualize and explain globalization processes according to the primary logics of the modes of analysis of these theories. He suggested mapping the various theoretical approaches to globalization into a typology which is based on the distinction of two fundamentally different methodological and normative approaches to theorize the globalization process. McGrew (2007: 32) described the meaning of the two dimensions of this typology, that is, one dimension which is functional in distinguishing individual theories of globalization by highlighting fundamental different methodological approaches and one dimension which is distinguishing these theories based on their kind of normative stance toward globalization, in the following words:

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<sup>9</sup> McGrew (2007) related this schematic account of the various types of globalization theories to Holton's (2005) distinction of three waves of globalization theories. Nevertheless, even such a general attempt to provide a way to take an account of the theoretical approaches in the field must inevitably be limited. McGrew (2007: 33), therefore, also highlights this limitation writing: "As with all such schema it is neither definitive nor exhaustive but rather a partial way of organizing a highly complex field of study."

The vertical axis represents the contest over the intellectual hegemony of globalization characterized by a privileging of either globalist forms of analysis (methodological globalism) or alternatively statist or societal forms of analysis (methodological territorialism). The horizontal axis represents the normative domain differentiating between ideological and post-ideological forms of reasoning: that is, the privileging of a vision of the ‘good community’ as opposed to the advocacy of many coexisting ‘good communities’ (ideological versus post-ideological reasoning).

In other words, while in its theoretical or empirical analysis globalistic approaches abstract from focusing on individual national states, methodological territorialism suggests to analyze globalization processes while focusing on individual or several national territories.

Fig. 2-1: A Typology of Globalization Theories

Methodological Approach	Globalism	Transformational Globalism	Critical/Defensive Globalism
	Territorialism	Post-Globalism	Glocalism
		Post/Pre-Ideological	Ideological
Normative Approach			

Source: McGrew (2007: 34, modified)

Ideological approaches contain the idea that there is one best way of structuring societies in the context of globalization processes while post-ideological approaches accept the fact that various ways may be equally well suited for structuring a good society.

I have modified his typology somewhat as I have changed the label for one kind of theories presented in the upper left box to transformational globalism. McGrew (2007) used the term “defensive globalism” as an umbrella term for this box but I believe that this label is more suitable than McGrew’s (2007) label as it highlights the key message better and makes the typology more consistent. It is possible to subsume such theories proposed by Wallerstein (1979), Giddens (1990), Albrow (1996), Castells (1996; 1997), Rosenau (1990, 2000), Held (2004), Held/McGrew (2002), Ohmae (1990; 1996), Scholte (2000), Beck (1999), Tomlinson (1994; 1999) and others as primarily transformational globalist theories under this label. These authors are all concerned with one or more aspects – but not only with economic issues – of the globalization process, perceiving it as a process of fundamental social transformation. These theoretical approaches are focusing on analysing globalization from a conceptual perspective, what globalization is or can be perceived to be, and what the possible consequences of this process on society may be. These theoretical approaches to globalization, however, do not primarily take an either defensive or critical perspective. Beck (1999), for example, who discussed globalization from the perspective of a “world risk society” in which risks are not limited by any boundaries falls also in this category. This kind of theoretical and conceptual work is highlighting particular issues or characteristics of the globalization process as it transforms societies in a particular previously unprecedented manner.

But there are some theorists like Friedman (2000), Shipman (2002), and Wolf (2005), who argue from the ideological perspective that globalization and in particular economic globalization based on the ideology of the free market or capitalist economy will ultimately enhance the wealth and living conditions for more and more people on this planet. Other theoretical accounts of the globalization process are, like the work of affirmative theorists, also not only concerned with describing and explaining this process while highlighting particular issues of globalization, but have a critical spin. Not only is the existence of a process of globalization accepted by Hardt/Negri (2000), Mittleman (2000), Stiglitz (2002), and Sklair (2002; 2000). These accounts share with those which may be listed under the label of transformational globalism the idea that globalization is a rather qualitatively new and modern phenomenon. However, it is not only enough to understand what globalization is and how it can be described and explained but these accounts particularly highlight problems of globalization and may develop and discuss possible alternatives to capitalist globalization. Those critics (e.g. Sklair 2001; Stiglitz 2002) have argued that it is not so much globalization per se which is problematic, but the way globalization occurs<sup>10</sup>. Robertson (1992) claimed that globalization as a process is not bad or good as such, but that only the way it is organized has a moral character and will be subject to political decisions. Luttwack (1999) coined the expression ‘turbo capitalism’ and stressed, that within turbo-capitalism the

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<sup>10</sup> While Stieglitz (2002) outlined alternative forms of the governance of globalization which, even though they criticize the current form of economic globalization, are restricted in their scope by the general acceptance of a capitalist economy, Sklair (2001) outlined alternative forms of globalization which challenge the basic premises of the capitalist organization of exchange. That is, Stiglitz (2002) argued “one dimensional” (Marcuse 2002) while Sklair (2002) argued at least “two dimensional”.



society serves the economy and that everything becomes concerned with profit maximizing. The decision where to allocate capital is solely based on the best rate of ROI while in “regulated capitalism” it is also allocated to unprofitable activities due to moral obligations, professional commitments and social ideals (Smith 2006: 158). It is interesting to note that, according to Luttwack (1999), the turbo-capitalist version of the economy becomes a dominant global tendency while regulated capitalism is fading (Smith 2006: 158).

Glocalist theories which are distinguished as a separate category of theories in McGrew’s (2007) typology acknowledge that there is a globalization process but at the same time there are local processes and the globalization process must always be seen as manifesting itself in various localities. While Ritzer (1995) and Barber (1996) have highlighted the dissemination of particular cultural norms, practices and other aspects throughout the world, in other words, proclaimed the dominance of globalization processes leading to greater conformity and unification worldwide, glocalization theorists, like Hannerz (1992), Robertson (1992) and Appadurai (1998), have stressed that globalization processes lead on the local level to a mixture of local values and practices and those worldwide powerful universal values and practices. Ritzer (2003; 2004) later on moved conceptually away from his earlier assumption that McDonaldization will lead to greater uniformity around the world and promoted the idea that processes of global domination and processes of local differences co-exist and must be considered to be intertwined.

Last but not least the category of post-globalist theories can be considered to provide a terminological envelope containing all sceptical approaches towards globalization, like those by Hirst/Thompson (1999), Hirst (2000),

Rugman (2000), Gilpin (2002), Veseth (1998), Rosenberg (2000; 2005) and, more recently, also Stiglitz (2005). These theories either claim that there is nothing like the acclaimed unique modern process of globalization (which must be considered to be distinct from earlier forms of globalization processes) or that the globalization process is actually reversing and national forces and differences, as well as ethnic peculiarities, are being strengthened in the wake of newly emerged anti-globalist separatist and isolationist movements<sup>11</sup>.

Hence, as McGrew (2007) highlighted, there are various types of globalization theories rather than a globalization theory. Not very surprising for social science in general and sociology in particular various theoretical and empirical accounts of the globalization process have generated a multitude of theories which may either supplement or contradict each other. In the remainder of this chapter three different theoretical accounts - each account can be allocated to one particular category of the typology of globalization theories provided by McGrew (2007) - will be discussed in more detail<sup>12</sup>. But to what phenomenon does the term “globalization” actually refer to?

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<sup>11</sup> Hirst (2000: 108), as one of the prominent sceptics of economic globalization, for example, wrote: “If the word ‘globalization’ were used to mean an ongoing process of the growth of international trade and investment, linking a growing number of countries in increasingly intense exchanges in an open world trading system, then there would be little that is exceptional or objectionable about it. Such a process has been going on, punctuated by the interruptions of severe economic crisis and wars, for well over a century”. Hirst (2000: 114) continued to argue that the term economic globalization is a kind of exaggeration since the world economy is highly concentrated on the three main economic alliances, the EU, NAFTA and ASEAN.

<sup>12</sup> Held, D. (ed.): (2004: 22p.) has provided a useful categorization of various theoretical positions in the vast literature on globalization, that is globalism, internationalism and transformationalism. Globalists are convinced that the process of

Globalization is a term used to label a particular aspect or phenomenon of social change and, as Waters (1995) and others have pointed out, most scholars seem to accept that this process is a fact of the social reality of modernity<sup>13</sup>. Most sociologists (e.g. Giddens 1999, Sklair 2002, Bauman

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globalization is a real phenomenon and that this process has impacts in most countries in the world while it makes national borders less relevant. Internationalists, on the other hand, are assuming that globalization is rhetoric rather than reality. Even though there are accelerations in interdependence and increasing amounts of interaction patterns transcending nation state borders, nothing qualitatively has changed in the course of time as these observable phenomena are rather extensions and continuations of processes ongoing since the advent of humankind or, at least, since a few hundred years. Last but not least, transformalists are also assuming that the globalists have exaggerated and that there is no such thing as a substantial qualitatively new process of social change characterized by the term 'globalization'. However, one should not dismiss the notion of globalization or downplay the possible effects and problems it may cause as there is an ongoing transformative process. Held's (2004) categorization of the globalization theory can be related to McGrew's (2007) account as Held's (2004) globalists are McGrew's (2007) transformationalists as well as critical globalists; Held's (2004) internationalists are McGrew's (2007) post-globalists and Held's (2004) transformalists are McGrew's (2007) globalists.

<sup>13</sup> Waters (1995: 1 pp) pointed out that the term globalization is the concept of the social sciences in the 1990s and that the common usage of this term did not begin before the 1960s. It became prominent in the 1980s as Robertson (1992) argued. Some social theorists in fact (e.g. Robertson 1992) are claiming that globalization as a process of social change is an ongoing process since the dawn of human history which may have recently just accelerated in speed and, perhaps, scope, others (e.g. Giddens 1990) have emphasized that globalization rather goes hand in hand with the development of modern capitalism and has recently seen an acceleration. However, some others are stressing that it is a very recent phenomenon as there are not so much quantitative changes

2000), economists (e.g. Stiglitz 2003, Wolfe 2005), and journalists (e.g. Friedman 2000) and others subscribe to the diagnosis that we are in fact facing a distinctive and so far historically unique process of social change which may be best characterized by the term “globalization”. I assume for the purpose of this thesis that the concept of globalization is a useful and adequate theoretical device encapsulating and highlighting a qualitatively new and rather recent form of social change. It is assumed to be a process of social change which seems to be appropriately defined by Waters (1995: 3) in the following manner:

[Globalization is a] social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding.

In other words, according to Giddens (1990), cultural, political and economic processes are increasingly stretched across nation-state boundaries so that events and decisions taking place on one side of the world have a significant impact on the other. At the same time, this stretching of the social relations, as Sklair (2002, 1995) has argued, is related to an intensification of exchange that transcends nation-states. It is noticeably manifested as transnational practices in exchange relationships, that is in practices of social exchange (Blau 1986) transcending nation-state borders which are creating particular power relationships. Moreover, as Held (2004) has stressed, there is an increasing interpenetration of economic and social practices, as well as an increasing number of global institutional arrangements, which also characterizes the ongoing globalization process.

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but qualitative changes in the way interconnectedness and interdependence increases worldwide (e.g. Keohane/Nye 2000).

Giddens (1990) perceived the process of globalization as a result or direct consequence of the process of modernization (Waters 1995: 50). It is the “distanciation or separation of time from space” (Waters 1995: 48) which leads to a disembedding of social relations from local contexts of their interaction (Waters 1995: 49). The claim made by Giddens (1990; 1991) that people are aware of this process and reflexively deal with it as it is part of their consciousness is important as this highlights the need to focus on the experience and sensemaking of the globalization processes as part of people’s everyday life. Globalization therefore becomes a topic embedded in the theory of reflexive modernization (Giddens 1991; Beck et al. 1994). Giddens (1990: 64) described the process of globalization as follows:

Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. This is a dialectical process because such local happenings may move in an obverse direction from the very distanced relations that shape them. Local transformation is as much a part of globalization as the lateral extension of social connections across time and space.

In another of his publications, Giddens (1991: 21) wrote with respect to the question of how globalization as a process of social transformation may be conceptualized:

Globalization concerns the intersection of presence and absence, the interlacing of social events and social relationships ‘at distance’ with local contextualities. We should grasp the global spread of modernity in terms of an ongoing relation between distanciation and the chronic mutability of local circumstances and local engagements.

This impact of events, relationships and practices from one far and remote locality on another locality, the intersection of the local and global forces, creates globalization processes and, depending on the kind of intersection and the content of this intersection, different realms of social life may allow to experience globalization as it is manifested in changes of social life and social institutions. This intersection of the global and the local in the context of the ongoing globalization process in turn, as Giddens (1991) maintained, has an impact in the way people experience their world as the global becomes more and more relevant in their everyday life experience.

Giddens (1990; 1991) claim that the global is becoming more relevant in people's everyday lives and they reflect on it, has been discussed in some details by Tomlinson (2009) who focused on the "phenomenology of globalization" in Giddens's work. Tomlinson (2009: 150) highlighted Giddens' main argument and formulated an important question:

The claim is that there is an experience of the global in the everyday, 'situated' lives of people in local circumstances. What is the nature of this experience and how does it come about?

The experience of the globalization process in everyday life, the reflective sensemaking of the intersecting global and local, may occur in different realms of social life. It may be experienced in the way organizations are changing as their operational logic evolves and new types of supranational organizations emerge. This aspect of the subjective experience and sensemaking of globalization, as this social context is assumed to have triggered the emergence of a new kind of cross-border operating company, is the issue on which this thesis is particularly focusing on. In fact, Giddens (1990: 20) highlighted the crucial role of organizations, including business organi-

zations, for the globalization process and how globalization may be experienced:

Modern organizations are able to connect the local and the global in ways which would have been unthinkable in more traditional societies and in doing so routinely affect the lives of millions of people.

Given the need to address global and local aspects at the same time in the context of globalization, organizations develop, function according to a particular operational logic which is supposed to be advancing their efficiency and competitiveness. Heenan/Perlmutter (1979) as well as Bartlett/Ghoshal (1989; 1998) and others have argued that there are significant differences between various types of supranational companies. Such differences must be taken into account in order to understand the experience or the “sense-making” (Weick 2000) of the particular manifestation in organizations and reaction of the organizations to the globalization process by those who work for such companies and, of course, also by those who are affected by these organizations<sup>14</sup>. Not all cross-border operating companies will deal with the challenges to address the global and the local intersection in the same manner.

Giddens (1990) described globalization as being rooted in modern capitalism and industrialism. Therefore, the economic system and its key actors and institutions play a pivotal role within the process of globalization. Waters (1995: 51) summarized Giddens’ (1990) claims as follows:

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<sup>14</sup> This thesis will only focus on the first aspect and, due to limitations, neglect the latter point. This is not to say that the first is more important than the latter, but it is of major interest for this thesis.

The world economy is dominated by transnational corporations that operate independently of political arrangements and indeed can achieve economic domination over them. These corporations set up global linkages and systems of exchange so that the globe is increasingly constituted as a single market for commodities, labour and capital.

Sklair (2001: 84), another key author in the field of globalization theory and studies, maintained that in order to understand the current process of globalization, we must focus on the global system itself. He has underlined in his approach, intended to provide a theoretical framework for describing and understanding the process of globalization, that there are three spheres in which globalization processes take place, that is, the economic, the political, and the culture-ideological spheres. In fact, globalization, its causes, and its impacts on social relations and practices are commonly researched in these three spheres of social life (Waters 1995: 7). Even though these three spheres of social life seem to be “structurally independent” (Waters 1995: 8), they are, as a matter of fact, closely interwoven. Changes in one of these spheres will have impacts on the other two spheres and, even though for analytical purposes it makes sense to focus particularly on one of these three spheres. Sklair (2002) explained that each of the three spheres is characterized by a set of representative institutions in which transnational practices occur and by key actors in each sphere. Sklair (2002) pointed out, similarly to Giddens (1990), that the current globalization process is mainly driven by the globalization of capitalism as a particular arrangement for the organization of the production and distribution of economic goods. Sklair (2001: 86) emphasized this important conclusion as follows:

The theory of capitalist globalization revolves around the necessity for global capitalism to continually increase production and cross-border trade, to guarantee the political conditions for these to occur uninterruptedly all over the world, and to



create in people the need to want to consume all the products that are available, on a permanent basis.

He (Sklair 2001: 84) stressed that in order to understand the globalization process, one should focus on transnational practices and the effects these practices may have for the structure of the social world, particularly for the social structures in the three key spheres of social life. In this respect, Sklair (2001: 84) highlighted the crucial importance of the concept of transnational practices for understanding the process of globalization as follows:

The concept of transnational practices refers to the effect of what people do when they are acting within specific institutional contexts that cross state borders. Transnational practices create globalizing processes [...]. Globalizing processes are abstract concepts, but the transnational practices that create them refer directly to what agents and agencies do and derive meaning from the institutional settings in which they occur, and because of which they have determinate effects.

In other words, in order to research and understand the globalization process, Sklair (2001; 2002) drew our attention to the need to analyse the practices of actors in institutions in the three spheres. Their practices are establishing, maintaining and expanding the interdependence and interrelatedness of people in their social life and, as they transcend national borders, are manifestations of the globalization process one can experience.

In the sense of the tradition of political economy, that is, a particular approach based in the Marxist tradition which, to condense, emphasized that the material economic conditions have strong impacts on other aspects or realms of the organization of the social world (including our ideas about social reality) Sklair (2002) focused primarily on economic transnational

practices and underlined their key role for the globalization process. Sklair (2002: 115) stressed this idea in this manner:

All global systems rest on economic transnational practices and at the highest level of abstraction these are the building blocks of the system.

For Sklair (2002: 89), economic transnational practices are also economic practices that transcend in their impact state borders even though they may seem to be contained within a nation-state border. Sklair (2001: 84) wrote that these transnational practices occur predominantly – but not exclusively – in supranational corporations or, to use Sklair's (2001) notion, in transnational corporations:

The dominant form of globalization in the present era is undoubtedly capitalist globalization. This being the case, the primary agents and institutional focus of economic transnational practices are the transnational corporations.

However, there are also political and cultural-ideological transnational practices, which are necessarily supplementing economic transnational practices.

Sklair (2002; 1999) also emphasized that economic globalization is mainly driven by the interests of the members of the transnational capitalist class (TCC). This class of individuals includes not only those who own and run the TNCs as the corporate fraction, but also bureaucrats, politicians, professionals, merchants and media moguls who foster economic globalization

and international business<sup>15</sup>. Sklair (2002: 98) described the members of the TCC in the following words:

Its members tend to share global as well as local economic interests; they seek to exert economic control in the workplace, political control in domestic and international politics, and culture-ideology control in everyday life; they tend to have global rather than local perspectives on a variety of issues; they tend to be people from many countries, more and more of whom begin to consider themselves citizens of the world as well as of their places of birth; and they tend to share similar lifestyles, particularly patterns of luxury consumption of goods and services.

Since TNCs can be considered to be a conceptual space in which transnational practices occur, Sklair (2002) focused on the TNC as the “vehicle” of economic globalization in order to analyze globalization and its effects on the social world. But Sklair (2002) did not make a distinction between types of cross-border operating organizations and employed the term TNC in order to label any kind of cross-border operating company. However, these transnational practices may be significantly different depending on the operational logics of supranational corporations that is, how the organizations principally deal with the challenge to manage the intersection of the local and global in their business. Therefore, it may be helpful to differentiate between types of supranational companies as they, perhaps, exhibit different operational logics when it comes to dealing with the local and the global at the same time. This thesis will focus on this issue and attempt to investigate the relevance of such important differences in the operational logic between some distinct types of supranational corporations. Differences in

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<sup>15</sup> Held (2004: 153) used the term “cosmocracy” in order to term a global capitalist elite based on a transnational network of politicians, finance officers, central bankers, as well as key decision makers in bureaucratic, corporate and multilateral institutions.

transnational practices may be rooted in differences in core characteristic organizational features which, as they occur in patterns, may suggest to distinguish and construct various types of qualitatively different supranational corporations.

Having tackled the question of what globalization is or how it can be conceptualized by reviewing Giddens (1990; 1991) as one prominent author in this area, and providing an account of driving forces for economic globalization and sectors of globalization as well as their key actors (Sklair 2002), I would like to continue to discuss Ritzer's (2003; 2004) conceptualization of the process of globalization which offers a particular way to differentiate between various types of internal globalization processes constitutive for the globalization process as a whole.

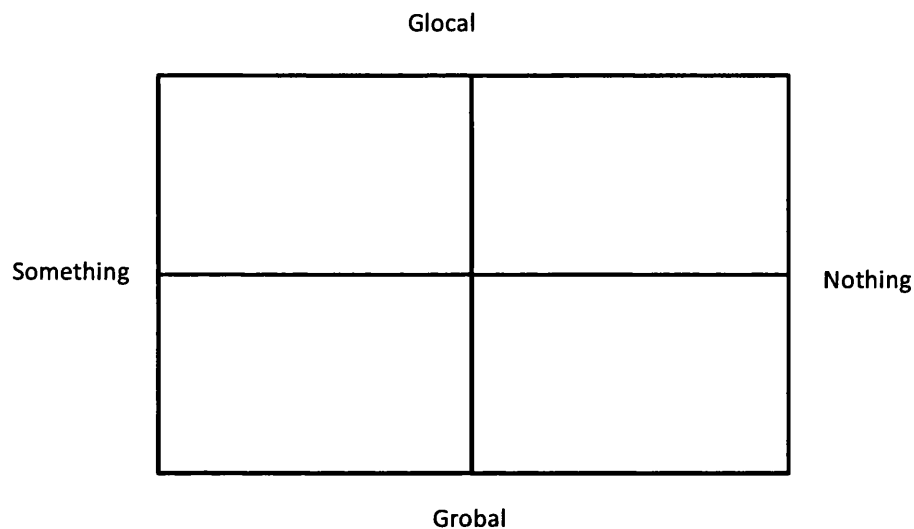
Ritzer (2003) asserted that one should conceptualize the globalization process by distinguishing between two fundamentally different subprocesses which he called grobalization and glocalization. Ritzer (2003: 194) maintained:

Globalization as a whole is not unidirectional, because these two processes coexist under that broad heading and because they are, at least to some degree, in conflict in terms of their implications for the spread of nothingness [and something] around the world.

Ritzer (2003, 2004) did, as a matter of fact, not only distinguish between "grobalization" and "glocalization" but also between "something" and "nothing" and provided a typology which allows us to distinguish subtypes

of processes which all fall under the umbrella term of “globalization processes”<sup>16</sup>

Fig 2-2: Subtypes of Globalization Processes



Source: Ritzer (2003: 197, modified)

The notion “glocalization” emphasizes on one hand the influence of global forces on localities highlighting that these globally identical influences or factors are being differently adapted and integrated in the everyday life of people in different localities. “Grobalization” on the other hand is emphasizing the impact of practices on a global scale are quite similar or even identical as, for example, some practices become universal practices all over the world. In fact, Ritzer’s (2003) neosyllogism “grobalization” is a complementary and necessary term to “glocalization” as he has claimed by

<sup>16</sup> Ritzer (2006), in a second edition of his book, primarily focuses on the distinction between “grobalization” and “glocalization” and downplayed the earlier distinction between “something” and “nothing”.

himself. Ritzer (2003: 193 p.) defined the dialectic conceptions of the “global” and the “glocal” as follows:

Glocalization can be defined as the interpenetration of the global and the local, resulting in unique outcomes in different geographic areas. This view emphasizes global heterogeneity ... [and] economic, political, institutional, and – most importantly – cultural homogeneity. ...globalization focuses on the imperialistic ambitions of nations, corporations, organizations, and other entities and their desire – indeed, their need – to impose themselves on various geographic areas.

In other words, while the first concept of “glocalization” emphasizes the impact of some geographical remote forces on several localities around the globe leading to local variations in the way these localities are responding to these forces and adapting them, the concept of “globalization” highlights those forces which are struggling for relevance when it comes to the everyday life and the practices at a global scale at various localities leading to homogeneity.

For example, and of particular relevance for this thesis, “glocalization processes” in organizations which are operating in various nation states and markets will emphasize that some globally relevant and dominant forces and practices have an impact on all local organizational entities of this organization but will, at the same time, be adjusted, adopted, and uniquely integrated in the operating patterns of the various local organizational entities. Glocalization processes within one organization are therefore resulting in differences in adjustments of various local organizations to the same forces relevant to all organizational entities regardless of their geographic location. On the other hand, “globalization processes” will result in the pattern that practices originated in one of the local entities will be transplanted

in identical manner into other organizational entities and will, therefore, at the end, lead to some kind of similarity or homogeneity among all the local organizational entities.

However, Ritzer (2003; 2004) also linked the concepts of “globalization” and “glocalization” to two other concepts, that is, “nothing” and “something”. Ritzer (2003: 195) elaborated on these two concepts as follows:

Nothing is defined here as a social form that is generally centrally conceived, controlled, and comparatively devoid of distinctive substantive content. This leads to a definition of something as a social form that is generally indigenously conceived, controlled, and comparatively rich in distinctive substantive content.

In conceptually constructing the distinction between “nothing” and “something”, Ritzer (2003; 2004) drew on Augé (1995), Morse (1990) and his own earlier work on “McDonaldization” (Ritzer 2000). Basically, the concept of “something” highlights local emergence of practices, or some unique or individualized processes or products, and the concept of “nothing” highlights the role of a central controlled processes creating practices or products<sup>17</sup>. In other words, if one would characterize a supranational organization by “nothingness”, the role of a particular centre, in most instances the headquarters, for the emergence of practices and products would be highlighted. An organization characterized by “something”, various different local organizational entities would be involved in creating new practices and products.

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<sup>17</sup> In his seminal work on McDonaldization, Ritzer (2000) focused particularly on the latter aspect and highlighted - referring to Max Weber (1968) – how the proliferation of rationalization and standardization led to predictability in various segments, including fast food restaurants, motel chains etc. of modern society all over the world.

Even though there is a natural affinity between “grobalization” and “nothing” and “glocalization” with “something”, other combinations, according to Ritzer (2003), are possible. He (Ritzer 2003) has therefore related both dichotomies for constructing a typology resulting in four subtypes of globalization processes all constitutive for the globalization process as a whole. The “grobalization” of “something” is, according to Ritzer (2003), a rather rare occurring event. It means, for example, that various unique and individualized products and services are promoted by an organization worldwide. Ritzer (2003) offered the example of handmade crafts for this type of process, as, for example, various particular handmade and individualized crafts are sold globally by one corporation. However, there is, as Ritzer (2003: 198) has mentioned little “affinity between grobalization and something” since the production of “something” (peripheral conceived individualized products or services) is much more expensive than the production of “nothing” (centrally conceived standardized products or services) and the global demand for these rather expensive forms of production is small. It is therefore much more likely that “grobalization” and “nothing” occur together. Ritzer (2003: 199) maintained that it is much easier to “mass-produce and mass-distribute the empty forms of nothing than the substantively rich forms of something” and, since mass-produced products and services are cheaper, there is much more demand for standardized products and services. Ritzer (2003: 200) highlighted accordingly:

The greater the grobal market, the lower the price that can be charged. This, in turn, means that even greater numbers of nothing can be sold and farther reaches of the globe in less-developed countries can be reached. [...] In order to increase profits continually, the corporation is forced, as Marx understood long ago, to continue to search out new markets. One way of doing that is constantly to expand globally.



Hence, when some corporation headquarters continuously attempt to dominate local places with standardized mass productions leading to standardized or less differentiated practices, routines, products and services, “grobalization” of “nothing” is occurring<sup>18</sup>. The third possible subtype of globalization, less important to Ritzer (2003), is the “glocalization” of “nothing”. This is, for example, the case when the global tourist meets the local manufacturer of goods and services and buys locally available products or services which are, however, similar or identical at various localities provided by local manufacturers (Ritzer 2003: 201). Finally, Ritzer (2003) distinguished the “glocalization” of “something” from the other kind of sub-processes. Ritzer (2003) exemplified these sub-processes in the realm of local crafts and pottery and wrote (Ritzer 2003: 202):

Such craft products are things, and they are likely to be displayed and sold in places such as craft barns. The craftperson who makes and demonstrates his or her wares is a person, and customers are apt to be offered a great deal of service. Such glocal products are likely to remain something, although there are certainly innumerable examples of glocal forms of something that have been transformed into glocal – and in some cases grobal – forms of nothing.

It is important to keep in mind that, according to Ritzer (2003; 2004), there are various subprocesses occurring at the same time within the wider globalization process. It will be of further interest for this thesis to determine

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<sup>18</sup> In fact, Ritzer (2003) only tackled the subtypes of globalization processes with reference to consumption, but in his book, Ritzer (2004) demonstrated the usefulness of his conceptual distinction in other areas, like politics, law, and other issues, but not with respect to practices *within* organizations. Ritzer (2003: 194), nevertheless, maintained in his article that: “...the implications of this analysis extend far beyond that realm [of consumption], or even the economy more generally”.

what kind of subprocesses are prevailing or occurring simultaneously in the two companies which will be analyzed applying Ritzer's (2003; 2004) concepts to highlight analytically experienced internal globalization processes.

Ritzer (2003; 2004) developed his framework or typology outlining that various kinds of subprocesses are unfolding as part of the globalization process and using various examples from consumption. Ritzer (2004: 16) maintained that there had been a bias towards analysing production in social theory rather than consumption. This perceived bias explains his particular focus on explaining and illustrating the various types of consumption processes occurring as part of the overarching globalization process. Kellner (2005), however, criticized Ritzer (2003; 2004) for this "consumption bias" in his work. Kellner (2005) emphasized that both production and consumption are closely intertwined and that Ritzer's (2003; 2004) distinction of various globalization subprocesses failed to take the dialectics into account. Kellner (2005) was particularly concerned with the lacking analysis of production processes and concluded that there was a "production deficit" (Kellner 2005: 264). Consequently, Kellner (2005: 271) suggested that Ritzer's (2003; 2006) typology of globalization subprocesses may offer helpful categories for advancing the analysis and understanding the globalization of production in organizations. I will apply Ritzer's (2003; 2006) categories in this thesis while analyzing the operational logic of two large cross-border operating companies from the perspective of employees working for these companies<sup>19</sup>.

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<sup>19</sup> There is some work on this kind of processes in the area of production usually tackled under the umbrella of „diffusion“ processes. Edwards et al. (2005), for example, have discussed components of "globalization" and "glocalization" processes of "something" and "nothing" while analyzing "reverse diffusion" of employment practices from UK subsidiaries to their American mother-firm even though they did not employ Ritzer's (2003; 2004) terminology.

## 2.2 Economic Capitalist Globalization

Having briefly reviewed some of the main theoretical frameworks concerned with the globalization process in sociology, I would like to further narrow down the focus of this thesis to one of the three spheres in which, according to Sklair (2001; 2002) and others, globalization processes occur and which acts as the central vehicle and actor of globalization: the cross-border operating supranational Transnational Corporation (TNC). Supranational corporations, that is, all kind of cross-border operating companies, are economic institutions and actors concerned with the production and distribution of commodities and services in market and planned economies around the world. They are part of the worldwide economic system which governs the exchange of goods and services<sup>20</sup>. It is important to recall that all three spheres of capitalist globalization are closely intertwined (Sklair 2002) and may be viewed separately only for analytical purposes. Therefore, the exclusive focus on economic globalization must be seen as such an analytical attempt which does not neglect other components and issues because they do not play a significant role in globalization, but does so for analytical purposes only.

The notion of economic globalization refers to increasing business activity or social interactions of all kinds being concerned with the production and

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<sup>20</sup> There are differences in how the various national markets or economic systems are governed as there are variations of capitalism (Hollingsworth/Boyer 1997; Whitley 1999). Despite the fact that there are only a few countries which, at the moment, use socialist or central planning economies, in contrast to the decentralized market approach, it may have been somewhat premature to talk about the “end of history” (Fukuyama 2006) as the free market system is widely proliferated.

distribution of economic goods transcending nation-state borders. The notion highlights the increasing interdependence between organizations operating in one national market and organizations operating in other national markets. In this sense, economic globalization may eventually result, at least theoretically, in a single, fully integrated global economy. Held (2004: 90), for example, emphasized that “economic globalists” perceive globalization to be manifested in an increasing amalgamation of various national economies around the world.

Even though international trade (import/export) and investment (FDI) has been increasing tremendously in the last few decades, there is not yet a single global economy in which the production, distribution and consumption of goods is regulated in the same manner for all countries (Held 2004: 89). Some analysts of economic globalization suggested that a single, fully-integrated global economy must be thought of as a market economy, a free, largely unregulated capitalist form of production, distribution and consumption. Therefore, economic globalization is theoretically often conceptualized, in a neoliberalist ideology, as a free market and capitalist globalization (Wolfe 2005; Friedmann 2000). Held (2004: 95), for example, emphasized that “economic liberals” subscribe to the idea that economic globalization – which basically means economic deregulation of markets – is a positive development which will result in benefits for all people involved as it may eventually increase the efficiency of the markets and organizations<sup>21</sup>.

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<sup>21</sup> Smith (2006) focused on economic globalization and very interestingly related globalization with the issue of humiliation. He outlined the “logic of the market”, showed possible costs and benefits of its globalization and discussed main proponents and opponents for economic globalization. But his book is intended to reveal the “hidden agenda” of globalization that is, the dynamics of humiliation in the context of globalization by means of military and economic power.

While a single global, largely deregulated free market has not yet been realized and there are signs that in the aftermath of the recent rocking crisis of the world financial markets deregulation may be stalled or political regulation of the markets, may actually be increasing, proponents of economic globalization, largely the members of the TCC (Sklair 2002), are continuing to propose market deregulation and are heavily involved in the implementation of the liberalization of trade and markets and the reduction of state intervention<sup>22</sup>. Moreover, Held (2004: 153) has summarized the underlying logic of the existing global regulation and regulatory regimes of the markets, which, despite the regulations, are principally privileging the class holding the global capital:

The conduct and content of global governance is shaped by an unwritten constitution which automatically privileges the interests and agenda of global capital, often at the expense of the welfare of nations, communities and the natural environment. In effect, the institutions of global governance and the apparatus of nation-states are effectively transmission belts for securing and managing the global capitalist order in accordance with the disciplines of global markets and the imperative of global accumulation, that is, profit seeking.

Nevertheless, nation-state borders and various effects related to the territoriality of most nation-states like tariffs and other regulations, are increasing transaction costs, that is, the particular costs associated with transnational economic practices. As Irwin (2005: 27) emphasized:

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<sup>22</sup> Economists, like Friedman (2000), Wolf (2005) and others argued in such a manner. They are ideologically rooted in the Austrian School of Economics - which included prominent economists and authors like von Hayek (2001) and von Mises (2006) - and are regarded the “intellectual vanguards of the TCC” (Sklair 2002).

Trade is further diminished when countries do not share a common currency, a common language, a common legal system, and so on. Each of these border effects raises the cost of exchange between markets and acts as a brake on global integration.

It is therefore in the interest of the owners and managers of cross-border operating companies to reduce the costs involved with transferring goods and services across nation-state borders. One major effort, institutionalized by the Washington Consensus, resulting in the establishment of GATT and the WTO, is to reduce barriers for trade and to enhance the free movement of goods and services across borders<sup>23</sup>. Accordingly, Dunning (2000: 11) wrote:

Perhaps the most dramatic and most transparent economic event of the last two decades has been the growing liberalization of both national and international markets... Since the early 1980s, artificial barriers to trade have tumbled – particularly at the macroregional level. At the same time, both transport and communication costs have dramatically fallen, as have the intrafirm costs of doing business within and across national boundaries.

This growing integration of the national economies of most states, despite still being far from the ideal of one single integrated world market, is reflected in the increasing trade resulting from demolished trade barriers like tariffs (Held 2004: 90p) and the growing importance of supranational organizations (Morgan/Collinson 2009: 4). Held (2004: 92) highlighted that the result of this growing integration is an emerging, worldwide functioning economy. Hence, increasing trading and import and export is a statistical

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<sup>23</sup> For a summary of the development of various free trade regimes, agreements and institutions see, for example, Schaeffer (2003: 217-250).

manifestation of a globalizing economy in terms of increasing economic interdependence (Irwin 2005: 20).

In addition to the official trading of goods, large cross-border operating supranational companies have created internal markets as they transfer goods between various organizational units within the company (Irwin 2005) and operate across borders resulting in transnational practices. Moreover, there is an increasing transfer of goods between firms, involving crossing nation-state boundaries and requiring transnational practices, at various stages of the production chain. End products, ready for use by the customer, usually consists of many parts produced at various sites around the world involving various organizations as suppliers (Held 2004: 93). It is this increasing “vertical specialization” and “outsourcing process” (Irwin 2005: 24) which has further triggered world trade as the sourcing of components for an end product, being either a tangible commodity or an intangible service, have become increasingly internationalized. Greater specialization and concentration of many firms on their core competencies and capabilities (Campbell 1997) and the emergence of “virtual corporations” (Davidow/Melone 1993) in large numbers have resulted in an increasing cooperation between firms worldwide. Some authors even claim that an “alliance capitalism” (Dunning 2000: 10) has emerged in order to emphasize the fact that more and more small and large firms, including firms that compete with each other on the markets, partly cooperate in terms of R&D as well as production. For example, Dunning (2000: 10) wrote:

One of the particularly interesting features of the leading market economies of recent years has been the extent to which the hierarchical form of governance of both private and public organizations has been complemented with, and in some cases replaced by, a variety of interorganizational cooperative arrangements. This has

caused scholars to suggest that the present stage of capitalism may best be described as alliance capitalism. These alliances may, and do, take a variety of forms, and involve a large number of institutional entities. They may be between the different stockholders of the firm and/or between the various operational or functional units, making up a firm's value chain (viz. intrafirm alliances). They may be between one firm and another – for example, between a firm and its competitors, suppliers, or customers (viz. interfirm alliances).

In the business literature, there is a plethora of publications dealing with the features and challenges of creating and managing cooperative interorganizational networks (e.g. Jarillo 1993). In fact, cooperative network arrangements are seen as alternatives to coordination by hierarchy and the market (Teubner 1996). There are efforts to distinguish between various kind of interorganizational cooperation, including joint ventures, franchising and tendencies enhancing the virtualization of the firm (Davidow/Malone 1993) and accelerating the scope of exchange of goods and services between firms from the lower to the end level of the “value chain” (Porter 1985). Irwin (2005: 25) reflected on this increasing exchange of goods and services between firms transcending nation-state borders in the following words:

This could help explain why world trade has grown much more rapidly than world production. It also means that the increase in recorded trade is somewhat misleading. Every time a component is shipped across a border, it's recorded by customs officials as an export or an import. When components are repeatedly shipped across borders at different stages of production, the official recorded value of trade rises with each crossing, although the final goods output doesn't increase. This inflates the value of trade relative to production.

This phenomenon, however, is only one explanation of why increasing economic activities of supranational companies transcending nation-state borders involves a much faster growth of world trade than world production.



Irwin (2005: 26), for example, and many others, acknowledged the key role cross-border operating firms play in the coordination of production and distribution of economic goods across many countries.

In addition to increasing international trade, there is an increasing amount of “foreign direct investment” (FDI), that is, direct investments of companies outside of their country of origin into own subsidiaries. Gilpin (2000: 22) suggested that the term “globalization” actually only came into widespread usage after 1985 when many supranational corporations and other previously national corporations were involved in large FDI initiatives. Hence, economic globalization can also be observed as having an impact on the governance of large cross-border operating companies. In addition, the internal governance structures or logics of supranational cross-border operating firms may have been changing. In respect to this internal change of the operational logic of supranational corporations Dunning (2000: 14), for example, highlighted that structural transformations have taken place. He (Dunning 2000) also stressed the fact that these changes resulted in a “discontinuity” as new and stronger transnational relationships and interdependencies were generated. Therefore, in order to fully understand globalization and particularly economic globalization, we must also take the cross-border operating company and its internal governance structure or organizational logic, which seems to change in the context of globalization, into account. Accordingly, Sölvell/Birkinshaw (2000: 100) have emphasized that the globalization is not only driven by companies but also results in new challenges to which these companies must adapt.

In other words, the ongoing transformation of the economy in the context of the globalization process has a significant impact on the shape or “nature” of supranational corporations. In this manner, several authors claimed that

there has been a “metamorphosis of the firm” (Amoroso 1998), or as Westney/Zaheer (2001) stressed, cross-border operating companies are evolving and various qualitatively different types or kinds of cross-border operating companies should be conceptually distinguished. The TNC (Bartlett/Ghoshal (1989; 1998) represents one such distinction and will be of particular interest.

It was not the purpose of this short review of the phenomenon of economic globalization to provide a thorough discussion and evaluation of the vast literature dealing with it. Of key importance is the conclusion that even though there are sceptic voices, a large portion of economic activity no longer corresponds to the territory of the nation-states but is increasingly not only multinational but global in scope as business activities span various nation-states and their corresponding market borders (Ohmae 1990; 1996).

Waters (1995: 94) provided a table outlining an inventory of economic globalization and distinguished between ideal-type patterns of economic globalization and the current state of affairs in economic globalization. The table shows that various factors and aspects, as well as various areas within the economy (types of markets), must be taken into consideration as they change in the course of the economic globalization process. It draws our attention to the crucial point that globalization has not yet reached and probably never will reach any end, but is, perhaps, likely to unfold for a while or endlessly. In other words: the economy is not globalized, but it is in the process of globalization. It is not of much relevance whether the table in Waters (1995) addresses all important issues we must take into consideration while analyzing and understanding economic globalization. What is important is the fact that the table points out the differences between an

ideal-type approach or the idealization of various aspects of economic globalization and the current real type or current state of affairs of economic globalization.

Table 2-3: An Inventory of Economic Globalization

<i>Dimension</i>	<i>Ideal-typical pattern Of globalization</i>	<i>Current state of affairs</i>
Trade	Absolute freedom of exchanges between localities. Indeterminate flows of services and symbolic Commodities.	Minimum tariff barriers. substantial non-tariff and cultural barriers. Regional neo-mercantilism.
Production	Balance of production activity in any locality Determined only by physical/ Geographical advantages	International social division of labour being displaced by technical division of labour. Substantial decentralization of production. Dematerialization of commodities.
Investment	Minimal FDI. Displaced by trade and production alliances	TNCs being displaced by alliance arrangements but considerable FDI remains.
Organizational Ideology	Flexible responsiveness to global markets.	Flexibility paradigm has become orthodox but very substantial sectors of Fordist practice remains.
Financial markets	Decentralized, Instantaneous and ,stateless'	Globalization largely accomplished.
Labour market	Free movement of Labour. No permanent Identification with locality.	Increasingly state regulated. Considerable individual pressure for opportunities for ,economic' migration.

Source: Waters (1995: 94)

Waters (1995) table is certainly helpful as an inventory for taking account of economic globalization. Nevertheless, I have to disagree with his claim that TNCs are currently being displaced in their importance by alliance arrangements as, in fact, the number of supranational corporations is increasing and some of them are an economic factor surpassing many countries (Sklair 2002).

Sklair (2002: 63) made the crucial point, which is one of the basic premises of this thesis, that the TNCs are the “vehicle” for global capitalism or, to rephrase it in a more general manner, economic globalization. In order to understand economic globalization, the emerging global economy, it is of key importance to understand TNCs. Sklair (2002: 69) stressed:

The culture-ideology of consumerism is, as it were, the fuel that powers the motor of global capitalism. The driver is the transnational capitalist class. But the vehicle itself is the mighty transnational corporation (...) If we are to understand capitalist globalization we must understand transnational corporations and their transnational practice...

Sklair (1995; 2002) used the term TNC in order to bundle together all cross-border business conducting corporations, even though he admitted that there are various kinds of TNCs. He obviously used the term TNC as an umbrella term to refer to all cross-border operating companies, large or small<sup>24</sup>. There are, as a matter of fact, several authors who use the terms

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<sup>24</sup> Waters (1995) criticized Sklair (1995) for that he did not offer any definition of the TNC but Sklair (2001; 2002) was clear to emphasize that he used this term to describe any kind of cross-border operating company. TNCs must, according to Sklair (2001) not necessarily have own subsidiaries in other countries than their country of origin. It is enough to use the label TNC to categorize a firm as such if there are any kinds of transnational practices.

Multinational Corporation (MNC), Transnational Corporation (TNC), International Corporation (INC) and similar other terms in an interchangeable way or one of these expressions as an umbrella term for any kind of business organization which is not exclusively operating in one single national market (e.g. Sklair 2000). However, other authors have underlined that there are important differences between cross-border operating companies which must be taken into consideration and which validate to distinguish between various types and restrict the use of a particular expression or label one for one type of such supranational corporations. For example, Hirst/Thompson (1999), Thompson (2000), and Hirst (2000) have stressed that the MNC should not be equated with the TNC. Hirst (2000: 115 pp), for example, claimed:

Firms are overwhelmingly multinational, not transnational, that is, they have a major home base in one of the Triad countries and subsidiaries and affiliates outside. They are not custodians of footloose capital but are rooted in a major market in one of the three most prosperous regions of the globe.[...] Most major firms' senior management remain distinctly national and benefit from common understandings deriving from a similar education and participation in a national business culture.

Highlighting this idea of qualitative distinctiveness between various types of supranational corporations employing particular labels to encapsulate appropriately the core differences, Kelly/Prokhovnik (2004: 116) wrote:

While MNCs spread production across different countries, inter-nationalists point out that many such companies maintain a clear national base from which their operations are coordinated. The internationalization of the modern business firm began as early as the 1850s (Thompson, 2000, p. 104). Such organizations clearly attempt to extend their activities beyond their national base, but they remain closely identified with a particular national economy whose authorities could effectively

monitor or regulate their activities. Thus, according to the inter-nationalist case, there are far fewer genuinely multi-national corporations than has been supposed. These few may be more accurately described as 'transnational corporations' (TNCs) which are 'disembodied' from any national base, and which have a more genuinely international organization and personnel (Thompson, 2000, p.103).

This and similar arguments would substantiate to restrict the use of a particular term to label only a particular type or kind of supranational companies. However, Sklair (2002: 64) wrote that other scholars approach the cross-border operating corporation in a different way:

... many scholars have attempted to distinguish between different types of cross-border corporations, and this has led to rather confusing proliferation of terms, including international, multinational, multi-domestic, transnational, global and globalizing enterprises and/or corporations.

I believe that the attempt of some scholars to distinguish conceptually between various types or kinds of cross-border operating corporations is a sound and reasonable endeavour. Even Sklair (2002: 63) admitted "that TNCs are not all of a piece" without probing deeper into this issue. Several scholars, who have been particularly concerned with researching the evolution of the cross-border operating firm (e.g. Westney/Zaheer 2001) have particularly focused on this qualitative difference between business organizations. For example, Dunning (2000: 17 pp.) distinguished between the multidomestic Multinational Enterprise (MNE) and the globally or regionally integrated Multinational Enterprise, and Amoroso (1998: 84 pp) in his summary dealing with the changing nature of the firm distinguished among national, multinational and transnational corporations. Bartlett/Ghoshal (1989; 1998) have published several books and articles which are mainly concerned with the task of differentiating between qualitatively distinctive

types of cross-border operating companies and their ideas have gained particular prominence in the field.

It is of central importance for this thesis, that better understanding the central role of the TNC is the *conditio sine qua non* for better understanding the developing global capitalist market system. In order to understand and research the TNCs as the “vehicle of capitalist globalization” (Sklair 2002) it seems from my point of view crucial to focus on the issue of whether the TNC is perceived in everyday life as a qualitatively new kind of cross-border operating corporation, as Bartlett/Ghoshal (1989) have claimed. In the next chapter, I will continue to review and discuss two key conceptual approaches developed and intended to help to distinguish between qualitatively different types of cross-border operating corporations. It is the TNC in Bartlett/Ghoshal’s (1989; 1998) characterization as a particular type of organization which will be of further interest in this thesis. Hence, the following chapter will particularly highlight Bartlett/Ghoshal’s (1989; 1998) conceptualization of the unique and distinctive nature or characteristic features of the TNC.

## 2.3 Conclusion

In this chapter I demonstrated that, as a number of social scientists have claimed, modern societies are confronted with a process of social change termed globalization. Globalization, argued by Giddens (1990; 1991), becomes part of people’s everyday lives as they become aware of the impact of events happening at some remote location on their local live. People consciously perceive events and things which are part of their everyday lives at

a given locality as being influenced by events and things which originated at places geographically distant from their places of living. Moreover, as Sklair (2002) highlighted, globalization processes are particularly experienced and driven by transnational practices manifested in many business organizations. I also highlighted that, despite the fact that many social scientists maintain that there is a process of globalization which is, in terms of its quality and magnitude, novel and unique to our current social situation, there are also sceptics. These sceptics claim that the importance and even the notion of globalization is exaggerated and not really unique as, for many centuries, societies have been impacted by events and things occurring at distant places, or that the magnitude of globalization processes is deteriorating, suggesting regionalization and localization processes, instead of increasing. In order to help to understand the arguments of the various “camps” better, I adopted McGrew’s (2007) typology of globalization theories.

In the next step, I discussed Ritzer’s (2003; 2004) argument that there is not only one kind of globalization process, but, in order to sharpen our analytical perspective, four different subtypes of globalization processes that should be distinguished. In particular, I tackled Ritzer’s (2003; 2004) distinction between “globalization” and “glocalization” processes as they will be used later in this thesis as conceptual devices in order to analyze the perception of internal processes of globalization in the two cross-border operating companies studied. In fact, globalization processes bring changes to people’s everyday life experiences in various social realms, including the economic sector which is concerned with the production of goods and their experience of organizations.



Therefore, a significant part of this chapter was designated to a brief discussion of the impact of globalization processes in the economic sector, in particular on cross-border operating companies. As already outlined in the introduction, the number of boundary-spanning companies, that is, companies operating in various markets, has permanently and significantly increased in the last decade. Even though Waters (1995) highlighted that in a truly global economy TNCs, or in order to be terminologically consistent, supranational corporations in general, would diminish, the opposite seems to have happened. Sklair (2002) and others have illustrated that supranational corporations, or TNCs in Sklair's (2002) case, proliferated and accumulated extraordinary wealth and power. In fact, some of the largest economies in the world, in terms of revenue, for example, are not only nation states but several supranational corporations. These supranational corporations must be considered to be subjects, and at the same time objects of globalization processes. That is to say, they have an impact on the unfolding of globalization and simultaneously are impacted by the process of globalization.

Last but not least, this chapter introduced the argument that not all supranational or cross-border operating companies, characterized by transnational practices (Sklair 2002) and a particular experience of the globalization process by the employees in their everyday work (Giddens 1990; 1991), should be considered to function according to the same operational logic. It can be assumed that fundamental differences in the operational logic of such supranational corporations would imply differences in terms of how these corporations have an impact on globalization processes and how the impact of globalization processes is experienced to unfold within the company by their employees. Hence, in order to enhance analytical strength and the capacity of sociological analysis a distinction between various qualitatively different types of cross-border operating companies seems to make

sense. It will be the task of the next chapter to tackle this issue in more detail and discuss two conceptual developments, both suggesting the importance of distinguishing among various types of supranational corporations.

### 3 Variations of Supranational Corporations

In the previous chapter, it was argued that the TNC can be considered to be one of the main actors in the process of economic globalization (Sklair 2001). In addition, it was underlined that the TNC is a “conceptual space” that allows social scientists to study the changes of organizations as social institutions as the globalization process unfolds. It was also argued with particular reference to Albrow (1996), that in order to understand the impacts of the globalization process to the social fabric, one should focus on the everyday “experience” of people who are confronted with the qualitative transformation of social institutions framing their action. Hence, I argued that in order to understand the qualitative transformation of cross-border operating companies in the context of economic globalization, one must consider the “cognitive aspect” and investigate the “social construction” (Berger/Luckmann 1966) of the TNC as a distinctive cross-border operating organization, or, to frame it differently, the results of the ‘sense-making process’ (Weick 1969; 1999) dealing with the idea of a qualitative transformation of cross-border operating organizations into TNCs. It is therefore one assumption of this thesis, that the TNC and its particular attributes must be researched and approached from a constructivist point of view. In other words, there is no such thing as an ‘objective’ approach of an informed observer or social theorist in order to come up with appropriate criteria which might be useful in order to distinguish the TNC from other kinds of cross-border operating companies. But those individuals, on the other hand, who work for cross-border operating companies and particu-

larly emerging TNCs, who are experiencing the qualitative changes of the organization of cross-border business as part of their everyday life are “informed insiders”. It will be of major importance in order to understand one impact of the globalization process to analyze the results of their sensemaking process of the emerging TNC. It is also of major importance to create a clear picture of the causes, which are held to be responsible for triggering the emergence of the TNC as well as the consequences, that is, the challenges the evolution of companies into TNCs will bring for their management and therefore must be successfully addressed.

However, as this chapter will show, the basic assumption of this thesis, namely that the TNC can be modelled as a distinctive kind of corporation - compared with other cross-border operating companies - is not new. It must be stressed that cross-border operating companies changed over the course of time and qualitatively different types of cross-border operating companies emerged and had been conceptually distinguished (Westney/Zaheer 2001). In this chapter, I will critically review some literature focusing on the qualitative differentiation of various types or kinds of cross-border operating companies<sup>25</sup>. The selection of the reviewed work in this chapter is based on the contributions by Westney/Zaheer (2001), Kutschker/Schmidt (2002) and Harzing (2000). It is important to point out that I will deal only with qualitative approaches focusing on the question of how to distinguish

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<sup>25</sup> For an extensive review of conceptual frameworks describing different types of cross-border operating companies and outlining some important features as well as information concerning research conducted dealing with various types of cross-border operating companies see, for example, Harzing (2000) and Kutschker/Schmidt (2002). However, more recently other typologies have been proposed in order to distinguish between qualitatively different types of cross-border operating corporations, for example, Whitley's (2009) distinction of six ideal types.

the TNC as a particular kind or type of cross-border operating company from other kinds of cross-border operating companies<sup>26</sup>.

I will first discuss the seminal work presented by Perlmutter (1969) and Heenan/Perlmutter (1979) as they were the first who dealt with the question of how to qualitatively differentiate various types of cross-border operating companies. Even though these authors did not introduce the term of the Transnational Corporation (TNC), it is important to outline the logic of their approach and the kinds of cross-border operating companies they distinguished as the following research heavily drew on this piece of scholarly work. The term “Transnational Corporation” (TNC) used in order to coin a particular kind of cross-border operating organization, exhibiting certain distinguishing characteristic features as compared to other cross-border operating companies, was introduced by Bartlett/Ghoshal (1989). Bartlett/Ghoshal (1989) were tackling explicitly the distinguishing features of the TNC. In addition, they also tackled the issue of which forces might have been particularly triggering the emergence of the TNC. Moreover, they outlined which challenges this qualitative evolution would cause for the management of the TNCs. Even though Bartlett/Ghoshal (1989) have certainly made a very important contribution to the understanding of the particularities of the TNC in contrast to other kinds of cross-border operating companies and for the development of a typology of cross-border operating com-

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<sup>26</sup> Kutschker/Schmidt (2002) distinguished between quantitative and qualitative approaches focusing on the task to differentiate between various kinds of cross-border operating companies. However, quantitative approaches are difficult to employ for this question since they employ continuous variables measuring quantitative aspects, like the degree of foreign investment or sales abroad (cf. Kutschker/Schmidt 2002: 243 pp.), but they are not suitable for distinguishing conceptually between various types of qualitatively different kinds of cross-border operating companies.

panies, their research has its particular weaknesses. Heenan/Perlmutter's (1979) work must also be considered to be problematic from the theoretical position of this thesis. Critically discussing the problems inherent in the works of these two conceptualizations of typologies of supranational corporations, I will lay the ground for justifying my approach and the importance of the empirical research conducted for this thesis. The review of the existing literature will allow conducting a comparison of the findings of this thesis with the conclusion of Bartlett/Ghoshal (1989).

### 3.1 The Ethnocentric Corporation and other Archetypes

The first popular work dealing with the question of how to distinguish qualitatively different types of cross-border operating companies was presented by Perlmutter (1969). For Perlmutter (1969) it was of major importance to outline the main characteristic features considered to be useful for distinguishing various kinds of cross-border operating companies. Perlmutter (1969: 11) strongly opposed the use of quantitative approaches in order to distinguishing various types of cross-border operating companies. He (Perlmutter 1965: 153) argued that corporations might appear to be quite similar if one focuses only on quantitative aspects (like the number of sales abroad, degree of foreign investment etc.), but they might be in fact qualitatively quite different.

Perlmutter (1965) stressed that particularly the "orientations" of the top-managers would determine how the cross-border operating company was to be run and that certain attributes of the organization would differ significantly between various types of cross-border operating organizations.

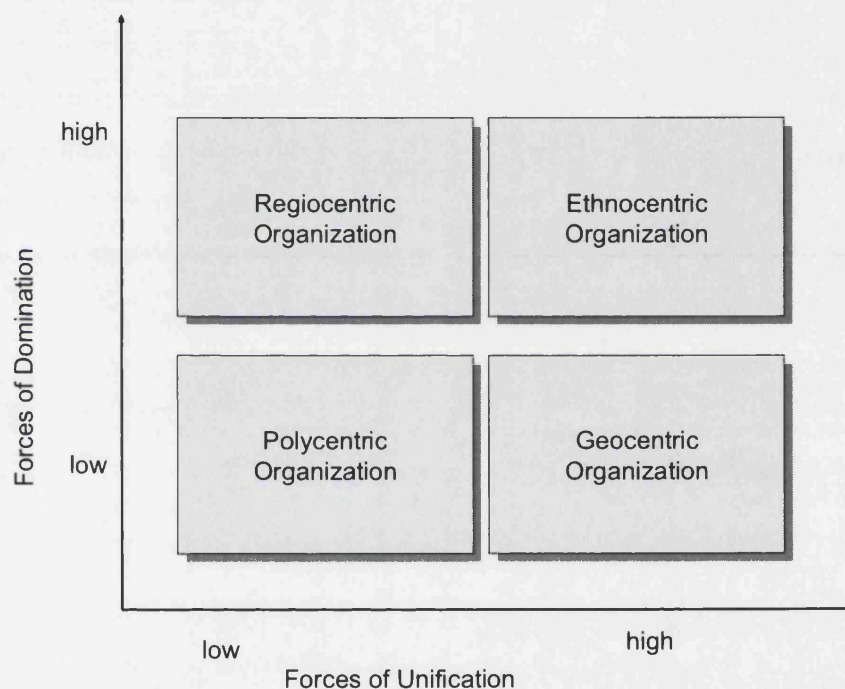
Hence, the orientation or “mind-set” of managers, particularly top-managers, hold do determine the way the cross-border operating company is run (Chakravarthy/Perlmutter 1985).

Having said this, I will continue to outline the main characteristic features of the various types of cross-border operating companies as proposed by Perlmutter (1969) and Perlmutter/Heenan (1979). This will allow to understand where the whole research stream dealing with distinguishing various types of cross-border operating companies qualitatively originated, and which basic rationales were applied. Perlmutter (1965) originally distinguished three types of cross-border operating companies. Heenan/Perlmutter (1979) expanded Perlmutter's (1965) categories of a typology of cross-border operating companies by adding one more element or type. According to Heenan/Perlmutter (1979), there are four qualitatively different types of cross-border operating organizations, namely, the ‘ethnocentric organization’, ‘polycentric organization’, ‘geocentric organization’, and ‘regiocentric organization.’

In the ‘ethnocentric corporation’, the top-management of the organization holds predominantly a ‘home-country orientation’. The differences between the culture of the country of origin of the company and the cultures of the other countries in which the organization has subsidiaries is acknowledged. However, the culture of the corporation in the country of origin and the management practices and routines are considered to be principally superior as well as transferable to the subsidiaries of the corporation in other countries. Perlmutter (1969: 12) stressed that the "orientation" of the top-management of an ‘ethnocentric company’ can be best described with the attitude, that what works at home, must work in the other countries where the corporation has subsidiaries, too. Important decisions are exclusively

made in the headquarters, which are based in the country of origin. Top-management positions in the subsidiaries as well as in the headquarters are staffed primarily or even exclusively with managers, who have been educated in the country of origin, have gained experience working in the headquarter of the firm, and hold passports of the country of origin.

Figure 3-1: Typology of Cross-Border Operating Companies I



Source: Own Figure.

Perlmutter (1969) claimed that another type of cross-border operating firm can be termed 'polycentric corporation' as in such kind of companies, the subsidiaries and other organizational entities are quite autonomous regarding decision-making. Cultural differences between the organization in the country of origin and the various other countries are acknowledged and



taken into consideration. In such cross-border operating companies, a “host country orientation” is prevailing in the "orientation" of top-managers at each national subsidiary. This also implies that important management positions in the subsidiaries are staffed by people who hold passports of the country in which the subsidiary is operating, and that important decisions, which affect the subsidiary, are primarily made in the headquarters of the subsidiary. In the entire cross-border operating company, there is no particular single culture or management practice prevalent or which can be considered as being superior to the others and a rather “pluralistic corporation” is encouraged. Perlmutter (1969: 13) underlined that the attitude of the management of a "polycentric corporation" is "to be a good local company" – while the term ‘local’ refers here to the nation state in which the subsidiary is located.

The third kind of qualitatively distinct type of cross-border operating companies differentiated by Perlmutter (1969) is termed “geocentric”. In geocentric companies, a “world orientation” prevails in the mindset of the top-managers. This means that the organizational entities in the country of origin and all subsidiaries located in many other countries around the globe are perceived as being one single acting entity. In “global corporations”, the same attitudes and values as well as management practices, according to Perlmutter (1969), are largely identical and simultaneously developing in (almost) all corporate entities. This results in the fact that in all entities of the corporation, regardless where they are geographically located, largely the same kind of management practices and values are existing. In the “global company”, an “orientation” will develop, which enhances the emergence of a firm specific broadly-shared conglomerate or synthesis of various cultural values and management practices. The way the organization is organized on a global scale is not related to any dominating culture or man-

agement practices, which might be traced back to an organizational entity in any one country in which the firm is operating or particularly to the headquarters in the country of origin (Kutschker/Schmidt 2002: 273). Important decisions are made jointly by the various organizational entities, and the nationality of the managers for staffing decisions does not play a particularly important role. It is the knowledge and the commitment of an individual to work for the benefit of the whole corporation, and not its upbringing or passport, which is crucial for staffing purposes - regardless of where the organizational entity is located. The 'geocentric corporation' can be seen as the epitome of the cross-border operating company and the most developed form. Perlmutter (2003: 70) wrote:

Indeed, if we are to judge men, as Paul Weiss put it, 'by the kind of world they are trying to build', the senior executives engaged in building the geocentric enterprise could well be the most important social architects of the last third of the twentieth century. For the institution they are trying to erect promises a greater universal sharing of wealth and a consequent control of the explosive centrifugal tendencies of our evolving world community. The geocentric enterprise offers an institutional and supranational framework which could conceivably make war less likely, on the assumption that bombing customers, suppliers and employees is in nobody's interest.

Even though Perlmutter (1969) does not use the term "transnational", the description of the "geocentric organization" emphasizing the fact that national culture and different practices must not be considered to separate the organization or erect a barrier between those people who interact within one company, suggests that this kind of cross-border operating organization might be characterized by a process of "transnationalization".

Heenan/Perlmutter (1979) later added the "regiocentric organization" to their typology. This term encapsulates the fact that the cross-border operat-

ing corporation's entities or subsidiaries will not be differentiated in terms of strategy, structure and other components relevant and determining the operational logic according to the borders of the various individual nation states and their markets. In fact, the observation that important similarities of markets in several countries or nation states exist leads to the abolition of the idea that the cross-border operating company has to be organizationally aligned to the borders of countries and their respective national markets. The subsidiaries of the "regiocentric organization" will not be differentiated in terms of national markets and state borders, but according to "regional markets" featuring many similarities. These "regional markets" encapsulate various nation states and their national markets. In the "regiocentric corporation", the structure and strategy and the attitudes and cultural values are based on the assumption that no cultural value or management practice prevailing in one country in the region will be considered to be superior or more important than another and will be implanted in all entities of the organization in this region. Similarly to the "geocentric organization", a new "regional unique way" of conducting business will emerge over time consisting of a region wide consistent practices made up of a mix of various previously locally practiced patterns of behaviour and thinking. In the same vein, staffing decisions are not made on the ground of nationality but rather on knowledge and motivation of an individual regardless of the country of origin of the person.

Heenan/Perlmutter's (1979) four qualitatively different types of cross-border operating organizations can be logically organized in a 2x2 matrix in Figure 5.1. The two dimensions in this typology distinguish between forces of domination and forces for unification based on a dichotomy. In the ethnocentric and regiocentric organization, one particular way of organizing, managing, culture, for example, will be considered as – from the point of

managerial effectiveness and efficiency - superior and implemented in various national subsidiaries. Hence, there are relatively strong forces of domination of one particular organizational entity and this basically means subordination of some other organizational entities. In the ethnocentric organization, the home country headquarters' way of organizing and conducting business will be implemented and applied in virtually all other subsidiaries. Accordingly, in addition to strong forces of domination there are strong forces for unification. In the regiocentric organization on the other hand, due to the fact that there will be various regions which are each characterized by a high degree of internal unification but at the same time by a high degree of differences between the various regional entities and its subsidiaries, there will be a comparably relatively low degree of overall unification. The polycentric and geocentric corporations feature a relatively low degree of domination of any particular identifiable organizational unit over other units. In the polycentric organization most if not all local, and this means country level operating organizational entities, are quite independently managed. There are at the same time relatively low forces of overall unification of the corporation's operating units (i.e. various subsidiaries) as their businesses may be run quite independently and differently. In the geocentric organization, quite similar to the polycentric organization, no particular country level organizational entity will have a particularly powerful position and forces of domination of one unit over others will be relatively low. However, there are strong forces for unification of management and business practices of the various business units since the organization perceives itself as one global level entity and approaches the market as a global market. Therefore, there may be similar or identical management processes and practices implemented in all subsidiaries but these are rather a mix of the best practices developed in various subsidiaries becoming proliferated to all organizational entities over time. For example, there is no one organiza-

tional culture which features the originally distinctive norms and values of exclusively any one local organizational entity but rather it features a organization wide homogeneous yet mix or combination of norms and values derived from various organizational entities which are now implemented worldwide in all organizational entities as a global spanning corporate culture.

Figure 3-2: Ethnocentric and Polycentric Organizations

	Ethnocentrism	Polycentrism
Complexity of organization	Complex in home country, simple in subsidiaries	Varied and independent
Authority and decision making	High in headquarters	Relatively low in headquarters
Evaluation and control	Home standards applied for persons and performance	Determined locally
Rewards and punishments; incentives	High in headquarters; low in subsidiaries	Wide variation; can be high or low rewards for subsidiary performance
Communication, information flow	High volume orders, commands, advice to subsidiaries	Little to and from headquarters; little among subsidiaries
Geographical identification	Nationality of owner	Nationality of host country
Basic HRM-strategy	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country
State of Internationalization	Early	Middle

Source: Mayrhofer (2001), p. 125

Heenan/Perlmutter (1979) proposed several particular attributes which should be taken into consideration for analysing cross-border operating companies and which characterize the differences of the four types. The authors outlined seven aspects which must be considered for allocating any given organization to one of the four types. Heenan/Perlmutter (1979: 18 p.) suggested that one should consider 1) the complexity of the organization, 2) the authority and decision making, 3) evaluation and control, 4) rewards and punishment as well as incentives, 5) communication and information

flow, 6) geographical identification and 7) perpetuation (incl. recruiting, staffing, development) as attributes on which to focus in order to distinguish various types of cross-border operating companies.

Figure 3-3: Regiocentric and Geocentric Organization

	Regiocentrism	Geocentrism
Complexity of organization	Highly interdependent on a regional basis	Increasingly complex and highly interdependent on a worldwide basis
Authority and decision making	High regional headquarters and/or high collaboration among subsidiaries	Collaboration of headquarters and subsidiaries around the world
Evaluation and control	Determined regionally	Standards that are universal and local
Rewards and punishments; incentives	Rewards for contribution to regional objectives	Rewards to international and local executives for reaching local and worldwide objectives
Communication, information flow	Little to and from corporate headquarters, but may be high to and from regional headquarters and among countries	Both ways and among subsidiaries around the world.
Geographical identification	Regional company	Truly worldwide company, but identifying with national interests
Basic HRM-strategy	Regional people developed for key positions anywhere in the region	Best people everywhere in the world developed for key positions developed everywhere in the world
State of Internationalization	Middle	Late

Source: Mayrhofer (2001), p. 125

But Perlmutter (1969) and Heenan/Perlmutter (1979) derived the attributes by pure conceptual reasoning or, to use a different terminology, deductive approach. It is important to stress that the dimensions and the characteristic features differentiating the four types of cross-border operating companies

were not derived taking the opinion or view of those who work in these companies into account. The main problem of the approach of Perlmutter (1969) and Heenan/Perlmutter (1979), therefore, lies in the fact that they did not address the important sociological issue, whether in fact individuals who work for cross-border operating companies would also use the same characteristics and attributes and validate the significant differences of these attributes as assumed and described by Heenan/Perlmutter (1979). Although the typology proposed by Perlmutter (1969) and Heenan/Perlmutter (1979) might be compelling and seems to be very logical at first sight, it is not clear, if their typology and attributes are actually used by managers in order to make sense of the characteristic features of the various types of cross-border operating companies. Moreover, it is also not clear if managers who would be able to make sense of the four types proposed by Heenan/Perlmutter (1979) would use the same dimensions to distinguish the types and such endeavour would result in the same differences concerning the attributes of the four types as proposed by the authors. Even though the authors stressed the importance of the “orientation” of top-managers, as they are largely determining the way the corporation will be run, quite surprisingly, Heenan/Perlmutter (1979) did not conduct empirical research to reveal the content of different mindsets. However, some of these characteristic features suggested by Heenan/Perlmutter (1979) have been later empirically tested in order to find out if they really allow distinguishing between types of organizations. For example, Heenan (1975) and Ondrack (1985) have tested the viability of the typology considering the distinctive features of the Human Resource Management (HRM) components of the various types of cross-border operating companies. However, only individual or few attributes proposed by Heenan/Perlmutter (1979) have been considered in any of the empirical studies while no comprehensive study has been conducted.

## 3.2 The Transnational Corporation

Bartlett/Ghoshal (1989), however, introduced later the notion of the TNC as a distinctive kind of cross-border operating company based on empirical research conducted in order to reveal the main characteristic features and the attributes of the evolving TNC. Bartlett/Ghoshal (1989) have probably developed the so far most influential and well known typology of cross-border operating companies to date (Kutschker/Schmidt 2002: 281). Bartlett/Ghoshal (1989: 24) claimed that the challenges for all cross-border operating corporations, particularly triggering the development of TNCs, are the multidimensional strategic requirements, which become more and more prevalent in the course of globalization. Bartlett/Ghoshal (1989: 25) wrote:

Today, no firm can succeed with a relatively unidimensional strategic capability that emphasizes only efficiency, or responsiveness, or leveraging of parent company knowledge and competencies. To win, a company must now achieve all three goals at the same time. With their multidimensional strategic requirements, these businesses have become transnational industries.

Even though it seems to be unclear why the challenge to deal with the three mentioned challenges simultaneously has something to do with becoming 'transnational industries', the important point Bartlett/Ghoshal (1989) made is that the conditions for conducting cross-border business were and are changing in the context of economic globalization for many industries and the corporations in these industries. It is particularly this transition of the industries and the requirements to tackle the three strategic capabilities (efficiency, responsiveness, and learning) simultaneously, which, according to



Bartlett/Ghoshal (1989: 54), has led to the emergence of TNCs. It is their assumption that it is likely that the other existing various kinds of cross-border operating organizations are likely to evolve into the transnational form (TNC) as the emerging new model or kind of cross-border operating company, since the TNC is considered to be able to better cope with the new challenges of conducting business in the context of globalization.

Bartlett/Ghoshal (1989) distinguished between four qualitatively different kinds of cross-border operating companies<sup>27</sup>. The different kinds of cross-border operating companies are coined 'multinational corporation' (MNC),

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<sup>27</sup> Hedlund (1986) also developed a typology of cross border operating companies but relied for the first three types he distinguished heavily on Perlmutter (1969). Drawing on conceptual reasoning and not empirical research, Hedlund (1986) distinguished between the 'ethnocentric', 'polycentric', 'geocentric' and the 'heterarchical' organization. The notion of the 'heterarchical organization' refers to the idea that the cross-border operating company has many centers as different knowledge and capabilities are located in business units in various countries spread over the globe (Hedlund 1986; 1993). Moreover, in the sense of a 'holographic corporation', knowledge is spread and available everywhere for every business unit of the corporation. Hedlund (1986: 20 pp) characterized this kind of cross-border operating firm as follows: "First, the heterarchical MNC has many centers.[...] A geographically diffused pattern of expertise is built up, corresponding to unique abilities in each node of the network [...] Corporate level strategy has to be implemented and formulated in a geographically scattered network. [...] Movements between centers will be more common, and movements from periphery towards center in the same unit will be less common [...] In order for internationalization of norms to take place, a lot of rotation of personnel and international travel and postings are necessary". Similar to Bartlett/Ghoshal (1989) he stressed that the various business units or organizational entities are characterized by their competencies and knowledge (Kutschker/Schmidt 2002: 294). Hedlund's (1986) notion of the "heterarchical" organization will become later on important.

‘international corporation’ (INC), ‘global corporation’ (GLC) and ‘transnational corporation’ (TNC). These four types of cross-border operating companies are, according to the authors, qualitatively different since they represent different models or logics and feature different modes of organizing for cross-border operating business. Bartlett/Ghoshal (1998: 55) wrote, referring to the three already existing types of cross-border operating companies, that is the “Multinational Corporation”, “International Corporation” and “Global Corporation”:

We observed three very different organizational models, each characterized by distinct structural configurations, administrative processes, and management mentalities.

I will now briefly describe the first three types of cross-border operating companies, before I move on to outline Bartlett/Ghoshal’s (1989) conceptualization of the TNC in more detail.

The first type, the ‘Multinational Company’ (MNC), is basically a company which has its’ headquarter in the country of origin but own several subsidiaries which are operating in markets identical with the state border of the country in which the subsidiaries are located. The managers of the corporation in the country of origin perceive the subsidiaries as various independent national companies. The individual corporate entities, that is, the subsidiaries in the various countries are therefore given a high degree of autonomy of decision-making power. The corporate entities are quite sensitive and adjusted to the demands and opportunities of the national market in which they operate. In MNCs, the subsidiaries are entitled to develop and implement their own market strategy - or even products - and the top managers of the subsidiaries usually hold the passport of the country in which

the organizational entity is operating. Bartlett/Ghoshal (1989: 49) outlined the main characteristic features of the ‘multinational approach’ to organizing cross-border operating companies as follows:

The approach was literally multinational – each national unit was managed as an independent entity whose strategic objective was to optimise its situation in the local environment. The multinational organization is defined by these characteristics: a decentralized federation of assets and responsibilities, a management process defined by simple financial control systems overlaid on informal personal coordination, and a dominant strategic mentality that viewed the company’s worldwide operations as a portfolio of national businesses.

It should be noted that the above description of characteristic features of the MNC as outlined by Bartlett/Ghoshal is quite similar to Perlmutter’s (1969) description of the “polycentric corporation”.

Figure 3-4 Multinational and International Organizational Models

Organizational Characteristics	Multinational	International
Configuration of assets and capabilities	Decentralized and nationally self-sufficient	Sources of core competencies centralized, others decentralized
Role of overseas operations	Sensing and exploiting local opportunities	Adapting and leveraging parent company competencies
Development and diffusion of knowledge	Knowledge developed and retained within each unit	Knowledge developed at the center and transferred to overseas units

Source: Bartlett/Ghoshal (1998: 75)

According to Bartlett/Ghoshal (1989) the second type, the “International Corporation” (INC), exhibits the following characteristic features: The

headquarters in the country of origin transfers knowledge and capabilities to the various subsidiaries. Managers from the country of origin hold important positions within the subsidiaries in other countries. Important decisions concerning, for example, product and market strategy, are made exclusively in the headquarters of the corporation and subsidiaries are asked to implement these decisions. However, there is some room for the various subsidiaries to modify and adjust the products, the strategy, culture and structure, in order to meet the particular requirements of the local context, i.e. the particular situation of a given market of a nation state and legal requirements. As Bartlett/Ghoshal (1989: 50) pointed out:

While local subsidiaries were often free to adapt the new products or strategies..., their dependence on the parent company for new products, processes, or ideas dictated a great deal more coordination and control by headquarters than in the classic multinational organization [...] Parent company management was often somewhat superior and parochial in its attitude toward international operations, perhaps because of the assumption that new ideas and developments all came from the parent. Despite corporate management's increased understanding of its overseas markets, it often seemed to view foreign operations as appendages whose principal purpose was to leverage the capabilities developed in the home market.

It should be noted that Bartlett/Ghoshal's (1989) description of the International Corporation (INC) bears similarities compared with the organizational form described in Perlmutter's (1969) discussion of the 'ethnocentric organization'. In other words, headquarters plays an important role for the whole corporation and the subsidiaries, and the important management positions in the corporate entities outside the country of origin are dominantly staffed either by people who hold passports of the country where the company's headquarter is located or by individuals, who will hold passports of

the country where the subsidiary is located but who have spend some significant time working in the parent company headquarters.

The third type, the “Global Corporation” (GLC), according to Bartlett/Ghoshal (1989), is characterized by the feature that the headquarters and the organization in the country of origin play a dominant role for the subsidiaries in other countries. The resources of the company are centralized at locations of the company in the country of origin, and the entities in the various countries around the globe are seen rather as facilities for gaining access to foreign markets in order to sell products on a worldwide scale. The subsidiaries have almost no decision-making power, even though Bartlett/Ghoshal (1989: 51) stressed, that there might be production facilities in countries other than the country of origin due to political or market requirements. Bartlett/Ghoshal (1989: 52) wrote:

Managers in global organizations focused more on world markets than did their counterparts in multinational and international organizations. But because national subsidiaries had little independence, global managers had less understanding of local environmental differences. The dominant management perspective was that the world could, and should, be treated as a single integrated market in which similarities were more important than differences. The entire globe was the prime unit of analysis.

Bartlett/Ghoshal (1989: 54) maintained that there is a shift in the organizational mode of cross-border operating companies to resemble the new transnational logic of the Transnational Corporation (TNC) as companies try to maintain or enhance their sustainable competitive advantage in accordance with the changing requirements of the market conditions in the context of economic globalization. Even though Bartlett/Ghoshal (1989) do not present a deterministic evolutionary model, they underlined their assump-

tion that the TNC and its attributes can be considered to resemble an evolving common vision among managers about the most effective method of managing cross-border operating companies.

Bartlett/Ghoshal (1998: 19) emphasized that when it came to outlining the characteristic features of this new, emerging transnational model of organizing corporations, they constructed their image of the TNC quite independently from the cases observed as none of the cases closely resembled all features of the TNC and wrote:

The transnational solution we propose is based on what we learned from both the losers and the survivors. But the hypothetical organization we shall describe does not correspond to any specific company. None of the companies in our sample had attained all the attributes of the transnational. However, all the survivors were developing organizational characteristics and capabilities that moved them toward this idealized form.

Bartlett/Ghoshal's (1989; 1998) approach to concept development is therefore rather deductive than inductive – even though the authors have used some cases in order to illustrate the outlined components of the TNC. Their typology is not completely empirically grounded as they did not base their description of the key characteristic attributes of the TNC on the features exhibited by some of the cases in their sample which they analysed. But in their revised second edition of their influential book “Managing Across Borders”, however, Bartlett/Ghoshal (1998: ix) maintained that the TNC is not longer an idealized organizational model but some corporations do

closely resemble and exhibit the key characteristic features they have outlined in their earlier publication<sup>28</sup>. Bartlett/Ghoshal (1998: ix) wrote:

In today's environment, this [TNC] is no longer simply an idealized model. It is the corporate form that companies around the world are building and managing in an ongoing routine fashion.

In other words, there are real existing companies which closely resemble the features Bartlett/Ghoshal (1989; 1998) highlighted to be characteristic for TNCs as a unique and qualitatively different type of boundary spanning organization.

Figure 3-5 Global and Transnational Organizational Models

Organizational Characteristics	Global	Transnational
Configuration of assets and capabilities	Centralized and globally scaled	Dispersed, interdependent, and specialized
Role of overseas operations	Implementing parent company strategies	Differentiated contributions by national units to integrate Worldwide operations
Development and diffusion of knowledge	Knowledge developed and retained at the center	Knowledge developed jointly and shared worldwide

Source: Bartlett/Ghoshal (1998: 75)

<sup>28</sup> Bartlett/Ghoshal (1998: Xii) highlighted that in the context of the merger of an archetypical multinational company (Brown Boveri) and an archetypical international company (Asea) the CEO explicitly attempted to create a TNC. Bartlett/Ghoshal (1998: ixx) wrote: "Today, ABB is truly what Barnevik set out to create – 'a company that is big and small, global and local, decentralized but with central control' – and, in our view, one of the best examples of a transnational company".

Bartlett/Ghoshal (1989) stressed that the 'transnational model' (TNC) of cross-border operating companies is the most effective way of organizing cross-border business in a world of growing economic globalization. According to Bartlett/Ghoshal (1989: 59 pp) the TNC is characterized by the fact that resources and capabilities as well as responsibilities and decision-making power are distributed among various organizational entities around the world. The various entities of the TNC develop specialized capabilities and contribute to the development of the company as they give important inputs to the other entities of the corporation in terms of their particular capabilities. This decentralization of resources, capabilities and responsibilities also enhances the flow of components, products, resources and people between the interdependent organizational units of the corporation in the various countries in the world. It is important to underline that this flow is not unidirectional as the resources, capabilities and people flow from the organizational units in the country of origin to subsidiaries, but also the other way around and directly between the various subsidiaries.

The TNC is coordinated by a complex management process, while the decision-making power is shared by the various units which are considered to be of equal importance (Bartlett/Ghoshal 1989: 89). As to the particularities of the TNC, Bartlett/Ghoshal (1989: 60) argued that:

The transnational centralizes some resources at home, some abroad, and distributes yet others among its many national operations. The result is a complex configuration of assets and capabilities that are distributed; yet specialized. Furthermore, the company integrates the dispersed resources through strong interdependencies [...] Most important, the transnational builds systematic differentiation of roles and responsibilities into different parts of its organization [...] The differentiated and specialized capabilities of organizational units make mutual cooperation necessary



in creating new products and processes; the reciprocal interdependency among units allows such cooperation to be self-sustaining. At the same time, the differentiation of organizational roles leads certain parts of the company to develop specialized resources and capabilities, which in turn allow them to play unique roles in the various innovation processes.

The first characteristic feature or attribute of the TNC is the fact that the assets and resources are dispersed between the various organizational entities and they are interdependent. Bartlett/Ghoshal (1989: 59) stressed the fact that it is important to manage simultaneously costs and revenues as well as efficiency and innovation as the second characteristic attribute in order to achieve and maintain a global competitive advantage. The “integrated network” of organizational entities allows the flow and exchange of components, products, resources like people and information (Bartlett/Ghoshal 1989: 61). In addition, the various organizational entities of the TNC are differentiated and specialized in terms of the roles which are allocated to them. Bartlett/Ghoshal (1998: 69) wrote:

The transnational company redefines the problem [to manage successfully in various markets given the emergence of transnational industries in the context of the globalization process] in very different terms [than the three other organizational models]. It seeks efficiency not for its own sake, but as a means to achieve global competitiveness. It acknowledges the importance of local responsiveness, but as a tool for achieving flexibility in international operations. Innovations are regarded as an outcome of a larger process of organizational learning that encompasses every member of the company.

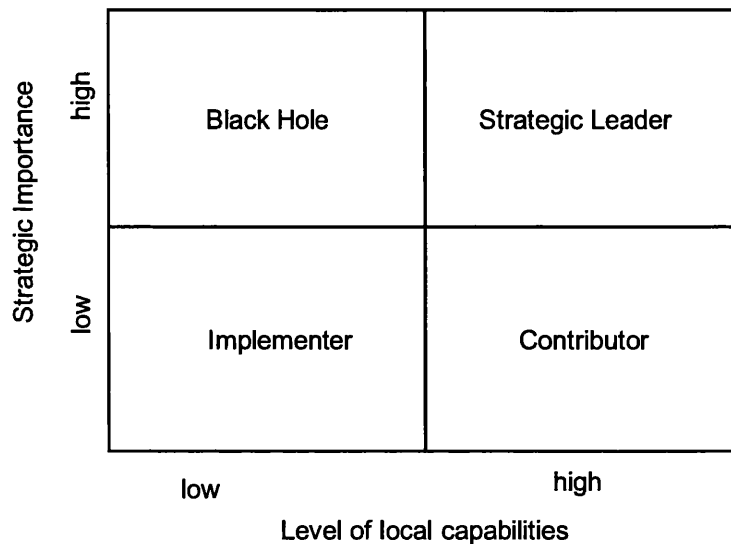
This dispersion of the resources and assets is mirrored in the differentiation of subsidiary tasks and responsibilities, that is, in their roles. Bartlett/Ghoshal (1998: 129) maintained that headquarters has to allocate the appropriate role to the various national subsidiaries. For this purpose,

headquarters should distinguish between four different types of roles subsidiaries may play in the whole integrated network of the TNC. Bartlett/Ghosal (1998: 121) distinguished among “Strategic Leader”, “Implementer”, “Black Hole”, and “Contributor” as roles national subsidiaries may play and wrote:

The principal strategic consideration is the overall importance of national environments to the firm’s global strategy. A very large market is obviously important, but so is a competitor’s home market, or a market that is highly sophisticated or technologically advanced. The major organizational consideration is the national subsidiary’s competence – in technology, production, marketing, or another area. Depending on its positions along these dimensions, a national organization may function as a strategic leader, contributor, implementer, or black hole.

The “Strategic Leader” obviously is a national organization which, in cooperation with the headquarters, is of strategic importance for the whole corporation particularly when it comes to the development and command of strategic relevant knowledge. Other subsidiaries also may be highly advanced and important in terms of their capabilities, that is, their ability to develop and apply knowledge in the production process, but their market is not of strategic importance for the corporation. On the other hand, as Bartlett/Ghoshal (1998: 125) pointed out, some national subsidiaries are only able to apply knowledge developed at other places to keep their operations going and do not contribute much to the set of strategic importance knowledge development taking place in the corporation. Last but not least, the “Black Hole” represents a national subsidiary which is operating in strategically important markets but lacks the necessary capabilities to develop self-sustainably the necessary knowledge to become a “Strategic Leader”.

Figure 3-6: Roles of National Organizational Entities of a TNC



Source: Bartlett/Ghosal (1998: 122), modified.

Last but not least, Bartlett/Ghoshal (1989) pointed out that the capability for “worldwide learning” is a key characteristic feature or attribute, which distinguishes the TNC from other kinds of cross-border operating companies. Different organizational entities might have different capabilities and it is important that the whole organization, that is, all organizational entities of the organization, have access to and can use the knowledge regardless of where it was generated in order to leverage innovations. Hence, Bartlett/Ghoshal (1989) outlined the main organizational characteristics of the TNC focusing on: 1) the configuration or distribution of assets and capabilities; 2) the role of overseas operations; 3) the development and diffusion of knowledge (Bartlett/Ghoshal 1989: 65). Bartlett/Ghoshal (1989: 62) explained:

Recognizing that differentiation is not necessary in all markets, only in some, the transnational varies the roles of its national operations. In some markets, national subsidiaries adopt standard global products, and their role is limited to effective and efficient implementation of central decisions. Other subsidiaries are encouraged to differentiate. Often the latter category creates products that other subsidiaries adopt.

Bartlett/Ghoshal (1989: 66) continued to underline that the three characteristic features or attributes of the TNC are interrelated<sup>29</sup>. It is the task of its management and also the challenge with which management is confronted to ensure that the TNC will work smoothly and that it will enhance the mentioned organizational characteristics in order to help create the TNC.

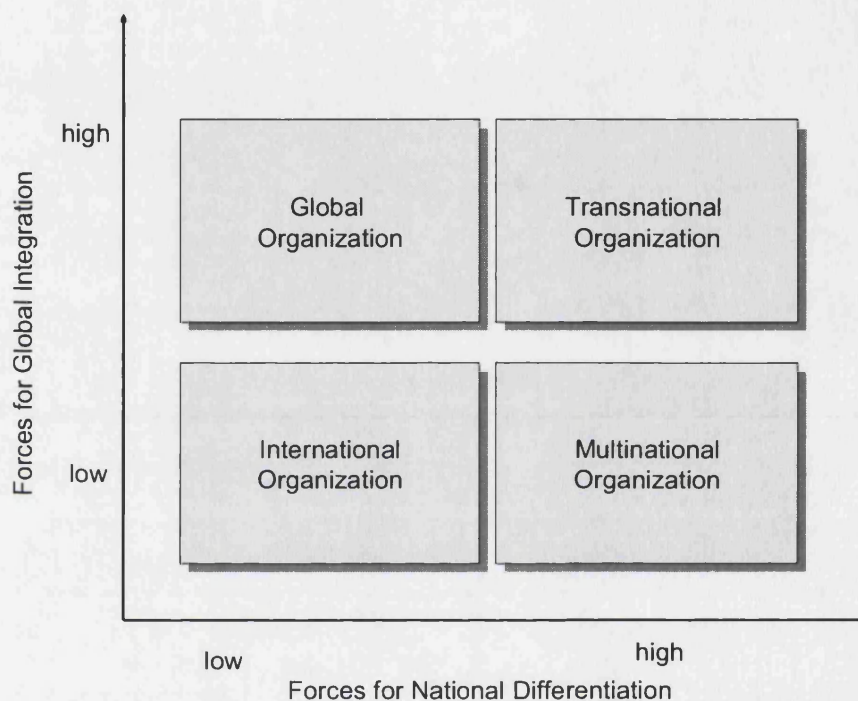
Bartlett/Ghoshal (1989) also emphasized the importance of the “strategic orientation” of the management of an organization (Kutschker/Schmidt 2002: 283 pp.) for qualitatively describing and understanding its particularities. The TNC is therefore particularly characterized by “strategic orientations” or a “mindset” of its managers while addressing the three aforementioned different “strategic capabilities” simultaneously. Bartlett/Ghoshal (1989) maintained that managers must choose to adopt a transnational ‘strategic orientation’ since only the ‘transnational strategy’ is the optimal solution for cross-border operating companies to manoeuvre successfully in the course of economic globalization. Hence, according to Bartlett/Ghoshal (1989), more and more organizations operating in “transnational industries” are likely to develop and exhibit features which are considered to be unique

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<sup>29</sup> Bartlett/Ghoshal (1989: 66) elaborated on this issue in the following words: “All three attributes are intertwined into a complex organizational system. It is this complexity of the organizational system, rather than a particular structure or even a specific ‘way of doing things’ that characterizes the transnational organization”.

to or characteristic of the TNC as a particular mode of organizing for cross-border operating business (Kutschker/Schmidt 2002: 285)<sup>30</sup>.

Exhibit. 3-7 Typology of Cross-Border Operating Companies II



Source: Bartlett (1986: 377), modified

The dimensionality of the 2x2 cell typology featuring the four qualitatively distinct cross-border operating companies distinguished by Bartlett/Ghoshal (1989; 1998) differentiates between two different kinds of forces boundary spanning organizations are confronted with and must deal with. The first

<sup>30</sup> Bartlett/Ghoshal's (1989; 1998) distinction between four different types of cross-border operating companies is meanwhile standard knowledge to be found in many if not all International Management textbooks like, for example, in Gooderham/Nordhaug (2003).

kind of force refers to pressure towards local differentiation. Due to differences in local customer demands, market structure, legal requirements, and other issue, it is sometimes not possible to produce and sell one kind of product or service without any local adaption on a worldwide basis. In order to be successful, local differences must be taken into consideration and may lead to adaptation and differences in kind and style of services and products in various, some or all, countries in which the corporation is operating around the globe. At the same time some corporations do have to deal with forces requiring central and worldwide integration of services and products in terms of economy of scale. It is possible to produce products and services while drawing on various production centres which are either producing one product of the large portfolio of products which will be sold basically worldwide identically or modified or which are producing parts of a product or service which is being sold worldwide. Discussing the two dimensions of the Bartlett/Ghoshal (1989; 1998) typology, Harzing (2000: 108 pp.) wrote concerning logical responsiveness (forces for national differentiation) and forces for global integration (interdependence):

Local responsiveness is defined as the extent to which subsidiaries respond to local differences in customer preferences and is, therefore, an important element of subsidiary strategy/role. [...] Interdependence indicates the extent to which various units of a MNC are dependent on each other and so suggests the level of integration within the MNC as a whole. Therefore interdependence is an important element of subsidiary structure. [...]

The TNC is the ideal-type organization capable of dealing most efficiently and effectively in the context of globalization processes with strong forces for local differentiation and strong forces for global integration.

Harzing (2000: 107) continued to describe three of the four resulting types of cross-border operating companies as follows:

Following Bartlett and Ghoshal, the strategic orientation of Global firms is defined as 'building cost advantages through realization of economies of scale'. The main strategic thrust of Multidomestic firms is 'to respond to national differences'. Transnational companies have to cope with both strategic demands at the same time. Competition takes place at a global level for both Global and Transnational companies, while Multidomestic firms are more oriented toward domestic competition – since national product markets are too different to make competition at a global level possible.

In sum, Bartlett/Ghoshal's (1989) work is useful in addressing the key attributes of the TNC. They also addressed the factors that are accountable for the transformation of cross-border operating companies into TNCs. However, their research has some important methodological problems. First of all, their research was heavily influenced by their focus on structural fit as a solution to the strategic challenges of managing across borders<sup>31</sup>. Secondly, the research findings of Bartlett/Ghoshal (1989: 212), which were drawn researching a few companies, were based on interviews with local general managers, heads of the functional areas and managers in the middle and relatively junior positions within each function in the headquarter and the

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<sup>31</sup> The question of how various kinds of cross-border operating companies deal differently with the fact of conducting cross-border business in terms of their formal structure only was tackled earlier by Stopford/Wells (1972); Franko (1975; 1976) and Egelhoff (1988). These authors did focus narrowly on structural aspects of cross-border business in order to distinguish various types of cross-border operating companies. Pla-Barber (2002) provides a review of key works focusing on structural issues of the cross-border operating company as well as some quantitative empirical evidence from Spain.

subsidiaries. Unfortunately, the interview material was not recorded nor transcribed (Bartlett/Ghoshal 1989: 218). Appropriately, Collinson/Morgan (2009: 11) therefore criticized the authors employing the following words:

The style of Bartlett and Ghoshal was to use simple case studies of companies in a rather unproblematic way (drawing evidence on the basis of unsystematic interviews and observations of senior managers). They could be justifiably criticized for what by most standards, even in the slippery world of business and management, could be described as 'methodological weakness'.

It is particularly this lack of a systematic analysis of the not recorded and transcribed interviews that is very problematic from the point of view of this thesis. This problem makes it virtually impossible to derive reliable categories from the interviews Bartlett/Ghoshal (1989; 1998) deducted, which can be used in order to describe the main characteristic attributes of the TNC. Instead of using companies they would classify as TNCs (as they are somehow similar but significantly different from the three other types of already existing cross-border operating companies) in order to derive from the analysis of these companies the characteristic features of the TNC as a particular qualitative distinctive type of boundary spanning organization Bartlett/Ghoshal (1989; 1998) created a deductive abstraction of it while drawing on some unsystematic and unstructured evidence to illustrate what they believed characterized the TNC. Even though they were developing only their own "image of the TNC", this image may be problematic because Bartlett/Ghoshal (1989) derived the attributes they used to characterize the TNC as a distinctive type of cross-border operating company not from a particular company or companies in their sample but by conceptual abstractions from their cases.



Moreover, they did not intend to reconstruct or reveal managers' views of the TNC as a distinctive kind of cross-border operating company from the onset. This is very true, since Bartlett/Ghoshal (1989) introduced the term TNC in order to name a distinctively new type of organization after they conducted research particularly on the strategy and structure of organizations in the context of globalization. But since Bartlett/Ghoshal (1989) were the first to introduce the distinction between the four types of corporations and in fact coined the term TNC outlining the key features of it as a new and qualitatively unique type of organization and contrasting it with other types of cross border operating organizations, they simply could not investigate at that time if such a distinction made sense to managers and or executives of large cross-border operating companies. Maybe those managers, executives or other kinds of persons being confronted with or working for cross-border operating organizations may not distinguish between these four types at all (that is they may not be able to make sense of the implied differences between these four types). If they can make sense of the distinction of the four types, the elaborations concerning the TNC in particular may resemble or allow to highlight the same core characteristic organizational features, strategic capabilities and managerial tasks as has been outlined and claimed to be characteristic attributes of the TNC by Bartlett/Ghoshal (1989; 1998) or they may be very or slightly different. In any case this seems to warrant further research dealing with these issues.

Bartlett/Ghoshal's (1989: 1998) focus on strategy and structure from the very beginning of their research, as well as the lack of recording and transcribing of the interviews they conducted in the course of their case studies, make the research problematic. Moreover, Bartlett/Ghoshal (1989; 1998) drew only on nine cases in three different industries conceptual development of the TNC and all of them were producing consumer goods. In other

words, no large corporation in the service sector had been considered by the authors. This omission may be problematic as corporations in the consumer good sector produce for individual customers on the market physically tangible goods while corporations in the service sector may - in addition to offering services to individual customers - also offer services to corporate customers. Hence, it may be problematic to distinguish between various types of boundary-spanning organizations as done by Bartlett/Ghoshal (1989; 1998) and Heenan/Perlmutter (1979) and outline their characteristic features as typified concepts without considering that there may be, perhaps, significant differences between organizations in the two economic sectors (i.e. consumer goods and services). These corporations may turn out to be very similar but there may be, despite large similarities, enough differences justifying the distinction among subtypes.

In fact, Bartlett/Ghoshal (1998), Gupta/Govindarajan (1991), Birkinshaw/Morrison (1995), and Williams (1998), for example, have offered typologies which may be used to differentiate between the subsidiaries. Bartlett/Ghoshal (1998) suggested the differentiation between 'Back Hole', 'Implementer', 'Contributor' and 'Strategic Leader' emphasizing that there are various types of subsidiaries within the TNC<sup>32</sup>.

Similarly, yet on a higher level of abstraction there may be various subtypes of the TNC itself. We may have to distinguish between various subtypes of

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<sup>32</sup> Many typologies of subsidiaries of cross-border operating companies exist and Paterson/Brock (2002), as well as more recently Enright/Subramaniahn (2007), have provided a comprehensive review of such typologies of subsidiaries of cross-border operating companies and attempted to provide a conceptual framework to order these various individual typologies, providing a typological approach to typologies (a typology of subsidiary typologies) on a metatheoretical level.

TNCs on a higher level order – in addition to distinguishing between various subsidiary roles for all kind of TNCs - as there may not be only one kind of manifestation of the TNC.

It is, as a matter of fact, an important task of scientific work to create generalizations while looking for patterns and unifying characteristic features of many cases in order to develop and provide some conceptual frameworks which will help researchers and practitioners to be able to understand and deal with the complexity of the world. In this manner, Bartlett/Ghoshal (1998: x) wrote:

Our simple goal was to reduce the large and complicated world that the managers were wrestling with into some simpler concepts and frameworks that could capture the essence of the emerging strategic imperatives and organizational forms without destroying either the subtlety or the complexity.

The problem, however, with Bartlett/Ghoshal's (1989; 1998) approach to construct the TNC could have been, that they may have generalized too much without considering possible, and, perhaps important, differences between companies which all nevertheless may considered to resemble principally the TNC type rather than any other type in the typology.

Leong et al. (1993) were the first who attempted to test the organizational typology proposed by Bartlett/Ghoshal (1989). The authors surveyed 131 top echelon executives of boundary-spanning organizations, asking them to categorize their companies as one of the four types distinguished by Bartlett/Ghoshal (1989). In the next step, the respondents had to "indicate the extent of agreement with twelve statements on 5-point scales regarding the three dimensions of configuration of assets and capabilities, role of overseas

operations, and development and diffusion of knowledge in their organizations” (Leong et al. 1993: 454). It may be problematic that the authors asked, for each organization, only one respondent to categorize the company. Even though this respondent was a top management executive, it is questionable if one person’s evaluation of the company is sufficient and granting some kind of reliability of the results. Moreover, since the approach used closed-ended and preset questions derived from Bartlett/Ghoshal’s (1989) work and standard metric scales for evaluating the importance or prevalence of each item for the organization, it is not really possible to see if the criteria listed and the components discussed by Bartlett/Ghoshal (1989) are constitutive for the TNC and the other types are mirrored by the respondents in their sensemaking of the constituting attributes of the TNC, as only narrative information could confirm such an image or help to modify or reconstruct it. However, analysing the data for significant differences of the mean scores in terms of agreement of the respondents to each question (based on the accumulation of the answers of the respondents for each category or type of boundary spanning organization) Leong et al. (1993) found, as they claimed, some partial support for the differences between the four types as suggested by Bartlett/Ghoshal (1989). But, since Leong et al. (1993) applied a quantitative approach their research design is not really appropriate since Bartlett/Ghoshal’s (1989; 1998) typology is about qualitative, and not quantitative, differences. However, Leong et al. (1993: 463) have also emphasized:

Our findings thus indicate that a reformulation of the Bartlett/Ghoshal (1989) typology appears necessary. Specifically, they imply that the practices of international and transnational forms may be distinguished from other organizational types as well as from each other on a more selective basis than previously conceptualized [...] In addition, the minimal differences obtained regarding the character-

istics of transnationals versus the other organization types in the framework seems disturbing.

A reason for this statement by Leong et al. (1993) could be that the differences between the types cannot be measured using the same kind of criteria or question looking at differences in means, since the differences between the types of cross-border operating companies are based on differences in kinds and not in degrees and therefore different criteria should have been considered.

In a quite similar manner, Harzing (2000) conducted a study containing an empirical analysis and extension of the Bartlett/Ghoshal (1989; 1998) typology of MNCs. However, only the types of the GLC, MNC and TNC but not the INC had been considered for this study. Harzing (2000) sent some questionnaires to the managing directors of various subsidiaries of several cross-border operating firms and to the CEOs and HRM executive directors of those firms. However, Harzing (2000) could only use the responses of the various managing directors of the subsidiaries. Moreover, only the data for those corporations for which there were more than three responses from different subsidiaries could be included for the statistical analysis in order to avoid “single respondent bias”, which could have been an issue with Leong et al. (1993) study. However, similarly to Leong et al. (1993) the study conducted by Harzing (2000) was based on a number of mostly closed-ended questions intended to measure differences between certain aspects in degree between the three types of included cross-border operating companies, applying cluster analysis. Harzing (2000: 111) highlighted:

Since no questions were readily available to measure the corporate strategy, we created our own questions, based on the characteristics of the different types of firms as described in Bartlett and Ghoshal (1989, 1992).

This, however, implies that the described characteristics for the four different types, including the TNC in particular, have not been questioned but taken for granted and adopted for the construction of the questionnaire intended to distinguish between the types. The results of the study indicated some support for the three types as the explored differences were in the expected direction. Harzing (2000: 114 p) summarized the overall results of her study and highlighting the characteristic features of the TNC:

Overall, the results of our empirical analysis provided a high level of support for our hypothesized typologies [...] Our study was able clearly to distinguish three types of MNCs that differed systematically on a number of important characteristics [...] In a sense, a Transnational company combines characteristics of both Global and Multidomestic companies; it tries to respond simultaneously to the sometimes-conflicting strategic needs of global efficiency and national responsiveness. The company can be characterized as an interdependent network. Expertise is spread throughout the organization with large flows of people, products, and knowledge between subsidiaries; subsidiaries can serve as strategic centres for a particular product-market combination. Subsidiaries usually also are responsive to the local market. Products and marketing are adapted for local markets and there is a higher proportion of local production and R & D than in subsidiaries of Global companies.

However, the main problem of the study remains, from the perspective of this thesis, that it takes the characteristic features for the types as outlined by Bartlett/Ghoshal (1989; 1998) for granted. But Bartlett/Ghoshal's (1989) methodology, as outlined before, seems to have been problematic from the theoretical and empirical angle of this thesis, as the authors narrowed down

their focus to strategic and structural issues, and no systematic and reliable research in terms of recorded, transcribed and analysed interviews was undertaken in the course of their case studies. Moreover, in fact, Bartlett/Ghoshal's (1989) path to the construction of the characteristic features of the TNC was deductive and not inductive. According to the authors, at that time no fully fledged TNC existed but only companies which showed some or partial similarities with or tendencies to resemble the idealized attributes of the TNC. It is therefore questionable if the characteristics comprising the key distinctive attributes of the TNC as outlined by Bartlett/Ghoshal (1989; 1998) may be reflected by the image one can generate from narration of managers working – according to their self classification – for TNCs asked to describe the key characteristic features of their company as a TNC which sets it aside from other types.

It should have been illustrated that successive attempts to test Bartlett/Ghoshal's (1989; 1998) typology and description or image of the four types of cross-border operating companies and particularly the TNC as the new emerging type have some weaknesses from the methodological point and theoretical point of view of this thesis.

However, from the theoretical point of view, it was Bartlett/Ghoshal (1989) who created the construct of the TNC as a distinctive kind of cross-border operating company and added it as a new distinctive organizational form to concepts available in order to make better sense of a particular area of the social reality. Bartlett/Ghoshal (1989), therefore, extended the typology of cross-border operating companies and introduced a new idea and a label into the world of organization studies. They had to make sense of some development they partly observed and partly assumed. To make sense of unfamiliar developments in the social world is a challenge and, of course, the

question remains how to address this challenge and what happens as this sensemaking occurs.

In the context of experiencing changes in our social environment - changes which are happening on an enormous scope within in the context of globalization (e.g. Waters 1995; Held/McGrew 2000; Sklair 2002) - observers are most likely to be confronted with unfamiliar new developments in the social world. Moscovici (1981: 189) outlined that while we humans are creating a “representation” of an unfamiliar object, this object becomes a familiar object in the course of this process. Moscovici (1981: 190) wrote:

The representations we shape (about a scientific theory, a nation or an artefact) always reflect an incessant effort to turn something unfamiliar or something that feels unfamiliar to us into something ordinary and immediately present.

Moscovici (1988a: 189) outlined some important points with respect to the 'enactment' of social reality, something which in fact Bartlett/Ghoshal (1989; 1998) set out to do: generating a representation or image of a new type of cross-border operating organization which at that time was an emerging unfamiliar object. Based on their, albeit unsystematic empirical observations, Bartlett/Ghoshal (1989; 1998) recognized that some quite successful organizations seem to approach the challenge to organize cross-border operations in a different way than organizations did before and particularly different compared with less successful corporations. In providing a description of the differences of the configuration of some key elements of the new organizational model compared with the three existing older models and labelling this new organizational model as the “transnational model” (Bartlett/Ghoshal 1998: ix) or TNC, the authors created a particular representation of a type of an idealized yet seemingly emerging new kind of



cross-border operating company and turned something unfamiliar into something familiar. Moscovici (1988a: 189) wrote with respect to the function of representations:

The act of re-presentation transfers what is disturbing and threatening in our universe from the outside to the inside, from a remote to a nearby space. This transfer operates by separating concepts and perceptions that are usually associated, and integrating them into contexts where the unusual becomes familiar, where the unrecognized is fitted into a recognized category.

In the course of the generation of representations, researchers like people in general develop a “common-sense theory” about the new object (Augustinos/Walker 1995), and turn something unfamiliar into something familiar (Moscovici 1981: 190). In the process of rendering something unfamiliar into something familiar, we are comparing the unfamiliar object with familiar and similar objects and are labelling it. Moscovici (1981: 189) stressed that while we try to make sense of new experienced objects by creating a mental representation of them, we are always doing this on the basis of our previous experience and already developed mental models. Whenever we are confronted with a novel object and are forced to make sense of it, we act, according to Moscovici (1981; 1988; 2001), on our memory, drawing on already acquired knowledge about the social reality.

The key question of this thesis is whether the distinction between four different types of boundary-spanning organizations and in particular the representation of the TNC as it has been proposed by Bartlett/Ghoshal (1989; 1998) will be mirrored in the narratives by interviewees of two large cross-border operating companies. It is the question of whether more systematic

interviews will allow the author to reconstruct a similar or identical representation or image of the TNC.

### 3.3 Conclusion

In this chapter, I have briefly reviewed some of the key literature on different types of cross-border operating companies and their characteristic attributes particularly outlining the triggering forces for the emergence of the TNC, its characteristic features and the main challenges for its management. In the first step, I have shortly outlined the main arguments of the seminal work published by Perlmutter (1969) and Heenan/Perlmutter (1979) who have based their typology and treatment of the various different kinds of cross-border operating companies on deductive reasoning. Even though empirical research with reference to the typology of different kinds of cross-border operating companies proposed by the authors was conducted later, any of the research focused on only one or a few of the various attributes used in order to distinguish the types. However, the question of whether the attributes used by Perlmutter (1969) and Heenan/Perlmutter (1979) in order to distinguish various kinds of cross-border operating companies are also considered by managers to be important criteria to differentiate various kinds of cross-border operating companies was not addressed. Bartlett/Ghoshal (1989), however, have approached the issue in a different manner as they based their typology of supranational corporations on unstructured interviews with managers in several companies. Unfortunately, the authors did not approach the research issue in a methodologically rigorous manner. Since the interviews were not transcribed, there is no way to find out how the results were derived from the interviews. In addition, the

main flaw, from a sociological point of view is, that all these attempts did not take explicitly the subjective view of managers – those who experience economic globalization and the transformation of cross-border operating companies in their everyday life at work – on the subject into account. In other words, while Bartlett/Ghoshal (1989) coined the term, introduced the TNC as a particular type and outlined its features no validation check was made to determine if the interviewed managers perceive the construction of the TNC also as a unique kind of cross-border operating company and may use the attributes of the TNC outlined by Bartlett/Ghoshal (1989) in order to make sense of its unique characteristic.

Hence, this short literature review supports my argument that in order to advance the knowledge in the field, it is important to conduct further research. The research conducted for this thesis approaches the issue of how to distinguish the TNC from other kinds of cross-border operating companies, drawing on key distinguishing attributes of the TNC quite differently as it focuses on the "mental construction" of the main characteristic features of the TNC as a possible qualitatively distinctive kind of cross-border operating organizations by individuals who are working for cross-border operating companies. In order to reveal the main attributes of the TNC, the causes which are supposed to have triggered the development of the TNC, and the challenges for the management of the TNC, the interviewees were approached in an open manner using a semi-structured interview approach. In addition, the interviews were transcribed in order to allow to systematically "reconstruct" the constructions of the TNCs in a methodological rigorous way.

This thesis employs the sociological theory that 'social reality' is socially 'constructed' (Berger/Luckmann 1966) as people make sense (Weick 1969;

1999) of certain issues of the social world. It therefore brings the actors back in and focuses on the construction of the TNC by junior managers of cross-border operating companies as the future generation of decision managers. This will help to understand how members of the future generation of the business elite 'construct' the issues of 'social reality' under investigation in this thesis while being asked to elaborate on their "mental construction" (Moscovici 1981) of the TNC. It gives insight into the everyday life mental construction of a particular object of "social reality" (Berger/Luckmann 1966) by members of a certain social group. The empirical part of this thesis will focus on the results of the "sensemaking" (Weick 1969; 1999) concerned with the idea of the emergence of the TNC as a particular new kind of social institution, and the causes, and consequences of this evolution of cross-border operating companies for its management. However, before the results of the empirical research conducted for this thesis are discussed in depth, the next chapter will outline the employed methodology.

## 4 Methodology

In this chapter, the methodological framework underlying the empirical research presented in the following chapters will be outlined and discussed. It is important to provide such information and to go into some detail, particularly when it comes to the issue of typology construction and concept formation, as an explicit discussion of the methodological assumptions and epistemological perspectives of this thesis seems to be crucial for allocating this thesis into a particular research tradition in sociology. Moreover, such detailed discussion of key methodological and some epistemological issues will help to better understand the intent of the conducted research and may prove to be of value for the interpretation of the results presented later.

In the first step, the general research design will be briefly discussed and the suitability and the advantages of taking a qualitative approach for answering the stipulated research questions as outlined in the introduction will be highlighted. In the next step, I will discuss some key issues which will be of importance for conducting case study research and which will help to understand the intent of this particular type of social research. This section will be followed by a brief discussion of the data generating and analysis methods employed, i.e. semi-structured interviews, qualitative content and document analysis. However, it is of particular importance to discuss issues of concept formation and organizational typology construction as this is of pivotal relevance for this thesis. In addition to revealing if managers working for some large supranational operating organizations are able to make

sense of the four different types of such organizations as suggested by Bartlett/Ghoshal (1989; 1998), it is a key task of this thesis to construct conceptualizations of the TNC as one of the four types based on the interviews and documents analyzed. In other words, the particular key characteristic features will be highlighted as being of key importance for understanding the particularities of the TNC as a distinctive type of cross-border operating company. In addition, a particular metaphor and some extension of it will be proposed and discussed as being suitable to generate an appropriate image or idea of the TNC. The utility of employing metaphors and creating images of organizations strongly advocated by Morgan (1980; 1986) will be therefore highlighted and some key methodological issues will be tackled in this chapter. However, the first aspects embarked upon in this chapter are intended to highlight the intention of qualitative case studies and their utility in relation to the research questions outlined in the introductory chapter. In other words, the immediately following paragraphs discussing qualitative case studies will not so much generally describe the key features of this social research approach, but will deal with the issue of why such a research approach is particularly fruitful and, as a matter of fact, the matching research methodology for the purpose of this thesis. Further details outlining how the qualitative research has been conducted, including the questions asked in the course of the semi-structured interviews, will be provided in the Appendix.

#### 4.1 Research Design: Qualitative Case Studies

A particular research design emerges as a consequence of decisions made concerning the generation and analysis of data. It is of key importance to

align the research design with the research questions so that appropriate data can be gathered and analyzed in a way which will allow answering the research question. Based on the research questions for this thesis, which basically are concerned with the issue of whether managers in supranational corporations can make sense of the qualitative distinction of particular types of cross-border operating companies and more particularly concerned with sensemaking of the idea of the TNC as a particular and unique type of cross-border operating corporation (Bartlett/Ghoshal 1989; 1998), a qualitative research design was adopted. This qualitative research design is rooted in a case study approach for which semi-structured interviews have been conducted with some managers in two supranational companies in different industries and industry sectors. The generated data, i.e. narrations, have been transcribed. The transcriptions have been used in order to identify characteristic features of the TNC as outlined and highlighted by the respondents in order to distinguish it from other types of cross-border operating companies. In addition, some publicly available documents have been used to supplement the information generated and collected with the interviews. The intention with the data analysis was to reveal key concepts or characteristic features mentioned by the interviewees while characterizing their corporations as possible, assumed prototypes of TNCs in order to generate or construct a concept of the TNC based on the narrations of the interviewees of the organization.

The application of case study research is a widespread social research approach, often used for sociological research. It can be applied in order to generate data which will allow a rich description of some phenomenon in question, to generate concepts, conceptual frameworks and even theory and, in some instances, may also be applied for testing theories and hypotheses (Eisenhardt 1989: 535, 545). However, in some instances the final product

of case study research may be relatively minor in terms of knowledge advancement as it may basically replicate prior theory or concepts or there may be no patterns which can be extracted from the data allowing the researcher to attempt theoretical generalization, to revise existing concepts, and to generate new concepts or even theories (Eisenhardt 1989: 545). Emphasizing that a case study approach highlights the particularities of each case next to commonalities between cases for the purpose of concept generation is important. Glaser/Strauss (1967: 21 pp) have highlighted the importance of comparative analysis for creating a grounded theory or conceptual generalization and wrote (Glaser/Strauss 1967: 30):

Since accurate evidence is not so crucial for generating theory, the kind of evidence, as well as the number of cases, is also not so crucial. A single case can indicate a general conceptual category or property; a few more cases can confirm the indication.

However, case study research does not necessarily mean that there will be only one single setting used for producing a description of a phenomenon in order to generate concepts or theory, but in fact, multiple cases can and should be used. Yin (2003) suggested a design basing case study research on multiple case analysis in order to enhance the “empirical ground” (Glaser/Strauss 1967) on which a concept or theory can be derived from. In fact, in order to increase the validity of a theoretical generalization – such theoretical generalization is the main purpose of case study research - in contrast to the purpose of generalizing a theory to a population by testing it or some hypothesis derived from it usually with a random sample, which is the main purpose of survey studies (Yin 1984), it is strongly recommended to ground empirical case study research not only on one case but on several



cases<sup>33</sup>. However, if multiple case study research should be preferred over single case study research the question of what number of cases should be considered to be appropriate in number arises. In theory, the number of cases analyzed and considered should be guided by the endeavour to reach “theoretical saturation” (Eisenhardt 1989: 545). Theoretical saturation refers to the fact that after adding case after case, new information or knowledge concerning a particular phenomenon starts to diminish and information starts to repeat; no new or only incrementally additional information can be generated by analysing new cases. Eisenhardt (1989: 545) stressed accordingly:

Theoretical saturation is simply the point at which incremental learning is minimal because the researchers are observing phenomena seen before...

Eisenhardt (1989: 545) continued to outline that in practice the endeavour to reach theoretical saturation with the sample of cases analysed is often obstructed by pragmatic considerations like time and money<sup>34</sup>.

In this thesis two different organizations do serve as the cases for analysis. But in order to collect the data of importance for this thesis, in each organization several employees have been interviewed. The number of interviewees were determined by the number of managers agreeing to be available for interviews as well as the issue of theoretical saturation. For both compa-

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<sup>33</sup> Nevertheless, single case studies may also have their utility and place in social science as Barzelay (1993) argues, emphasizing that the single case study is an intellectually ambitious inquiry.

<sup>34</sup> Even though there may be no preset numbers of cases which are better than any other number, Eisenhardt (1989: 545) highlighted that any number between 4 and 10 cases for any particular research may work fine.

nies, the data generated by the various interviewees tended at one point largely to reproduce the data generated earlier.

The material generated in case studies is usually used to provide a coherent holistic description or reconstruction of the different interviewees' responses concerning a particular issue. The results may, at the same time, help to assist with the revision of previous work or at least to place the previous work in a new and different light as some novel elements are highlighted and may considered to be added to an existing concept.

Next to the question of how many cases may be considered for a case study research project, the question of how to select the cases is the next important question to be considered. When it comes to research which does not have the intention to focus on the possible generalization of results to a given population but on theoretical generalization in terms of deriving new concepts, revising existing concepts, or producing new theory, a random sampling approach preferably applied for survey studies would not work properly. Eisenhardt (1989: 537) and Yin (2003) have emphasized that when case study research is assumed to be used for the purpose of rich description or theoretical generalization a different approach should be chosen for sampling purposes. Eisenhardt (1989: 537) wrote about case study research:

Such research relies on theoretical sampling (i.e., cases are chosen for theoretical, not statistical, reasons, Glaser & Strauss, 1967). The cases may be chosen to replicate previous cases or extend emergent theory, or they may be chosen to fill theoretical categories and provide examples of polar types.

Since it is the purpose of this thesis to investigate further if individuals working for supranational corporations can make sense of the distinction between four different types of cross-border operating companies as proposed by Bartlett/Ghoshal (1989; 1998), and how the particular features of the TNC as one of the four different types of cross-border operating companies earlier identified can be conceptualized, the cases which means the organization had to be chosen on the ground if they had operations in various different countries and may be likely to be considered to represent TNCs rather than any other kind of supranational corporation. The cases were intentionally chosen as it has been believed that they may be instrumental in enabling the generation of theoretical constructs or to serve as examples of the TNC as a particular type of cross-border operating companies. For the purpose of the study conducted for this thesis, two companies of a rather large size conducting business in various countries and in two different industries (belonging to two different economic sectors) have been selected. This allows controlling for environmental variation, while at the same time the focus on large corporations constrained variation due to size differences between the organizations - the same reasons Eisenhardt (1989: 537) explained to be of importance for a case study conducted by Pettigrew (1988). DaimlerChrysler and Accenture are the companies chosen for the study. They are both large corporations with operations in diverse countries, or in the case of Daimler Chrysler, have been large corporations at the time of the study, and were operating in two different industries and in two different economic sectors (consumer goods and service sector).

The cases study research approach is closely tied to qualitative research but does not exclude the application of some quantitative methodology (Eisenhardt 1989, Yin 2003). In fact, it allows researchers to combine and apply various data generation or collection methods and therefore is very flexible

and open to various data generation methods. Eisenhardt (1989: 534) wrote accordingly:

Case studies typically combine data collection methods such as archives, interviews, questionnaires, and observations. The evidence may be qualitative (e.g. words), quantitative (e.g., numbers), or both.

In order to generate the necessary data for this thesis, semi-structured interviews and documentary analysis have been used. The main focus of the data generation is on semi-structured interviews. As it was the primary concern of the study to reveal information concerning the respondents' mental constructions of particular characteristic features of the TNC as a qualitatively unique type of supranational company set aside from the three other types proposed by Bartlett/Ghoshal (1989; 1998) with reference to the organization they were working for, the questions were designed to trigger appropriate narration. However, in the first step individuals were introduced to the four different types of supranational organizations distinguished by Bartlett/Ghoshal (1989; 1998) and their company was allocated *a priori* to represent the TNC rather than any other type. Interviewees were then asked to provide at least one example, that is, to name one other company in their industry as an example for the remaining three types. However, respondents also learned that they may change the *a priori* allocation of their organization as the TNC type to any other type and then name three other companies, that is, one for each of the remaining three types.

In the next step, the interviewees were asked to elaborate on why they had allocated the organizations to each type and to contrast or outline the main differences between the three other types of organizations from the one they had allocated to the TNC type. This way, they started to think about the rea-

sons or implicit assumptions or mental models and had an opportunity to freely elaborate on this issue. In the third step of the interviews, the respondents were asked to elaborate on selected issues and describe the unique features, focusing on their own corporation or – if they believed their own corporation was not a TNC but rather a different kind of organization – how it had to be considered to be different from the TNC on these respective dimensions/issues.

The interviews were recorded with the knowledge and consent of the interviewees and were later on transcribed while confidentiality was guaranteed<sup>35</sup>. The transcribed interviews were primarily reviewed for information concerning key characteristic features mentioned in the generated narrative. This material has been used in order to identify respondents' assumptions concerning the factors triggering the development of TNCs, the main key tasks management has to address, and, most importantly, the key characteristic features or attributes defining the TNC.

In addition, documentary analysis was used to supplement the data generated by the interviews. The documents used were mainly corporate pamphlets, presentations available to the public, and internet resources. The transcribed interviews and the contained information were used in order to generate concepts or images of the two prototypical TNCs and contrast the generated conceptualizations with Bartlett/Ghoshal's (1989; 1998) conceptualization of the TNC.

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<sup>35</sup> Therefore, the names of the interviewees are not their real names in order to guarantee confidentiality and prevent the identification of them.

The discovery of such concepts from empirical data which may even lead to further generalization in terms of a theory or model must be seen as the primary purpose of qualitative research in sociology. Glasser/Strauss (1967) highlighted that one possibility used to enhance theory formation using qualitative data in an inductive methodological approach instead of reliance on deductive *a priori* approaches. In other words, conceptual generalizations should be rooted or grounded in empirical data preferably derived by qualitative research rather than be the result of deductive or, in negative terms, pure speculative and perhaps wishful thinking. Glasser/Strauss (1967: 3) wrote:

To generate theory... we suggest as the best approach an initial, systematic discovery of the theory from the data of social research. Then one can be relatively sure that the theory will fit and work. And since the categories are discovered by examination of the data, laymen involved in the area to which the theory applies will usually be able to understand it, while sociologists who work in other areas will recognize an understandable theory linked with the data of a given area. Theory based on data can usually not be completely refuted by more data or replaced by another theory. Since it is too intimately linked to data, it is destined to last despite its inevitable modification and reformulation.

It is important to highlight the primary purpose of such grounded qualitative research in sociology or social sciences in general. Rather than being concerned with the verification, or more accurately, with the falsification of a theory, model or/and hypothesis derived from such a theory or model, qualitatively grounded research is primarily concerned with the generation of such a theory, model and/or hypothesis which, later on, may be tested by large scale empirical studies. It is less concerned, as previously mentioned, with generalization of the results to a particular population to which it may be applied and more concerned with theoretical generalization from case

material. It is concerned with the question of what one may be able to learn conceptually from the analyzed cases – preferably in such a manner that the theoretical generalization helps to understand a particular issue better than before. The theory or conceptual generalization, models and derived propositions or assumptions may turn out to advance the analytical tools available for scientists in a particular field of knowledge helpful to enhance our understanding of some object in this field. Glaser/Strauss (1967: 23) highlighted this purpose in the following manner:

In discovering theory, one generates conceptual categories or their properties from evidence; then the evidence from which the category emerged is used to illustrate the concept. The evidence may not necessarily be accurate beyond doubt (nor is it even in studies concerned only with accuracy), but the concept is undoubtedly a relevant theoretical abstraction about what is going on in the area studied. Furthermore, the concept itself will not change, while even the most accurate facts change.

In the next step, I will address the issue of concept formation and typology formation. Concept formation is concerned with theoretical abstraction from empirical material, if it is grounded in empirical evidence, but may be only concerned with one particular component of interest. For example, concept formation may be concerned with generating a concept of strategic advantage. If, however, this concept is further differentiated allowing to distinguish among various kinds of strategic advantages, typology generation takes place. In other words, researchers may be concerned with generating the concept of the supranational company, being concerned with the attributes of it. This is an example of concept formation directly relevant for this thesis. However, if researchers are not only concerned with what attributes or properties supranational corporation exhibit in general but also with the question of distinguishing among various kinds of supranational corpo-

rations, typology formation takes place. Prominent attempts in the field of knowledge this thesis is aiming to make a contribution to, have been reviewed in chapter 3. The attempt is to add Perlmutter's (1969) and Heenan/Perlmutter's (1979) as well as Bartlett/Ghoshal's (1989; 1998) typologies of supranational corporations. In the next step, some fundamental methodological issues concerning concept and typology formation will be discussed. This is not only necessary in order to better understand the intent, utility and construction logics of the previously reviewed typologies imposing a structure on the variations of supranational corporations but also to understand the methodological background and results of this thesis.

## 4.2 Concept and Typology Formation

In order to make sense of the plethora of different organizations and to highlight similarities for heuristic, practical and research reasons, it is helpful to group certain individual organizations together as they share some characteristics and to create types of organizations. Differentiating between the multitude of existing organizations and, at the same time, grouping some together is crucial for understanding organizations as a central institution of modern social reality. Even though every organization is unique and, therefore, will be therefore different in some respect from any other organization, nevertheless, some of the organizations in a given population of organizations will exhibit some similarities concerning some aspects of interest – or they may even be identical in some respects. If organizations are identical or similar in some respects, grouping organizations based on their similarities and distinguishing them - based on their differences - from other organizational groupings may be a very fruitful and helpful endeavour. If



we are classifying organizations, i.e. bundling some organizations together and treating them as similar in some respect, while at the same time distinguishing them as a group from other groups of also classified and, in some respect, similar organizations, we are creating organizational typologies and taxonomies<sup>36</sup>.

Constructing ideal-types of some kind of organizations and comparing real existing organizations with the idealized forms or, in order to formulate it in a more general manner, some social elements or phenomena with an existing ideal-type construct in the respective realm of knowledge, has a long and influential tradition in sociology. The construct of typologies is considered to be a helpful methodological and theoretical device used to make sense of or help to understand better a particular area of social reality starting with the founders of the discipline, for example, Weber 1967, Toennies 2001, and Durkheim 1997.

Rich (1992: 758) has highlighted the utility of constructing classificatory schemata or organizational typologies – and elaborated in detail on key issues which have to be addressed properly for typology and concept development – which are enabling to differentiate between organizations (as a

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<sup>36</sup> Many organizational typologies have been developed so far and it would not be particularly helpful or fruitful to list all available organizational typologies. Some of the well known classical typologies, just to mention a few, have been proposed by Weber (1968), Etzioni (1961), Blau/Scott (1962), Parsons (1956), Perrow (1972), Pugh et al. (1968), and McKelvey (1982). Some well known general typologies of organizations are, for example, presented in Scott (1972). Kilman (1983) has even developed a typology of organizational typologies in order to structure the field of knowledge concerned with ordering the various types of organizations according to some criteria in various schemata or typologies.

particular aspect of social reality) and at the same time highlight the similarities of some organizations based on certain aspects:

Organizational classification provides the basis for strong research by breaking the continuous world of organizations into discrete and collective categories well suited for detailed analysis.

Basically, there are many organizations and each one is different from others. However, even though they are somehow different they also may share some important similarities in some respect. If an organizational classification schemata or typology enables us to categorize individual organizations from a population of organization into some existing categories of a classificatory schemata, this classificatory schemata is a helpful heuristic device since it will help to reduce complexity. Complexity is one important impediment in various endeavours in the social sciences and its reduction is necessary in order to enable understanding of a complex social reality (Luhmann 1984; 2009) and recognize patterns and therefore regularities. Any particular proposed organizational typology will allow researchers to compare and to contrast existing organizations focusing on one attribute or several attributes. All organizations which do share that attribute or resemble the description of that attribute (or the attributes) very closely will be allocated to a particular category or type and therefore will belong to one group of organizations. Rich (1992: 758) has emphasized:

The typology is a shorthand device by which organizations may be compared; it provides a means for ordering and comparing organizations and clustering them into categorical types without losing sight of the underlying richness and diversity that exist within the type.

If a researcher is concerned with the development of a typology of organizations, one or a few characteristics or criteria for group membership are required and must be specified in order to allocate a given organization into one category or to one type. In order to derive typologies or categories of organizations, and to define at the same time distinguishing and grouping characteristics, basically two different approaches are available and have been used by various scholars in the past. Rich (1992) has distinguished between these two approaches being used for developing organizational classificatory schemata<sup>37</sup>.

The first approach is the *a priori* or deductive approach, which means that some investigator or scholar proposes a certain classification system for categorizing organizations. The various categories of the classificatory schema, however, are based on *ex ante* theoretical reflection concerning the dimensions and criteria considered to be useful for categorizing organizations into the classificatory schemata and they are based on a particular purpose or interest for which the typology is developed. In the second step of this approach, real existing organizations are allocated to one of the categories of the typology, based on the observation of significant similarities of empirically identified features with the outlined characteristic features of the organizations the various types are assumed to exhibit.

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<sup>37</sup> In fact, Rich (1992) distinguished between three types of procedures for creating organizational classification systems. However, the first type termed the “traditional approach”, is based on common sense and fails to define explicit the features of the organizational groups. The traditional approach is not a methodological and scientifically acceptable way for deriving organizational typologies and is therefore neglected in this discussion.

The second approach to constructing an organizational typology and distinguishing between the categories of the typology is *a posteriori* as some key attributes for each category are specified based on empirical investigations. The development of prototypes or archetypes might be based on empirical material as various empirical cases are observed and one of the cases, or several, may be considered to be examples for a particular category. Moreover, the empirical material derived from the analysis of one or several cases for each category of a typology and their common properties may be idealized. In other words: researchers are looking at various existing organizations and attempting, based on their empirical observation and data, to derive a typology which helps to sort these organizations outlining the particular features they share with others in one category of the typology and which, at the same time, sets them apart from other organizations which do not share these features<sup>38</sup>.

Rich (1992) has distinguished between taxonomies and typologies as he argued that the first term refers to an empirically, and in addition, arithmetically derived organizational classification schema rooted in the quantitative paradigm. In contrast, the term typology should be used to label organizational classification schemata based on qualitative features of organizations. In the context of such qualitative studies, based on the observation of a few cases of organizations analyzed for that purpose, typologies of organizations rooted in the qualitative paradigm are developed. In this thesis this last methodological approach for creating categorical attributes of the TNC as a particular type of multinational corporation will be applied.

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<sup>38</sup> In this inductive and empirical approach either a typology based on a number of qualitative case studies are created or taxonomies are derived from statistical procedures like, for example, statistical cluster analysis (Rich 1992).

These classificatory schemata helping to distinguish categories or groups of organizations may contain at a minimum two categories or grouping possibilities or many more categories. For example, Burns/Stalker's (1961) classical study resulted in the proposition to distinguish between organic and mechanic organizations as two qualitatively different types. More recently, for example, Tushman/O'Reilly (2004) proposed the distinction between organizations which are ambidextrous and those which are not ambidextrous. They derived the type of the ambidextrous organization through qualitative analysis of some cases. In their typology, they outlined the main dimensions they were focusing on and delineated the differences on these dimensions between those organizations they termed ambidextrous and those which were the opposite. In fact, Tushman/O'Reilly (2004) do not even term or label the non-ambidextrous organizations as they were primarily concerned with distinguishing and elaborating the particular features of only the ambidextrous organization<sup>39</sup>. In this particular typology or classificatory schemata proposed by Tushman/O'Reilly (2004), only two groups or types of organizations were distinguished. Similarly, Bartlett/Ghoshal (1989; 1998) derived their typology of supranational corporations and based their descriptions of the TNC of one kind of type on qualitative evidence – regardless of how problematic this evidence may be considered from a methodological point of view. But what is of particular relevance for this thesis from the discussion of these examples, if one keeps the above discussed typology construction variations into mind, is that the typology and the characteristic attributes of the categories of some typologies are empiri-

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<sup>39</sup> For Tushman/O'Reilly (2004) ambidextrous organizations are companies which are equally able to exploit existing capabilities and explore new capabilities at the same time.

cally derived - not by an arithmetic quantitative analysis of some data but based on a careful in depth analysis of a few cases of organizations.

Fig 4-1: Generating Organizational Classification Schemata

Types of Procedure	Basis of procedure	Results of Procedure
Theoretical	A priori/heuristic	Organizational classes are formed prior to the placement into these classes  Organizations are sorted into classes based on prior theory rather than Empirical methods.
Empirical	A posteriori/ arithmetic	Organizational classes emerge from the empirical procedures used to sort organizational features on the basis of similarity or contrast

Source: Rich (1992): 760, modified.

Hence, organizational typologies have been constructed on the basis of the observations and empirical evidence gathered while conducting qualitative research focusing on a very limited number of organizations as cases. In order to highlight differences between the types of organization which may be used to categorize organizations, qualitative rather than quantitative differences regarding certain aspects of interest were delineated. Moreover, organizations are categorically allocated in an either/or manner to one (or none) of the categories of a given qualitative typology rather than by differentiating between degrees of proximity based on quantitative differences from a set of arithmetic configuration of some characteristic features exhibited by the most prototypical organization of a given category.

Hence, to derive a useful typology of organizations, some particular characteristic features must be used which are supposed to help to distinguish appropriately as well as in a useful way between organizations (given a particular focus or interest). At the same time, these attributes different for the types for each dimension used must enable grouping some organizations together as they share qualitatively the same features. Rich (1992: 761) wrote concerning the construction of qualitative organizational typologies:

Typically, specimens and characters are transposed onto a matrix where they are compared to one another for similarities (and differences) across all pairs of both specimens and characters.

In order to create a classificatory schemata or typology, some kind of characteristic features or aspects are highlighted for a class of organizations, and the features or aspects are either closely resembled or not exhibited by individual organizations in social reality. Moreover, some prototypical empirical cases (specimens) are used in order to illustrate, demonstrate or highlight one or all of the characteristic features of the organizations in one category. These organizations serve as specimens or proto- or archetypes for a category or class of organizations in an organizational typology.

Underlying the creation of organizational classifications, there are various philosophical approaches or assumptions and Rich (1992: 762) has distinguished among four different philosophical approaches to classification, that is, essentialism, nominalism, empiricism and phyletics. It would be beyond the scope of this thesis to engage in a detailed discussion of these four underlying philosophical assumptions, but it seems important to clarify the philosophical assumptions this thesis is rooted in. Basically, this thesis is rooted in the nominalist tradition which highlights that social reality is so-

cially constructed (Berger/Luckmann 1966) and terms and categories not perceived by humans do not exist in an objective, from human perception independent natural world. The position of this thesis is similar to that outlined by Rich (1992: 762):

Groupings of phenomena have no existence outside of human perception. Grouped phenomena are artificial constructs that exist only to serve the scientific community's need to study homogeneous classes.

In keeping with the nominalist tradition, this thesis will attempt to provide some rich description and conceptual generalization concerning the TNC, provide some images of the TNC based on interviews with some respondents in organizations and suggest a new subtypology of TNCs. The generated and discussed conceptualizations and images may help to revise or to refine Bartlett/Ghoshal's (1989; 1998) account of the TNC. I would like to stress this point since many classificatory concepts are usually accompanied by some dogmatism. Drysdale (1996: 76) highlighted the potential problems of such dogmatism while writing:

Perhaps worse, however, is the dogmatism which often accompanies the use of classificatory concepts – the illusory belief that a classificatory concept captures the “real” object or those of its qualities which are “essential” in a metaphysical sense. Such a belief is illusory because it fails to recognize that all concepts, including classificatory ones, capture only a very limited aspect of the object or phenomenon [...] Given these limitations, no concept can be regarded as anything more than a very partial, limited, and context-bound representation of any given “phenomenon”.

But conceptual representations of some important aspect of social reality particularly in a classificatory schemata, even if they are context bound and



should be approached with caution, are necessary for social life and interaction. In fact, Berger/Luckmann (1966: 41) have outlined and often emphasized the importance and relevance of 'typifications' of objects and classifications based on concepts for human interaction in everyday life:

The social stock of knowledge further supplies me with the typifactory schemes required for the major routines of everyday life, not only the typifications of others that have been discussed before, but typifications of all sorts of events and experiences, both social and natural.

In order to be able to interact and make sense of some social phenomenon in everyday life, we use certain classificatory schemata or 'typificatory schemes' (Berger/Luckmann 1966), which allow us to 'reduce the complexity' of social reality. Typologies and schemata, which unfortunately also may become dogmatic stereotypes, allow us to process informations efficiently, to make decisions and to act accordingly in everyday life (Berger/Luckmann 1966).

However, in order to construct a useful organizational typology or to generate a conceptualization of one or all of a typology's categories, it is important to highlight the characteristic features of the various types or categories as conceptualizations of the various categories are constructed. Rich (1992: 767) defined characteristic features:

A character (also referred to as an attribute, variable, characteristic, parameter, or dimension) is essentially any feature by which an individual can be compared against another, it also allows both similarities and differences between individuals to be measured [...] The character, then, represents the basic building block of the typology, and it is both the smallest unit by which measurement can take

place and the source for comparison, ideally in the nominal format of information theory (e.g., “present” or “not present”).

Hence, in order to create a 'typification' of a certain object, we must chart its key characteristic features or attributes and compare its assumed key features with the attributes of similar objects in the same “subuniverse of knowledge” (Berger/Luckmann 1966). The categories of a classification system, or typology, should in the best case offer a comprehensive account of the ‘subuniverse of knowledge’ (Berger/Luckmann 1966). The classificatory schemata should allow researchers to allocate and order all experienced individual objects in the subuniverse of knowledge which, on the other hand, will be defined by the interest of the researcher. This means a classificatory schema or typology of cross-border operating organizations should allow the allocation of any of such organizations to one of the types (and only one but no more).

A classificatory schemata or typology often uses or offers a kind of reference model or, to use Moscovici’s (1981; 1988; 2001) notion, a ‘prototype’ for each category for comparative purposes. We refer to these prototypes in order to come to the conclusion, of whether an experienced individual object can be subsumed under or allocated into one of the available categories. We determine if individual cases of a certain class of objects can be categorized into one of the categories of the classificatory schema as we compare an object (its features or its attributes) with the features or attributes of the various prototypes of a classificatory schemata. Moscovici (1981: 195) wrote concerning the process of categorizing:

Categorizing someone or something is tantamount to choosing a prototype among all those embedded in our memory and establishing a positive or negative relationship with it.

If we are establishing only negative relationships between an experienced object and all available prototypes of a classificatory schemata, we need to modify and extend the classificatory schema. Moscovici (1981: 194) wrote with respect to the key feature of a category within a classification schema:

The main feature of a category, that which facilitates its manipulation, is that it offers a model, a prototype which expresses it and provides us with a sort of robot-portrait of all the individuals supposed to belong to it. This robot-portrait constitutes, one might say, the most typical case among a multitude of neighbouring cases and concentrates their common properties[...] In short, on the one hand, it is an idealized combination of traits to which a value has been attached; on the other hand, it is an iconic matrix of characteristics that make us grasp it immediately.

Hence, the prototypes or archetypes of the categories could be on one hand some kind of ideal-type constructions derived from pure theoretical reflexions, like Weber (1968) demonstrated artfully by creating various categories and classificatory schemata of general interest for sociology, or they could be abstractions based on some empirical evidence as a ground for the theoretical abstraction (Strauss/Glaser 1967)<sup>40</sup>.

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<sup>40</sup> Weber (1968) proposed the development of ideal-types and typologies for classificatory purposes in social sciences as a scientific endeavour of its own right and importance, in order to be able to compare, contrast, and categorize real-type cases of social reality for enhancing our understanding of the social world. It is one of the tasks of social scientists to compare real-type cases and their features with ideal-types or 'prototypes' of the various categories of a classificatory schema for imposing some order on the field of knowledge.

Weber (1968) highlighted the importance of being able to develop sound concepts based on the construction of ideal-types in order to construct knowledge. Discussing Weber's (1968) ideal-type methodology or approach to develop and propose a heuristic foundation of sociology Drysdale (1996: 79) wrote:

First, the formation of a concept is a matter of construction. Weber refers to ideal types as "conceptual constructs" (*Gedankengebilde*)... The construction or formation of the concept (*Begriffsbildung*) is a self-conscious and deliberate "procedure" undertaken by the scientist. [...] Second, the deliberate construction of concepts focuses on the idealization of an object, which consists of two stages or moments: abstraction and synthesis.

How the idealization of an object in question should be done in social sciences, and how concepts should be generated is captured in Figure 4-2. In this figure two phases or steps of ideal-type concept formation, that is, abstraction and synthesis, as referred to in the quotation, are differentiated. The first step refers to the selection of certain traits or characteristics of the object in question. As Drysdale (1996: 81) wrote:

Abstraction refers to the selection (*Auswahl*)... of particular traits of concrete phenomena. Abstraction makes the resulting concept only a very partial "representation" of the object. Abstraction, in turn, is associated with a deliberate "mental accentuation" (*gedankliche Steigerung*).... of certain traits or elements of reality.

In the next step, the various selected traits or features which are supposed to be characteristic for a particular concept, like a type of organization, are combined in order to generate a conceptualization like the ideal-type description of a particular type of organization within an organizational typology. Weber (1968: 190) wrote:

An ideal type is formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent *concrete individual phenomena*, which are arranged according to those one-sidedly emphasized viewpoints into a unified *conceptual* construct [*Gedankenbild*].

If an ideal-type of something, like an organizational type is created, an ideal image or mental representation of this object emerges as the result of the synthesis of previous abstractions.

Figure 4-2: Ideal-Type Concept Formation

Process of the Idealization of the Object		
	Moment 1 <b>Abstraction</b>	Moment 2 <b>Synthesis</b>
Action:	Selection of traits Accentuation of traits	Synthesis of traits
Criteria:	1. Conformity to the object (including „objective possibility“) 2. Cultural Significance 3. Scientific Value-relevance (adequacy at the level of meaning)	1. Conformity to the Object (including „objective possibility“) 2. Unity, Coherence as an Object 3. Legical consistency
Result:	Construction of an „ideal Type“ (an idealized, conceptual object)	

Source: Drysdale (1996), p. 82

As Moscovici (1981) has pointed out, for comparing an individual case of an object as we experience it with the categories of a classification schema, we tend to employ a prototype or ideal-type image of the object. A proto-

type represents a certain category and may mirror the social representation (Moscovici 1981; 1988; 2001) of it, that is the broadly shared and the most typical characteristic attributes or features of the individual objects belonging to this category in a social group. Therefore, this prototype should feature the core elements or the key characteristic attributes of the social representation of the object for a certain social group. However, if we are not able to allocate an individual object satisfactorily into one category, the classification schema will be reviewed and revised or extended as a new category may be added. In this case, a new prototype for the objects of the new category must be developed. With respect to the creation of a new prototype Moscovici (1981: 195) wrote:

This decision usually takes one of two directions: the direction of generalization and that of individualization. From the very start, we may have a ready-made image in mind and be looking for some information or an 'individual' to match it, or else we may have such an individual in mind and attempt to narrow down the image. We reduce distances by generalizing. By individualizing, we maintain things at a distance and treat the individual in question as a deviant from the prototype. That means that one is [also] compelled to recognize those features, motivations and behaviours that reveal uniqueness.

In developing a new prototype or most typical case of a new category of a typology, we might have an individual experienced case in mind and we generalize from it. We look for those attributes or characteristic features of the individual case which we consider to be the general "core elements" (Abric 2001) which define all similar objects and which set them apart as unique from other similar but yet qualitatively different objects. We generalize from empirical experience of an individual case or individual cases and develop a "theory" (Argyris/Schön 1978) or "representation" (Moscovici 1981) of a certain object. Hence, the prototype of a category is

derived by generalizing from empirical cases. On the other hand, we might develop first a general idea or a theory concerning the uniqueness of a certain object as we conceptually outline the assumed characteristic features of it based on theoretical reflexions, and then proceed to compare individual cases with the prototype and decide if and how closely they resemble the key distinguishing attributes of the theoretically derived prototype and its key attributes of a certain category. Moscovici (1981), this should have become clear, referred to the deductive and inductive approaches to construct and category development discussed earlier.

However, it is not an easy task to decide which characteristic features or attributes should be used in order to describe a prototype or characterize an ideal-type of the organizations in a particular category of a typology. Rich (1992: 767) admitted that:

There are so many variables that may serve as the basis for a taxonomy [or typology] that it is particularly difficult to promote the inclusion of any one character over another [...] The question remains, however, as to what characters are admissible and/or useful in classifying organizations.

Moscovici (1981) did elaborate in some detail on how the most typical attributes of an object, which are considered to be the constituting elements of the prototypes of the categories of a classificatory schema, are usually derived. In the context of attempting to make sense of a unfamiliar novel object we, according to Moscovici (1981; 1988; 2001) will compare the observed features of the new phenomenon with the features of the prototypes or mental models of already existing categories part of the same “subuniverse of knowledge” (Berger/Luckmann 1966). Those individuals, for example, who are observing the organizational landscape will tend to compare

an organization and its attributes with the attributes of already existing prototypes of organizations of a given classification system or typology. This typology or classification schema contains a certain number of categories of similar but yet qualitatively different objects (that is different types of organizations). For each category, the observer will have some kind of prototype or conceptualized model in mind, which he or she will use to compare and contrast individual cases with, in order to decide, if those cases can be allocated to one of the existing categories. If not, the observer will create a new type and use the novel kind of organization as a prototype or archetype for that class within a classificatory scheme or an ideal-type as a theoretically abstraction from any particular case.

It is important to mention that the prototypes or ideal-types of organizations used in order to construct an organizational typology are, according to Weber (1968), developed concepts and necessary requirements for the construction of knowledge and important means for hypothesis generation. Drysdale (1996: 80 ) pointed accordingly out:

Concept and judgement likewise serve complementary logical functions. It is clear that for Weber the judgement (thesis, hypothesis) is oriented to the cognitive goal of causal explanation, the central goal of every scientific discipline... The concept, on the other hand, even as it is a means toward the formation of hypothesis, represents a deliberate, constructive interpretation of reality. In the hands of its author, the concept interprets phenomena through selection (*Auswahl*) of certain traits which will then constitute the "conceptual object".

This description of the process refers to the fact that when we construct typologies or classificatory schemata (including organizational typologies) and use certain characteristics, features or attributes in order to differentiate between different kinds of organizations we are engaged in concept devel-



opment and not judgement in Weber's (1968) sense. Figure 4-3 will help to understand the relevance of concept development in the context of scientific research in general and its difference from hypothesis generating and testing judgement oriented scientific research.

Fig. 4-3: Logical Structure of Scientific Knowledge

Features	Moment 1 Concept	Moment 2 Judgement
Complexity:	simple	complex
Predicative Claims:	no	yes
Means/end:	means	end
Function:	interpretation (identifies relevant Traits of phenomena)	explanation (causal) (claims empirical/historical factual status)
Criteria:	adequacy (in terms Of meaning, significance, Use)	validity (accuracy as a Truth claim)

Source: Drysdale 1996, p. 79, modified

The primary function of concepts in the social sciences, and that includes the various conceptualizations of organizations in typologies is to enhance systematic understanding of phenomena and to provide means to classify (Drysdale 1996: 76). Concepts are necessary in order to be able to formulate hypothesis which are claiming either significant differences in terms of the distribution of some variables between different groups (groups of organizations) or claim a correlation or even a causal relationship between variables. The construction of typologies and, accordingly, the construction of various concepts in order to specify the various types in a typology is a crucial step or process in the endeavour of the advancement of knowledge

of its own right and importance. But Drysdale (1996: 75), referring to Weber (1968), has stated and warned:

The social scientist needs to be aware that any given concept “grasps” only a limited segment or aspect of an object, is only one of many possible versions of conceptualizing the same “slice of reality”, and at best grasps its object for only a fleeting moment in the span of cultural history.

It is a nominal approach to decide if a concrete real-type case of an organization belongs to a certain category or not. It is not a decision based on a quantitative measurement of how ‘close’ a real-type will resemble and display the various qualitative attributes of a certain prototype of a category. However, the development of certain concepts in a classificatory schemata also may be used for an approach which suggests the application of metaphors in order to generate particular images of organizations.

#### 4.3 Images and Metaphors

If we construct typologies based on some conceptualizations and apply labels to indicate or convey a particular meaning of each theoretical construct or concept of a typology, we may create certain images or an image of a concept. With respect to the intention of applying metaphors, Morgan (1980: 611), who is considered to be the key authority and strong advocate for the use of images and metaphors in organization studies, claimed:

The use of a metaphor serves to generate an image for studying a subject. This image can provide the basis for detailed scientific research based upon attempts to discover the extent to which features of the metaphor are found in the subject of inquiry. Much of the puzzle-solving activity of normal science is of this kind, with

scientists attempting to examine, operationalize, and measure detailed implications of the metaphorical insight upon which their research is implicitly or explicitly based.

With the use of a particular metaphor, that is a word conveying a particular idea or a list of known characteristic features to emphasize similarities with something else, sometimes a less well understood something, we can create a particular image of something. With the use of a metaphor to describe a particular concept or the use of a particular label to demark a particular concept, depending on its perceived suitability, we can either create weak or very strong and convincing imagery (Morgan 1980: 611). Conceptualizations of an object like the TNC as a particular type of supranational corporation can be used to search for and propose a metaphor, to create an image which is considered to be suitable<sup>41</sup>. It is important to address the question of what precisely a metaphor is and how it does work for creating images of organizations. With respect to the meaning of metaphor, Morgan (1980: 610) stated:

Metaphor proceeds through assertions that subject A is, or is like B, the processes of comparison, substitution, and interaction between the images of A and B acting as generators of new meaning.

Morgan (1980: 610 pp) continued to explain the meaning and the role of metaphors for understanding a particular social phenomenon in the following words:

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<sup>41</sup> Morgan/Kristensen (2009) have attempted to provide such an application of a metaphor to TNCs in order to create a particular image of it as will be discussed later in more detail.

Metaphor has been shown to exert an important influence upon the development of language ... as meaning is transferred from one situation to another, new words and meanings are being created as root meanings are used metaphorically to capture new applications. [...] The creative potential of metaphor depends upon there being a degree of difference between the subjects involved in the metaphorical process. [...] Metaphor is thus based upon but partial truth; it requires of its user a somewhat one-sided abstraction in which certain features are emphasized and others suppressed in a selective comparison. [...] The most powerful use of metaphor arises in instances ... in which the differences between the two phenomena are perceived to be significant but not total. Effective metaphor is a form of creative expression which relies upon constructive falsehood as a means of liberating the imagination.

It is important to mention that Morgan (1980: 612 p.) stressed that no metaphor or image used for highlighting certain organizational features will be able to capture organizations in total and, in fact, many different metaphors may be needed and useful in order to properly model and understand any particular organizational phenomenon as each one might highlight other features and creates a different image of it. Morgan (1980; 1987) has therefore discussed various images of organizations in order to provide a portfolio of established metaphors<sup>42</sup>.

Morgan (1983) has also discussed methodological issues of developing and using new metaphors in order to create novel images of organizations. Many others have attempted to instrumentalize the use of metaphors in order to describe organizations and shed a particular light on them, for example applying the jazz metaphor (Weick 1998; Zack 2000) in order to de-

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<sup>42</sup> Morgan (1987) has distinguished between various metaphors of organizations, including the metaphors of the machine, organism, brains, psychic prisons, power and dominance, and others.

scribe and highlight the self-organized, spontaneous generation of order or structure in some organizations, just to mention one popular metaphor.

Collinson/Morgan (2009) have recently edited a book featuring various images of the multinational firm. In this book, they provide a collection of images and ways to approach the particularities of supranational firms in contrast to domestic firms. In respect to the use of metaphors and images for understanding nation-state boundary spanning organizations in particular Collinson/Morgan (2009: 3) highlighted:

How could particular images contribute to us understanding contemporary organizations and our role in them? Within this framework, it is possible to remain agnostic about the question of truth and relativism. The point of discussing organizations through the lens of 'images' is not to say an organization is 'a' or 'b' (and we can prove that according to scientific methodology); instead the question would be what if we think about an organization as like 'a' or 'b'?

If we assume that generating a particular image of an organization will highlight certain things while suppressing others and, therefore, will provide us with a particular idea of it, if we assume that a generated image does not mean that the organization is identical with something else but like something else in certain respects, then this image may be considered to be a viable tool or a helpful intellectual instrument for shedding new light on a particular kind of organization. In fact, Morgan (1980) highlighted the creative potential of the use of metaphors in organizational analysis as the application of some new metaphors may create new and different images of organizations than we had before. It will be one of the tasks of this thesis to discuss a particular metaphor as being suitable and useful in creating a par-

ticular image of the TNC, which will help to see the TNC in a new and particular light, and to suggest some extension or refinement of it.

At the end of this section on metaphors and images in organizational studies, it is important to highlight briefly the epistemological paradigm in which the use and the employment of a metaphorical approach is located. Morgan (1980) stressed that a metaphorical approach to social reality is rooted in the interpretative paradigm<sup>43</sup>. The interpretative paradigm does not give social reality an ontological objective status, that is, as being existing independent from the observer, but emphasizes that it is in fact constructed by the interpretation of the observers. If and insofar as such a construction is broadly shared by many individuals, it is a social construction of social reality most people may agree on (Berger/Luckmann 1966). Morgan (1980: 608) highlighted the consequences of this paradigm for organizational studies in the following words:

The interpretative paradigm ... is based upon the view that the social world has a very precarious ontological status, and that what passes as social reality does not exist in any concrete sense, but is the product of the subjective and inter-subjective experience of individuals. Society is understood from the standpoint of the participant in action rather than the observer.

In order to understand any particular social phenomenon, hence, it is important to reconstruct the meaning or the understanding of it by those who are somehow involved in the creation of that particular social phenomenon. If

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<sup>43</sup> Morgan (1980), drawing on Burrell/Morgan (1979) distinguished among four different types of paradigms in organizational studies, that is, the functionalist paradigm, the radical structuralist paradigm, the radical humanist paradigm and the above mentioned interpretative paradigm.

we want to understand the meaning of TNCs, its characteristic features and the particularities which may set it aside from other types of boundary-spanning organizations, it makes sense to turn towards those who are involved in this kind of organizations, to reconstruct their sensemaking of it and to reconstruct their mental constructs of it (Moscovici 1981; 2002). Their constructs allow the generation of conceptualizations of the TNC and, in addition, to use these conceptualizations for proposing a particular matching image or several matching images of the TNC by applying and outlining a particular metaphor or metaphors. This assumption, of course, does have practical consequences for the theoretical approach and understanding of the results of social research, particularly for the used words, the labels employed to highlight some concepts, the way concepts are described, and typologies must be understood. Morgan (1980: 610) highlighted the important consequences in the following words:

Words, names, concepts, ideas, facts, observations, etc., do not so much denote external 'things,' as conceptions of things activated in the mind by a selective and meaningful form of noticing the world, which may be shared with others. They are not to be seen as a representation of a reality 'out there', but as tools for capturing and dealing with what is perceived to be 'out there'.

Does this conclusion make things to appear completely subjective or relative? I would argue it does not, since social research may create, as Morgan (1980) emphasized, while referring to Whitehead (1925), at least "useful fictions" in the sense of intellectual constructs or ideas. Concepts and typologies as well as images based on metaphors creating difference and highlighting the characteristic features of these concepts, are useful reductions of the complexity of social reality. Some conceptions, some words, some ideas, and some images created by employing metaphors, however,

may be considered to be more appropriate or stronger and more useful or viable in order to describe, highlight and outline some aspects of the complex social reality like the TNC. Stronger metaphors will help to understand and, as a consequence, help to make better sense of some social phenomena.

#### 4.4 Conclusion

This chapter outlined and discussed several methodological issues of importance for this thesis. In the first instance, the chapter placed the study into the tradition of qualitative research within sociology and highlighted the primary intention of case study research. It served the purpose of outlining relevant methodological thoughts which are crucial not only in order to better understand the research conducted for this thesis, but also to understand the methodological roots and fundamentally different approaches to the question of how to distinguish among various types of supranational corporations by Heenan/Perlmutter (1979) and Bartlett/Ghoshal (1989; 1998). While Heenan/Perlmutter's (1979) typology is exclusively the result of a deductive process, Bartlett/Ghoshal's (1989; 1998) typology is the result of a process based on some - even though methodologically problematic - analysis of empirical material. It was argued, referring to Glaser/Strauss (1967) that an approach to theory or model-building grounded in empirical material which is in most cases qualitative data derived from case study research, seems to be the preferable method for theory or concept formation.



In this respect, some issues or concerns related to qualitative research employing the case study approach were discussed. In particular, the notion of theoretical sampling and theoretical saturation were addressed in this chapter. In addition, the methodological approach to sampling and data generation by semi-structured interviews used for this thesis was discussed. It was argued that the purpose of qualitative research is not the falsification or verification of some theory, model or set of hypothesis, but rather the generation of some kind of conceptual theoretical abstraction, that is, the construction of a theory or model and, perhaps, the delineation of some resulting hypotheses from the systematic analysis of empirical data. In the next step, the issue of how such conceptual abstractions are derived was addressed with a particular focus on the task of generating organizational classification schemata and typologies. Moreover, as discussed, the knowledge created for classificatory purposes as such is part of conceptual knowledge and not judgment knowledge. In other words, the function of such conceptual knowledge is to identify relevant traits of phenomena and not the causal explanation of some empirical relationship of variables. For the purpose of the formation of such conceptual knowledge, rooted in empirical data, and for the purpose of concept generation for organizational classification, the methodological operations of ideal-type formation proposed and applied by Weber (1968), was discussed.

Finally, this chapter also introduced the methodological approach for concept development or refinement proposed by Morgan (1980), that is, the use of metaphors to highlight particular properties of organizations. A particular metaphor triggers a specific image for a type of organizations which may help to contrast and highlight particularities in a sharper and, perhaps, more meaningful way than relying on a step-by-step outline and discussion of the

characteristic features, attributes or properties of a particular type of organization.

It will be the task of the next chapters to present the results of the research for this thesis which is rooted in the idea of grounded theory development. In the first step, the first case, that is, DaimlerChrysler, will be discussed with the purpose of revealing central organizational properties or characteristic features when it comes to understanding the particular attributes of the TNC as a unique and distinctive type of supranational corporation. In the next step, in a new chapter, the same will be done for the second case analyzed for this thesis, that is, Accenture. The results of these analyses will be synthesized in a separate chapter designated to discuss the similarities and differences found in the description of DaimlerChrysler and Accenture by the interviewees. Furthermore, these similarities and differences will be contrasted with Bartlett/Ghoshal's (1989; 1998) conceptualization of the TNC as has been done so far and, as will be demonstrated, will result in the proposition to distinguish not only between various types of subsidiaries of an TNC but, on a superordinated level, between various subtypes of TNCs. The distinction of these subtypes of TNCs and the description and analysis of their differences are the theoretical generalizations or conceptual conclusions resulting from the analyses of the cases, which is the main purpose, as Glaser/Strauss 1967) have highlighted, of the grounded theory approach.

## 5 DaimlerChrysler

In this chapter, the reconstructions of the mental representations of DaimlerChrysler and its characteristic features, based on the transcribed interviews of several junior managers, will be presented and discussed. The answers of the respondents were based on the assumption that DaimlerChrysler resembles a TNC more than it resembles any other type of cross-border operating company which were suggested by Bartlett/Ghoshal (1989; 1998). In order to generate or construct an image of DaimlerChrysler as a TNC, that is, its core organizational attributes and the particular managerial tasks which have to be addressed for ensuring its efficient operation, I will employ respondents' elaborations on the subject. This information will also be used to construct a particular image of the TNC. In other words, the various characteristic attributes, mentioned by the interviewees, were used to identify the core or key characteristic features of DaimlerChrysler which may be used to signify the differentiation of DaimlerChrysler as a TNC from other types of cross-border operating companies.

Based on the interview material, in Chapter 7 I will generalize theoretically from the empirical material in the tradition of the 'grounded theory' (Glaser/Strauss 1967) in sociological research. The construction of a conceptual "prototype" of the TNC, while highlighting key characteristic features of DaimlerChrysler is based on the assumption that the interviewed junior managers refer to an individually experienced case of a TNC. In addition, document analysis was used for adding supplementary information, where necessary. The attributes can be used to distinguish DaimlerChrysler qualitatively from other types of cross-border operating companies in the

world automotive industry. The constructed prototypical representation of the TNC, based on the interviewed junior managers' mental representations of the important particularities of DaimlerChrysler as they externalized their "everyday knowledge" (Berger/Luckmann 1967) will be contrasted with the main characteristic attributes of the TNC as proposed by Bartlett/Ghoshal (1989). In the first step, however, I will discuss the mental representations of the respondents, or phrased differently, their ideas when it comes to the question of what the main causes triggering the development of DaimlerChrysler as a TNC are. Before doing so, the next section will deal with the question of whether DaimlerChrysler was considered by most respondents to fall into the TNC category rather than any other kind of cross-border operating company using the typology of supranational organizations as proposed by Bartlett/Ghoshal (1989; 1998).

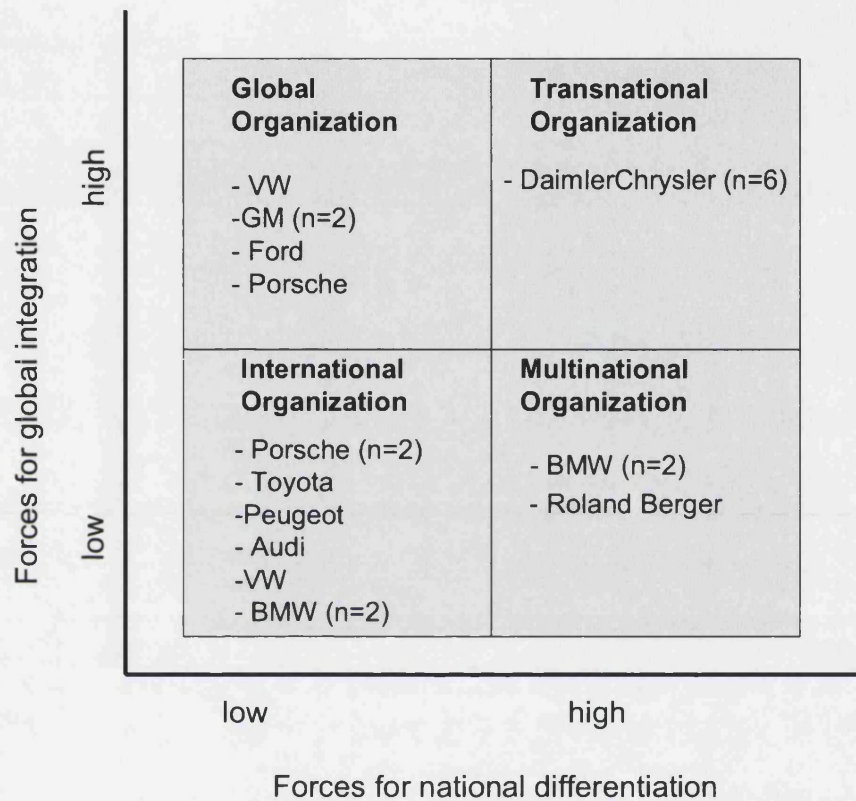
## 5.1 DaimlerChrysler as a TNC?

In the first step it was necessary to identify the majority of the interviewees' categorization of DaimlerChrysler into Bartlett/Ghoshal's (1989: 1998) typology of cross-border operating companies. It was assumed that DaimlerChrysler could probably be considered - as one of the world's largest automobile makers operating in virtually every country around the globe and emerging from a cross-national merger - to be one of the most advanced TNCs in the world automotive industry. At the same time, one of the research questions was asked to determine whether employees working for large cross-border operating companies are able to make sense of the typology of cross-border operating companies proposed by Bartlett/Ghoshal (1989; 1998). Hence, it was important to find out whether the assumption

was mirrored by the interviewees' responses when they were given the task of allocating at least one company in their industry to each of the four types of metanational companies proposed by Bartlett/Ghoshal (1989; 1998). As described in the previous methodological chapter, DaimlerChrysler was allocated *a priori* to be an example of the TNC even though respondents were informed that they could disagree with this categorization and allocate DaimlerChrysler in a different category. There was no real disagreement on this categorization even though one interviewee experienced difficulties in making sense of the provided typology and principally allocating one particular company to one type. Nevertheless, as Figure 5-1 depicts, most interviewees had no problems with allocating DaimlerChrysler to the TNC type or finding other examples for the other categories. In fact, six out of seven interviewees, who were interviewed at DaimlerChrysler, did not challenge this *a priori* allocation at all. It seems that there was a strong sense or feeling that DaimlerChrysler belongs to this type of supranational corporation given the four different labels. In fact, that not even one respondent allocated DaimlerChrysler to a different category seems to be remarkable. Not very surprisingly, the merger of Daimler and Chrysler seems to have had an important impact on the way these managers perceive their organization because they largely agree with its allocation to the TNC type. One interviewee, Lauman stressed in the interview:

Well, the issue with DaimlerChrysler is a relatively tricky thing. Had you have asked this question before 1995, before the merger, I think, it would have been a different story,, it was very much driven by ethnocentric thinking. But now, since we have a (second) headquarters in Aubury Hills, it (the company) is definitely more transnational.

Figure 5-1: Variations of Supranational Companies in the World Automotive Industry



Source: Own Figure

For the purpose of this thesis, it seems therefore appropriate to assume that DaimlerChrysler may be best allocated to the category labelled as the TNC as most respondents largely agreed with the assumption<sup>44</sup>. However, as the

<sup>44</sup> The respondents were first of all asked to allocate one company of the world automotive industry to one of the four categories of Bartlett/Ghoshal's (1989) typology of cross-border operating companies. DaimlerChrysler was preset to be an example of the TNC, but the respondents were encouraged to change this allocation in case they did not agree. No respondent did challenge the view that DaimlerChrysler can be

figure also demonstrates, when it came to allocating other companies in the automotive industry to the other three types of the Bartlett/Ghoshal (1989; 1998) typology, the results are less clear and more heterogeneous. In fact, few respondents could come up with the name of a company they considered to belong to the MNC type (and the listed company “Roland Berger” is a company in the consulting, not the automotive, industry). BMW was the only company in the automotive industry named by two respondents as an example for a company of the MNC type. Interestingly, more companies have been nominated by the respondents to belong to the INC category. The respondents were able to name quite a few, and sometimes even more than one company was named by the same interviewee. Therefore, when it comes to BMW the results were quite ambiguous and one respondent (Lauman) even claimed:

If you consider [BMW and DaimlerChrysler], given the key word ‘transnational’, then one really has to say that they are both on the same level, one really has to say, since both are available in similar markets, and both companies are dealing with the same opportunities, problems and are also similar in size.

Nevertheless, other interviewees, for example Ruprecht, expressed a different opinion as they identified important differences between BMW and Daimler Chrysler. Ruprecht mentioned:

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considered to be a TNC. However, one respondent did claim that there are no qualitative differences between the cross-border operating companies in the world automotive industry and therefore would not use the typology provided to them to distinguish between the companies. However, as respondents were asked in the course of the interview to compare DaimlerChrysler with three other companies (each one was picked as a representative case of the remaining three categories in the typology mentioned in previous interviews by other respondents) and outline the main differences between these companies, the responses supported the idea of qualitative differences.

(For the category of the) multinational (company), I have mentioned BMW. It is clearly focused on Germany, as a company, including the structure of the shareholders and everything else; it is simply a German company, but they sell their products really in every country in the world.

This description fits very well with Bartlett/Goshal's (1989; 1998) description of the INC or Heenan/Perlmutter's (1979) concept of the ethnocentric company. Most interestingly, when it comes to the label of the GLC, most respondents seemed to hold the idea that a company must be simply globally present, while the other three labels characterize different types of organizations. It seems that the description of the INC, at least by most respondents, is similar to Heenan/Perlmutter's (1979) description of the ethnocentric corporation and Bartlett/Ghoshal's (1989; 1998) elaboration on the international corporation. For example, Volkswagen (VW) was allocated to the INC type and to the GLC. Of course, VW produces automobiles in various countries and offers them in most if not all, countries around the globe. Nevertheless, it is a company with a strong influence from its German headquarters and the brand is also seen and sold as a German product. For example, one interviewee (Lambracht) mentioned:

Volkswagen has a strong central governance. They do have international operations. They have a plant in Shanghai. They have a plant in Mexico. They also have, at other sites, international operations, but the leadership [of the corporation] is significantly more central at Volkswagen [than at DaimlerChrysler].

This seemed to be significantly different when it came to GM as the key company mentioned to represent the GLC type in the world automotive industry. Two respondents listed GM as an example of a GLC and Ruprecht elaborated:



GM [is global] and it has actually a similar structure compared to Daimler, in such a sense, that it has different brands, which have different home countries, like Opel in Germany. But GM is principally an archetypical American company, Big Three in Detroit & Co. But they are present worldwide with different brands, and in the Asian market, they offer different brands.

Does this similarity mean that GM is the same as DaimlerChrysler? Perhaps not, since no respondent allocated GM to the TNC category even though this would have been possible. The following quote from one interviewee illustrates excellently the main difference (Labracht):

I would claim that DaimlerChrysler is the corporation which is most internationally active compared to other German automobile producers and it can deal with the competition by Ford and GM. I do, actually, have the opinion that Ford and GM are more Americanized as we are Germanized. I want to express that DaimlerChrysler is 'truly global' compared to those who have global operations, but their 'brain' is somewhere else.

In other words, some companies do have global operations but they do not function largely independently from some kind of nationally focused base or bases. In fact, if we use the typology then GM could also have been allocated to Bartlett/Ghoshal's (1989; 1998) MNC or Heenan/Perlmutter's (1979) polycentric company type as they have more rather independent national operations. However, GM operates worldwide and may therefore be considered to represent a global company while at the same time it is a MNC as various national subsidiaries are quite independent. DaimlerChrysler is, in this respect, a global company as it operates worldwide, but it is at the same time a TNC as it is truly not anymore focused on one national market or cultural heritage. There are at least two national cultures of equal

importance which play a significant role for the practices in the company. Reflecting on the interviews, it seems that Bartlett/Goshal's (1989; 1998) choice of the term "global" to label a company which is characterized by strong forces for global integration and at the same time has low needs for national differentiation may not have been the best choice. It would also be possible to claim that Bartlett/Goshal's (1989; 1998) use of this label and their idea of it has not yet become popularized with some DaimlerChrysler managers. However, this is, of course not the key question or issue of this thesis. The question is whether the respondents can make sense of the idea of the TNC as a distinctive type of supranational corporation, and if, what characteristic features DaimlerChrysler as a TNC exhibits. Moreover, what are the main reasons which were mentioned as triggering the development of DaimlerChrysler into a TNC? The results so far, however, indicate that the assumption that DaimlerChrysler can be considered to be a TNC rather than any other kind of cross-border operating company, was not significantly challenged, but, as a matter of fact, most interviewees agreed with this categorization. In the next section of this chapter, I will address the question of what causes may be held responsible for triggering the evolution of DaimlerChrysler into a TNC.

## 5.2 Triggering Forces

In order to explain the emergence of the TNC as a unique form of cross-border operating company and, therefore, to understand the particular configuration of its characteristic attributes, it is important to know the causes which are assumed by the interviewees to be triggering the evolution of Daimler and Chrysler into the transnational DaimlerChrysler. It was out-

lined by some respondents, that the emergence of DaimlerChrysler as a TNC was, in the first instance, caused by the demand of investors to earn more money and to ensure the profitable growth of the company in the future. Lauman, for example, mentioned<sup>45</sup>:

Well, at the end, the aim of the whole thing [the TNC] is simply only profit, money. That's what it is all about, we are talking principally about the free market, and this means that it is all about to gain profit at the end of the year.

All other reasons mentioned by the interviewees, which were used to support the motion to merge Daimler and Chrysler, two previously independently operating, large companies and competitors in the world automotive industry, might be subordinated to this investor's demand. The investors, or in Sklair's (2001) notion, the members of the TCC, seem to have exercised particular pressure on the two corporations to merge in order to become a more profitable and reliable TNCs.

In fact, the respondents mentioned other causes triggering the emergence of DaimlerChrysler as a large TNC, like better market access, advantages of economics of scale, better access to the capital market, and the necessity to

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<sup>45</sup> In a presentation, given on February 28<sup>th</sup> 2006 in Geneva, concerning the 2005 results and the strategic outlook of DaimlerChrysler in the future by the CEO, Mr. Dr. Dieter Zetsche offered some interesting figures with respect to the sales and revenues of the whole company. In 2005, the company sold 4,829,000 units (in 2004, 4,702,000) worldwide and had €149.8 bn in revenue (in 2004, € 142.1 bn). The operating profit in 2005 was € 5.2 bn (in 2004, € 5.8,) but without the problems at Smart, the operating profit would have been € 6.3 bn. The net income of DaimlerChrysler in 2005 was € 2.8 bn (in 2004, € 2.5 bn), and for each share, a dividend of € 1.5 was paid in 2005 to the shareholders (Zetsche 2006: DaimlerChrysler 2005 Results & Strategic Outlook. Geneva, February 28<sup>th</sup> 2006: 3).

deal with the increasing investments costs required for developing new technology and other innovations. The development of new technology and innovations requires large investments in the world automotive industry in terms of financial, technological and human resources and might even require companies to cooperate with otherwise competitors in the same industry<sup>46</sup>.

Fig. 5-2 Forces triggering the development of TNCs

Triggering Causes for the Development of TNCs
Requirement of the Capital Market
Ensure further profitable growth
Ensure the survival of the company
Ensuring the resources necessary to remain leading in innovation
Ensuring worldwide access to markets
Enabling ‚Economics of Scale‘ (cost reduction)
Enabling a large portfolio of all products in the industry for the customer ‚out of one hand‘

Source: Own Figure.

In addition, the strategic and important aim of the company to ensure that it could offer all kinds of mobility products in order to ensure customer loyalty to the company, that is, the ability to offer an extensive product portfolio.

<sup>46</sup> DaimlerChrysler’s “WorldEngine”, for example, was developed in cooperation with Hyundai Motors and Mitsubishi Motors (DaimlerChrysler Annual Report 2005: 23). Even the financial and technological means of DaimlerChrysler alone did not seem to be sustainable enough to develop the WorldEngine. DaimlerChrysler invested, in 2005 alone, € 5.6 billion in its R & D operations (DaimlerChrysler Annual Report 2005: 94), which exceeded the figure of its profit in the same period.

lio based on the “out-of-one-hand” principle, also seems to have triggered the merger between Daimler and Chrysler.

Moreover, DaimlerChrysler can take advantage of the economics of scale as many processes and structures can be made more efficiently and redundant processes can be minimalized or completely eliminated, which means, in the end, that many jobs can be made redundant<sup>47</sup>. Several respondents mentioned the increasing competition on the world automotive market, certainly a type of hypercompetition (D’AVENI 1994), as one of the main causes which triggered the emergence of DaimlerChrysler as a large cross-border operating TNC. In the interview, Muller stressed:

DaimlerChrysler is facing a very strong pressure created by the competitors. And this competition can be seen in the fact that the position of DaimlerChrysler is no longer so secure and extraordinary as it once was. In this context, one has to deal with different challenges. On the one hand, China, of course, and the market in China, and overall the top brands in Germany, like Audi and BMW, which are perhaps growing faster.

The merger resulted in a large company and a geographical diversification which certainly was one factor considered enhancing the likelihood that

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<sup>47</sup> DaimlerChrysler’s Annual Report (2005: 56) stated: “Staff reduction at the Mercedes Car Group: At the end of September 2005, the Board of Management approved a package of measures to be taken at the Mercedes Car Group aiming to reduce the workforce in Germany by 8.500 jobs.” In addition the Annual Report (2005: 69) stated: “As a result of the anticipated production volumes and productivity advances, DaimlerChrysler assumes that compared with the end of 2005, the size of its workforce will decrease continuously during the planning period of 2006 through 2008. [...] and the implementation of the new management model will lead to a reduction of around 6,000 jobs in administrative functions worldwide by the end of 2008.”

DaimlerChrysler would be able to survive on the market. Herbert clearly stated:

Only the big ones will survive. In the automotive industry, we are assuming that from those [companies] which are still operating, not all will survive in their current form. Clearly, the competition pressure, within the industry and also between the suppliers (so even they have to span the globe and need a certain size) requires a large size, so that one can reach a certain position in this competition, which can be defended in the long run term.

Having briefly summarized and discussed the main reasons the various respondents mentioned as key triggering factors resulting in the creation of DaimlerChrysler as a merger of Daimler and Chrysler, I will now move on to discuss the distinctive characteristic features of DaimlerChrysler. This discussion of the key attributes of DaimlerChrysler setting it apart from other kinds of cross-border operating companies is the basis for conceptual generalization in Chapter 7.

### 5.3 Characteristic Attributes and Management Challenges

The first element considered as one important organizational characteristic feature of DaimlerChrysler as a TNC was related to a focus on transnational processes within the company. Ruprecht stressed that the processes in a TNC, like DaimlerChrysler, will be organized in a way that they tend to cross borders, nation-state borders as well as borders of various departments and units of the company as there are various locations around the world. Management processes, for example “Quality Management Processes”, usually transcend national borders. In order to maintain the quality of the

products, people in many countries and many sites must cooperate and communicate regularly with each other. These processes transcend many nation-state borders even though they are all unfolding within one company. This phenomenon of extensive cross-border or transnational management processes is also reflected in the localization of the members of some departments. For example, Muller stated:

Well, this [transnationalization process] has visible impacts, as there are now departments, which have their employees located in various continents, and the head of the department [is one]. For example, in the IT sector [of DaimlerChrysler], there are [various] departments, and the head of the department is located in the USA, and the second level managers, and the employees are located in Germany or elsewhere. And the same is certainly true in other areas, hence it [the transnationalization process] is mirrored strongly in the structure.

It is very likely that almost all management processes or practices (Sklair 2001), which are related to the production and distribution of the road mobility product of DaimlerChrysler transcend many nation-state boundaries. This might be similar when it comes to other management functions in the company, from sales, to finance & accounting, to recruiting and the various processes defined for each function around the automobile production value chain. Focusing on the Human Resource Management function, Ruprecht mentioned that HRM is characterized by transnational processes:

This means, that there is for the first time an IT-based process, that we have all management resources, or let's say high potential managers worldwide, transparent. Before this, we had HRM development processes everywhere, but everywhere they were different. This is one example this is really a global process. It is an important process, and there are a few more, and the development will certainly continue.

Border-transcending processes also exist for the automobile production processes. Many of the various parts for one automobile tend to come, due to extensive “outsourcing processes”, from many suppliers in different countries. For example, one interviewee (Lauman) stated:

For the whole finalized product, it might not be possible for the customers to find out where they were made, particularly if we talk about some parts like wheels ... and nobody is really interested in that, I would like to claim.

Hence, even if one car produced by DaimlerChrysler, such as a Mercedes S-class, is finally assembled in a production site in Germany, many parts of it will have been produced in other countries either by suppliers or production sites by Mercedes and shipped to Germany. On the other hand, many parts for some cars produced by DaimlerChrysler, which are finalized in countries other than Germany or the USA, come from suppliers located in Germany and the USA. Mangold elaborated on the consequence of these transnational processes focusing on the production process:

If you have in a foreign country [i.e. other than the country of origin of the company] your own production sites you have to change your logistic concept. We have many suppliers in Germany and if you want to build cars abroad, then you will have to include the suppliers in Germany. This means the logistic concept has to be completely redesigned, and also the costs and the money flow.

In this quotation, the interdependency between the transnationalization of the production process and related management processes is highlighted, as Mangold related the redesign of the cash flow (finance & accounting process) and the redesign of the logistic concept (transportation & storage of physical goods) to the implementation of production sites in various countries. Hence, in the TNC, many, if not most or all, processes (not only pro-



duction but also management processes) are characterized by transcending national borders. In the TNC, the beginning and end of the various processes might occur, depending on the process, in different countries. Depending on the process the person responsible for one process at DaimlerChrysler might be in the USA, for the next process, in Germany; and the next process in Japan; and so on. Ruprecht mentioned:

[At the moment) we are experiencing the consequences of the transnationalization, from the merger between the two companies, since we do restructure, and there is a clear functionalization. Identifiable processes are defined, and there is only one responsible person for each process and this is the same person worldwide. He can sit here [Germany] or somewhere else.

As there are more and more processes transcending various nation-state borders within DaimlerChrysler as a TNC, they must be managed efficiently. Ruprecht mentioned:

[It is important to ensure] that the processes will be really working across borders. I mean, across borders in the sense of national borders and functional borders... One major problem is that one is optimizing the cooperation and, yes, the processes.

The second characteristic attribute of DaimlerChrysler, compared with many other companies in the automotive industry, seemed to be the geographically quite dispersed and decentralized knowledge generation and extensive knowledge sharing in the company as highlighted by the interviewees. Ruprecht, for example, claimed:

We have a research and development network which spans the globe, well, yes, which spans the globe. One example is the Truck Group. We have, for example

Fuso, one firm in Japan, the country of origin is Japan, and we have Mercedes-Benz in Germany, of course, but also with Chrysler, the various truck brands in the USA, including, Freightliner, Thomas Buses and so on. This means we really have different sites, research and development sites, sites of production, and this makes us really a global player, from my point of view.

But it is not only important to have various sites of R & D in various firms or brands within of the corporation located around the globe, but that the sites cooperate intensively when it comes to knowledge development and sharing. Ruprecht continued to elaborate<sup>48</sup>:

They [the research and development centres of the various firms worldwide] all report to one line of authority; they are all part of one process and cooperate. Key-word: “WorldEngine”<sup>49</sup>. Well, a motor, it doesn’t matter if it will be built into a Fuso, a Freightliner or a Mercedes, is the aim (of such a development process).

In other words, the R & D centres of the various firms within Daimler-Chrysler seemed to cooperate rather intensively worldwide in terms of knowledge creation and were willing to learn from each other as knowledge sharing took place. In addition, it seemed that there was a shared understanding that all are part of one process, the process of the generation of new knowledge: innovations concerning the products offered by Daimler-

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<sup>48</sup> The production of the new WorldEngine, developed not only by the various Truck Enterprises of DaimlerChrysler, but also in cooperation with Mitsubishi Motors and Hyundai Motor, started in Dundee, Michigan, USA, in October 2005 (DaimlerChrysler Annual Report 2005: 23).

<sup>49</sup> The use of the term “World Engine” is a good example for Roberts (1992) who claimed that there is an intensification of the consciousness of the global. Waters (1995: 42) stressed that we tend to redefine or relativize the issues and problems we face in global terms, particularly, world products like the “World Car” or, as in this case, the “World Engine”.

Chrysler Corporation. In the TNC, it did not really matter where R & D sites were geographically allocated; it seemed it was not so important where an innovation was generated because all sites cooperated and shared the generated knowledge to a certain extent. However, some interviewees mentioned that extensive knowledge sharing and boundary-spanning cooperation when it came to innovation was more prominent and efficient in DaimlerChrysler's Truck Group than in the Car Group. Herbert, for example, mentioned<sup>50</sup>:

There are efforts to share [knowledge]. This is more extensive in the Truck Group than in the Car Group. If one is really precise, one must distinguish between the Truck Group and the Car Group since there are many differences in the design [of knowledge generation and sharing]. How the 'transnational' is put into practice in everyday life is relatively far from each other. One could claim that there were more efforts and better results concerning the cooperation in the Truck Group.

In order to maintain the position of innovation leader in the industry DaimlerChrysler was relying and drawing on a widely dispersed network of R & D facilities at its various firms around the world<sup>51</sup>. It is important to stress

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<sup>50</sup> Herbert attributed this problematic attitude of the Mercedes Car Division to use innovations made in the Chrysler Car Division to the fact that Mercedes was technologically in no need to draw on innovations made "outside" the firm. This is almost a textbook example for being reluctant to draw on innovations made somewhere else prominent in excellent firms. Tushman/O'Reilly (2002) describe this problem that particularly very successful and profitable firms might get trapped by their success as it becomes an obstacle to use innovations particularly made outside the core of the organization.

<sup>51</sup> DaimlerChrysler's Annual Report 2005 (p. 94) outlined: "Research safeguards competitiveness: The Group's research units provide the impetus for the technological expertise that will ensure a bright future for DaimlerChrysler. All of our activities here are geared toward the goals of safeguarding individual mobility, conserving re-

that there is no particular emphasis or focus on the R & D conducted in the country of origin of the company. It had been particularly emphasized by the CEO of DaimlerChrysler, Dr. Zetsche, that the various firms of the company must make use of the best innovations, regardless of where new products or practices and processes were invented (Ruprecht). Therefore, an important task for its management is to enhance innovation and knowledge generation as well as knowledge sharing between the various firms of the company and R & D sites worldwide and therefore implement an effective knowledge management. Ruprecht summarized the managerial challenge resulting from the decentralized knowledge generation for the management of DaimlerChrysler as follows:

First of all, one has to scrutinize each function and each process and make sure that the wheel will not be invented five times.[...] In addition, one must ensure that the synergies are used and the best, the benchmark will be made accessible for the whole corporation, since this way, one is maximizing the profit originating from the size and the diversity of the company most.

It is crucial, in other words, to make sure that once new cutting-edge knowledge is generated somewhere in the company, this knowledge becomes available to the various firms in the whole corporation. This imme-

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sources, creating innovations that benefit our customers, and securing competitive advantages. To this end, DaimlerChrysler invested a total of 5.6 billion in research and development in 2005 (2004: €5.7 billion). At the end of 2005, Corporate Research employed 2,600 people (2004: 2,900), and a further 25,600 men and women were employed in the development departments at the MercedesCar Group, Chrysler Group, and Commercial Vehicles (2004: 26,100)". The R&D of DaimlerChrysler was focusing on 1.) the vision of accident-free driving, 2.) pioneering in the development of fuel cells, 3.) optimizing human-machine interaction, and 4.) paint technology improved with paint foils.

diacy in knowledge sharing allows for the avoidance of some units continuing to work on a problem which has been already successfully solved. It is important to ensure that no unintended redundancy will be created in the R & D function of the company and new knowledge will be produced various times and over and over again.

Moreover, DaimlerChrysler is also characterized by interesting features concerning its formal structure. DaimlerChrysler has two headquarters and originated from a merger of two formerly globally-operating companies in the automotive industry with two different countries of origin and with clear foci of their businesses in their respective countries of origin<sup>52</sup>. Herbert explained:

One main characteristic feature of DaimlerChrysler, as indicated in its name, is the merger, the merging (of two companies) about 10 years ago, plus x number of years. It is actually not even 10 years. That's where I can see at the end, let's say, the crucial difference, let's say compared with Toyota, which is growing organically from Japan, into other large countries, but which is still very much focused on its country of origin. There is this rather Swabian-influenced world of Mercedes and the American-influenced world of Chrysler, and in between, you have the Truck Group, which is rooted in three different continents.

This merger of two large companies with two headquarters and two countries of origin, the merger of two equal partners, seemed to be one important point which influenced the structural features of DaimlerChrysler. It is a corporation which legally had its headquarters in one country, Germany,

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<sup>52</sup> DaimlerChrysler was formed in November 1998 as a result of the merger between Daimler-Benz (German) and Chrysler Corporation (American). At the end of 2005, DaimlerChrysler employed more than 382,700 people worldwide (DaimlerChrysler Annual Report 2005: 30).

but in terms of its strategy, R & D and other issues, there was no exclusive focus on one of the two countries of origin of the company. It can be, therefore, claimed that DaimlerChrysler is run as a company 'beyond' the two countries; that is, it is a truly 'transnational company'. Herbert elaborated:

It is a specificity of DaimlerChrysler that you have a company, for which you cannot claim that its home is in Germany, only in Germany. Nor can you say it has its headquarters there and let's say all functions, also in the IT-sector, and research and development is only occurring in one or two countries [...]

With regard to the existence of two headquarters for the corporation Herbert also mentioned:

If you close down a production site of BMW somewhere, it is still BMW. But if you would close down at DaimlerChrysler the Auburn Hill site, including research and development, then you would no longer have DaimlerChrysler. Then you would have only Mercedes-Benz with some Trucks.

This characteristic feature of DaimlerChrysler, resulting from a merger of the two companies, also had an impact on the structure of the Board of Directors. First of all, there were representatives of more than one nation or country; that is Germans and Americans were members of the Board of Directors<sup>53</sup>. Lauman elaborated:

Well, we have our Board of Directors with the CEO. And, according to my point of view, it is crucial, that from all, particularly the second company

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<sup>53</sup> According to the DaimlerChrysler Annual Report 2005 (20p.), the Board of Directors of 9 members, including a German CEO (Dr. Zetsche). Overall there were 6 members of the board of management who were holding German passports and 3 US citizens.

headquarters representatives are in the board, who represent the interests of their respective country and also defend and justify the decisions of the Board of Directors later on. At DaimlerChrysler, the board of directors consists, I think, of 11 members at the moment.

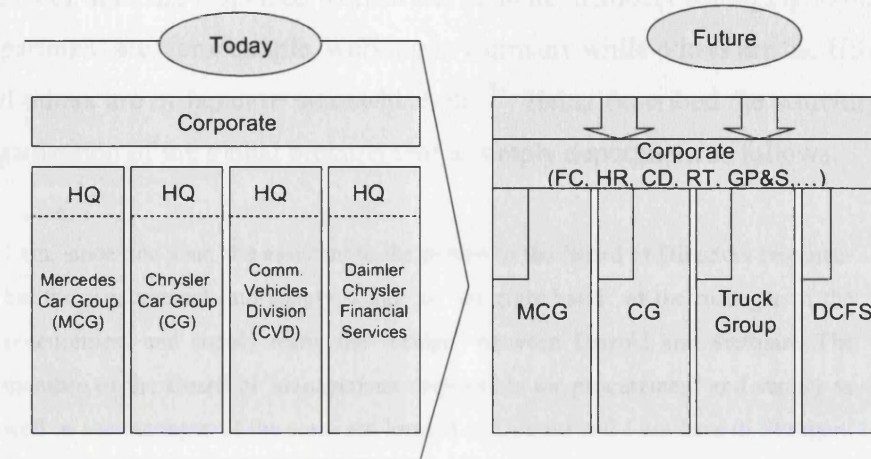
The corporation as a whole is governed by the Board of Directors, but is further separated into the Truck Group and the Car Group, and each of the two groups contained various firms. For example, part of the Mercedes Car Group included Mercedes and Smart and the Chrysler Car Group included Jeep® and Dodge. While there are others, two parts of the Truck Group were Mercedes-Benz and Freightliner. It is important to mention, that all these firms have the same or equal importance to DaimlerChrysler, and none of these firms are principally considered to be more important than another firm. Herbert stated:

In a TNC like DaimlerChrysler, it is not the case that you can say, one has a clear [central] firm and around this firm there are other firms arranged. One has firms of equal importance like Chrysler, Fuso, Freightliner, and they are interconnected at one level, but it is a complex conglomerate.

Herbert explained the structure of DaimlerChrysler as follows:

Well, let's say the TNC has a head, but beneath you have, at Daimler[Chrysler] for example divisions, Cars and Trucks, which are within each function dispersed and [units] are allocated to various countries. Therefore, the research and development is located in three, well various countries as well as various continents, hence we have a matrix organization.

Fig. 5-3 The Old and New Management Model for DaimlerChrysler



Source: Zetsche 2006: p. 33

DaimlerChrysler, however, was planning to introduce a new management model for the company. It is intended to reduce duplication of activities and will further enhance the integration of and mutual cooperation between the various firms and lead to cost savings. DaimlerChrysler's Annual Report 2005 (31) stated:

The new model will further integrate the Groups' functions, focus operations areas more closely on their core processes, and encourage internal collaboration. In addition, it will reduce the duplication of activities. The structural changes include the consolidation and integration of all administrative functions, such as Finance and Controlling, Human Resources and Strategy. These functions will be centralized to report to the responsible Board of Management member for each function throughout the Group. The duplication of activities between the corporate level and the operating level will be eliminated, thereby reducing complexity within the Group. The integration of administrative functions will result in shorter, faster and leaner reporting channels and decision-making.



The structure of DaimlerChrysler also resulted in the fact that some departments or units are dispersed worldwide, as some members belonging to one department are, for example, working in Germany while others are the USA and others are in Japan or somewhere else<sup>54</sup>. Heinz described the structural organization of the global procurement & supply department as follows:

I am, since one year, the assistant to the person in the Board of Directors responsible for procurement and supply. I am, as “the right hand” of the manager of the procurement and supply team, the “bridge” between Detroit and Stuttgart. The member of the Board of Management responsible for procurement and supply as well as the manager of the team are located in Detroit and I am here in Stuttgart. Half of the team members are in Detroit and half are here [in Stuttgart]. I spent, last year, one week in Auburn Hills and one week in Stuttgart – so I can claim, for me, that I can now move blindly in both business contexts.

However, the sales of the products, that is, the distribution and sale of the various types of automobiles is based on “Market Performance Centers”. These centres are geographically overlapped with the various countries or nation-states in which the company is selling cars, trucks, buses and other kind of vehicles. Lauman stated:

Considering the structure, we have so-called “Market Performance Centers”, which are dealing with one market. The largest is, as you might know, the DCVD in Ber-

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<sup>54</sup> However, the decisions as to where the members of various administrative departments of DaimlerChrysler are geographically allocated and the maximum level of employees from each nationality seem to become more and more a matter of cost-saving efforts. In an article released July 10<sup>th</sup> 2006, Spiegel Online reported that DaimlerChrysler considered the relocation of the Accounting Department either to the Czech Republic or to India mainly for cost-saving reason. This might be part of the new structure for DaimlerChrysler’s administration in the context of the restructuring of the company based on the new management model.

lin, 'Daimler-Chrysler Vertrieb Deutschland'. They are responsible for organizing all the service centres in Germany and have a wholesale function. To put it simply, we have our headquarters, we have our Market Performance Centres and we have our retailers behind them. The same applies to Spain, England, Italy.

Despite the geographical decentralization of the company, the procurement & supply function is centralized. Wherever possible, all orders concerning supplies by the various firms which are part of DaimlerChrysler are pooled in order to save costs and to reduce redundancy<sup>55</sup>. It is a difficult but crucial management task to structure DaimlerChrysler, as a complex organization, in such a manner that it is able to make quick decisions and to survive given the worldwide competition. Herbert mentioned:

[It is one of the main challenges in connection with managing the cultural differences] to create an organization as a frame enabling an organization to be able to make decisions and to survive.

At DaimlerChrysler, the employees have many nationalities. In addition, the respondents mentioned that they do not come predominantly from only one country, but from many countries. Managerial positions are not held predominantly by individuals with the same passport either. In order to talk about a TNC, it is, therefore, important to examine the nationalities of the employees of the organization on the whole in terms of numbers and the staffing of the management positions in particular. With respect to this issue Herbert stated:

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<sup>55</sup> DaimlerChrysler Annual Report (2005: 56) stated: „Our Procurement and Supply organization has the goal of building up the world's most effective supply chain, thus contributing to an increase in corporate value. [...] By bundling our purchasing worldwide, we maximize our volumes and the resulting price advantages.”

Well, also concerning the employees, also on the management level, they should not come from only one country. But one has to say, let's say for DaimlerChrysler, [there are] three countries in three continents which have important influence and also influence the culture.

There are, in TNCs like DaimlerChrysler, still some nationalities that may be dominant in terms of their numbers and also in terms of the number of managerial positions filled. For DaimlerChrysler, there were three dominant nationalities, namely Americans, Germans, and Japanese.

Some respondents mentioned that the transnationalization processes for its HRM practices, for example, the compensation structure at the top management level, are standardized worldwide. Lauman, for example, stressed:

... this was one aspect which was harmonized over time, since the German managers said, why do you guys [from Chrysler] earn three times as much as we do?

But it is important to underline that this worldwide harmonization and standardization of HRM norms, values, and practices occurred primarily on the top and middle management level<sup>56</sup>. Many respondents mentioned that, beginning from the middle management level down to the lower management level and the blue collar workers, HRM practices are different in various countries and even between sites in the same country. For example, there is

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<sup>56</sup> DaimlerChrysler Annual Report 2005 stated (92): "Our Global Human Resources Strategy defines uniform principles, standards and processes for our business operations worldwide. It does this in line with the requirements of our business units, which are also globally oriented.[...] The introduction of a global 'Human Resources ScoreCard' will enable us to more effectively measure and monitor the work of our human resources activities all over the world."

no company wide HRM development strategy in place nor are there standardized practices below certain level. Herbert elaborated:

There is no company wide management development strategy; it is not existent. This is only the case until a certain level. But below [this level] it is really the fact, well, let's say we need now somebody who is making the production planning for a certain production site, and we need somebody and look worldwide, who is the best for that, this is not yet working.

Muller claimed that the topic of Human Resource Management is still a task of the regional organizations and the various sites. At the same time, however, she mentioned that topics like HRM development shall become a more transnational issue. Ruprecht stressed the existence of certain universal values or principles which are respected worldwide in the whole company in all its firms and all local sites. Despite the fact that there are the same values and principles, the implementation of them will vary from country to country, depending on the standard and context as well as legal requirements of a particular country. Ruprecht, claimed:

Well, the basic values, the principles [of HRM] are the same everywhere, and there is the same IT supported process, which is backing it.

Nonetheless, there will be still differences in HRM practices as the legal regulations in the various countries in which the company has facilities will impose different codes of conduct, which must be adhered to by the HRM function. It is important to stress that, for example, transnational HRM development processes encompass the middle level management and top

management levels, but not lower level managerial ranks<sup>57</sup>. Despite this practice most middle level and top management level managers of the DaimlerChrysler company were either Germans, Americans, or Japanese. However, Heinz mentioned that for the “International Management Development Group” (IMAB), from which the company expects to recruit future top executives, more and more participants are “international by birth”. This means that they were increasingly not German, and participants of German nationality even had to have been abroad for at least one year before joining the company via this programme. Despite the HRM IT-databank, the exchange of managers between the various firms of the company worldwide did not seem to work very well, as Herbert stated:

Between Chrysler and Mercedes, there is almost no exchange [of middle and top managers] due to some degree of language problems. Well, let’s say it like this, there is no exchange from Chrysler to Germany but the other way round [managers from Mercedes go to Chrysler].

There are many expatriates, particularly from Daimler who were sent to other DaimlerChrysler facilities worldwide. In the interview, Herbert added:

It is still a common practice that one is trying to staff top positions with Germans and Americans. Well, this is still very much common practice. Particularly from

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<sup>57</sup> DaimlerChrysler’s 2005 Annual Report (p. 93) stated: “Management development at DaimlerChrysler, which we are standardizing at our locations throughout the world with the help of our management tool LEAD (Leadership Evaluation and Development), ensures compliance with Group-wide quality standards. We have supplemented the LEAD program with the ‘Individual Development Plan’. The courses offered by the DaimlerChrysler Corporate University help our top managers ensure that their qualifications remain world-class.”

Mercedes. If one is visiting a plant in Brazil or in South Africa or in Spain, then you will find many top positions are in the hands of Germans. There is an end to that somewhere, let's say below the middle-management level, but until this level, it is a matter of fact.

At the same time, this assignment of expatriates might have a positive impact on the managers of the company. According to Mangold, this temporary exposition to a different culture increases the likelihood of becoming more open-minded and better able to deal with different working styles and cultures. Accepting an assignment abroad was not only an exclusive privilege of managers since DaimlerChrysler also featured an internal staff-rotation programme for new, skilled workers<sup>58</sup>. The negative aspect of this situation of DaimlerChrysler's HRM situation is, also, elaborated on by Mangold in the following way:

But there are also many negative aspects [of the transnationalization process of HRM] since every country has its own regulations, for example, how you have to hire personnel. The HRM department has to study how they have to deal with the [different situations] in the different countries and the legal regulations and many other things. This costs a lot of money and time.

Another important attribute of DaimlerChrysler as a empirical 'prototype' of the emerging TNCs pertains to the existence of cultural diversity in the

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<sup>58</sup> DaimlerChrysler's 2005 Annual Report stated on p. 93: "In 2005, approximately 3,500 new skilled workers were transferred to the internal staff-rotation program ('DCmove'). Of this, total, 350 were deployed in jobs at various locations in Germany. This program increases the flexibility of staff assignments at DaimlerChrysler and simplifies the exchange of employees between different production locations. The young skilled workers in the program are given systematic support and have the opportunity to enhance their expertise in a variety of work situations."

organization. Organizational culture refers to the basic assumptions, as well as the norms and values which are broadly shared in the organization and the artefacts and symbolic action (c.f. Schein 2004). Basic assumptions, norms and values, as well as symbols, are important determinants for human behaviour and must, therefore, be taken very seriously in analyzing and describing organizations. However, almost all respondents claimed that there were various cultures present in the DaimlerChrysler corporation. Ruprecht, for example, mentioned:

In our corporation, there are various cultures if one focuses on different [business] divisions. This is, on the one hand, important, in my view, since the identity of one brand must continue to exist. A Mercedes must continue to be a Mercedes: that's how the customers see it. It must be like that. Despite that, one has to get more open-minded, and this was a development, to be more open-minded and able to slowly understand that not everything, which was invented at Chrysler is better than that stuff which was invented here [at Mercedes] and the other way around. And there is a certain opening up, this is also indicated in the bilinguality (in the corporation). Concerning language, this is a signal, German and English are simply a must!

The simultaneous use of German and English for communication purposes is a key feature in the corporation and illustrates the existence of various organizational cultures at the same time - as "parallel cultural worlds" in one company. Cultural differences are tolerated and even necessary to keep the brand identities and it was not easy for German managers to impose their way of doing business and to work on sites of the company located in other countries (Lauman)<sup>59</sup>. However, Heinz claimed that DaimlerChrysler is definitely less Germanized than GM is Americanized:

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<sup>59</sup> Mangold, however, did not agree with the claim that DaimlerChrysler has a multicultural working environment and stressed: "Well DaimlerChrysler is, at the moment,

In my opinion, Ford and GM are more Americanized than we are [DaimlerChrysler] Germanized. I mean, with this statement, that DaimlerChrysler is “truly global” compared to other companies which have global operations, but their “brain” is somewhere else. Of course, the “big boss” is located in Germany and is within German networks and certainly has a German way of thinking, but even he is very open. The complete Chrysler Group is directed from Auburn Hills, the complete Mitsubishi and Mitshubo – that is the Truck and the Bus Group - is directed from Asia. This means we have regional autonomous structures, we have employees from these regions, and, at the end, everything comes together in the pyramid in Germany.

In fact, the different organizational cultures in the various firms are important as they strongly influence the design of the product, the working pattern, and the image of the firm behind a brand, like Jeep, for the public. The unique brand identity of the various products and firms of DaimlerChrysler must be kept alive, the difference and diversity of the products must be ensured for the consumer (who do not only buy an automobile but a particular expression of the mobile lifestyle) even though at the end, the various firms producing these products under a certain brand name are all business units of one large company<sup>60</sup>. The cultural differences in the different firms and

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not yet very international but rather German. I can see that in the working culture, the working style, dealing with colleagues in a certain way. What I encountered in Germany and what I have encountered in the US, and what I have encountered in China is very German, not international. Chrysler is more open but also very American; nevertheless, their working culture was influenced by the German culture. Well, for example, many top managers are German. Well, they brought their culture overseas and what they made in Germany they wanted to continue in the USA and, therefore, you can find German working culture.”

<sup>60</sup> The DaimlerChrysler Annual Report 2005 stated (93): “In order to boost its competitiveness, DaimlerChrysler deliberately employs men and women with different areas



locations of the same firms in different countries are integrated on a meta level in the corporation as Maier explained:

On a metalevel the fact is that everyone only wants the best for the company, that you want to cooperate. For example, I spent some time [in the USA] and worked together with other people on the forthcoming M-class projects. It is the aim to get the projects to the market, to production. The aim is the same here and there. This is the basis of the consensus you have mentioned.

Despite the different cultures in the company, there is an increasing acceptance to implement best practices and products and other innovations made in one firm or at one location of the company regardless of where they were first implemented. Focusing on the different cultures in the company Herbert elaborated:

Well, if one is focusing on a different industry, for example IBM or similar companies, this might develop in the same direction, but it is still an American culture. I experienced this myself while I had an internship there. This is something other than DaimlerChrysler. If you work in Sindelfingen [Germany] and experience your everyday working life, there is a huge difference, beginning from small things to big things, compared with your work in Chrysler divisions in Auburn Hills. Well, I worked in the IT sector in Untertuerkheim [Germany] for about a half year and I was in the same function at Chrysler, and the culture is completely different. From the working hours, from dealing with supervisors, as far as even the terms used to indicate the various management levels, this is simply different. And yet, it is the same company; it is somehow aligned, but there are distinct different cultures. Partly, they will “find each other” but there is not one company culture, but there are parallel cultures which have come to tolerate each other.

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of expertise, types of experiences, and points of views. The diversity of our employees in terms of age, gender, or nationality ensures that they complement one another and is one of the keys to our success”.

Hence, despite the differences in work practices and products closely related to the different cultures of the business units, which are purposely maintained and tolerated in the company, these differences are “matched” on the DaimlerChrysler level and probably even enhanced by shared missions, goals and aims within the company. Herbert claimed:

One has also a culture which is mirroring this, one has a culture which is not clearly determined by one national leading culture, but there are many cultures. If one thinks a bit further, one can imagine, if this (merger) is going on to develop in a good way, then there might be a “best of breed”, where one can mix the best elements [from the various firms and countries].

This “best of breed” idea or concept seemed to be a particularly key feature for the TNC. Even though this might not be yet realized throughout all of DaimlerChrysler (the Truck Group seems to be more advanced in its transnationalization), it seemed possible for the whole company, (including the Car Group).

The strategy of a business organization is always based on the missions or goals it claims to accomplish with this strategy. Hence, it is important to become aware of the espoused missions or visions of DaimlerChrysler. In this respect, DaimlerChrysler Annual Report (2005: 32) stated:

DaimlerChrysler’s strategy has the goal of increasing corporate value through profitable growth. We intend to assume a leading role in the worldwide automotive industry. With regard to the quality of our products and services, the positioning of our brands, and our profitability, we are striving to achieve a top position in international competition.”

Not very surprisingly, the mission of the corporation is to increase the value of the corporation for the benefit of its owners and, therefore, to ensure profitable growth<sup>61</sup>. Based on this mission, strategy must be understood as a conceptual framework bundling the various operations of the corporation in order to ensure the mid-term and long-term accomplishments of the mission. The DaimlerChrysler Annual Report (2005: 32) listed the various official strategic elements of the company as follows:

- 1.) Superior Products & Customer Experience; 2.) Leading Brands; 3.) Innovation & Technology Leadership; 4.) Global Presence & Network; and as 'Prerequisites'
- 5.) Operational Excellence and 6.) High-Performing, Inspired People.

What are the characteristic strategic aspects for DaimlerChrysler as a TNC in the world automotive industry, which seem to set it apart from other types of cross-border operating companies? Lauman stressed the diversification of the product portfolio and also listed other strategic goals of the corporation:

Well, there are 5 aims of the DaimlerChrysler corporation, which simply means [a range of goals including] producing, in an appropriate quality, the appropriate product portfolio, ensuring the profitable growth, which the corporation certainly wants, and how one can implement this later [...] Well, if we bring a new automo-

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<sup>61</sup> DaimlerChrysler's Annual Report 2005 (p. 27) differentiated between three large types of shareholders: 7.2% of its shares were held by the Kuwait Investment Authority, 70.4% by other institutional investors, and 22.4% by retail investors, that is, individuals. In terms of geographic distribution of shareholders the report continued to differentiate the shareholders by region. 47.5% of its shareholders were located in Germany, 26.7% in the rest of Europe, 16.5% in the USA, and 9.3% in the rest of the world.

bile series on the market, our aim is to offer our customers the needed type of automobile in our product portfolio, so he stays with the brand.

Herbert stressed, however, that for a long time on the corporate top management level there was no umbrella strategy which was actually coherently implemented in the operations of the various firms of DaimlerChrysler:

Well strategy, at DaimlerChrysler, if one is considering this issue in a bit more detail, it was simply for a long time a fact that every business unit had made its own strategy and above was no strategy. There was once the “Asia strategy”, a big thing, but concerning the details, there was no concrete connection. [...] If you consider VW or GM, which both practice internal competition, to give the production of the next model to a site which offers the best condition, this is at DaimlerChrysler unthinkable. At the moment it is not like that, but there are efforts, from a strategic point of view, to bring the sites closer together. That this transnational DaimlerChrysler world comes closer together. In the past, there were many differences.

From this quotation we learn that the various business units of DaimlerChrysler, that is, its firms under a certain brand, were characterized by their own, quite independent, strategic planning and implementation of that strategy. Heinz, however, elaborated on the issue of strategy as a characteristic feature of DaimlerChrysler:

Transnational, in our sense, means that we have three strategic pillars. Europe, North America and Asia. We have [on these continents] operations, not small local organizations only concerned with distributing [our products], but large organizations. Partly they are legally independent, partly they are managed in such a manner that they are lead by either “Aubury Hills” or “Stuttgart”. This is always a question of how much autonomy and leadership and a question of how strong the regional impact really is. Transnational must also mean, that the various regions and organizations [of DaimlerChrysler] in various countries must have an appro-

priate proportion of locals employed and not that you send a bus full with people from Stuttgart to South Africa to construct a new production plant there.

It is therefore important to understand that, for DaimlerChrysler, the management style in its various firms and locations depends on the individual context and circumstances of these firms. For some firms and sites, the corporate managers may have considered it important to centralize many aspects and closely monitor them while for other firms and sites, managers may granted a large degree of autonomy. However, as Herbert mentioned, there are efforts to bring the various business units closer together, that is, to link them better. It might be the case that the announced plan of implementing new, strategically relevant indicators which are identically in all firms of the company could be a consequence of this effort<sup>62</sup>. Ruprecht elaborated:

I don't know if this is a result of the transnationalization process, but we are clearly managed by measurable indicators. And we have a clear strategic basis for that. One of them is global presence, that is, that we are present on the important markets in the world, where we can earn money. And this is, at the moment, simply almost every market on the world. For any market, we can achieve this with one or the other of our products. Hence, it is the diversity [of our products and markets]. If

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<sup>62</sup> These strategically relevant indicators are the essential features of the DaimlerChrysler ScoreCard. The DaimlerChrysler Annual Report (2005: 33) stated: "In addition to conventional financial performance measures, we also use non-financial parameters such as quality statistics, customer and employee satisfaction, brand image, market share, and productivity developments. These parameters are assessed at the divisional level with the use of measurable performance indicators. The Group's medium-term and long-term goals are broken down in the ScoreCard to the respective reporting periods. The goals are linked with concrete measures for the individual functions down to the departmental level. These goals are then integrated into the employees' personal target agreements."

one is thinking only about the S-class, well, a Fuso light truck drives, God knows, perhaps even somewhere in North Korea.

It is a clear indication of the strategy of DaimlerChrysler as a TNC to be present worldwide, at least, in all interesting markets.

Another important point mentioned by the interviewees was DaimlerChrysler's strategic decision to offer a comprehensive portfolio of vehicles. DaimlerChrysler offers or intends to offer all kind of vehicles, ranging from the sports car to the family van and small commercial vehicles like vans and pick-up trucks<sup>63</sup>, in addition to trucks and buses, and commercial vehicles for special purposes. When asked about the main differences of DaimlerChrysler, as compared to other automobile manufacturer Ruprecht mentioned,:

Another point is that we do not only produce cars, but also trucks. This is a difference if I would compare us with Audi, for example, or BMW; they both have no trucks. So far, we are distinctive from other automobile manufacturers.

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<sup>63</sup> DaimlerChrysler offered all kinds of automobiles, from small cars to heavy trucks, which were supplemented by various services offered around the automotive value chain. The Mercedes Car Group offered high-quality small cars ranging from the Smart brand to the premium cars of the Mercedes-Benz and Mercedes-Benz McLaren as well as the Maybach luxury sedans. The ChryslerCarGroup offers passenger cars, sports tourers, minvans, SUV and pick-up trucks under the Chrysler, Jeep ®, and Dodge brands. The Truck Group produces trucks, vans, and buses built under the brands Mercedes-Benz, Freightliner, Sterling, Western Star, FUSO, Setra, Thomas Built Buses, and Orion. The Truck Group also produces vehicles for special applications and the Unimog multi-purposes vehicle (DaimlerChrysler Annual Report 2005: 30).

For its effective implementation, this strategy requires an extensive network of service and retail facilities as well as the consideration of the expectations of the local customers in the various countries. Mangold explained:

It is important to reflect on the products I would like to sell in a particular country, to which focus group, what are the expectations of this group? Can I sell the products also in other countries, or can I sell them [only] in a local market? Therefore, service is very important. It doesn't matter what kind of service, [retail] networks and service networks. I was concerned with the service aspect, that is, how to sell the product and to guarantee the appropriate service. This is suddenly very important, since if you are not doing a good job in the local markets, then you don't get customers, particularly abroad. The customer group or customers have different tastes and they either expect more than [the customers] in the country of origin or less. Therefore, in the service sector, the thing is completely different than in the production sector, that you produce the right products, that is, the "hardware" and the "software".

DaimlerChrysler was not only producing various automobiles, but also offered appropriate services around their products. Hence, it is not only "hardware" (automobiles) which must be offered in order to satisfy the customer's expectations but also the "software" (service) must be offered according to the customer's expectations in a local market<sup>64</sup>. Both products and service must be tailored to the local markets as the expectations of customers are quite different in countries like, such as, Germany and South Africa. The TNC must be able to accommodate the customers' different

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<sup>64</sup> DaimlerChrysler's Annual 2005 Report stated on p. 30: "With its strong brands and a comprehensive portfolio of automobiles ranging from small cars to heavy trucks, supplemented by tailored services along the automotive value chain, DaimlerChrysler is active in nearly all of the world's markets."

demands concerning the features of the products and their expectations regarding the service.

It is, therefore, also important for DaimlerChrysler, which is operating in almost all markets worldwide, to build the various automobiles in accordance with the legal standards in the respective countries. Lauman mentioned:

There are all the various norms, be it exhaustion norms, be it safety norms, which we must comply with, which must be checked in advance, before we do anything. It would be of great disadvantage to build a car, which you can not later sell in the USA due to some norms. These are things one has to consider, since we no longer have only one market.

Another strategically important characteristic feature of DaimlerChrysler was the diversification of its production sites worldwide. This diversification of the production sites of one firm (brand) as well as the geographic diversification of all firms taken together. DaimlerChrysler had, in 2005, production sites in a total of 20 countries worldwide. Mercedes Car Group produced in Germany, the USA, France, South Africa, Brazil, India, Malaysia, Thailand, Vietnam, and Indonesia. A production site was to be opened in China. Chrysler Car Group produced primarily in the USA, Canada and Mexico. The Truck Group produced in many countries, including Japan (DaimlerChrysler 2005 Annual Report: 30). For the production sites of DaimlerChrysler in China, the DaimlerChrysler Annual Report (2005: 33) stated:

Beijing Benz-DaimlerChrysler Automotive Co. Ltd, a joint venture between DaimlerChrysler and Beijing Automotive Industry Holding Company (BAIC), obtained a license to produce the Mercedes-Benz C-Class and E-Class vehicles in



August 2005. It is planned to produce 20,000 vehicles annually in China in the medium term. These models are to be produced at a new plant in the southeast of Beijing. The existing production in China of Jeep ® sport utility-vehicles is also to be transferred to this new plant. Furthermore, in 2005, the Chrysler Group made firm plans to produce the Chrysler 300C in China as well as minivans in China and Taiwan.

If DaimlerChrysler produces their automobiles in the countries in which they also sell those cars, customs do not apply. Lauman mentioned:

Well on the one hand, if one is producing locally in different countries, the custom tax doesn't apply. This is a simple conclusion: if I produce in the country [in which I sell the products] I can offer them at a different price than if I would import them. [...]. Concerning the keyword 'production', this includes, of course, that the production abroad [i.e. outside of Germany] is, due to different compensation structures and additional costs for labour [in the industrial countries of the developed world], more attractive. At the moment, Asia is of interest and East Europe, since there are, well yes, the labour costs are not as high as here in Germany.

Moreover, the geographical diversification strategy of its production facilities and the sales of its products worldwide also has another reason, as Herbert mentioned:

It is simply, well yes, one can see, it is, forget it, a structure, which is no longer bound to one country. One can see that positively. One has something like a little UNO in one company. There are really diverse representatives of various countries and cultures and backgrounds in this structure, and one has no longer one, that is, a bipolar or a multi polar world: there are various power relations and centers which makes the whole thing [i.e. DaimlerChrysler] quite robust against 'shocks' or 'impulses' from outside.

Hence, in addition, DaimlerChrysler was, due to its strategy and structure, an organizational entity which is as a whole quite robust against local economic and certainly also political “shocks” or negative impacts on its business. It was, by itself, also able to actively influence political institutions and local economics significantly.

The issue of cost saving when it comes to the decision of where to produce automobiles and where to set up production plants seemed to have been an important strategic issue, which was also confirmed by Mangold<sup>65</sup>. Despite the fact that geographical diversification of the production is an important aspect of the company’s strategy, the “made in” expectations by most customers forced DaimlerChrysler to produce certain cars predominantly in particular countries, especially Mercedes vehicles which are still assembled in Germany. For most customers, the “Made in Germany” label seems to be of importance<sup>66</sup>. As, Lauman stated:

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<sup>65</sup> Mangold mentioned: “Daimler has many production facilities worldwide and they produce the products abroad a bit different. [...] for DaimlerChrysler it is certainly important to include the aspect of costs for making the decision of where to produce.”

<sup>66</sup> However, Spiegel Online released at the 17<sup>th</sup> July 2006 an article, based on a press release from DaimlerChrysler, concerning the future production of the C-class sporting car of Mercedes-Benz. In the future, this car will no longer be produced in Sindelfingen [Stuttgart, Germany] but in Juiz de Fora in Brasil. The production plant in Brazil will be the only site worldwide, which will produce the Mercedes-Benz C-class sports car, which is particularly tailored for the European market. However, the production plant in Sindelfingen will focus on the production of the new passenger cars of the C-class.

A side product is certainly, DaimlerChrysler, Stuttgart, “Made in Germany” or something like that. Well, those people who have the money to afford such a car, they want that the car to come from here [Germany].

Muller, for example, mentioned the same aspect and elaborated extensively on the importance of the customers’ relation to a particular brand with a particular “made in” image:

It is certainly not the case that Germany is the center [in the Truck Group]. There are many production sites, which are more or less of equal importance compared with the large production sites in Germany. But in the Car Group, that is, for Mercedes, about 80% of the production sites are in Germany, simply since the brand ‘Mercedes’ has something to do with ‘Made in Germany’. It was, so far, not easy to justify producing a ‘Mercedes’ abroad. For Chrysler, I can add, most production sites are certainly also in the USA. But there are also other ones, but I do not know a lot about here.

In spite of this geographical diversification of the production sites, Mercedes Car Group, for example, still produced most of its 1,200,000 cars in Germany in 2005. This might change in the future, since most customers, in fact, do not truly know where their cars were finally assembled and the customers’ concerns with the label “made in” (for example “Made in Germany”) might become less important and the label “made by” (for example “Made by DaimlerChrysler”) may become more important. Dong (2006) stated:

Well, if you buy abroad a Mercedes, then you assume certainly, Mercedes means quality. It doesn’t matter where the car was produced, the quality must be ensured. This means, that when I buy a Mercedes in any one country, then I wish of course, that this car is immacuously fabricated. This means, for the company, that the pro-

duction sites must be designed and managed in a way that you can produce cars ensuring the appropriate quality standard car.

This expectation might change or become less relevant since the customers often simply do not know in which country the product was finally assembled, irrespective of the fact that the many parts used to build the product come from various suppliers located in various countries. Herbert added:

I think that the interests of the company become more and more important. The consideration of the interests of the company will become more important compared with the consideration of the interests of the nation-states the company has locations in, the more we are positioned transnational, even though one has to say, if you look closer, what happened at Chrysler while Herr Zetsche was there. Primarily production sites were, so far, closed in no “core countries” of DaimlerChrysler, for example, Mexico. They closed down a lot and made a lot of people redundant, but also at Daimler. I think one must see these things in a balanced view. Interests of nation-states for corporate decision making are becoming less important, but they are still important. I think it would be very difficult for DaimlerChrysler to close down a production facility in Baden-Württemberg [State of Germany where Daimler was originally founded] and instead open a new plant in the US. This is not yet the case. But we will get there if we consider the top management level and there may be more people who are no longer affected by their national origin and point of view, as maybe Rupert was, and also Schrempp [both formerly CEOs], who were clear children of their countries. But this can certainly change.

In other words, the less top management team members will be affected by their national origin or a national upbringing and way of thinking, the more likely they will primarily make their decisions based solely on the consideration of the company’s interests, that is, the shareholder’s interest. The

particular interests of nation states or countries in which the company has facilities, including the countries of its origin, might be considered only of secondary importance. It certainly gives DaimlerChrysler a certain degree of political power. Lauman mentioned:

At the moment “MercedesWorld”, the new Mercedes-Benz museum, into which a lot of money has been invested, a new building was erected, opened in Untertürkheim [Stuttgart] shall simply symbolize that the large companies are loyal to their [traditional] locations. But will this stay like this forever? I do not want to “put my hand for this into the fire”, but at the moment, regardless of all globalization, we have a home, a location and we will continue to produce, regardless of the costs, in Germany, since we have simply this connection and since one has a certain power position. A simple example. The City of Stuttgart, or better, the federal state Baden-Württemberg, if they would just consider one minute the possibility DaimlerChrysler announcing to leave Stuttgart, we are relocating into the US. In this moment, it would become clear how much tax [DaimlerChrysler] is paying is another point, but if you span the circle wider what would happen? We have, of course, various sites here in Stuttgart, with all the production facilities in Rastatt [also a town in Baden-Württemberg] and other locations, and there is an enormous concentration of suppliers, which are also in the same geographical area. I don’t know how many people are working in the automotive industry. This begins with each small engineering office and so on, be it that they make only the screw [...], the chain which is attached [to DaimlerChrysler] from the logistics sector, is unbelievably large. If this would collapse ... this gives a position of power to the company.

Since DaimlerChrysler is such a large cross-border operating company, it is also an economic power player. DaimlerChrysler as a ‘global player’ has a strong market share and is able to influence the economy, but as a transnational, it is a corporation which does not keep its knowledge, technology or culture for itself, but also considers the benefits of other people (Mangold).

## 5.4 Conclusion

Based on the interview data, it seems that one way a TNC is created is via a merger of two or more formerly cross-border operating companies with two different countries of origin, as seemed to have been the case with DaimlerChrysler. As with DaimlerChrysler, the TNC might have two headquarters and its Board of Management will consist of managers representing both formerly independent large companies. Moreover, like the managers at DaimlerChrysler, managers of a TNC will represent at least two different nationalities. As one interviewee, Maier, stated:

I joined this company not long after the merger, and this [merger] has turned the way of thinking, it goes in the direction of 'transnational'. It is one pillar of the company's strategy to operate worldwide. And this pillar was [one of the reasons] for the merger and the cooperation with Mitsubishi and the other activities.

The organizational capabilities, organizational characteristics, and management tasks listed by the interviewees at DaimlerChrysler offered, I believe, good material to understand how employees make sense of the idea of distinguishing among various qualitatively different types of cross-border operating companies.

Moreover, the interviews allow to highlight the particular attributes interviewees mentioned when it came to the question of what sets DaimlerChrysler apart from other kinds of cross-border operating companies. DaimlerChrysler as a TNC is focusing on offering an extensive product portfolio worldwide, the company is relatively robust or immune to political and economical problems and turmoil in certain regions or countries in the

world which could have an impact on its business. In other words, only global political and/or economical problems will endanger the very existence of the company. However, it seems to be one of the most important tasks of its management to balance the degree of centralization and decentralization of the company's administrative functions and operations. Figure 5-4 summarizes the results of this case study.

Fig. 5-4 Building and Managing the TNC: DaimlerChrysler

Building and Managing the Transnational Company		
Strategic Capabilities	Organizational Characteristics	Management Tasks
High autonomy against local and regional political and economic problems and turmoil	Not only one clear 'home' or country of origin of the company; no particular focus on the countries of origin	Balancing centralization and decentralization of functions and operations
Worldwide dispersed knowledge generation and sharing as well as problem solving	Extensive transnational processes	Enhance mutual cooperation and learning in order to keep processes efficient
Identity of various brands and „Made in“ are maintained	All business divisions and firms are of equal importance	Design a reliable organization able to make quick decisions
Adopting to local HRM standards as well as being an attractive Employer on the global human resources market	Diverse HRM practices until a certain level, then becomes harmonious	Ensure appropriate diversity and a certain standard of HRM practices and norms on various levels at the same time
Large product portfolio offered almost everywhere on the world	Dispersed allocation of production sites and retail and service units worldwide	Ensures appropriate production quality on all production sites and service standard
„Understanding‘, valuing and considering locally different cultural standards	High cultural diversity in the various firms and locations of one firm	Ensure and enhance mutual tolerance and Understanding between all employees of all firms

Source: Own Figure

Since all business divisions and firms are considered to be of relatively equal importance, it is important to design a reliable organization which

enables to make, despite the company's complexity, quick decisions. However, regardless of DaimlerChrysler's transnational identity, it was important to maintain the identity of the various brands and the related "made in" images, as these are considered to be still important criteria for consumers' choice when it comes to purchasing products. Regardless of this separate identity of the company's brands (for example Jeep ®, Smart, and others), the knowledge generation at DaimlerChrysler was created in a worldwide network of dispersed research & development centers which cooperated, more or less, intensive with each other.

DaimlerChrysler was characterized by many transnational processes, for example, "Quality Management Processes" or "Human Resource Management Processes", which transcend many nation-state boundaries and even the boundaries of the company's many firms. Each of these transnational processes required cooperation of employees located at different places around the world, and the various management and production processes, at the end, occur in many different locations, either in or outside the countries of origin.

Therefore, another important management task was to enhance and facilitate mutual cooperation and worldwide learning. The dispersed allocation of the production sites and service facilities in the many countries worldwide also triggered, at DaimlerChrysler, the need to ensure the quality of the production and the implementation of an appropriate service standard in all markets. Nevertheless, despite the standardization of processes worldwide, some processes remained different at various locations. For example, at DaimlerChrysler, HRM was characterized by a diversity of practices. However, despite these discrepancies practices at individual sites of one



firm in one country and between various firms in various countries, HRM is based worldwide on one set of norms and values.

Moreover, on the top management level, HRM is characterized by a worldwide homogeneity of its practices in order to be an attractive employer in this premium labour market. It is, therefore, a challenge for the management to maintain concurrently both homogeneous and heterogeneous of its HRM practices – and others. Last but not least, the cultural diversity of its many employees ensures better access to “understanding” the different expectations of the consumers in the various local markets. This allows the company to adjust its products – at least parts of them – to the various local requirement. It was an important task for the management of DaimlerChrysler to help maintain the cultural differences and to enhance mutual tolerance and understanding between the employees of its various firms and business divisions and the employees of one firm, for example at Mercedes, in different geographical locations. Also, as the DaimlerChrysler example demonstrates, the integration of the two formerly independent firms and their various business units worked better in some areas, namely in the Truck Division, than in others, namely in the Car Division.

## 6 Accenture

Accenture, in contrast to the previously discussed case of DaimlerChrysler, is not a corporation producing consumer goods; it exclusively offers services. Moreover, in contrast to DaimlerChrysler, which produced automobiles, trucks and buses and some other kinds of special vehicles on a large scale predominantly for individual customers, Accenture does not offer its services to individual customers but only to other corporate actors, usually other large companies. Hence, the case of Accenture will help to understand how large boundary-spanning companies in the service sector operate and – if not anything else – supplement the knowledge on TNCs since, as has been previously mentioned, Bartlett/Ghoshal (1989; 1998) did not study any company in the service sector.

The structure of this chapter is similar to the structure of the previous chapter. In the first step, I will tackle, in detail, the question of whether Accenture can be considered as being a TNC or rather as some other kind of cross-border operating company - given the typology and labels provided by Bartlett/Ghoshal (1989; 1998). The following section will focus on discussing the key characteristic features of Accenture as a particular type of border spanning companies drawing on the conducted interviews and some document analysis. This section of this chapter is, not very surprising given the central research question of this thesis, of major importance as it may help add to our understanding of the nature of TNCs. In addition to high-

lighting the revealed key characteristic features, particular management challenges will be discussed. The question of what kind of factors have contributed to the development of Accenture into a particular type of boundary spanning corporation will be tackled in the final section. Last but not least, the final section of this chapter will provide a summary of the issues addressed and, as in the previous chapter, a figure which will highlight the results of the analysis and help in the next chapter to compare the results of this thesis with Bartlett/Ghoshal's (1989; 1998) elaborations of the TNC as a particular type of corporation.

## 6.1 Accenture as a TNC?

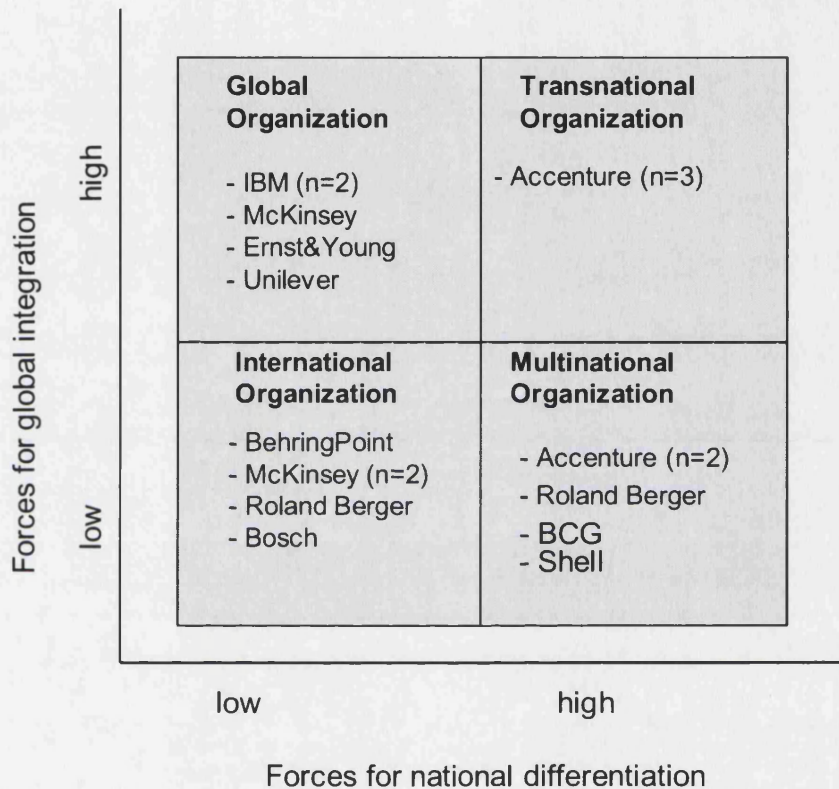
It was initially assumed, given its structure and history, that Accenture could be considered a TNC given Bartlett/Ghoshal's (1989; 1998) description of the various types of boundary-spanning organizations. However, this assumption was only an assumption and it is important to analyze whether employees working for this company would agree with this assumption or challenge it. What or type kind of organization did the interviewees think provided a label or best fit to Accenture?

Similarly to the managers interviewed at DaimlerChrysler corporation, the respondents were asked to name one company in their industry for each of the four different types of cross-border operating companies distinguished by Bartlett/Ghoshal (1989; 1998). Accenture was set by default to represent the case of a TNC or, to put it into different words, to be a company which can be allocated to the category of the TNC in the typology. However, respondents could challenge that initial assumption and reallocate Accenture to a different type as some did in fact. Nevertheless, most respondents

agreed with the default allocation of Accenture to the TNC type of cross border operating companies. Two respondents allocated Accenture to the MNC type. They mentioned during the interview that the company uses the term multinational. It can be assumed at this point, that the term MNC used by Accenture itself refers rather to the general notion of any company which is operating across borders, as the term has been used in the past, and not in order to highlight a particular type of boundary-spanning organization. However, for the purpose of this thesis I will conclude that there is some evidence to suggest that Accenture is – according to the view of the interviewees – more like a TNC than a MNC. Figure 6-1 displays the allocation of the mentioned companies to the four different types of boundary spanning organizations proposed by Bartlett/Ghoshal (1989; 1998) indicating the number of respondents mentioning the companies as cases representing a particular category or type of this typology.

It is obvious that there were some differences when it came to allocating some companies to the provided four labels by the respondents. Some companies were allocated by different interviewees to different types at the same time. For example, Roland Berger was listed as a INC and MNC, while McKinsey was mentioned as an example for a GLC and a INC. Moreover, Accenture was not listed as a TNC by some respondents but as a MNC. Nevertheless, there was a small majority of the interviewees who did not challenge the allocation of Accenture to the TNC type. Hence, for the purpose of this thesis we can assume that Accenture can be considered to be a TNC and may therefore serve as a prototype. But since two respondents also argued that they would see Accenture rather as a MNC this must taken with some caution. Nevertheless, in the remainder of this chapter I will assume that Accenture can be considered to be one particular case of a TNC in the service sector.

Figure 6-1: Types of Supranational Companies in the World Consulting Industry



Source: Own Source

According to the interviews, BehringPoint, McKinsey, Roland Berger and Bosch may be considered consulting companies which are rather INCs. INCs are perceived to be very similar to Heenan/Perlmutter (1979) ethno-centric companies or to Bartlett/Ghoshal's (1989; 1998) description of INCs. One interviewee, for example, mentioned the reason for allocating Bosch to the INC type as follows (Hobert):

Bosch has a clear home country in Germany. Something that Accenture does not necessarily have. Well, it is an American corporation, but on the other hand, it does operate from various countries. Bosch ... is centrally managed from its home country.

Hence, companies whose (few) subsidiaries abroad may be strictly managed from the headquarters in the country of origin may be considered to be INCs. If a company has an explicit home country with the crucial resources or the overwhelming percentage of the resources concentrated there and operations in other countries more or less are considered to be at arms length, organizational entities abroad are overwhelmingly rather implementers and the company may legitimately be labelled an INC or categorized into the INC category within the typology of Bartlett/Ghoshal (1989; 1998). But at the same time, another interviewee allocated Roland Berger to the MNC type claiming that (Numser):

Roland Berger is not so much global, it has operations in various countries, it is [conducting business] in various markets, but not in so many. It does not have the same degree of market coverage [as Accenture].

MNCs are more likely cross-border operating companies which are operating in more countries than INCs. The importance of business in other countries than the country of origin is – compared with the INC – larger and of more strategic relevance to the whole corporation.

Three interviewees agreed or did not challenge the allocation of Accenture in the TNC category while two interviewees did express that they would rather allocate Accenture in the MNC category. It seems that in a TNC, the centre in the country of origin becomes even less important. Even though

the whole corporation may still be managed from the headquarters in the country of origin, many key resources may be spread over a very wide range of subsidiaries, and in terms of numbers of employees, subsidiaries abroad may even employ more people than the centre is employing in the country of origin. However, it is not really necessary that the TNC conducts business in virtually every country in the world. I will focus in more detail on the TNC and its characteristic features later.

In two cases, IBM was claimed to be a representative case of the global corporation type. As one interviewee (Wolf) explained:

IBM is, next to Accenture, really the only [company], and therefore truly global, which can deal with projects of global scope. They have the resources, god knows what - if it is about some kind of 'rollouts' or something else - when you have to deal with ... in many countries. Moreover, when you have to make various deals with different subsidiaries of one customer, which you have to manage globally.

Hence, IBM is perceived to have operations in virtually every country in the world, and the necessary resources to deal with global scale projects, while that does not necessarily have to be the case with a TNC - even though it was mentioned various times during the interviews that next to IBM, only Accenture would be able to deal with large scale global IT consulting projects. However, some of the interviewees also mentioned McKinsey and Ernst&Young as consultancy firms for which the label GLC may best be suited. Willmer elaborated on Ernst&Young:

I have already outlined the [key features of Accenture], Ernst&Young is specialized in Accounting and Tax Consulting and global as they are, as I believe, they are represented everywhere in the world. It doesn't matter where you are,

they will already have somehow a 'leg between the door and the frame' [i.e. will be somehow present].

The GLC, according to the interviewees, must simply be truly global in the sense that it is conducting some business in virtually every country in the world. Even though a TNC may cover many countries and feature some kind of business in most countries, it is not a GLC as long as some significant parts of the world are not covered. On the other hand, a GLC operating in virtually all countries does not necessarily need to be a TNC.

The characteristic features of Accenture are of further interest as they may be characteristic features of a TNC in the service sector. The next section will tackle the important question: what are the key characteristic features of Accenture which may characterize a particular type of boundary-spanning organization?

## 6.2 Characteristic Attributes and Management Challenges

In this section of the chapter, I will outline the main characteristic features or attributes of a TNC in the service sector and consultancy industry, if we consider Accenture as belonging to the type of the TNC. These key features of the TNC as exhibited by Accenture as a key player in the service industry will later be compared and contrasted with the key features of the TNC derived from the interviews with managers at DaimlerChrysler and ultimately Bartlett/Ghoshal's (1989; 1998) conceptual framework for visualizing the TNC.



The structural features of Accenture are of key relevance if we want to get a better understanding of the major characteristic features of a TNC. In fact, Bartlett/Ghoshal (1989; 1998) and Ghoshal/Bartlett (1990) have highlighted and carefully tackled the structural issue of the TNC. What kind of information is available on the structure of Accenture as a TNC?

Accenture has its headquarters location in the USA, and below that upper level, several regional level organization and on the lowest level, on the country level, a number of subsidiaries which are legally incorporated according to the different requirements based on the different legal regulations in the various countries. Wolf claimed:

Of course there are legal organizations in every nation, well there is Accenture GmbH<sup>67</sup> in Germany, there is also Accenture in Austria, what do I know what kind of legal forms there are? Well, but these organizations are not managed on the national level, but from the next level, from the regional level. And regions are rather large geographical entities, well, EALA contains, for example, Europe, Arab countries and I believe even Southern America. Then [there are] the Asians, and North America, and this is broken down further. In [the German speaking region], there is for example Germany, Austria and Switzerland combined [for organizational and managerial purposes]. This is perceived to be one region, this has one delivery centre.

Hence, given different legal regulations in various countries, the subsidiaries of Accenture are incorporated in the various countries in a particular legal form which is considered to be most appropriate for the purpose of Accenture. Nevertheless, these subsidiaries are not managed on a national level but a regional level which contains various national subsidiaries which

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<sup>67</sup> The German GmbH is similar to the Ltd.

can be bundled together according to some similarities. In a similar manner Hobert stated:

[When it comes to structure] we have always geographical areas in the sense of countries, which are somehow related. Well, for example, we have one geographical area, ASG, that is Austria, Switzerland and Germany, basically the German speaking area. Then we have one geographical region that is Gallia, including Belgium, Luxembourg, Netherlands and France. Each geographical region contains various countries but they are ordered geographically. Well, for example also Asia-Pacific, that is one region, the whole Pacific area has been organized this way. Not on the national or country level. I believe we have overall world wide six geographic regions.

The question is how much are these national subsidiaries managed from the headquarters or independent and free to make their own decisions? It seems that Accenture is characterized by employing simultaneously two different principles for the organization of the whole company. The decentralization and centralization principles are both in place simultaneously. Based on the narrative generated by the interviews, it seems that Accenture has subscribed to the 'subsidiary principle'. This principle basically claims that all tasks which can be tackled and resolved by lower level units should be solved by lower level units. Only such tasks which cannot be resolved by those lower level units will be tackled by higher level units. In this sense, Accenture emphasizes decentralization. However, all lower level units are subjects of directives from higher level units and even though they have some kind of "free hand", their discretion is limited by a framework. One interviewee (Hobert) explained:

Let's put it this way, the whole administrative tasks are things which must be dealt with on the individual country level or the regional level, and as few as possible

will be dealt with on higher level. When it comes to the regulations, the headquarter set the rules, also what kind of profit we have to make, financial aims. However, how these aims are accomplished is, on the other hand, the job of the geographical areas.

This quote highlights the degree of freedom of the subsidiaries of Accenture. Administrative tasks are usually dealt with on the individual country level or regional level and higher level organizational entities do not bother to intervene in day-to-day or operational decisions of the various subsidiaries. But Accenture seems to have experienced changes – as many other corporations do as well when it comes to how much things are centralized or decentralized – as in the last couple of years it became more centralized. As one interviewee (Numser) highlighted:

Well the degree of autonomy of the various country level subsidiaries has, at least in my opinion, decreased. During the last couple of years this is more centrally managed from the USA. Well, the whole business and budget planning is more straightforward broken down from the top from upper to lower level. I think this way in the past, yes, easier. And in addition, Accenture is, since 2001, listed on the stock exchange in America and therefore, naturally, there are different requirements compared with the previous years as [Accenture] was based on the partner principle. But nevertheless, since I started in 2001, this was different, and in the last two years, this has increased; it has been more and more centralized.

It also seems to be quite a challenge for the management of the corporation to balance centralization or decentralization and to avoid too much from either. Managing that network is considered to be one of the major challenges. For example, one interviewed employee Hobert highlighted the need to keep the subsidiaries of large geographical areas working consistently within the guidelines of the corporation and its strategy is a challenge resulting from the globalization process within Accenture:

Maybe, the necessity to keep this large geographic regional organizations in check and in line. [To make sure] that they do not individually develop independently into completely different directions since they think that this is appropriately at the moment, a particularly good thing for them, well, that in the end all the 'red tape' is coming together in the headquarter. That despite the relatively independent [regional organizations] a central management is still possible.

However, it seems when it comes to strategic decision making that the headquarters of Accenture is a strong centre governing the whole corporation. Wolf elaborated:

The managers responsible for Germany, Austria and Switzerland have their aims, and they are then responsible for these aims. But the market strategy in the management consulting businesses, the technical areas [IT], and Business Process Outsourcing is centrally developed and determined. Well, a couple of years ago, one decided that we were separated. At that time, we only had the consulting branch, and these guys made consulting, and there was no distinction between programming, management consulting and other kinds of consulting, (no indication) that we will strictly separate between programming and those who are engaged in the classical management consulting. This had been globally decided and it was an imperative. It would be unthinkable that you would do such a thing locally, that you would organize the local entities in a different way.

This quote taken from the interviews illustrates that any decision which may have strategic importance will usually be made at the top of the organizational hierarchy. However, even though the strategic decisions are made at the top of the organization, the lower level organizational entities have the freedom, and sometimes also the responsibility, to adopt that decision or initiative to their own particular situations. For example, when it comes to the decision of how local subsidiaries are structured, Hobert maintained:

Well, at the end, it is a fact that the structure is being decided on the central level, but it may be by the various national subsidiaries differently ‘filled’. There is such a kind of framework, law-making, which has been decided centrally, or suggested centrally, but at the end, it is applied by the national subsidiaries. And I think that the various national subsidiaries can develop their own structures, whatever they think is most appropriate for their geographic coverage.

How is such a network of subsidiaries managed? The same interviewee, Hobert, emphasized:

I would like to put it into the following words: if you are able to accomplish your tasks and maintain your goals, it is easier to justify why you have done something different [than expected] as if you would not reach your aims. It is somewhere in the middle. The numbers is the really important issue [which are set in order to management the regional geographical organizational entities]. But there are also meetings within top management, spanning all [geographical regional organizational entities], in which such issues are dealt with. This means the people are part of the decision making. At the end, it is important to comply to both, rules [*Vorgaben*] and numbers [*Kennzahlen*].

But it is important to see that in addition to the regular geographical structure and the subordinated geographical structure and individual country level organizational entities, Accenture features so called “Delivery Centres”. In these delivery centres, programming is done and outsourcing services (as they became standardized processes) are delivered to the various national subsidiaries for their projects and clients. One interviewee, Baum, highlighted the importance of the delivery centres as follows:

There is a strong focus on offshoring and nearshoring.[...] We have delivery centres, that is, investments in other countries except the home country USA, which

we have done. I mean, we have worldwide in our very differentiated organization, at the end, worldwide, entities in some countries which are delivering [services] to entities in other countries, [things] which are used for the results of projects in the target countries. Therefore, I would say that, that [Accenture] is a transnational company, for those reasons.

Managing this network appropriately is one of the main challenges with which the corporation seems to be confronted. Wolf emphasized:

I think, related to globalization, it is the main challenge [to decide], how do I offer my services, at which price, and how can I organize a network of Delivery Solutions Centres, and how this is all termed.

Nevertheless, despite differences in the local structure of Accenture subsidiaries and their different legal setting, the internal processes and major regulations and procedures seem to be the same everywhere. This consistency creates internal efficiency and internal, as well as external, reliability based on the knowledge that there are standardized processes and regulations in place. Wolf mentioned the following:

Accenture is, even though there are local structures and peculiarities, nevertheless a very central and strictly managed corporation. This is different at Cap Gemini. I know that, since they have bought many consulting firms, which still have their own processes, culture. For example, SDM in Germany is part of that. Now they are beginning to change their old culture, at some time created in Germany, their internal management and controlling system, to converge it with others. You do not have to do that at Accenture, since there are uniform rules and they are valid across the whole world. If you travel to China and you want to make a deal there and you have to deal with employees of Accenture there, then you know, they are using the same tools, they are following the same rules, they are talking the “same language”.

This statement emphasizes the fact that despite some differentiation in terms of the structure and, as I will demonstrate later, cultural differences on the country level, processes, regulations and tools which are used in the various subsidiaries are identical. One interviewee, Numser, stressed:

I would say the firm is quite centrally managed, to ensure a uniform appearance on the market [to ensure simply] that the services Accenture is offering have worldwide the same standards.

In order to create an image of Accenture as a particular kind of organization, a particular kind of boundary-spanning organization, it is important to consider issues of the strategic approach or position of the corporation. The first issue which should be tackled in the context of strategic thinking is related to the question what kind of services Accenture offers. It offers basically three different types of services, that is, classical management consulting, IT consulting, and outsourcing solutions. Wolf mentioned:

Core strategy is, being able to offer three things on the market [in as many markets as possible]. The first is technical services, to put it simply, programming, practically IT consulting with everything that is part of it. The second is management consulting. It doesn't matter if strategy or other consulting, well, different to the technical. The third is the business area of outsourcing which means that you offer to a customer, starting from the infrastructure of a company to whole business processes of a company. Well, in some cases we are running whole [business processes] or we are running parts of a bank. The sourcing of the Deutsche Bank is all done by Accenture, worldwide. Well, the strategy is to be able (given the three service types)... to offer integrated solutions.

Since Accenture does offer all these three kinds of services it can also offer integrated solutions covering all three consultancy businesses or areas.

Accenture is, necessarily, a customer or market-driven organization. However, it is important to keep in mind that the customers are other, usually large, organizations in various industries and countries. This strong customer focus means that Accenture considers their customers also as partners, which basically expresses the notion that not only do the customers benefit from Accenture, but also Accenture benefits from the customers. As a matter of fact, as I will highlight later, Accenture is a learning organization and innovation is of key importance next to regular problem solving. Both components of learning, “exploration” and “exploitation” (March 1991), are important.

Accenture is driven by the needs of its customers, and some customers in some places may be at the forefront of the development in a given area, such as, risk management. While such a topic may be of great importance for one customer at a certain point in time and of only minor or no importance for many other customers at the same time, Accenture has the opportunity to learn how to handle such issues most effectively and be engaged in “exploration” learning (March 1991). However, as such or similar services may later be requested by many other customers – for example, since legal requirements changed – the experience in this area gathered by one subsidiary may be transferred, and the developed tools can be used in other projects. However, these tools may need to be adjusted to local (and this means national or regional) standards, expectations and legal requirements and Accenture’s consultants will therefore be engaged in “exploitation” learning (March 1991).

Accenture is particularly focusing on problem solving and innovation, as the product or service it sells is in fact knowledge. Hence, Accenture’s abil-



ity to generate knowledge and innovation in relation to its particular type of boundary-spanning operation model as a TNC is of further interest in order to be able to better understand the “nature” of Accenture as a TNC in the service sector.

It seems that the issues of knowledge generation and sharing, two central issues of knowledge management, are of key importance to Accenture. This is particularly true in the case of Accenture since it basically sells either knowledge directly or services which are based on the particular expertise of the firm and its employees worldwide. For example, if a client is interested in the implementation of risk controlling systems, which became a legal requirement in a certain country or due to other requirements, the client can hire Accenture which may already have experience in implementing such systems with other clients in other countries.

When it comes to the acquisition and sharing of knowledge, any request for help is not limited to any market or region but is shared worldwide. Wolf emphasized:

If I am confronted with a particular question, which has been asked by a customer, or which I have to solve, I can rely on a network of people who I can ask this question, and the answers may come from anywhere in the world. In a similar vein, I am confronted with questions from anywhere [in the world] which I try to help to solve. At least superficially, this way you can very quickly generate a solution. This is in more national focused companies, not the case. [...] Well, if I get an answer from somebody, first of all I check if [the answer] came from a consultant, a manager, or a partner. Then I know how to approximately evaluate the answer concerning its level, how qualified it is. A partner has more overview on the whole market in his or her country than someone who has been with the firm for only two years.

In this quote it becomes obvious that one of the main advantages and characteristic features of Accenture as a TNC is its openness, or the openness of its staff, to knowledge generated anywhere in the world from anybody and that nationality does not play an important role. However, what plays the important role is the rank of the person suggesting a solution to a problem as improved ranks are equated with improved experience and therefore better problem solving capacity. In a very similar manner, one interviewee when asked what other aspects than the asked issues are of key importance for the development of Accenture to a TNC (Hobert) explained:

The employees, that is, employees and their know-how: I think this is a very important issue. This is [in our firm] also a topic, that we can draw on knowledge resources worldwide, they are all willing to help. I also think that the stronger you are positioned, the more countries you are active in, in countries you have somehow independent operations, the larger is that capital named 'knowledge' somehow.

Hence, the more diverse the corporation in terms of its operation in various countries the larger or broader the potential knowledge base on which the firm can draw. There are many ways to learn as various issues which must be solved are presented in various places in the world by people working for the company. Concerning knowledge sharing possibilities another interviewee (Willmer) mentioned:

There are networks for that. Transfer of knowledge: You can enter questions, you can also (if you need to find a specialist in some kind of topic, change management for example) enter that term and then the program 'spits out' several people who are skilled or trained in that area. And you can always see their degree of specialization, since everybody puts in a kind of CV in the internal network, mentions the

capabilities which they have, and you have to enter, when you have applied these special capabilities the last time, how specialized you are in these capabilities: if you are a beginner, skilled, trained, or an expert. Then you can find the same person; you can call or write or contact the person via a forum. There are various possibilities.

However, in order to have such a boundary-spanning working knowledge generation and sharing system it is important that the TNC has similar or identical internal standards and processes in its various subsidiaries. Wolf, for example, highlighted:

If I were in a company which did not have similar processes and standards [everywhere], it would be way more difficult to evaluate somebody's answer simply since I do not exactly know what is his or her role, what is the experience, how does the person normally work.

But it is not an easy task, as one interviewee mentioned, to keep the standards comparable given some cultural differences and the different understanding of the same standards in various countries. Baum mentioned:

Well, the grading scale. We are talking at the moment only about well educated people, which is an advantage of the consulting industry that you have on the average a higher [qualification] profile. I think certain things, when it comes to cooperation in the firm, are getting therefore easier. I think it is some kind of challenge if you are from one country and you have to understand in this process what kind of quality requirements in one country are equated with the quality requirements in another country. [...] Yes, standards are the topic, grades for example.

Nevertheless, it seems that the interviewees mentioned the extraordinary and diverse possibilities to gain access to knowledge worldwide without an unwarranted bias in terms of evaluating the utility of the knowledge. The

nationality of the person delivering the knowledge or his/her affiliation with a particular subsidiary in some country does not play a crucial role. This is certainly a key element of Accenture as a TNC. Willmer emphasized:

The other point is different capabilities: different point of views, are in the consulting business always important if you look at a project or if you have to find a solution for a problem. It is always important that you have a diversity of the people who are focusing on a problem, and everybody may approach that from a different angle to solve it, and this way you can develop new solutions, and this is more advanced. This is also one of the reasons why people come from different areas, have different backgrounds, different kinds of education, first of all, to foster innovation and second, to be better able to deal with challenges.

However, it is also a main challenge to ensure an efficient and effective knowledge transfer. Numser underlined:

[One main challenge is] if you are working together internationally, to make this knowledge transfer work. It is really one thing to integrate the resources in Asia, for example, effectively, that you can really transfer the knowledge of the employees of a certain [project] to the employees who are working in a delivery centre in Asia, or so.

In order to benefit from the possible advantage, management must pay particular attention to knowledge management, as efficient and effective knowledge transfer would not automatically occur but needs to be actively fostered and rewarded.

The importance of perceiving its customers at the same time as partners as these customers enable Accenture to keep pace with the development and the direction of the development in the market place is highlighted by the narrative of Willmer:

Accenture has the strategy to see their customers as partners and not necessarily only as customers. But what we are attempting to develop together with the customer is to see what the customer wants. And we create our own competencies accordingly. We see, what are the demands in the market, what does the customer want, how can I give him what he wants, and what kind of capabilities do my employees need. According to this principle the structure of the organization is managed. It is focused on the customer in the market.

The general business strategy is set at the top organizational level but there will be the need to adjust services and tools to local developments. In addition, due to regional or local differences in development and demand of the customers, Accenture's businesses are also often different in the various countries where it offers its three general types of services (i.e. management consulting, IT consulting, and outsourcing). Baum stressed:

I think that the focus, that is the service which is offered by Accenture in various countries, is not always from a percentage point of view within the same level. Well you would not find the same kind of percentage in every country; they are different. Well, systems integration and technology concerning computer, programs, self-made programs, I can imagine, that in some countries (this business) is very strong. In other countries, on the other hand, it is more or less only management consulting. But you can also see similar things with the customers.

This business reality, on the other hand, has strategic consequences as I will illustrate. Due to these regional differences, Accenture needs some kind of built in flexibility when it comes to how services are defined. Hence, strategy, and structure as I have already outlined earlier, is defined from the top down only until the upper regional level. Due to lower level regional and local differences in the services requested by customers as well as differences in how particular kinds of services and tools may be composed (for

example due to differences in legal requirements), the lower level organizational entities must adopt and adjust tools and service offerings to their regional clients. Numser highlighted:

But it is the case that the markets are developing in a different way, and therefore, you must offer different services in the different markets. Or different topics are important and, therefore, there are different services which must be offered by Accenture in the local marketplaces. This is the reason that it is only top down until a certain level when it comes to what services we offer and also the structure is predetermined and the offerings are centrally managed. There is a central budget for that and they are developed, that is, these are only broken down until the regional, continental level. It is then the job of the various country-level organizational entities [subsidiaries] to adjust that concerning their [markets]. For example, there may be a global offering like enterprise risk management, and this would be differently defined for the different markets. In Austria, Switzerland and Germany (ASG), this would feature different components compared with Asia since in Asia, or over there in America, this topic may be more hot than here in ASG.

An important aspect of strategy is related to the question of what kind of customers are targeted by the organization. Basically, Accenture is targeting only large corporations in the various markets in which it is offering its service. In other words, the customers of Accenture are usually other very large companies. These customers may have only operations in one country, but, in fact, rarely do. In most cases, as they are the large corporations operating in the various national marketplaces, they are more likely to have boundary-spanning operations, as well. Numser mentioned:

Well, I would say that the structure of the customers is similarly international as Accenture itself. Accenture is focusing on serving the top 5 or top 10 of the local market. And these are on the other hand international [corporations]. If you focus,

for example, on the banks in Germany, then the targeted customers are those banks listed in the DAX.

Nevertheless, there are also some smaller and geographically more limited customers, too. Hobert elaborated:

Of course we have also customers which are medium-sized companies, or so, so that you have a customer only in Germany, a customer which is only operating in Germany. For example, there is one customer here in the region [Bavaria] who is producing all kinds of agricultural machines, for example, tractors. This would be one example.

Due to its structure and diversification worldwide, Accenture can deal with any kind of customer, as long as the customer is large enough and promises enough revenue. Accenture can offer its service to other large boundary-spanning organizations which may operate according to different models, that is, GLCs, TNCs, MNCs, and INCs in various countries and markets. In addition, it can also offer its service to larger corporations who only offer their products in a particular local market. This way, the corporation can deal with customers of any market orientation and operational logic.

Another issue, when it comes to strategy, is related to the question of local market knowledge and flexibility as well as the cost-sensitive production (price policy) of the services offered. Accenture is offering its services in various countries and must remain competitive from the perspective of pricing. At the same time, it is necessary that Accenture has local subsidiaries with local employees who have the local knowledge the customers are demanding. This means that some services require local expertise and local project site work but other, more standardized services and solutions, may be produced in lower cost countries. Accenture, for example, can involve

employees from any subsidiary anywhere in the world in any project at any place in the world. This is possible because employees speak the same “language”, use the same tools, and are familiarized with the standard routines. In addition, project staff may involve designated “Delivery Centres” when it comes to generating certain services. Taken together, the ability to have and offer important local market and industry know-how in any market and the ability to have lower cost than those companies who only have local market operations gives Accenture a competitive advantage. As one interviewee (Numser) stressed:

As you can build your own production sites in those [low cost countries] and you have there the same labour costs [as your competitors] but you can differentiate yourself in the Austria, Germany and Switzerland markets from the competitors, simply since you have the local industry know-how. Simply this combination from local industry know-how and competitive prices in the areas of programming, testing and implementation, this gives you the unique competitive position on the market.

But this often results in a division of labour in which complex tasks are done by local employees of the various subsidiaries while standardized or routine tasks are done by employees in low cost countries. However, this particular design of Accenture’s internal operations is also called ‘operating model’. Numser elaborated:

Yes, the ‘operating model’ means that you try to combine the local know-how with labour cost advantages. If you do simply programming, testing, everything that I can standardize, produce in a cheap labour country, I simply mention that. Well, in principle, I do, similarly as is the case with automobile producers, research and development, I run in the local market, but the production is done where it is as cheap as possible. But at the moment it is the case that still a lot is produced in the pro-



jects and not so much in such delivery centres, that is, in such production sites where you can offer [services] to the customers at a lower labour rate.

Hence, the combination of local market knowledge and cost saving opportunities differentiates Accenture from other competitors. In addition, as I have already outlined earlier, Accenture is, next to IBM consulting, the only corporation which seems to be able (due to its resources and geographical distribution) to deal with simultaneous worldwide roll-outs of any kind requested by other large TNCs or GLCs.

In the field of culture it seems that Accenture also features an interesting point: this refers to the combination of a dominant business culture and different subsidiary project cultures. Accenture's subsidiaries are characterized by a general culture concerning how to make and conduct its business, which is rooted in the American business culture. In other words, only those components of the American culture which are related with how to make business are of relevance. Willmer highlighted:

[Accenture has definitively] one culture. Well, this question can be clearly answered. There is one culture, there are 10 'core values', and they are the same everywhere. These [core values] are part of the trainings, also at other opportunities, in various 'meetings' or 'calls', telephone conferences, at various kinds of events. And these values are, of course, American nature and originate from there, for example integrity or 'best people'. These are two examples for core values of Accenture. Of course, there are in every country particular values which are part of the projects, but these are the core values and they are definitely American.

As one interviewee elaborated, the reason for this may be that the American business culture is the culture most easily accepted anywhere in the world

and able to create a consensus given so many different cultures. Wolf explained:

A difference [to other kinds of large cross-border operating corporations is] that it [Accenture] originated in America. The American business culture, working culture, this is something which is known worldwide and accepted with its rules. Well, if I think about the “up-or-out-principle” and everything which is related to this. It could also organically grow since you will find, at the beginning, acceptance [for that American business culture] in all countries in the world. Yes, since everybody knows that. This number oriented [culture], for example, of course, a strict central management, this is compared to other cultures simply well known and more likely to find a consensus [agreement]. You could not that easily globalize a French culture, this is absolutely clear.

The same interviewee continued to elaborate that even though Accenture has a American style business culture, the organizational culture, at least in its subsidiaries in the German speaking countries, are less American. Generally, the dominance of the American culture seem to decrease within Accenture subsidiaries. Wolf mentioned:

No, well this American culture, that is, from my point of view, but this is of course a very subjective issue, way weaker now than at the time I started working for [Accenture]. At that time, it was very clearly an American corporation. This is here and there still relevant, of course. You can trace that back to the roots, but this has significantly changed. Accenture does not really have, despite its origin in the US, [...] a very strong culture which is dominant, which originated from one country, for example the USA. Most employees are meanwhile in India and the Europeans meanwhile have their own culture.

In fact, it seems that Accenture features a combination of both, US American business culture values and expectations and at the same time adjust-

ments of those by local subsidiaries to their own culture in the sense that the same corporate principles or values may mean something different for each local subsidiary. One interviewee (Numser) highlighted that the different cultures in the corporation are one important challenge with which management deals:

This is an important point. This are simply the cultural differences. For example, how the daily procedures are organized, how you deal with each other. This starts with little things, if you compare ASG with South European countries, they somehow have 'Fiesta' during the summer months, from 12-16 o'clock. And during the summer months by definition there is a different dress code. They simply come not in a suit and tie to the office. They go, as one calls that, 'smart business' or 'casual' into the office.

Concerning the question of whether individual country culture or an overall organizational culture is dominant for conducting business, one interviewee Hobert outlined:

I think it has elements from both. We are, without any doubt, an American company. You can recognize this looking at the whole firm communication. Of course, it is also the case, since much of the communication happens on the level of the regional entities, I would like to say, elements of German culture. But principally I would say that the 'American spirit' is predominant.

Interestingly, even though there seems to be agreement that the way the corporation is managed is principally rooted in the American way of conducting business, there is no sense of that the company is American. Numser highlighted:

Well, from the management style [Accenture] is for sure an Anglo-American or American company. But ... if I think about Accenture as my employer, I would not

say that I am working for an American corporation; I work at Accenture. I would not relate this with one [particular] nationality.

To conclude, the culture of Accenture seems to be a mix between general American principles and values when it comes to business and some local values when it comes to putting these values into practice.

Before I attempt to answer the question of what kind of triggering forces have been reported by the respondents as being influential in the development of Accenture as a TNC, I will discuss some Human Resource Management issues as a last aspect which may be used in order to understand the peculiarities of Accenture as a TNC.

Accenture's top management level is quite diverse as it consists of people from various countries. Wolf addressed this topic, stating:

There are very different nationalities [in the top management]. Well, I do not know exactly how the top management is composed, but I know that there is one German in the top management, responsible for banking, Karl-Heinz Floeter. There is, I am quite sure about this, one Indian. Well, our top management features many different nationalities, as is the case in many other top companies. There are no longer only Americans, I am quite sure about that, but I have to say, I do not exactly know.

One characteristic feature of the way Human Resources are managed at Accenture is that the staff in the various country level organizational entities is rather homogenous and its staff is predominantly recruited from these countries or homogenous regions. Staffing of the various projects, however, depends on the nature of the projects. If the projects are with a customer who is only or predominantly operating within one country, Accenture staffs

these projects predominantly with employees from this country. Numser maintained:

Well, if you look at a project which is only sold and delivered here in Germany, then [project members] come from Germany. I think this is a rather homogenous team, particularly when it comes to their ethnic origin. This (team) becomes more heterogenous if you are integrating the global delivery network of Accenture and you use these delivery centres in Asia or in the Republic of Slovakia. Then the number of [involved] nationalities is tremendously increasing. It depends on the nature of the projects and the customers. A customer who is focusing more on a local area usually has less advantage and interest in working internationally. But if you are working with the Deutsche Bank or another Bank in Germany which is more internationally oriented, then this will be mirrored in the way the task force for the project will be staffed.

Nevertheless, it seems that when it comes to staffing for projects, these teams are more international than in the past. Numser claimed:

The projects are, of course, more internationally staffed. Now you do not only have colleagues from the German-speaking offices working for the customers, but also colleagues from Slovakia or India. Maybe not for the whole duration of the project, but they may be here for only the first 6 months in order to acquire relevant knowledge, and then they return to their offices of origin and serve as knowledge multipliers there.

Generally speaking, Accenture's Human Resource Management is characterized by homogeneity and diversity at the same time. Many projects on the local level feature a rather homogenous team in terms of their ethnic origin or nationality. However, some staff from other Accenture subsidiaries and "Delivery Centres" may temporarily join a project team at any place in the world. In some cases, when a customer has ongoing projects in vari-

ous subsidiaries around the world the various project teams will be predominantly staffed with local consultants supplemented by experts and dispatched employees from “Delivery Centres”. However, if consultations projects are on a higher level, for a large TNC, the structure of the project team will reflect the diversity of the TNC’s operation and feature a more diverse project team. Finally, at Accenture’s primary organizational level (the permanent organizational structure compared with the secondary, temporary project structure) the higher order organizational entities are characterized by more ethnic or national diversity than the lower level organizational entities.

### 6.3 Triggering Forces

It is of interest to reveal what kind of factors or triggering forces were highlighted by the interviewees when it came to the question what kind of forces managers assume to have had a significant impact on their company’s evolution into a TNC. Respondents commonly emphasized the element of cost arbitrage. Labour cost arbitrage refers to the possibility of a corporation - which has operations in various countries - to choose to produce in the country with lowest possible labour costs. However, the company can sell these products in other countries to the customers at either local prices or at reduced prices compared to competitors which can only produce in the local market with higher labour costs. This cost arbitrage contains the possibility for the corporation to be more competitive in that market compared to companies who can only produce in more labour intensive countries and to increase the corporation’s profit. However, as one interviewee mentioned, the decision to move operations to some low labour cost countries may also be

driven by the demands of the customers and not so much by the voluntary decision of the top management of Accenture. Wolf illustrated the importance of this issue as follows:

The main challenge is labour arbitrage in countries like the Phillipines, India or here in Eastern Europe. You have highly qualified people who work for less money and large companies. The first ones are Siemens and Deutsche Bank who move there, or Lufthansa, where you get the services cheaper, sometimes consciously accepting lower quality standards, but sometimes not even that. These [firms] are moving there and you simply have to follow them. It is simply expected that you are offering that.

But this possibility of labour cost arbitrage causes internal frictions and disharmony within the company. In particular, those employees working at Accenture's subsidiaries which operate in high labour cost countries are not pleased by the fact that some of their work will be transferred to other Accenture subsidiaries in lower cost countries. Wolf outlined, for example:

We do have exchange with Italians [Accenture Italy], for example, for joint projects. Is that always a good exchange? No, this is, for example, one issue which leads to many problems, since there is arbitrage. Since the Italians are usually cheaper, there is a tendency to switch projects to Italy, since the income of consultants is lower compared to their German colleagues. This is a large problem, which does not lead to friendly feelings, between Accenture Germany and Accenture Italy, since they do, in principle, ruin the prices.

Hence, even if the benefit of taking advantage of lower labour costs, that is, labour cost arbitrage, is one reason for Accenture to develop into a TNC, and the demand of customers who started operations in low labour cost countries and in which Accenture is able to offer its service in these coun-

tries has contributed to Accenture's evolution into a TNC, other issues are considered to be also of importance.

Being large, or becoming a large corporation with many subsidiaries in various countries, seems to have also been important from the point of view that size is equated with high standard and reliability. One interviewee stressed the importance of being big, being a global player as a TNC, explaining that large size is usually matched by the image of a high quality standard which can only be offered by those large corporations. Baum refers to this as the 'McDonalds principle'. The customers know what they can expect from that company and its employees in any country at any of the corporation's subsidiaries. Baum responded to the question of what he thought were the main forces triggering Accenture to become a TNC by saying:

[I think] it is a concerted development in the world economy. As far as size is equated with standard, this is a point, well, let's call that the McDonald principle, that is pretty clear. One knows that a Big Mac in Shanghai tastes exactly as it tastes in Munich, normally.

This basically means that the larger the company, the better the quality standards and the reliability of its services and products are. Hence, customers know what they can expect if they contract Accenture for one of their IT or other area consultancy projects and what they will get for their money. This reliability enables Accenture to sell services to large corporations who do have subsidiaries in various countries, as these companies expect that the service offered by Accenture will basically have the same standard in any of these countries. This principle has been introduced, coined and was extensively elaborated on by Ritzer (1995). This standardi-



zation and reliability enhances trust in and the feeling of reliability and legitimacy of the corporation and using the corporation.

Another reason for the evolution of Accenture into a TNC may be its advantage to reach and deal more effectively with two very different types of customers. Hobert mentioned:

I think, as a consequence, if you have a transnational position, you can reach both types of customers. First, those which have their operations organized in the same way [as boundary-spanning supranational organizations], and those customers which are operating in their home country only. This way we are able to offer our service to both kinds of customers.

However, the majority of the customers of Accenture are usually other very large companies. These customers may only have operations in one country, but rarely do.

Figure 6-2 Forces triggering the development into a TNC

Triggering Causes for the Development to a TNC
Cost savings due to labour arbitrage
Ensure Growth of the corporation
Being big is equal to a certain standard: McDonald principle
Growth of customers must be matched
Being present in all markets where customers are present
Enabling a large portfolio of products for the customer ,out of one hand'

Source: Own Figure

In most cases, as they tend to be the large corporations in the various national market places, they are more likely to have at least some kind of boundary spanning operations, as Accenture does. Nevertheless, there are also some smaller and more geographically limited customers, as has been already illustrated further above when discussing strategic issues. This situation means that Accenture has to demonstrate some flexibility in its service to its customers.

Better learning and innovation may also be an important factor leading to the evolution of Accenture into a TNC. One interviewee mentioned that the corporation can draw on efficiency gains as becoming a large TNC as, for example, they can draw on some experience with a certain issue previously encountered at some place and then deal far more effectively with the implementation of this solution at a later time.

However, as the customers of the company grew in the past, this growth has been matched by Accenture. Growth refers to growth in size and capacity as well as growth in terms of geographic presence on markets.

Ultimately, the evolution of Accenture is driven by the search to increase profit. This, itself, is not very surprising given the capitalist principle, but nevertheless it is important to note that interviewees are aware of the ultimate force propelling Accenture. Baum stated the following:

Well, I think, I can not claim that market thinking is now the right thing, but in any case, one can say that the advantage - which is currently so prominent - of being big means reducing costs, draw on synergy and enable a larger profit, of course at the expense of the equity, as one can currently and painfully experience as corporations go insolvent. But this is now the dictum; the world religion is now profit. This

is strange and sounds strange, but from my point of view one can almost write it down like that.

Profit and profit-seeking seem to have become the new “world religion” as the capitalist system basically spans the globe – except a few enclaves. Fukuyama’s (2006) notion of the “end of history” emphasized successful conquering of the basic fundamental rationales of capitalism, and that is, in the end, profit maximization, of the whole world. It is not very surprising to find the strive to increase profit being mentioned as a driving force or key factor for the evolution of companies to TNCs. Increasing profit is a key component of the capitalist market system and companies are major actors in that system. Nevertheless, the phrase used by the interviewee is very interesting, as he claims that profit became the new “world religion”, suggesting the increase or enhancement of profit, the more-and-more and not-yet-enough attitudes and the belief in the good forces of striving for the highest possible profit are substituting other beliefs.

Another reason for the evolution of Accenture towards the TNC type seems to be rooted in the need to compete with competitors. Numser mentioned:

For Accenture, [one reason to become a TNC] is clearly the pressure to be competitive, which emerged from the fact that competitors from India, or let’s put it this way, low labour cost countries entered the main markets of Accenture. For example, BDETFINOSYS, which is the largest company in India, is offering its services here in Germany, Austria and Switzerland, but for a significantly lower price. In order to be able to react and to remain competitive, you have to try to beat the competitors in their own markets.

Last but not least, it was mentioned that it is sometimes quite difficult for customers to work together with various service providers to deal with is-

sues. Companies prefer to deal with only one company which is able to provide all key services “out-of-one-hand”. Hence, being able as a TNC to provide a large portfolio of products, that is services “out-of-one-hand”, seems also to have been a key force triggering Accenture to become a TNC. A key force which propelled Accenture to become a TNC was its ability to be able to offer integrated or holistic service and consulting solutions to large customers worldwide.

Another reason seems to be the extraordinary growth of the outsourcing business. Numser stressed:

Another thing which contributed to this [development] is the business of outsourcing, which grew tremendously in the last years. And in order to make these outsourcing deals attractive and cheap, for the customers and for Accenture as well, you have to go where you can produce these things cheap. And this is the reason that the firm is growing in a) the number of employees and b) the number of sites which are run by Accenture worldwide.

## 6.4 Conclusion

In the last section of this chapter, the particular characteristic features of Accenture, as they could be distilled from the interviews and documentary analysis as a TNC will be summarized, highlighted and discussed. Figure 6-1 offers a summary of the strategic capabilities, organizational characteristics and the management tasks at Accenture. The table is based on the distinction of the three components as proposed by Bartlett/Ghoshal (1989; 1998) in their ideal-type construction of a TNC. In addition to being suitable for outlining key characteristic features of Accenture as a TNC, the

table will also later help the reader to compare the features of Accenture with the features of DaimlerChrysler and contrast these features with the traits of a TNC according to Bartlett/Ghoshal (1989; 1998).

The ability to offer integrated consultancy solutions and outsourcing solutions and therefore any kind of consulting service demanded by clients, to customers on a worldwide basis is a key feature. In other words, Accenture can offer a wide portfolio of services to customers so, at least theoretically, customers can get all consultancy services and IT-outsourcing services from the same company, “out-of-one-hand”. In addition, Accenture is one of the few, maybe even one of only two companies worldwide, who are able, due to their resources, to manage a simultaneous roll-out of a new computer program of a global operating client firm. However, one organizational characteristic is that these three business fields are structurally separated while there is the possibility for synergism. It is an important management task to manage the variable importance of the three businesses in various countries and regions as the differences require different allocations of resources. However, one advantage of Accenture as a TNC is its ability to reallocate overhead resources from one subsidiary to areas where the demand for a particular service may extend the possibility to offer that service due to local resource restrictions.

In addition, based on its structure, Accenture is able to offer its service tailor-made either for other boundary-spanning organizations of any operational logic (e.g. GLC, INC, MNC, TNCs) or for large organizations which are only focusing on certain local markets (these organizations though may be quite independent subsidiaries from boundary-spanning organizations). Hence, all kinds of large customers can be reached with this structure. It is an organizational characteristic that the global strategy is principally de-

cided upon centrally and valid for all subsidiaries until the regional level. However, the various regional organizational entities and the allocated local subsidiaries have to adopt these strategic principles and adjust them to the local markets. The same principle applies for the structure and other important organizational components, like controlling systems and processes and rules. They are characterized by uniformity in terms of principles which are valid worldwide. However, the same principles may mean something different in the various localities and will therefore have different consequences. It is one of the major management tasks, therefore, to keep the centrifugal forces of the various regional and local organizational entities in check and under control.

Table 6-3: Characteristic Features of Accenture as a TNC, No. I

Strategic Capabilities	Organizational Characteristics	Management Tasks
Integrated service solutions worldwide	Seperated consultancy businesses but possibility for synergy	
Learning for and with Customers worldwide; Worldwide knowledge Creation and distribution	Dispatchable network of experts Worldwide; Expatriates from Delivery Centres at Local Projects, Worldwide access to network of experts For everybody	Ensuring efficient & Effective knowledge Transfer and managemt.
Combination of lokal Market and industry Know how & cost savings by labour cost arbitrage	Local organizations & project teams Supplemented by a number of 'Delivery Centres' in low labour Cost countries	Balancing local project production & Delivery centre production
Worldwide identical standards and internal rules (relyability& predictability)	Subsidiary principle	Maintaining similar standards Given local differences In meaning of standards

Source: Own Figure

The ability to combine local market and industry know-how at the various local geographies seems to give Accenture as a TNC a particular unique competitive advantage compared to other cross-border operating companies. Moreover, Accenture is at the same time able to take advantage of cost savings due to labour arbitrage as some (particularly standard) tasks can be done by “delivery centres”. One of the major management tasks is to balance the decentralized, or local, production of services by project teams and the central production of services by the delivery centres since taking advantage of labour cost arbitrage creates some friction and disharmony in organizational entities in high cost localities within Accenture.

Table 6-4: Characteristic Features of Accenture as a TNC, No. II

Strategic Capabilities	Organizational Characteristics	Management Tasks
American Business Culture supplemented By local values	Key values are identical; but different In their application due to local Differences & development of local project culture	Balancing & managing The regional difference Of importance of the Three consultancy businesses
Homogeneity in local Subsidiary employees But heterogeneity in Projects if necessary & On higher level entities	High homogeneity at local level Organizational entities & hetero- Geneity on higher level entities	Ensuring and enhancing Mutual understanding & Tolerance between employees

Source: Own Figure

Even though there are differences in terms of what kind of services are requested by clients in the various localities and how these services may be delivered, another key strategic capability is Accenture’s tight link of its knowledge creation with the demand of its customers. Learning and innovation to solve particular problems experienced by clients is of paramount importance. Since, for example, due to different regulations, client firms in

different countries may focus on different issues at the same time but one issue for which Accenture had build knowledge in one local subsidiary may become later on important for other local subsidiaries as their clients have to deal with the same or similar issues, the employees of the other subsidiary can quickly learn from the experience of another subsidiary and knowledge building is faster than if this would have to be learned exclusively with own resources. Hence, the emphasis of worldwide knowledge creation and transmission at Accenture is a key strategic capability. In fact, due to the diversity of its employees at various local subsidiaries, solutions may be more easily and successfully created. An organizational characteristic is that employees have access to worldwide knowledge based on diverse backgrounds and experiences, and experts in particular fields may be requested by any subsidiary project team and expatriates of “Delivery Centres” join local project-teams in order to learn and later function as multipliers . It is a key management task to ensure efficient and effective knowledge transfer for which rank, and not nationality or belonging to any subsidiary, is used when it comes to the evaluation of the provided knowledge.

Learning and innovation is fostered by the diversity of Accenture’s employees given a worldwide perspective; however, the employees of the local subsidiaries of Accenture are relatively homogenous. Many locally focused projects, therefore, tend to be staffed by local employees as they have more detailed local market and industry knowledge. However, when clients themselves have boundary-spanning operations and operate in diverse markets, Accenture’s project teams usually tend to mirror this diversity in terms of staffing for the projects. In addition, the higher the organizational level, the more diverse the management team, particularly on the regional level. It is a major management task to ensure mutual understanding and tolerance between the employees of different nationalities who have to work together.



This mutual understanding and tolerance may be fostered by the fact that the business culture at Accenture is dominated by an Anglo-American style, and that is a strict number driven culture, at any local subsidiary. However, local cultural values supplement the core values and help local employees to work better together and with the client's local organizations. The organizational characteristic is that, based on this dominant culture, the joint expectations and values are clear between the subsidiaries when it comes to how one should work and cooperate. However, local culture will also be part of the working culture at the various subsidiaries and that has to be taken into account, probably more importantly when it comes to how work is done in a local subsidiary and less importantly when it comes to cooperation between subsidiaries because the American business culture is the culture which allows for most consensus worldwide. It is a key management task to manage and balance this combination of dominant key value principles and the supplementing local cultural values within the corporation.

The expectation by customers that the service offered by Accenture at various localities worldwide will be of the same standard and the knowledge that this expectation will be met, account for another important strategic capability of Accenture. Being one of the few, very large consultancy companies means that Accenture's service are automatically perceived to comply to a high standard. It is one of the key management challenges to maintain similar worldwide standards given different measurements and indicators of those standards in various countries. But not only are the identical or similar standards worldwide an important strategic capability, but so too is the knowledge that Accenture's employees in various subsidiaries follow the same regulations, rules and standards when it comes to internal cooperation, and that the employees speak the same language, that is, share a simi-

lar or identical technical vocabulary which ensures or enhances mutual understanding between the employees of the various subsidiaries. Regional level managers are part of the decision-making processes when it comes to general rules and regulations in order to ensure that these principles will be implemented everywhere and subsidiaries will exhibit general agreement.

Despite these similar standards in processes and vocabularies, there are differences in terms of internal organization between the various local subsidiaries. This is due to the importance of the 'subsidiary principle' at Accenture which basically means that all tasks which can be solved by lower level organizational units are dealt with on that level. Only those issues which can not be dealt with at lower level units or should not be dealt with on lower level units (due to efficiency gains if centralized on higher order level) are the prerogative of the higher order organizational entities. Hence, it is a management challenge to maintain and manage the need for decentralization and centralization of certain issues within the company at the same time.

In the following chapter the evidence found for Accenture and DaimlerChrysler concerning the key characteristic features of both as TNCs will be compared and contrasted. Accenture has so far grown only organically and is operating in the service sector while DaimlerChrysler resulted from a merger and is in the consumer production sector. Hence, one may expect some significant differences between both corporations. If so, these differences would suggest that one should further differentiate between subtypes of TNCs depending on, for example, which sector they belong to (consumer production vs. service sector) and what kind of development they are characterized of (organically growth vs. growth through M&A). In addition, the key characteristic features of both TNCs will be discussed in terms of Bart-

lett/Ghoshal's (1989; 1998) notion of the TNC and the characteristics highlighted. Furthermore, based on the discussion of the key characteristic features of the two TNCs I have analysed in this thesis, I will discuss a particular metaphorical approach.

## 7 Images and Subtypes of the TNC

In this chapter, I will compare the descriptions concerning the key characteristic features of the two analyzed TNCs in order to conceptualize TNCs as a particular type of supranational organization. I will discuss the key components derived from the interviews which were used by the interviewees in order to make sense of the TNC as a particular or unique form of supranational corporations and contrast this information with the components highlighted by Bartlett/Ghoshal (1989; 1998) in their seminal conceptualization of the key characteristic features of the TNC. This comparison will help to clearly see overlapping aspects and to see new and additional components not considered in detail by Bartlett/Ghoshal (1989; 1998). I suggest that, based on the results, one should distinguish between subtypes of TNCs. In other words: I will propose the thesis that a further differentiation between types of TNCs, in addition to the general differentiation between TNC, MNC, INC and GLC, would help to improve the range of conceptual tools available for organizational analysis.

The questions concerning what the TNC is and what sets it qualitatively apart as a particular type of supranational corporations compared with corporations labelled as MNC, INC and GLC may be better reformulated as whether and how the TNC is perceived to be unique and distinct from other supranational corporations (MNC, INC and GLC) by employees working for large cross-border operating companies. Even though some respondents claimed that they see no qualitative or significant differences among the

four different types for supranational corporations used in order to highlight qualitative differences, most respondents could implicitly or explicitly highlight important and significant differences which set key players in their industry apart when compared with each other. Hence, the first conclusion of this study is to assume that, in fact, managers in the world of business can make sense and do largely subscribe to the idea that there are significant differences between supranational corporations warranting the use of Bartlett/Ghosal's (1989; 1998) typology and that the TNC can be set apart from other types of corporations as it is qualitatively unique and can be characterized by some particular features. This finding provides further evidence for relying on quantitative approaches in making sense of differences among supranational corporations or, to frame it in different words, to develop and apply qualitative approaches which are claiming that there are differences "in kind rather than in degrees" (Ghoshal/Westney 2005: 5) between cross-border operating companies. It is the assumption of this thesis, based on the results of the two case studies presented in the previous two chapters, that managers are able and likely to make some distinction between different types of supranational corporations in their everyday life.

However, the characteristic features of the TNC as proposed by Bartlett/Ghoshal (1989; 1998) and the image of it as a differentiated but integrated network organization will be, in the remainder of this chapter, contrasted with detailed descriptions of the two organizations which are considered, for this thesis, as existing prototypical TNCs. Does contrasting these two organizations with the model characteristics of the TNC as outlined by Bartlett/Ghoshal (1989; 1998) grant similar results or may the comparison suggest some important differences? If the comparison suggests there are such differences, would these differences warrant a completely different kind of conceptualization of the TNC, or suggest even a conceptu-

alization of a kind of cross-border operating organization which is not encapsulated by Bartlett/Ghoshal's (1989; 1998) typology? On the other hand, perhaps, such differences may be rather considered as a ground for the differentiation between subtypes of TNCs? Regardless of the answer to these questions, I will first discuss the conceptualization of the TNC as a unique and qualitatively distinct type of cross-border operating company as suggested by Bartlett/Ghoshal (1989; 1998) in more detail.

### 7.1 The TNC as an Integrated Network Organization

Bartlett/Ghoshal's (1989; 1998) construction of a particular image of the TNC does not focus exclusively on structural issues but includes various elements in order to discuss the TNC as a particular type of an organizational model. The authors centred their discussion on strategic capabilities, organizational characteristics which go beyond merely structural components and managerial tasks necessary to manage the transnational organizational model in order to conceptualize the model features of the TNC as a particular supranational organizational type. In the first instance, however, quite similar to Heenan/Perlmutter (1979), the TNC is according to Bartlett/Ghoshal (1998: 20) primarily a new "management mentality". In a certain sense, this "management mentality" becomes visible in a distinct set of strategic capabilities, organizational characteristics, and corresponding managerial tasks, which match the requirement of the transnational markets or industries as Bartlett/Ghoshal (1987a; 1987b; 1989; 1998) have described. Nevertheless, the authors particularly used a structural focus highlighting a specific distinctive kind of the intraorganizational network configuration in order to differentiate the TNC from other types of suprana-

tional organizations. Figure 7-1 displays a summary of key elements of two different contextual attributes of interorganizational interaction as outlined by Bartlett/Ghoshal (1990) while drawing on a discussion of Warren's (1967) distinction of various types of interorganizational interaction contexts<sup>68</sup>.

Figure: 7-1: Different Types of Context of Interorganizational Interaction

Dimension	Unitary	Federative
Relation of unit To an inclusive goal	Units organized for Achievement of inclusive goals	Units with disparate goals, But some formal organization For inclusive goals
Locus of inclusive Decision making	At top of inclusive structure	At top of inclusive structure, Subject to unit ratification
Locus of authority	At top of hierarchy if Inclusive structure	Primarily at unit level
Structural provision For division of labor	Units structured for division Of labor within inclusive organization	Units structured autonomously, may Agree to a division of labor, Which may affect their structure
Commitment of a Leadership subsystem	Norms of high commitment	Norms of moderate commitment
Prescribed collectivity- Orientation of units	High	Moderate

Source: Bartlett/Ghoshal (1990: 608)

Bartlett/Ghoshal (1990: 607) maintained that cross-border operating organizations show some features of the unitary, as well as the federative, modus of interaction patterns analysing the interaction between various organizational units. The authors wrote with respect to the utility of the applied net-

<sup>68</sup> Bartlett/Ghoshal (1990) summarized the key attributes of four different contexts of interorganizational interactions, that is unitary, federative, coalitional and social choice, but only the first two are of relevance in order to describe the TNC.

work metaphor for highlighting important features of the TNC (Bartlett/Ghoshal 1990: 604):

In particular, we believe that the concept of a network, both as a metaphor and in terms of the tools and techniques of analysis it provides, reflects the nature and complexity of the multinational organization and can provide a useful lens through which to examine such an entity. We propose here a framework that conceptualizes the multinational as a network of exchange relationships among different organizational units, including the headquarters and the different national subsidiaries that are collectively embedded in what Homans (1974) described as a structured context.

Although dependent on the particular type of the cross-border organization, most of these organizations will tend to be operating on the federative or unitary contextual model. Bartlett/Ghoshal (1989; 1998) have employed the metaphor of the 'integrated network' in order to create a particular image of the TNC in contrast to other types of cross-border operating companies, like the INC, the MNC and the GLC. Bartlett/Ghoshal (1989; 1998) have used the terms of the "decentralized federation" for the multinational organizational model (MNC), the term "coordinated federation" for the international organizational model (INC), the term of the "centralized hub" for the global organization model (GLC) and "integrated network" for the transnational organization model (TNC)<sup>69</sup>. The image of the TNC as a differentiated but integrated network highlights the particular features of the context of inter-organizational interaction of this particular type of boundary-spanning organization in contrast to the other three types.

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<sup>69</sup> Provan (1983) has extensively outlined different kinds of federations and Bartlett/Ghoshal (1989; 1998) have adopted and adjusted some of the terminology and differences used in this outline.



Nohria/Ghoshal (1997) focused in more detail than Bartlett/Ghoshal (1989; 1998) did on structural components of the TNC. Based on Lawrence/Lorsch's (1967) distinction between integration and differentiation as the two main aspects of organizations and the importance of how both issues are addressed in an organization as being of key importance for its operational logic, Nohria/Ghoshal (1997) distinguished among four different kinds of organizational structural patterns when it comes to the question of how to organize business conducted across borders. In a supranational corporation characterized by "structural uniformity", there is a widely homogenous way of how things are done in the various national subsidiaries and how the relationships between the subsidiaries themselves, as well as between the subsidiaries and the headquarters, are managed. In the case of a "differentiated fit", the supranational company allows and adopts various kinds of governance structures for each subsidiary which is supposed to fit best its particular situation. There is also the possibility that an organization is neither developing explicit patterns of integration or differentiation as some supranational corporations are employing "ad hoc variations". Organization is unstructured, unplanned, and lacks a systematic approach. Last but not least, and of importance for this thesis, Nohria/Ghoshal (1997) explained that the differentiated network structure fits best to TNCs and that the differentiated network exhibits both a strong structural integration of the various subsidiaries in terms of their relationships between each other as well as their relationship with headquarters. Yet, the way this integration is managed and how rights and responsibilities are distributed in that network to the various subsidiaries is different and depends largely on the role of a subsidiary. Explaining their typological distinction, Nohria/Ghoshal (1997: 181pp) wrote:

The final structural pattern is evident when a firm adopts the logic of differentiated fit but overlays the distinctly structured relationships with a dominant overall integrative mechanism – whether through strong centralization, formalization, or normative integration. (...) Our basic argument is that for effective performance, the MNC's organization structure should fit its overall environmental contingencies. We hypothesize that structural uniformity is best suited to global environmental conditions, differentiated fit to multinational environments, differentiated networks to transnational environments, and the ad hoc variety to international environments.

Hence, due to long-term, selective forces (which would work in favour of adopting a differentiated network structure as a governance mechanism for the TNC), the TNC should and will, according to Nohria/Ghosal's (1997) contingency argument, tend to exhibit such a differentiated network structure. The prevalent kinds of operational logics in such differentiated network structures will be important. In other words, the kind of principal logic governing the exchange relationships between the subsidiaries and headquarters matters. This issue will be addressed in more detail in this chapter as it will become clear that even though TNCs seem, in fact, to be rather characterized by a differentiated network structure than by any other of the remaining three types distinguished by Nohria/Ghoshal (1997), the two cases analysed earlier suggest that the overall governance logic in such differentiated networks can be different and that this difference may warrant further distinction among various types of differentiated networks. However, before this issue can be addressed, it is important to highlight principally what kind of characteristic features such a differentiated network underlying the idea or notion of the TNC exhibits.

Fig. 7-2 – Classification of Companies according to Structural Features

Structural Integration	high	Structural Uniformity	Differentiated Network
	low	Ad Hoc Variation	Differentiated Fit
		low	high
		Structural Differentiation	

Source: Nohria/Ghoshal (1997, p.185, modified)

In their first publication of the concept of the TNC, Bartlett/Ghoshal (1989) argued to describe an idealized, not yet fully accomplished, type of organization. But about 10 years later, in a revised edition of their original work, they highlighted that more and more organizations employ and apply this basic framework for designing their organizational model (Bartlett/Ghoshal 1998: 108). Bartlett/Ghoshal (1998: 101) stressed that the corporations they were observing suggested some convergence:

From vastly different structural bases, they were converging toward a common configuration, in which increasingly specialized units worldwide were linked into an integrated network of operations that enabled them to achieve their multidimensional strategic objectives of efficiency, responsiveness, and innovation. The

strength of this configuration springs from its fundamental characteristics: dispersion, specialization, and interdependence.

The integrated and differentiated network of organizational entities allows and requires the flow and exchange of components, products, resources such as people and information (Bartlett/Ghoshal 1989: 61). Bartlett/Ghoshal (1989; 1998) argued that the TNC as an integrated network is distinguished from other cross-border operating companies in terms of its strategic capabilities, organizational characteristics and management tasks. Figure 7.3 summarizes the main characteristics of the TNC proposed by Bartlett/Ghoshal (1989). They (Bartlett/Ghosal 1989: 59 pp.) outlined three main attributes of the TNC in order to describe the organizational characteristics.

Figure 7-3 Building and Managing the Transnational

Building and Managing the Transnational		
Strategic Capability	Organizational Characteristics	Management Tasks
Global competitiveness	Dispersed and interdependent assets and resources	Legitimizing diverse perspectives and capabilities
Multinational flexibility	Differentiated and specialized subsidiary roles	Developing multiple and flexible coordination processes
Worldwide Learning	Joint development and worldwide sharing of knowledge	Building shared vision and individual commitment

Source: Bartlett/Ghoshal (1989: 67)

The portrait of the TNC as an integrated network by Bartlett/Ghoshal (1989; 1998) is of major importance as this metaphor creates a certain image of the TNC. First of all, the integrated network features dispersed assets over several countries which, as Bartlett/Ghoshal (1998: 102) depicted, helps the organization to diversify economic and political risks, take advantage of low-labour costs, and access dispersed knowledge. However, even though the assets of the company are widely dispersed geographically, this diversification creates specialized capabilities at different organizational units on the local level. Subsidiaries on the nation state level, dealing with particular issues, emerge in such an organization. This dispersion of assets and capabilities over various organizational units of the company, including specialization of various national subsidiaries and particular sites, requires the legitimization of this dispersion of assets and capabilities. Management must emphasize the advantages of such an approach and legitimize pluralistic, multiple perspectives. Bartlett/Ghoshal (1998: 180) highlighted:

By legitimizing the diversity of a truly multidimensional organization, management creates the core of an organization flexible enough to respond to environmental change and strong enough to compete on the basis of multiple strategic capabilities.

The dispersed, specialized assets and tasks include the subscription or development of different roles for the national subsidiaries and individual organizational entities. Bartlett/Ghoshal (1998: 122 pp) proposed a typology distinguishing between “black hole”, “strategic leader”, “Implementer” and “contributor” in order to differentiate between various roles of the organizational entities<sup>70</sup>. This distinction among the roles of the various subsidiaries

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<sup>70</sup> The clear differentiation of the roles of the various subsidiaries is a contrasting approach to the idea of organizational symmetry in which all subsidiaries are consid-

seems to be more suitable than a symmetrical distribution of resources and tasks to the organizational entities given the different strategic importance and approaches necessary to compete in the various national markets. Bartlett/Ghoshal (1998) stressed:

In allocating roles and responsibilities, management must distinguish clearly between the corporate headquarters of a worldwide company and the home country operations that also may be located at headquarters. Too many companies – particularly U.S.-based firms – tend to overlap or blur the roles. The home country operation should be treated no differently from the other national organizations – that is, it should be assigned the role it is best suited to play, not necessarily the leadership role it has probably traditionally enjoyed.

This differentiation of the roles of the intraorganizational network of organizational entities (subsidiaries) and the need for cooperation leads to interdependencies among the various organizational units, that is, various subsidiaries and centres of excellence, of the TNC. The integrated network also features a large internal exchange of components, products, resources, and information (Bartlett/Ghoshal 1998: 102). It is coordinated by a complex process of inclusive decision-making and cooperation, even though some internal competition may be deliberately maintained and some tasks are done simultaneously by various organizational entities (Bartlett/Ghoshal 1998: 102). The authors have also emphasized that the various subsidiaries have a varying degree of impact in different decision making processes, depending on their role and knowledge for each decision process (Bart-

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ered to be of equal importance. Bartlett/Ghoshal (1998: 120) wrote: “Clearly, national markets differ widely in their importance to the company’s global strategy. [...] Instead of treating all national organizations equally, managers with the transnational mentality see their task as tailoring the roles and responsibilities of the local organizations to reflect the strategic importance of the local environments.”

lett/Ghoshal 1998: 120). Bartlett/Ghoshal (1998: 80) outlined the features of the coordination in the TNC as follows:

The transnational company builds a portfolio of coordinating processes that includes centralization (substantive decision making by senior management), formalization (institutionalization of systems and procedures to guide choices), and socialization (building a context of common purposes, values, and perspectives among managers to influence their judgements).

When it comes to the management tasks, Bartlett/Ghoshal (1998) emphasized that there are various kinds of coordination systems employed in the TNC, depending on the type of coordination task and the role subsidiaries have in a particular market-product situation or combination<sup>71</sup>. The TNC is basically a centralized system, that is the traditional hierarchy, but with some injection of dispersion of hierarchy (i.e. “heterarchy”) according to roles organizational entities play as some subsidiaries become leading in strategic coordination of some particular project (Hedlund 1981; 1993). Bartlett/Ghoshal (1998: 197) clarified:

Centralization was the most consistently practiced form of coordination we observed. In every company, top management, including the board, explicitly reserved the right to decide on major capital requests and key personnel appointments.

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<sup>71</sup> Bartlett/Ghoshal (1998: 200) summarized this approach to managing the integrated network of the TNC as co-optation: “Eventually managers are forced to develop a broad array of coordination mechanisms and apply them in a discriminating manner. The vital ingredient in the resulting transnational management process is the ability of senior managers to use different tools and mechanisms, separately and together, in a flexible way.”

In addition, formal management and controlling systems are in place in a TNC. This management, via central decision making, however, is complemented by some kind of self-regulation within the TNC. This self-regulation is accomplished, as Bartlett/Ghoshal (1998: 195) pointed out, by creating internal-market conditions. This means that organizational units must bid internally to get certain production and tasks allocated. Bartlett/Ghoshal (1998: 195) explained:

In these and similar examples, we saw companies allowing the invisible hand of internal markets to complement the visible hand of managed integration. Besides requiring less direct time and effort to manage, the coordination processes built on organizational interdependencies and internal market mechanisms often seemed to overcome the 'stickiness' of managed organizational processes, and became more flexible and responsive to environmental changes.

Nevertheless, TNCs also make use of socialization as a means of coordination. For Bartlett/Ghoshal (1998), the use of socialization means, the indoctrination of key managers with the values of the company. The movement of managers within the organization as expatriates also fosters knowledge management. Bartlett/Ghoshal (1998: 197) highlighted:

That goal [coordination of knowledge flow] is best reached by transferring personnel with the relevant knowledge, or creating organizational forums that allow the free exchange of information and foster interunit learning. In short, the coordination of information flows is a classic candidate for the socialization process.

However, the differentiation of roles among the various subsidiaries should not prevent a general openness to knowledge generation at any organizational entity, regardless of its determined role, as long as the knowledge seems to be helpful. Knowledge created at any of the nodes of the inte-



grated network may become transmitted to all nodes (organizational units) as the knowledge proves to be functional for the problem-solving capability of the organization. The TNC profits from being open to ideas invented in the company at any geographical place and better able to quickly generate new knowledge. While describing the features of the innovation processes in the TNC, Bartlett/Ghoshal (1998: 133) maintained:

These transnational innovation processes fall into two broad categories, which we have labelled locally leveraged and globally linked. The first capitalizes on the resources and entrepreneurship of individual national subsidiaries but leverages them to create innovations for exploitation on a worldwide basis. The second links the resources and capabilities of diverse worldwide units in the company, at both headquarters and subsidiary level, to create and implement innovations on a joint basis. In this process, each unit contributes its unique resources to develop a corporate wide response to a worldwide opportunity.

Having a dispersed, possibly a worldwide, presence in various markets increases the potential knowledge advantage of the TNC. Bartlett/Ghoshal (1998: 117) emphasized:

Worldwide presence conveys a huge information advantage that can translate into more efficient sources or more advanced product or process technology.

The necessity to share locally generated knowledge without withholding important information demands the generation of a shared vision and consideration of the whole integrated network. The broadly shared vision creates individual commitment to the purpose and goals of the corporation and the willingness to contribute to knowledge generation and sharing. Bartlett/Ghoshal (1998) highlighted the need for this purpose to be clear and consistent.

Fig. 7-4: Comparison of Strategic Capabilities

DaimlerCrysler	Accenture	TNC
Risk Diversification	-----	
Global offer of extensive product portfolio: „all out of one hand“ principle	Global offer of extensive service portfolio: „all out of One hand“ principle	} Global Competitiveness
Worldwide dispersed knowledge generation	Worldwide dispersed knowledge generation & sharing	
Leading edge innovation	Leading edge innovation	
Differences of brands and „Made in“ principles	Identity of „Made by“ principle (identical high standard)	
Combination of German & American Business Culture	Dominant American Business Culture	
Global attractive employer	-----	
Local market/industry knowledge	Local market/industry Knowledge and labour cost arbitrage option	Multinational Flexibility

Source: Own Figure

Bartlett/Ghoshal (1990) argued that the image of a differentiated, yet integrated, network is most suitable to create a particular image of the TNC. Is this image of the TNC as a integrated network reflected in the key characteristics or features of DaimlerChrysler and Accenture as they are considered to represent two TNCs?

I will turn to this question and compare the strategic capabilities, organizational characteristics and corresponding management tasks outlined in the previous chapters for DaimlerChrysler and Accenture with the general conceptualization of the TNC by Bartlett/Ghoshal (1989; 1998) as previously

detailed discussed. I will highlight the similarities among the two organizations, that is, DaimlerChrysler and Accenture, and the conceptualization of the TNC by Bartlett/Ghoshal (1989; 1998). I will also highlight differences in regard to key strategic capabilities, the characteristic organizational features and the management tasks of the TNC as a particular organizational type as provided by Bartlett/Ghoshal (1989; 1998) and DaimlerChrysler and Accenture.

Bartlett/Ghoshal (1989; 1998) emphasized that TNCs are characterized by global competitiveness. Basically speaking, TNCs must be able to offer their products and be competitive on a global scale. Their products must be available in virtually every country and the companies must have a global capability to compete with or outcompete other companies which are offering the same or similar products. In both cases analyzed for this thesis, that is, DaimlerChrysler and Accenture, their capability to offer worldwide an extensive product or service portfolio turned out to be of key importance for their competitiveness. In fact, the description of Accenture highlighted that Accenture is the only other company than IBM, which is literally able to manage, or to act as an advisor, for a global roll-out of large IT projects for major corporations. It can offer its services at the same standard worldwide and possesses an almost unique competitive capability in being able to do so. Similarly, DaimlerChrysler offered its various products almost everywhere around the globe, probably in more countries than any of its competitors or being matched only by a few. In addition, for both companies, the “everything out of one hand” principle, as I would like to call one of the strategic capabilities mentioned by the respondents, seems to play an important role in their competitive strategy. This principle requires that customers should have the option to purchase any kind of automobiles like cars, vans, buses, or trucks anywhere in the world from DaimlerChrysler. Customers

are aware of or are at least told that they can rely on the same high quality of products and services. Similarly, an important cornerstone of Accenture's strategy is that clients have the option to get consultancy services in virtually any field (not only IT, even though this is the company's core activity) including related outsource services worldwide. Hence, Accenture is virtually able to provide a customer locally or globally with all necessary consultancy outsourcing services.

The second strategic core capability of the TNC is, according to Bartlett/Ghoshal (1989; 1998), the capacity for worldwide learning. New knowledge, regardless of where generated, will be transmitted to all organizational entities worldwide and becomes part of the widely shared and common knowledge of the company, as long as it helps to provide leadership in innovation and serves to maintain the competitive advantage of the corporation. It does not matter where new knowledge or innovations takes place, in a core organizational entity or in a relatively unimportant subsidiary or one of its organizational units: as long as the generated knowledge is considered to be of importance it will become part of the content of the worldwide learning of the corporation. The interview data from Daimler-Chrysler and Accenture suggest that such learning processes were in fact occurring in these organizations and that this capability of soliciting knowledge anywhere in the world and disseminate new knowledge in the whole corporation as part of worldwide learning processes are considered to give the corporation some strategic advantages compared to other kind of cross-border operating as well as companies limited in their operations to one national market.

Accenture seems particularly focused on leveraging ideas and experiences gained by one corporate entity at one place in the world (national subsidi-

ary) as it becomes adapted by other corporate entities. Knowledge and experience developed by employees of one national subsidiary or one or a few of its organizational units in some part in the world may later be of importance for clients in other countries. Open and easy access to that knowledge and experience gathered at one national subsidiary by other national subsidiaries is of key importance for Accenture in order to develop, maintain and expand its competitive advantage. The description in the previous chapter highlighted the fact that managers are well aware of this competitive advantage which sets their company aside from many other consultancy firms not operating in so many countries around the globe. Similarly, projects at DaimlerChrysler requiring cooperation between various corporate divisions and sites located around the world, like the “WorldEngine”, highlighted the corporations’ subscription to the idea of taking advantage of the knowledge available at the various organizational entities worldwide. However, knowledge sharing seemed to have worked in some of the corporations divisions, that is, in the truck division, better than in others. It seemed that DaimlerChrysler’s automobile division or Car Group, characterized by various different brands, each with its own history, resulted in barriers concerning knowledge development and sharing between the brand manufacturers. As a matter of fact, since it is important to maintain the various brand identities some independent knowledge development and maintenance at the brand or individual firm level seems to be even necessary. However, as some brands, such as Mercedes, maintained production and development sites in various countries, soliciting new knowledge in various countries and cross-border learning was for the individual brands possible. Hence, even though there were some limitations, in principle, DaimlerChrysler attempted to enable the corporation to learn based on the principle that it does not matter where on the planet some useful new knowledge has been invented, or by which of the former independent parts of the corpora-

tion or brand makers, so long as the knowledge is useful for the whole corporation.

The third strategic core capability of the TNC highlighted by Bartlett/Ghoshal (1989; 1998) is multinational flexibility. In both companies analyzed for this thesis, local market and industry knowledge and the capability to take advantage of it played an important role. The ability to be present locally, to have the necessary knowledge about local particularities of the market place and industry and to be able to adjust the products and services to local particularities was of key importance for DaimlerChrysler and Accenture. For DaimlerChrysler, the three pillars of the firm, Daimler, Chrysler and Mitshubishi, respectively were each considered as the local experts for North America, Europe, and Asia. The pillars were considered to be particular able to offer tailored products for each of these three major automobile markets. In addition, the local sales practices and service packages of each brand could and were tailored to the local market customs and requirements. In addition, DaimlerChrysler also offered products of the three pillars automobile markets (Daimler, Chrysler, Mitshubishi) in all three regions as well as in other regions around the globe. DaimlerChrysler featured global standardization as many of its products are more or less identically offered worldwide and local differentiation, but at the same time, some of its products are more tailored and offered in certain regions as locally matching products.

As for Accenture, the same combination of being able to offer both local adjustments of services and global standardization holds true for its service. Accenture offers identical services at the same standard worldwide to customers who may only operate in one country or many or virtually all countries as well as particularly tailored services demanded by its clients only

operating in certain countries. In addition, Accenture can adjust some services easily to local standards and legal requirements. For example, risk management systems can be offered at the same standard worldwide or only in one or few countries, and risk management systems may be adjusted to adhere to the different national standards and legal rules and expectations. In this respect, both companies exhibit a high degree of multinational flexibility with the possibility to offer standardized products at the same time.

Even though there are strong similarities between the two corporations analyzed and the strategic capabilities of TNCs as outlined by Bartlett/Ghoshal (1989; 1998), there are, based on the interviews conducted for this thesis, additional aspects of strategic importance worth of being mentioned and described in more detail, some of which are identical between the two companies and some of which demonstrate differences.

In the first place, even though this may be subsumed under the general notion of worldwide learning, I would like to stress that for both companies their ability to demonstrate continuously leading edge innovation in their area has been mentioned as key important strategic capability. Boldly speaking, one corporation may be able to learn worldwide, but if it is not able to learn the right thing (i.e. what helps the whole company to be innovative) and to be at the forefront of innovative product and service development, worldwide learning alone is not of great help in gaining and maintaining a strategic advantage. Several respondents for both Accenture and DaimlerChrysler stressed that their firms perceive themselves as leading innovators and at the cutting edge of developments in their businesses. Hence, next to global competitiveness, worldwide learning and multinational flexibility, the capability to continuously demonstrate leading edge innovation is considered to be a key strategic capability of the two analyzed

TNCs. Of course, this strategic capability is closely related with worldwide learning as the very nature of having unobstructed access to new knowledge worldwide sets the TNC aside from other types of boundary-spanning corporations. However, buying products or services from these two large TNCs is largely based on the customer's expectations that they are buying top-quality products and services based on the latest available developments and knowledge in the fields the corporations are active.

There are other key strategic capabilities one should, based on the previous discussion of the cases, mention separately. First of all, some respondents from DaimlerChrysler mentioned that being a TNC also entails a strong risk diversification. Increasing risk diversification means that a corporation will be increasingly better able to deal with regional political problems or economic downturns. The capability of risk diversification as a strategic advantage was not mentioned during the interviews with Accenture employees even though one can assume that the same holds true for it as well.

Moreover, DaimlerChrysler managers considered their company as a TNC to be more attractive (attracting particularly at the high end labour market more top specialists and experts regardless of their nationality) on the global labour market to be a strategic capability. Nevertheless, it is important to mention that two nationalities, that is, German and US-Americans, dominated the work force of the corporation and particularly managerial positions. However, there were increasing employees from other countries and ethnicities hired. Even though this component was not mentioned by the interviewees from Accenture, I believe that this can also be assumed to apply to this company. Being one of the large TNCs means that Accenture is a more attractive and recognized employer on the global labour market.



In fact, Accenture employed at the time of the interviews more people in India than it employed in its country of origin: the USA.

However, there are two more capabilities or issues which may be considered to be characteristic for TNCs, but these highlight differences between the two TNCs. The first aspect refers to the fact that DaimlerChrysler seemed to place importance in maintaining the differences between the brands, that is, the particular types of products it sells. These brands were established product lines and reflect very different design and product philosophies and attract very different types of buyers. There is only limited potential for “cannibalizing” as, for example, a Jeep SUV customer is unlikely to buy a Mercedes-Benz SUV due to fundamentally different product philosophies even though, in the end, both kind of cars are made by the same corporation.

Moreover, it seems that for DaimlerChrysler as a producer of tangible goods, consumer goods, the “made in” label “still is of importance as customers pay attention to this label. However, even though one associates, for example, the “Made in Germany” label with any Mercedes cars, in reality many of the cars are assembled elsewhere and many of their parts were not produced in Germany, even if the final assembly of the vehicles took place in Germany. Accenture is different because for its clients the label “made by”, not the label “made in”, seems to be of particular importance. In fact, the customers know and even appreciate that employees from various countries may be involved in a consultancy project or in delivering outsourced services. It is the reliability of this service, reflected in the notion “made by” one of the leaders in the field, which generates strategic advantage and attracts customers for Accenture. Customers are attracted to do business

with Accenture because they know or assume that the services they get by this company are of the same high and reliable standard worldwide<sup>72</sup>.

Based on the interviews with managers in both companies, the other important strategic capability of the TNC seems to refer to the culture of the company. DaimlerChrysler respondents mentioned that the combination of German and American business culture, despite some conflict, at the end, enriched each other. As one interviewee outlined, while the American business culture focuses on fast solutions and quick action, German business culture emphasizes a thorough reflection of a problem and careful analysis of possible solutions before any action is taken. The coexistence of both cultures, as they are, may lead to peculiar problems, but compromises between both may ultimately contain advantages for each side. While not mentioned by the interviewees, there is the possibility that, in addition to the different prevailing national cultures, there are significant differences in the organizational culture in the brand manufacturer units which may make cooperation between these organizational units difficult. However, Accenture respondents suggested the predominantly American business culture in their corporation is a strategic advantage for conducting global business as this kind of business culture seems to be most accepted and known worldwide. This may give Accenture a strategic advantage compared to other consultancy firms featuring other business cultures or a mix of cultures. Respondents mentioned that even though any kind of Accenture organizational entity is characterized by the core values, local culture may become

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<sup>72</sup> In fact some producers of commodity products attempted to introduce the “made by” principle as the “made in” principle seems to be no longer of reasonable value and information in an age where most end products are made of parts which may have been made in various countries.

more dominant in the various projects run predominantly by employees with the same nationality.

Nonetheless, this discussion demonstrated that there is strong evidence that Bartlett/Ghoshal's (1989; 1998) listed strategic capabilities of the TNC hold strong and are closely reflected by the two companies analysed for this thesis. Moreover, the evidence suggests that there are more than the three original strategic capabilities considered to provide competitive advantages to the TNC if one takes the interviewed managers construction of the TNC as the building blocks for concept generalization.

I will now turn to a discussion of the key organizational characteristics of the TNC as suggested by Bartlett/Ghoshal (1989; 1998) and the two cases analysed for this thesis. In the same manner as above, I will highlight and discuss the similarities between the two cases and the conceptual components of the TNC as suggested by Bartlett/Ghoshal (1989; 1998) before turning to a discussion of the differences.

Interrelated with one of the strategic capabilities of the TNC is its organizational characteristic of being able to engage in development and worldwide sharing of knowledge. This particular organizational characteristic was widely mirrored in the two cases analysed. At Accenture, this characteristic seems to have been present since the company in its very nature takes advantage of this worldwide development of knowledge. However, at DaimlerChrysler, next to some development of knowledge and some worldwide sharing, separated development and segregation of knowledge continued to exist. This lack of sharing can probably be related to the fact that DaimlerChrysler emerged from a merger of formerly independent and competing companies and a strategic alliance with Mitshubishi, as well as the fact that

the corporation continued to offer distinct brands of cars, buses and trucks to the customers. In order to remain the distinctiveness of these various established brands, some independent knowledge development seems even to be necessary.

According to Bartlett/Ghoshal (1989; 1998), a second key characteristic feature of the TNC can be encapsulated as displaying dispersed and interdependent assets and resources allocated to various organizational entities around the globe and in many countries. As a matter of fact, for both companies, Accenture and DaimlerChrysler, assets are widely dispersed which certainly contributes to risk diversification. However, on a rather general level both companies are characterized by business divisions which are quite independent from each other. There may be some exchange of resources and knowledge between the business divisions, but in principle, they could stand alone and conduct their business independent from the other business division. For example, at Accenture, IT consulting is structurally separated from other kinds of classic consulting, including strategy consulting and the outsourcing business. Each consultancy branch could operate by itself and conduct its business independently even though there are some links (as in a similar manner could the various brands at DaimlerChrysler). Moreover, each of Accenture's national subsidiaries is able and equipped to conduct their operative consultancy business quite independent from other national subsidiaries - even though there are some interdependencies on the strategic level. There is exchange of staff, particularly knowledge and some services provided by delivery centres. Various national subsidiaries must be considered when a project crossing borders is to be staffed. Hence, there is some significant degree of interdependence and dependence between Accenture's organizational entities. The situation was quite similar at DaimlerChrysler, as its various business divisions could

conduct their business independently. For example, Mercedes-Benz Car Group and Chrysler Car Group could operate on their own. However, DaimlerChrysler's respective national subsidiaries and organizational entities are less self-sufficient than Accenture's subsidiaries, as some are only concerned with selling cars and have no production or R&D capabilities.

This dispersal of interdependent assets and resources is also reflected in the structure of the subsidiary roles of the TNC. According to Bartlett/Ghoshal (1989; 1998) there are different and specialized subsidiary roles in the TNC<sup>73</sup>. At Accenture, in principle, each national subsidiary should be able to provide all services at the same standard. However, in reality the services provided in the various countries may vary due to local differences. Moreover, there may be fluctuating and changing roles of national subsidiaries at Accenture as one and the same subsidiary may be a strategic leader in a particular issue, for example, risk management systems, while others are rather implementer or contributors. The same national subsidiary, which is a "strategic leader" when it comes to risk management systems, may rather be an "implementer" in another issue, for example, in case of HRM reporting systems. Accordingly, the roles played by the various national subsidiaries for the whole network of national entities (the whole corporation) may vary depending on the tasks which have to be solved<sup>74</sup>. In addition, centres of excellence emerge, like delivery (production) centres for various national subsidiaries. Like a network with three layers, the first consists of the regular operating units, the second of the projects running at a particular time, and the third of the delivery centres (production excellence centres) which

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<sup>73</sup> The various subsidiary roles distinguished by Bartlett/Ghoshal (1998) have been already described further above.

<sup>74</sup> In fact, this closely resembles Hedlund's (1986; 1993) characterization of some cross-border operating companies as heterarchies.

provide parts of the services or whole processes for the various projects in various countries. In this way, there is an interconnection of three types of networks, which interact and help to leverage knowledge advantages, cost advantages, risk diversification advantages, and local market knowledge advantages at the same time.

Figure: 7-5: Comparison of Organizational Characteristics

DaimlerCrysler	Accenture	TNC in general
Dispersed and independent assets and resources (separated independent businesses)	Dispersed and independent assets (separated independent businesses)	Dispersed and interdependent assets and resources
Differentiated and specialized subsidiary roles	Differentiated fluctuating/ rotating subsidiary roles	Differentiated and specialized subsidiary roles
Differences in internal standards, procedures, and rules	Identical internal standards procedures and rules	
Local regular subsidiaries, project structure and centres of excellence	Local regular subsidiaries, project structure and centres of excellence	
Centralized framework decision making and brand discretion (decentral.)	Centralized framework decision making and local Discretion (decentralization)	
Joint and separated development of knowledge	Joint development and worldwide sharing of knowledge	Joint development and worldwide sharing of knowledge

Source: Own Figure

In addition to the three core organizational features listed by Bartlett/Ghoshal (1989; 1998), the interviews revealed some other important organizational features. In particular, due to the differentiated network structure of both TNCs, the decision-making process is centralized at a very general level, but at the same time is decentralized on a lower level. Deci-

sions concerning the overall global operating company are made at the very top level. Representatives of lower levels and various business divisions may be part of the decision making team. With lower level decisions however, the individual business divisions and the various national subsidiaries, and in the case of DaimlerChrysler, the brand firms, have a significant degree of discretion.

Moreover, it seems to be important to understand that at Accenture the internal organization - when it comes to processes and procedure - is characterized by identical internal standards and rules and procedures at each national subsidiary. Hence, there is quite a large degree of standardization concerning rules and procedures. On the other hand, DaimlerChrysler is characterized by a rather large degree of diversity concerning internal standards, rules and procedures which may have resulted, once more, from the fact that the corporation was the result of a merger rather than organic growth.

Overall, the evidence suggests that the three organizational characteristics proposed by Bartlett/Ghoshal (1989; 1998) are found at Accenture and DaimlerChrysler. However, there are some remarkable differences between the organizational features of the ideal-type TNC as proposed by Bartlett/Ghoshal (1989; 1998), particularly when it comes to the interdependence of organizational entities and the degree of specialization of the subsidiaries, and the two presumably prototypical cases of TNCs, that is, DaimlerChrysler and Accenture. Each case is considered to be a prototypical case in a particular economic field (intangible service production vs. tangible consumer good production) and characterized by a particular kind of growth path (organic growth vs. M&A). Moreover, it seems that there are additional organizational characteristics of importance not listed by

Bartlett/Ghoshal (1989; 1998) concerning internal standards, the network structure, and decision-making features. While Accenture and DaimlerChrysler are quite similar in regards to two of the additional three organizational characteristics, there is a significant difference when it comes to the internal standards, procedures and rules.

When it comes to the critical management tasks to be performed in TNCs, Bartlett/Ghoshal (1989; 1998) listed three key tasks matching the three organizational characteristics and strategic capabilities they highlighted. Bartlett/Ghoshal (1989; 1998) stressed the importance of legitimizing diverse perspectives and capabilities present in the various organizational units in the TNC. This is largely reflected by the listed key management tasks at DaimlerChrysler while the tasks at Accenture are rather revolving around primarily legitimizing similar and identical capabilities while allowing for some differences. In addition, for the proper management of TNCs, it is important to build a shared vision and individual commitment to the organization in order to enhance open knowledge development and sharing in the worldwide network. For managers at DaimlerChrysler and Accenture, a critical management challenge is, as the interviews have indicated, in fact, to ensure efficient and effective knowledge development and sharing between their subsidiaries. However, the interviewees did not mention the role of creating a shared vision and individual commitment as the two critical mechanisms for such knowledge management. Bartlett/Ghoshal (1989; 1998) also highlighted the requirement for management to develop multiple and flexible coordination processes. For DaimlerChrysler, maintaining and nourishing the already existing different coordination processes within the organization was important even though there were some attempts to introduce universal standards and processes. At Accenture, on the other hand, the management task seems to be rather focused on implementing and



maintaining identical rules, procedures and processes within the various national subsidiaries rather than managing multiple and flexible coordination processes.

Figure 7-6: Comparison of Management Tasks

DaimlerCrysler	Accenture	TNC in general
Dispersed and independent assets and resources (separated independent businesses)	Ensuring independence of businesses but leveraging synergy where possible.	
Legitimizing diverse perspectives and capabilities	Maintaining similar/identical standards and capabilities of subsidiaries	Legitimizing diverse perspectives and capabilities
Ensuring understanding and tolerance between employees	Ensuring understanding and tolerance between employees	
Legitimizing and maintaining differences in rules, procedures etc.	Implementing and maintaining identical rules, procedures etc.	Developing multiple and flexible coordination processes
Balancing individual brand production and brand overarching production	Balancing decentralized service production and centralized production	
Ensuring efficient & effective knowledge transfer and differences in knowledge	Ensuring efficient & effective transfer of knowledge	Building shared vision and individual commitment

Source: Own Figure

However, in addition to these three key management task Bartlett/Ghoshal (1989; 1998) listed, the interviews revealed additional critical tasks to be performed by the management of the corporation. First of all, management has to ensure understanding and tolerance between all employees given that people with many different cultural and ethnic, as well as national, backgrounds work together. Different role expectations, and values rooted in the various national cultures may clash within the organization if management

is not able to create an environment of tolerance and mutual understanding. In addition, management at DaimlerChrysler was confronted with the task of balancing brand production with various brand peculiarities as well as brand overarching production processes. At Accenture, management seemed to be more concerned with ensuring decentralized service delivery at worldwide identical quality. However, on a more general level, Accenture's management must ensure the independence of the three business divisions and the rather strong independence of the national subsidiaries of the business divisions while leveraging synergy potential wherever possible.

Overall the three tasks described by Bartlett/Ghoshal (1989; 1998) as key management tasks in TNCs are found to be important at DaimlerChrysler and Accenture. However, there are some differences particularly when it comes to developing multiple and flexible coordination processes. While at DaimlerChrysler, multiple and flexible coordination processes came as a natural result of the M&A, at Accenture (as an organically grown firm), implementing and maintaining identical coordination processes expanded over time as new subsidiaries had been founded.

The comparison of the characteristic features of the TNC as outlined by Bartlett/Ghoshal (1989; 1998) and the characteristic features as reconstructed based on the interview data revealed, summarizing the analysis, some significant similarities as well as some significant differences between the cases, and between the cases and the general concept of the TNC suggested by Bartlett/Ghoshal (1989; 1998). Therefore, it may be reasonable to ask the question of whether - in addition of distinguishing among the four types of supranational companies as suggested by Bartlett/Ghoshal (1989; 1998) - a further subdifferentiation between types of TNCs would be help-

ful to advance analytical possibilities. It is the task of the next section to suggest such a sub-classification and, hence, to suggest some theoretical generalizations from the data gathered.

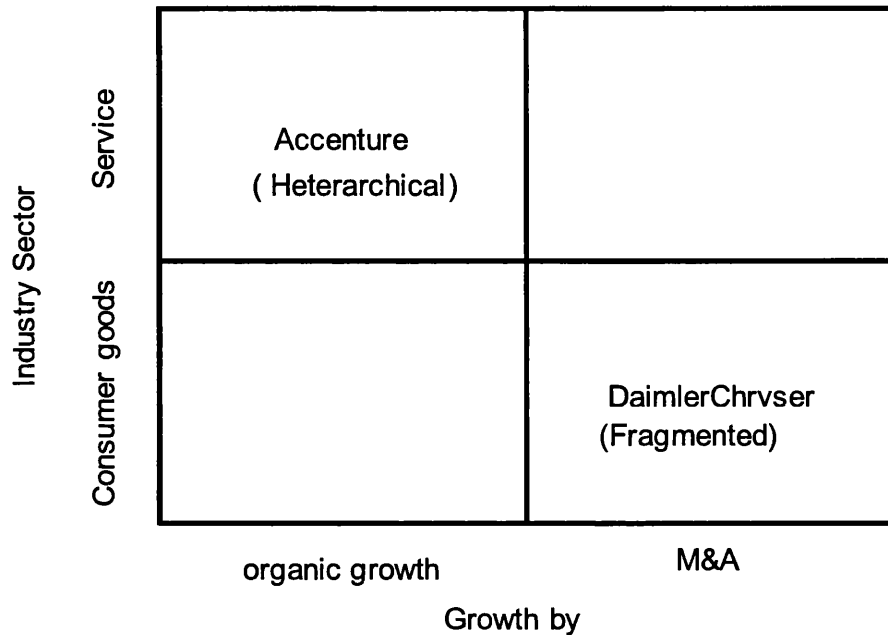
## 7.2 TNC Subtypes: Heterarchical and Fragmented TNCs

While the evidence gathered for this thesis suggests the presence of more or less all three key factors which make the TNC unique and different as compared to the other three types of supranational organizations, as suggested by Bartlett/Ghoshal (1989; 1998), some additional features have been indicated to characterize the respondent's idea of their company as a empirical prototype of a TNC in the interviews. These additional factors seem to vary between the two analyzed companies, and therefore, may be related to the organizational administrative heritage or development history and the economic sector of the two corporations. Even though on a higher level the description of the unique characteristic features of the TNC by Bartlett/Ghoshal (1989; 1998) are largely reflected in the two cases analysed and discussed, there were some significant differences which warrant to consider the option or usefulness of developing a further distinction between TNCs in the sense of developing a subclassification of TNCs.

Even though Bartlett/Ghoshal (1987a; 1987b; 1989; 1998) generalized from their observations they are aware of the inherent difficulties in doing so. In fact, there may have been the risk of overgeneralization of the traits of the TNC as a general construct by Bartlett/Ghoshal (1989; 1998) since their research was based on the analysis of nine firms in three different industries all firms belonging to the consumer goods production sector. Bart-

lett/Ghoshal (1987a: 12) wrote, as a matter of fact, that “the nature, the strength, and the mix of the three broad demands obviously vary widely”. Based on the case analysis it is the rationale of this thesis, that the manifestation of characteristic features of TNCs may be different between companies in the consumer goods sector and the service sector and the existence of these two principal economic sectors suggest the need for further differentiation of TNCs into TNC subtypes. Some of the revealed significant differences between the two analysed companies in this thesis, in terms of antecedents, characteristic features, and critical management tasks, warrant the attempt at differentiation of the organizational model of the TNC into some subtypes. In order to further differentiate between subtypes of TNCs, I suggest based on the previously described differences of the two case studies it may be helpful to consider their economic sector belonging (consumer goods vs. services) and their development history or growth path (organic growth vs. growth through M&A) for differentiating between TNC subtypes. These two crucial components will be applied in order to determine the two dimensions necessary for constructing a 2x2 typology of TNC subtypes. While in terms of differentiation both companies largely resemble Bartlett/Ghoshal’s (1989; 1998) notion of the TNC, that is, how this differentiation is fundamentally structured, the way the integration of the network is governed is somewhat different. Therefore, it is important to evaluate what particular features of the integrated network the TNCs display.

Figure: 7-7: A Typology of TNC Subtypes



Source: Own Figure

I would like to suggest particular labels to characterize the two subtypes which were distinguished in Figure 7-6. Accenture represents, according to the interview data, a *heterarchical* TNC, while DaimlerChrysler represents a *fragmented* TNC. These two labels are intended to highlight the main distinction between these two TNC subtypes. But, of course, it is necessary to elaborate on the difference in more detail. The first term of the heterarchical TNC highlights the fact that the various organizational units are linked in a flexible manner which allows easy cooperation in terms of learning from others. Moreover, it highlights the fact that the roles of the various subsidiaries are flexible in terms of being considered, for example, in one issue as implementers while at other issues as strategic leaders. On the other hand, the notion of the fragmented TNC refers to a supranational organization in

which some kind of worldwide learning does occur and the company is a network of subsidiaries with some different roles, but despite some degree of integration there is a fragmentation and the roles of the various organizational entities do not seem to fluctuate so easily like in the heterarchical TNC. This fragmentation may be particularly due to the fact that, like in the case of DaimlerChrysler, previously independent firms have been forged together and the identities of the various firms and brands of the TNC remain largely separated and, perhaps must be, despite the fact of the necessity to foster cooperation at the same time.

Teubner (1996) and others have proposed, that networks are not, in fact, something in between the two opposite poles of hierarchy (planned order) and markets (spontaneous order) but constitute a governance form for exchange of their own right (*sui generis*). Provan/Kenis (2007: 232) have claimed that the literature generally tends to discuss networks as governance forms of their own rights. With respect to a review of the literature in the field provided by Provan et al. (2007), Provan/Kenis (2007: 232) wrote:

This literature moved toward treating networks as discrete forms of governance, characterizing them as having unique structural characteristics, modes of conflict resolution, bases of legitimacy, etc.

However, the questions as to what kind of integrated network the TNC may be and what kind of features may be dominant primarily governing the integration in the two types of TNCs distinguished in this thesis remains. Bartlett/Ghoshal (1989; 1998) have provided a general account of the features of the TNC as a integrated network and some more detailed discussions of the integrated network has been provided by Nohria/Ghoshal (1997) as discussed earlier in this chapter. However, based on the sugges-

tion to distinguish between two subtypes of TNCs as a result of the case analysis for this thesis attempting to link these two subtypes to two different types of integrated networks seems a plausible and interesting task. For this purpose, Hollingsworth's (1996) distinction of various kinds of network governance mechanisms will be applied in order to characterize the two different types of integrated networks of the two different subtypes of TNCs<sup>75</sup>.

Hollingsworth (1991; 1996) contrasted different types of networks, including monitoring networks and support networks from markets, hierarchies and associations as principally other forms of governance structures determining the context of exchange processes. Monitoring networks primarily focus on ensuring price leadership based on cost savings of the network members. In other words, the purpose of the governing logic of such a network is primarily to reduce costs and focuses on price policy. Obligational networks highlight vertical integration patterns of their members, that is, cooperation between suppliers and customer, in order to be flexible in terms of production capacity<sup>76</sup>. Hollingsworth (1996) mentioned support networks as a form of networks governed by a different mode or logic. These kind of networks emphasize collaboration for the purpose of joint development and the creation and application of knowledge. Needless to say that despite the

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<sup>75</sup> However, Hollingsworth (1991; 1996) related these two modes of network governance to the coordination of two or more legally autonomous but interdependent collective actors. I suggest in this thesis that the differentiation between "support network" and "monitoring network" can be also applied in order to differentiate two types of integrated networks of TNCs regardless of how the legal relationship of their organizational units is set up.

<sup>76</sup> Hollingsworth (1991; 1996) emphasized that there were many modes or forms of obligatory networks including subcontracting, and strategic alliances and joint ventures.

fact that some networks follow primarily, for example, the logic of cost savings as a monitoring system, other logics, like the attempt to develop jointly and share knowledge, may also exist in a particular network at the same time. However, any kind of network may follow one particular primary logics and other network governance logics may be subordinated to the primary logic.

Based on the description of Accenture and DaimlerChrysler provided earlier, I suggest that the operational logic of Accenture as a TNC indicates that its integrated network structure, linking various national subsidiaries, can be characterized to be predominantly a reciprocal support network of subsidiaries. Individuals at any of Accenture's national subsidiaries have easily access to knowledge anywhere and experience gained by one of Accentures' subsidiaries in a specific field is openly shared with other subsidiaries. This logic becomes most obviously manifested in the fact of the heterarchical nature of the network which means that, depending on a particular problem or issue, a different organizational unit or subsidiary particularly experienced in this manner will take the lead for the whole network and actively engage in supporting other entities offering knowledge. Even though there is some kind of integration and decision making at the top of the network at headquarters, when it comes to global strategies, the various national subsidiaries and regional organizational entities are quite autonomous. Certainly the integrated network structure of Accenture also serves cost related purposes, that is, follows the cost saving "monitoring logic" highlighted by Hollingsworth (1991; 1996) however the evidence suggests that the intraorganizational linkages between the subsidiaries and headquarters and between the various subsidiaries themselves is primarily perceived as a support network – even though it seems that monitoring issues in terms



of cost and price related issues governing the network integration became more and more of an issue.

On the other hand, the need to integrate two formerly independent companies, that is, Daimler and Chrysler, suggests that the integrated network of DaimlerChrysler may have primarily served the function of monitoring and costs control rather than to function primarily according to the logic of a support network. Each previously independent company and their firms (brands) considered themselves to be competent and have acquired the necessary knowledge and are able to develop it further to remain a leader in innovation in their fields. This may have been the case since DaimlerChrysler emerged as a result of a M&A process and cost reducing interventions based on synergies may have been most important. It had been attempted though, as the interview data suggested, to break down the barriers between the formerly independent and competing companies when it came to knowledge sharing and joint development to a certain degree. But this remained a challenge for management and was, perhaps, particularly difficult as the more or less strong brand identities and independence in terms of their development and product philosophies had to be deliberately maintained in order to ensure differences between the brands which were important for the customers. This suggests that there were significant differences in terms of the dominant governance logic or integration mechanisms when characterizing the two types of the integrative networks of both TNCs analyzed for this thesis, while the heterarchical TNC type, represented by Accenture, predominantly followed the support and secondary the monitoring logic, the fragmented TNC type represented by DaimlerChrysler seemed to pay particular attention to the monitoring logic while support came in only as a secondary principle.

Figure 7-8: TNC Subtypes and Network Governance Logics

DaimlerChrysler	Accenture
1. Monitoring	1. Support
2. Support	2. Monitoring

Source: Own Figure

It is certainly the case that both kinds of distinguished governance or integration logics are of importance in both companies. However, the discussion of both cases analysed for this thesis suggests, that for each case one of the two governance mechanisms prevailed and similar patterns could be expected for other companies which may be either categorized to the heterarchical or fragmented TNC types.

In addition to suggesting that there are differences between the primary and secondary integration logics of these two kinds of integrated networks, corresponding with the two types of TNCs distinguished earlier, the evidence also suggests that there are differences in prevailing types of globalization processes occurring *within* the TNCs. Ritzer's (2003; 2004) differentiation between "globalization" and "glocalization" has been introduced earlier which will be now applied as a particular theoretical lens allowing to distinguish between various types primary and secondary globalization processes unfolding in the two TNCs.

For Accenture, due to the strong emphasis on standardization of internal routines and the requirement for all national subsidiaries to be able to offer identical products at the same standard to all its customers globally – par-

ticularly those corporate customers who as supranational corporations operate in various countries requiring identical or similar services for all its national subsidiaries – the corporation is strongly subjected to internal globalization processes. Having noted the standardization and therefore the globalization processes in Accenture, however, there are also glocalization processes as at the same time some of its customers require individualized solutions (as the institutional environment for its subsidiaries may vary significantly between countries) and standardized knowledge and routines available throughout the company are modified. Moreover, there may be customers requiring tailor made services for their operations in only one country. In such cases, national subsidiaries of Accenture will usually draw on corporation wide available standard knowledge and services and adopt them, given particular local requirements. Hence, some services and requirements will be characterized by glocalization processes. But it seems, as suggested by the interview data, that the primary reason for many customers to work together with Accenture rather than with other consultancy firms is its ability to offer identical services at the same quality worldwide. Therefore, it is the contention of this thesis that “globalization” is the dominant process while “glocalization” processes have secondary importance.

At DaimlerChrysler on the other hand, due to its continued operation of various brands, each characterized by its own administrative heritage and unique processes and products, internal glocalization processes seemed to have prevailed over globalization processes. In other words, maintaining local market and brand differences are of great importance and therefore global forces like principles etc. are adopted in a different manner at the various brands and organizational units allocated at different places around the world. Moreover, when it comes to the services accompanying the automobile products and the implementation of corporation wide shared

principles, like, for example, the idea to be or remain quality and innovation leader in the field of automobile products triggered different applications and results in terms of products and accompanying services if one is focusing on the business divisions and car groups in particular.

Figure 7-9: Globalization and Glocalization Processes

DaimlerChrysler	Accenture
1. Glocalization	1. Globalization
2. Globalization	2. Glocalization

Source: Own Figure

Nevertheless, as the interview data suggested, there were also globalization processes unfolding withing DaimlerChrysler as some standard practices were implemented corporation wide, for example, practices concerning Human Resource Management issues from the middle management level onwards. But the data suggests that these unifying “globalization processes” are secondary of relevance compared to “glocalization processes” resulting in locally different adaptations of worldwide similar forces. Moreover, even though this distinction is not of major importance at this point, Ritzer’s (2003; 2004) distinction between “nothingness” and “something” should also briefly be discussed. It may be helpful to emphasize that “nothingness” in Ritzer’s (2003; 2004) terminology refers to centrally conceived or emerged practices and processes (headquarters) while “something” refers to locally conceived practices and processes. The data generated by the interviews suggests that it may make sense to distinguish between administrative processes and product generation processes.

At Accenture, administrative processes are characterized by practices and processes resulting from “globalization” of “nothingness” as internal practices and processes are primarily standardized worldwide based on practices and processes conceived or emerged at the headquarters. However, there may be some local adjustments taking place, that is, there are some “globalization” of “nothingness” processes unfolding, too. But practices and processes related to products, that is, services and consultancy concepts are predominantly locally conceived (by Strategic Leaders in the respective field) and become available to other national subsidiaries as a result of either “globalization” of “something” or “glocalization” of “something” processes.

For DaimlerChrysler the situation seems to have been different. When it comes to administrative processes, the corporation was characterized by heterogeneous processes. Even though there were attempts to impose “globalization” of “nothing” on the company – at least on a very general level – these attempts seemed to have in most cases resulted in “glocalization” of “nothing” processes. The processes revolving around the products in particular were different. Insofar as there were globalization processes unfolding, these were characterized by a “glocalization” of “something”. Different national subsidiaries were concerned with product development and as other subsidiaries may adopt knowledge generated at different national subsidiaries and firms representing a brand, they were adjusted and modified.

It is the contention of this thesis that, perhaps, other organizations may be characterized by identical or similar differences when it comes to the distinction of primary and secondary network governance logics and primary

and secondary internal globalization processes as the analysis of the two companies may have demonstrated.

### 7.3 TNC and Metaphors

Based on the analysis of the two case studies conducted – and Bartlett/Ghoshal's (1989; 1998) conceptualization of the TNC, I will discuss in this section a particular way of using a metaphorical approach for generating a particular image of the TNC. Morgan/Kristensen (2009) have provided such an example, portraying the TNC as a “court society”, and highlighted the utility of such an approach. Morgan/Kristensen (2009) drew analogies between characteristic features of the “court society” and TNCs. In the emerging court societies in Europe, the feudal lords lost, step by step, some of their power while the monarch gained more power in the course of the “civilization process” (Elias 1983). The authors particularly emphasized that the emerged “court societies” fostered rather peaceful and hence civilized competition between the various feudal lords who were in charge of particular subordinated geographic territories. In addition, some quite reliable rules of the court governing this competition, limiting the discretion and arbitrariness of feudal lords' actions, outlining the monarchs' prerogatives and demarcating the realm of the feudal lords emerged gradually.

Morgan/Kristensen (2009) elaborated on three different sorts of internal markets in which subsidiaries – similar to feudal lords - compete against

each other<sup>77</sup>. With respect to the result of this process, Morgan/Kristensen (2009: 177) wrote:

Relations between the headquarters (the centre, the monarch) and the periphery (the subsidiaries, the feudal lords) are now organized in a new more systematic way. Central to this is a process of civilized competition between the peripheral actors under rules set in place by the headquarters. This is a competition over resources to expand positions in the internal market – for products and services, for charters and for reputation. Winning and losing these competitions has a fundamental impact on the future of the subsidiary. For this reason, subsidiaries and their managers have to be present in the court; they have to be visible; they have to sell their issues to senior managers and gain attention for them. If they are invisible, fail to develop a ‘voice’ in court or to take strategic initiatives, their future looks grim. They have to learn the rules of the court (and how to maximize their interests by bending and shaping rules); they have to play the games according to those rules and they have to be seen to do so.

This characterization of the TNC as accomplished by drawing analogies and highlighting similarities between the TNC’s internal operational logic and characteristic features and some characteristic features of the “court society” seems to be very compelling. In fact, to imagine the TNC as some kind of “court society” seems to be quite appropriate, as the authors mentioned that it stands in contrast to the previous organizational principles in the feudal age in which the feudal lords held more power and, in fact, the monarch was more dependent on them than the other way round<sup>78</sup>. Morgan/Kristensen (2009: 168) highlighted accordingly:

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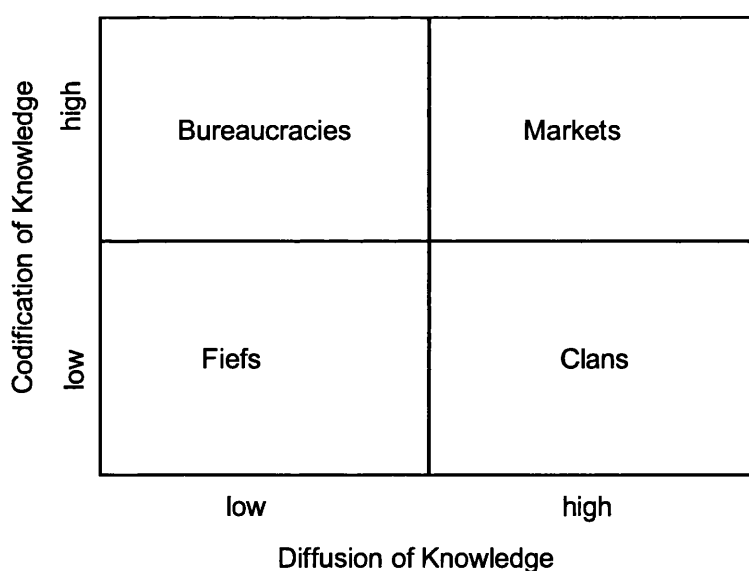
<sup>77</sup> Birkinshaw (2000) has distinguished between the internal markets in which internal competition between organizational subsidiaries may occur as follows: 1.) intermediate products and services, 2.) charter and 3.) capabilities or best practices.

<sup>78</sup> Weber (1968) provided an interesting and compelling account of key characteristic features of the feudal society and distinguished three types of feudalisms.

The societal transition we discuss is characterized by the reconstruction of both hierarchical relationships (with the monarchy) and lateral relationships (with other feudal lords) and the creation of a new system where power and influence is balanced and 'constitutionalized'. Our basic reflection is that multinationals, particularly as discussed in the current period [that is, as TNCs according to Bartlett/Ghoshal's (1989; 1998) account], are also like this in that they are reconstructing hierarchical and lateral relationships between centres of power and influence in order to produce a new network of power that is distinctive in its nature.

In fact, Boisot/Child's (1988) discussion of and distinction among various forms of transaction governance structures based on differences among the types of knowledge and distribution of knowledge between actors (an issue which particularly highlighted in Bartlett/Ghoshal's (1989; 1998), would prohibit the application of the feudalism metaphor to characterize TNCs.

Figure 7-10: Typology of Governance Structures



Source: Boisot/Child (1988: 509, modified)



In their typology of knowledge transaction-governing structures, Boisot/Child (1988) have stressed that for fiefs (feudal lords) the relationships between each other and the monarch were personal (they varied greatly and were not governed by a clear set of general principles or identical rules for all fiefs) and the information diffusion was limited as much of the information was not be openly exchanged. However, none of the other three types of transaction-governance structures distinguished by Boisot/Child (1988) seem to be appropriate for use in characterizing TNCs.

TNCs are, according to the characterization of this type of supranational corporation by Bartlett/Ghoshal (1989; 1998) and in this thesis, neither strictly centrally governed bureaucracies in the sense of Weber's (1968) hierarchical bureaucracies nor the opposite of very decentralized and loosely coupled clans as described by Ouichi (1980). However, Boisot/Child (1988: 508) also stressed that their fourfold typology of ideal-type governance structures of social organization and exchange "allows for the possibility of hybrid forms and of the coincidence of several transactional governance modes that compete or collaborate within one economic entity". Hence, I will come back to the image of the TNC as an integrated network as proposed by Bartlett/Ghoshal (1990: 607). In their view, the integrated network is "somewhere" between unitary and federative structures with some level of hierarchical decision making at the top of some kind of inclusive structure. Moreover, as this thesis suggests, in addition to similarities between cross-border operating organizations which warrants to subsume them under the TNC label, significant differences in terms of organizational features (including the dominant logic of the network governance and prevalent internal globalization processes) seem to warrant to dis-

tinguish between various subtypes of TNCs. This, of course, must be mirrored in a metaphorical approach.

In order to do this, I would like to suggest to differentiate Morgan/Kristensen's (2009) account of the TNC as a "court society" as there were, as a matter of fact, various types of "court societies" rather than one "court society". Elias (1983) discussed the characteristic features of the "court society" particularly focusing on the French court society. This kind of society can be considered to be very centre focused with one center only – that is the court of the king in Paris or Versailles. Applying this metaphor to create a particular image of the TNC may be suitable for only one subtype characterized by one strong center. However, there are different court societies consisting of various courts and centers instead of one. Even though there is, if one wants so, a monarch and overarching centre, the various subordinated provinces and their representatives, the aristocrats in Elias' (1983) terminology, have much more to say than in the French version of the "court society". For example, such a more fragmented "court society" existed in the more fragmented German society until early 20<sup>th</sup> century. In order to apply this further differentiation to the task to create a particular image of the TNC, the French style, if you want so, TNC would be characterized by a very strong center and, accordingly, more likely by globalization of nothingness processes. In addition, it is more likely that the main logic of the network would primarily highlight the monitoring or cost saving aspect than the support aspect as the various subsidiaries and their representatives are very dependent on the center. In the German style of a court society the image would be slightly different. The various subsidiaries and their representative, that is, the aristocrats, are more likely to be characterized by following the support logic rather than the cost saving logic. Moreover, it would seem more reasonable to expect globalization of some-

thing processes in such style TNCs as particular practices at some localities (and not those at the centre) may become adopted and copied and spread throughout the TNC. As a matter of fact, linking a particular way of organizing with particularities supposedly characterizing a nation at some point in time has been employed by various social scholars, for example, Evans et al. (1989) and Hofstede/Hofstede (2005). Hofstede/Hofstede (2005: 241 pp) have linked several national states with some preferred organizational configurations arguing that these configurations are supposedly the “implicit models of organizations” dominant in the respective nations. For the purposes of this thesis it is not so much of importance to distinguish particularly between a French model version of the “court society” and German copied version of the “court society” involving some modifications, but rather to highlight the fundamental conclusion that instead of just focusing on understanding the “court society” in terms of its general characteristics and linking it to the TNC in order to generate a particular image of it, there are various versions of “court societies” (which are similar in terms of fundamental characteristic features distinguish the “court society” from the “feudal society” but feature at the same time differences) allowing to link subtypes of “court societies” to subtypes of TNCs.

However, as with any attempt to provide a metaphor highlighting key aspects and relying on analogies, there are, of course, differences between the metaphor and the object to which it is applied to in order to generate a particular image (Morgan 1986). As particular analogies are highlighted between the metaphor and the object to which it is applied, some differences are downplayed or neglected. Furthermore, the metaphorical approach to TNCs discussed and further elaborated in this thesis should not be seen as a proposition that this is the only adequate or feasible way of triggering a suitable image of the TNC. In fact, it should rather be considered to be one

possible way of creating images of the TNC, supplementing other approaches.

## 7.4 Forces Triggering the Emergence of the TNC

The purpose of one of the research questions of this thesis was to reveal the factors the respondents in the two studied corporations considered to have a major impact on the development of their corporation into a TNC. Bartlett/Ghoshal (1987a; 1987b; 1989; 1998) also researched causes of the development of cross-border operating companies into new directions, that is, into the implementation of a new organizational model which they termed the transnational model. Bartlett/Ghoshal's (1987a; 1987b; 1989; 1998) acclaimed that the main reason for such a development must be seen in the change of the demands on large boundary-spanning organizations in order to create and maintain sustainable competitive advantage. While in the past, boundary-spanning organizations could either focus on global-efficiency, national responsiveness, or the ability to learn in the sense of leveraging knowledge created in one organizational entity as it was transferred to other subsidiaries in an international approach, the new transnational market environment requires that organizations are capable of engaging in all three of these tasks equally well at the same time (Bartlett/Ghoshal 1989; 1998). With concern of the development of the market environment, Bartlett/Ghoshal (1987a: 11) wrote:

Increasingly, firms must respond simultaneously to diverse and often conflicting strategic needs. Today, it is more difficult for a firm to succeed with a relatively unidimensional strategic capability that emphasizes only efficiency, or responsiveness, or learning. To win, it must now achieve all three goals at one time.

In a global industry or economic environment, exploiting global-efficiency is of major importance while in multinational industries or market environments the ability to manage local differentiation is of key importance. In international industries, the key to successful management was an organization's capability to transfer knowledge to subsidiaries.

The requirement of dealing with all three issues simultaneously and efficiently is what the authors identified as the key driving forces triggering change in how cross-border operating organizations are modelled. Bartlett/Ghoshal (1987a; 1989; 1998) maintained that this kind of market environment creates industries they call "transnational industries". Bartlett/Ghoshal (1987a: 12) stressed:

In the emerging international environment, therefore, there are fewer and fewer examples of industries that are pure global, textbook multinational, or classic international. Instead, more and more businesses are being driven by simultaneous demands for global efficiency, national responsiveness, and worldwide learning. These are the characteristics of what we call a transnational industry.

I have questioned what these three items have to do with the term "transnational" earlier in this thesis, but, despite this questionable choice of a term to label this kind of new market environment and demand, the question is whether all companies in all industries will see the development of their marketplaces into transnational industries. Bartlett/Ghoshal (1987a: 12) maintained that the companies they studied in the three industries and, as they wrote, many others will find it increasingly difficult to maintain sustainable competitive advantage if they focus only on one of the three strategic component instead of considering all three at the same time. The match or fit of the organizational characteristics, strategic capabilities, and mana-

gerial processes with the demands of the market matters. The better the fit, the better the performance, and the better the fit of organizational characteristics, strategic capabilities, and managerial tasks to the three demands of the transnational market environment, the better the expected performance of the cross-border operating company. Bartlett/Ghoshal (1987a; 1987b; 1989; 1998) highlighted that creating and maintaining a fit between the organizational characteristics and the industry or market characteristics will ensure a higher likelihood of success. Accordingly, Bartlett/Ghoshal (1989a: 15) emphasized:

The ability of a company to survive and succeed in today's turbulent international environment depends on two factors: The fit between its strategic posture and the dominant industry characteristics, and its ability to adapt that posture to the multidimensional task demands shaping the current competitive environment.

Therefore, the authors suggest a contingency approach to management while emphasizing the need to achieve and maintain a match between environment and strategy as well as between strategy and other important organizational components. But what did the interviewees' consider to be the main factors triggering the evolution of their corporation into a TNC?

If we compare the factors mentioned by the interviewees triggering their company's evolution to a TNC we will find some similarities but also differences, as well as between both companies researched for this thesis and the issues highlighted by Bartlett/Ghoshal's (1989; 1998) description of the antecedents of the emerging TNC.

Figure: 7-11: Comparison of Driving Forces

DaimlerChrysler	Accenture
Capital Market Requirements	-----
Access to worldwide markets	Access to worldwide markets
Resources for leading edge innovation and problem solving	Creating Knowledge for leading edge innovation and problem solving
Responding to competitors	Responding to competitors
Cost Reductions	Cost Reductions
Large product-portfolio	Large product-portfolio
-----	Big means high standard and reliability
Ensuring further profitable growth	Ensuring further profitable growth
-----	Adjustments of and local flexibility in services
-----	Matching customers growth

Source: Own Figure

First of all, the case studies conducted for this thesis revealed a larger variety of triggering forces resulting in each company's evolution to a TNC than the three factors mentioned by Bartlett/Ghoshal (1989; 1998). However, the need to maintain global competitiveness highlighted by Bartlett/Ghoshal (1989; 1998) may be mirrored in the aspects mentioned by respondents in both corporations, that is, ensuring and maintaining access to worldwide markets, responding to competitors' moves, and cost reduction. The employees of the two corporations interviewed for this thesis outlined that cost reduction is based on the issue of labour cost arbitrage.

Moreover, in both companies respondents mentioned the need to have access to knowledge worldwide and, more generally, resources necessary to produce leading edge innovation as well as being able to solve problems effectively and efficiently. These needs mirror Bartlett/Ghoshal's (1989; 1998) need for worldwide learning as a characteristic feature of the transnational market. Respondents from both companies mentioned the need to be able to produce and offer a large product-portfolio, which, if possible, would allow customers to purchase various products from one and the same company is a driving force for their company's evolution. However, for Accenture being a large TNC means that it also signals a high standard and reliability to its customers.

Respondents from both companies highlighted that ultimately the key driving force is the need to ensure further profitable growth. In the case of DaimlerChrysler, which was a stock listed market for many years, capital requirements also had a significant impact on the company's development to a TNC. Since Accenture was not listed on the stock market until 2001, but was an organization operated based on the "partnership principle", this capital market requirement was not mentioned as a driving force for Accenture.

For Accenture, respondents also stated that the need to be able to adjust services to local markets and the ability to deal flexibly with different demands for different kinds of services in the various markets had an impact of their company's evolution to a TNC. Last but not least, being able to match their customer's growth and expansion in geographical terms also had a large impact on the company's development to a TNC.



One of the recurring central features mentioned by the interviewees, however, was the possibility of the TNC to allow access to knowledge and multiple perspectives on issues with which they were concerned with. The interview material gathered from interviewees at DaimlerChrysler as well as Accenture and its reconstruction in order to generate the key features of the TNC contained the topic of knowledge generation and transfer as key components of the TNC. The importance and possibility of knowledge leverage by the TNC has been highlighted by Bartlett/Ghoshal's (1989) ideal-type description of the TNC as a unique type of supranational company. In fact, this aspect can be related to Kogut/Zander's (1993) theory of the supranational corporation explaining the emergence of it as a vehicle for enhancing knowledge generation and distribution compared to national corporations which export their products only.

Kogut/Zander (1993: 626) emphasized that the corporation or the firm may be perceived as a "repository of knowledge that consists of how information is coded and action coordinated". Kogut/Zander (1993) continued to argue that corporations are organized communities of individuals that specialize in the creation and internal transfer of knowledge. Supranational corporations generally do emerge since they are better, when it transfer and generation of knowledge across political and cultural borders. It should be mentioned that, even though the superiority of knowledge generation and transfer in the TNC is a key characteristic feature of it as a unique form of supranational corporation, other types of supranational corporations may also be involved in generating and transferring knowledge across borders. Yet, as the model, idea or concept of the TNC suggests, there are significant differences between the TNC and other types as well as – as it was argued in this thesis – between TNC subtypes. As Bartlett/Ghoshal (1989; 1998) have already stressed, in other types of supranational corporations knowledge

creation remains either centralized in the country of origin or may be transferred to subsidiaries abroad or new knowledge generation in the various subsidiaries remain rare and isolated events or this knowledge is not broadly shared in the company. The TNC is particularly different in this respect because there are various nodes of knowledge generation spread in various countries and the knowledge is shared between the various organizational entities. Knowledge flow is enhanced because the place where the knowledge was created as well as the nationality of those managers who created the knowledge is not considered to be of importance. But as this thesis argues, there are differences even within TNCs as there are fragmented and heterarchical TNCs.

## 7.5 Conclusion

The two cases analyzed for this thesis largely exhibit the characteristic features of the TNC as a particular type of cross-border operating company as outlined by Bartlett/Ghoshal (1989; 1998). However, there are also some particular differences between the two cases and the general conceptualization of the TNC and between the two cases themselves. These differences warranted the question of whether both cases demonstrate a different implementation of the idea of an integrated network - as the TNC has been conceptualized - to be distinguished from other types of supranational firms. In other words, while both companies can be considered to be integrated networks, some significant differences in terms of the mechanism of differentiation and integration, or, to put it into other words, the logic of the integrated network, may suggest the generation of different subtypes of TNCs. DaimlerChrysler was a company in the consumer commodity sector

and Accenture is a large supranational company in the service sector. Moreover, DaimlerChrysler was generated by a merger of two previously large boundary-spanning and competing companies while Accenture grew largely organically. These two basic differences have been used as the building blocks of the proposed typology of TNC subtypes which highlights important variations between companies which principally rather resemble TNCs than MNCs, INCs or GLCs.

## 8 Conclusion

The last chapter of this thesis will provide a summary, highlight the contributions of this thesis to the field of study given the existing body of knowledge, address some inevitable limitations of the research, and provide some options which may be considered to be valuable suggestions for future research. Moreover, I will tackle the question of whether the TNC, as conceptualized by Bartlett/Ghoshal (1989; 1998), and other research focusing on that unique type of organization can be considered to deal with the epitome of the development of cross-border operating companies. In fact, not long after Bartlett/Ghoshal (1989) seminal work, Doz et al. (2001) introduced the concept of the Metanational Corporation (MENC) highlighting that they use this term in order to label a kind of cross-border operating company which is significantly and qualitatively distinct from the TNC and the other three types of supranational corporations distinguished by Bartlett/Ghoshal (1989; 1998). In other words, Doz et al. (2001) added yet another new type of cross-border operating company to the existing types. As a matter of fact, it should be not surprising that new conceptual developments continue to take place since the supranational corporation is supposed to continue to evolve (Westney/Zaheer 2001; Westney 1999; Westney 2009) and new organizational models will continue to be developed. In the first step, a summary of the thesis will be presented which concludes with a section highlighting the contributions of the thesis to the field of study and the existing body of knowledge.

## 8.1 Summary

The first chapter introduced the topic on which this thesis focused. In particular, it was emphasized that organizations are important collective actors of modern societies and, as such, exert particular power. Perrow (1991) argued that large organizations hold extraordinary positions of power and Coleman (1982) convincingly demonstrated the various kinds of power relationships between corporate actors and individual actors. It was stressed that organizations, in general, and business organizations in particular operating across borders may be termed supranational corporations, and that they are not only subjects but also vehicles of globalization. The first chapter also set the stage for the thesis as it emphasised that even though some authors do not distinguish between various types of supranational corporations, others argue there are important differences which may be important to consider when it comes to understanding cross-border operating companies and their roles in the context of the globalization processes. For this reason, Bartlett/Ghoshal (1989; 1998) introduced an important distinction between four types of metanational corporations. It was the task of this thesis to explore whether the distinction proposed by Bartlett/Ghoshal (1989; 1998) makes sense to people working for such supranational corporation and if the particular features proposed by Bartlett/Ghoshal (1989; 1998) as characteristic for the TNC could be reconstructed using the interviews conducted with employees in two organizations supposed to be TNCs serving as prototypes. Moreover, it was also of importance to investigate the re-

spondents sense-making of why TNCs, as a particular type of supranational companies, may have emerged.

For the purpose of this thesis, employing a constructivist approach (Berger/Luckmann 1966) to social reality, a number of managers in two cross-border operating companies were interviewed to explore issues framed by the outlined research questions. The task was to derive “theoretical generalizations” (Yin 2003) or a “grounded theory” (Glaser/Strauss 1967) concerning the characteristic features of the TNC, drawing on the transcribed narratives of the interviewees. The information generated by the interviews was supplemented by some documentary analysis. The introductory chapter ended with an outline of the structure of the thesis and a brief introduction to the subsequent chapters.

The second chapter of the thesis was designated to a discussion of the nexus of globalization and organizations or, to use different words, the role of business organizations within the globalization process. It introduced the globalization process as a historically unfolding process of social change which is of large magnitude. Following a general discussion of the meaning of globalization, the chapter introduced and discussed in detail some selected theories of globalization. Giddens’ (1990; 1991; 1999) approach to globalization is of general nature and basically maintains that globalization can be perceived and investigated as a process of increasing interconnectedness between the global and the local. Moreover, Giddens (1991) highlighted that individuals became more and more aware of globalization as this affects their everyday life experience. Sklair’s (2002; 1995) theory or concept of globalization places more focus on the key actors, highlighting the need to analyze their practices in order to understand globalization. Sklair’s (1999; 2002) primary concerns are with the capitalist rationale of

the globalization process and the main actors promoting that rationale in various arenas. The discussion of these theoretical approaches to globalization was intended to demonstrate the importance of TNCs and those who own and manage them in the globalization process. Owners and managers can be viewed as key individual actors, and TNCs as collective actors can be viewed not only to be vehicles of capitalist globalization but at the same time to be also affected by that process, which on the other hand may affect their internal operational logic. Ritzer's (2003; 2004) differentiation of the globalization process into subprocesses which take place at the same time, that is, "globalization" and "glocalization" of "something" and "nothing", was also discussed in Chapter 2.

This conceptual contribution to the field enables to perceive the globalization process in a more differentiated manner and enhances analytical possibilities. Globalization processes, including the subprocesses distinguished by Ritzer (2003; 2004), are occurring in various realms of social life such as politics, religion, sports, but economic globalization processes are of major importance for the purpose of the thesis. Therefore, Chapter 2 discussed some issues of economic globalization and introduced Water's (1995) inventory of economic globalization. The chapter concluded with the assumption that the TNC must be considered as an important actor and vehicle for globalization and therefore remains worthy of investigation. The TNCs or organizational particularities, its organizational model deserves more in-depth study – especially if we assume that the TNC is a unique type of supranational organization. These organizational particularities may set it aside from other types of cross-border operating companies - as has been proposed by Bartlett/Ghoshal (1989; 1998).

The third chapter was devoted to a review and discussion of Bartlett/Ghoshal's (1989; 1998) conceptualization of the TNC as a qualitatively unique collective actor being distinctive from other types. However, the chapter began with a discussion of Heenan/Perlmutter's (1979) seminal typology of qualitatively different kinds of supranational companies in which they introduced a typology suggesting the distinction between four different kinds of supranational corporations. Perhaps it is worth mentioning that in this thesis I proposed a new way of organizing the four types of supranational organizations which have been proposed by Heenan/Perlmutter (1979) as they are arranged in a new manner in a new kind of typology. In other words, the presented 4x4 matrix featuring a particular graphic and logic representation of the four types employed two dimensions which to date had not been used to logically structure Perlmutter/Heenan's (1979) typology. Heenan/Perlmutter's (1979) distinction between the polycentric, geocentric, regiocentric and ethnocentric organization is based on the distinction between a) forces of domination and b) forces of unification as the two dimensions underlying the matrix style typology presentation. Hence, the two dimensions used to arrange the four types of supranational corporations in the typology are, as such, new and may lead to a different heuristic approach to understanding Heenan/ Perlmutter's (1979) typology.

However, it was more important to discuss the basic rationale of this first prominent typology of various kinds of supranational organizations as this discussion helped to understand the logic of Bartlett/Ghoshal's (1989; 1998) typology and their approach to the construction of their typology. Even though Heenan/Perlmutter's (1979) well known typology included a description of some particular features of each of the four types, the typology may be considered somewhat problematic as its construction is based on a deductive approach. Even though individual features of the typology



have been confronted with empirical material, resulting in conflicting evidence, a thorough empirical test of Hennan/ Perlmutter's (1979) typology is still outstanding. Bartlett/Ghoshal's (1989; 1998) typology of supranational corporations draws on the basic idea promoted by Hennan/Perlmutter (1979) that what really matters and what we should look for if we want to understand and investigate variations of metanational corporations are qualitative and not quantitative differences. Next to describing three different types of metanational corporations being previously distinguished in the literature, Bartlett/Ghoshal (1989; 1998) introduced the term TNC to label a newly emerging type of supranational corporations.

This particular type of organization was the concern of this thesis. Hence, a large section of this chapter was designated to a discussion of Bartlett/Ghoshal's (1989; 1998) presentation of the TNC ideal-type. After highlighting the unique features of the TNC and distinguishing it from the MNC, INC, and GLC, the chapter also discussed some particular methodological problems underlying Bartlett/Ghoshal's (1989; 1998) popular conceptualization of the TNC. Even though some empirical studies, including those by Harzing (2000) and Leong/Tan (1993), largely seem to have failed the attempt to falsify Bartlett/Ghoshal's (1989; 1998) conceptualization of the TNC, these studies must also be seen as somewhat problematic. The design of the empirical investigations largely took Barlett/Ghoshal's (1989; 1998) conceptualization of the key characteristics and distinguishing features of the TNC for granted instead of confronting employees of supranational corporations with the question if they are capturing the essential features of the TNC. Hence, the chapter concluded that further and differently conceptualized research is needed in order to address these issues and a constructivist approach (Berger/Luckmann 1966) seemed promising for such research.

The particular methodological approach adopted and utilized for this thesis, which helps to address the shortcomings of some of the previously discussed research, was addressed in the next chapter. Chapter 4 discussed some key issues, including pros and cons, which should be kept in mind when it comes to employing qualitative research and a case studies approach. Eisenhardt (1989) emphasized that case study research is intended to generate new conceptualizations or, to use different words, theoretical generalizations or, at least, to modify or extend existing conceptualizations or theory. Therefore, this thesis applied a case study approach allowing a thick description of the TNC, that is, allowing to investigate the mental construction of the TNC by various people (managers in the case of this thesis). Yin (2003) and Glaser/Strauss (1967) have claimed that case study research must be perceived as a research approach which is not primarily concerned with the possibility to generalize its findings to a particular population of organizations. Instead qualitative case study research seeks to provide the empirical ground for “theoretical generalization” (Yin 2003) or, in other words, the construction of a “grounded theory” (Strauss/Glaser 1967) or conceptualizations.

Moreover, subsequent to a brief description of the data generation and analysis, the chapter continued to focus on a discussion of the methodological background of concept and typology construction. Both issues were of major importance for this thesis. Referring to work by Rich (1992), two fundamentally different approaches to generating classificatory schemata or typologies have been discussed, that is, a theoretical and empirical approach. It has been argued that rooting typology construction in empirical research or, to use a term previously mentioned, grounding it in empirical reality, may be preferred when it comes to constructing the TNC as a

unique and distinctive type of multinational operating companies while outlining its key characteristic features. Organizational typologies are classificatory schemata and, as such, require certain criteria which allow the allocation of individual organizations to some of the categories. For this reason, each category or type must feature a description of the key characteristics or attributes. Individual organizations allocated to one of the categories or types must closely resemble these characteristic features. As Moscovici (1981; 1988; 2001) had emphasized, often a prototype may be used in order to offer an image of an organization (or any other kind of object a particular typology is concerned with). A prototype is a real existing example for a category or type. This prototype (an existing most typical organization) can be used in order to compare and contrast existing organizations. But often ideal-types as conceptual abstractions are being used as a point of reference to contrast organizations and their features with the features of some types in a classificatory schema. The TNC in the case of Bartlett/Ghoshal's (1989; 1998) work, that is, the conceptualizations of the key characteristic features of the TNC as a new and unique type of supranational corporation, was such an ideal-type construction. Therefore, the idea of ideal-type construction proposed by Weber (1968) and others was tackled in some detail with particular reference to Drysdale (1996). Based on perceived similarities or proximities of any observed object, that is, an existing organization, with such an ideal-type or alternatively a prototype, a decision may be made concerning the allocation of the object to a particular category or not. It has been previously argued that such characteristic features may be either defined *ex ante* by a theorist or may be determined *ex post* by those investigating the heuristic value of a typology as a tool to categorize some objects in a specific universe of knowledge.

In this thesis it is argued that an empirically grounded approach may be a particularly useful approach because Bartlett/Ghoshal's (1989) construction of the TNC was based on the construction of an idealized conceptual object as, at that time, no prototype of a TNC existed nor had the differentiation of the TNC from other types of supranational corporations been made ever before. The task while creating types of a typology would be to focus on and ensure adequacy in terms of significance and meaning as well as use of the characteristic features of a type (Drysdale 1996). It was also highlighted that the construction of typologies is a means to an end as the function of the concepts in a typology is to help understand, interpret, or make better sense of an object as the typology requires the identification of relevant traits or characteristic features of the types and may serve as the ground for developing later on hypotheses (Drysdale 1996).

As we attempt to make sense of organizations we create an image or images of the organizational type. Any image will highlight particular issues of an organization and, at the same time, suppress others; therefore, any image can provide only a partial account of a particular object, like an organization (Morgan 1986). Nevertheless, images triggered by conceptualizations or linked to particular conceptualizations may help to sharpen the analytical view. As a matter of fact, some images or accounts of an organizational type may prove to be more adequate or useful (viable) than others as different people concerned with that object may find a particular image better than others. The methodological chapter concluded by highlighting the usefulness of metaphors when it comes to creating a particular image of a type of organization in order to help to make better sense of it.

Chapter 5 was designated to providing a thick description of DaimlerChrysler while focusing on the task of investigating whether the interviewees

were able to make sense of Bartlett/Ghoshal's (1989; 1998) distinction of four different types of supranational corporations. Moreover, the chapter focused on elaborating the key characteristic features of DaimlerChrysler as a, assumedly, prototypical TNC. Interestingly, as the interviews with DaimlerChrysler managers showed, most respondents could relatively easily distinguish and make sense of the idea that there are qualitative differences between the TNC, MNC, INC and GLC. Moreover, most respondents agreed with the *ex ante* categorization of DaimlerChrysler to the TNC type of supranational corporations - rather than any other of the other three types.

Chapter 6 focused on Accenture as the second cross-border organization under investigation. In a similar fashion to the previous chapter, this part of the thesis was concerned with highlighting the strategic capabilities, organizational characteristics, and managerial tasks of the organization as well as the factors triggering the development of the company into a TNC.

The way respondents constructed and made sense of the concept of the TNC depended on how they saw the peculiarities of their own corporation. The characteristic features Bartlett/Ghoshal have used in order to construct the TNC type and to delineate it from other types of supranational corporations were largely replicated by this study but a few additional particular features could be derived from this work. Chapter 7 was devoted to a discussion and comparison of the two case studies in terms of their similarities and differences. Moreover, the results derived from the case studies analysis were compared and contrasted with the general conceptualization of the TNC proposed by Bartlett/Ghoshal (1989; 1998). First of all, the strategic capabilities characteristic for the TNC as outlined by Bartlett/Ghoshal (1989; 1998) and those capabilities mentioned by the interviewees in the

two corporations were contrasted and compared. The three strategic capabilities mentioned by Bartlett/Ghoshal (1989; 1998) were also mentioned by the interviewees in describing the strategic capabilities of their own corporation. However, some additional aspects were mentioned which may be worth to be taken into consideration when it comes to discussing what kinds of strategic capabilities characterizes the TNC.

In the next step, the organizational characteristics assumed to be specific for the TNC as highlighted by Bartlett/Ghoshal (1989; 1998), were contrasted and compared with the organizational characteristics of DaimlerChrysler and Accenture as TNCs identified in the narrations of the interviewees. Again, the three general organizational characteristics of the TNC suggested by Bartlett/Ghoshal (1989, 1998) were identified but with some variations and additional issues mentioned were also highlighted. In a similar manner, the key management tasks which must be addressed in order to run a TNC efficiently and effectively, as suggested by Bartlett/Ghoshal (1989; 1998), could be identified in the narratives of the interviewees of both organizations. However, there were, as before, some variations and additional issues being raised which were either not tackled by Bartlett/Ghoshal (1989; 1998) or not treated as being of importance. The identification of some variations between the two analysed cases in this thesis lead to the assumption that, despite the fact that most components identified in Bartlett/Ghoshal (1989; 1998) conceptualization of the TNC could be identified, there may be subtypes of TNCs. This assumption lead to the adaptation of a typological approach to make theoretical sense of the similarities and the differences as some TNC subtypes were identified. Moreover, the two cases were not only differentiated in terms of their additional features or variations from the conceptual features of the TNC as identified previously by Bartlett/Ghoshal (1989; 1998) but also in terms of differences

of the relative importance of the experience of internal globalization and glocalization processes (Ritzer 2003; 2004). In addition, the experience of the TNC as an integrated network as conceptualized by Bartlett/Ghoshal (1989; 1998) and further detailed by Nohria/Ghoshal (1997) was analyzed since there was evidence suggesting that the relative weight of some key governance mechanisms or principles, to frame it differently, governing the network interaction (Hollingsworth 1996) were different.

In addition, chapter 7 featured a discussion of Morgan/Kristensen's (2009) suggestion that employing the metaphor of the "court society" (Elias 1983) helps to generate a particular and useful image of the TNC. It was argued that, in addition to Morgan/Kristensen's (2009) metaphor a further differentiation of subtypes may add value as this would help to highlight slightly different aspects of the TNC as an integrated network. Last but not least, this chapter also compared and discussed the forces which Bartlett/Ghoshal (1989; 1998) proposed to be particular triggers in the emergence of the TNC as a distinct and new organizational form and the forces the interviewees in both analysed companies mentioned as key triggering causes affecting their company's evolution into TNCs. Beyond the triggering factors mentioned by Bartlett/Ghoshal (1989; 1998), additional factors of importance emerged in the interviewees' narrations.

This thesis contributed in various ways to the existing body of knowledge in the field. As aforementioned, Bartlett/Ghoshal (1989; 1998) based their characterization of the TNC as a particular and unique type of metanational company exclusively on a fairly unsystematic analysis of companies operating in the consumer goods sector. This, theoretically, could have lead to a distorted conceptualization of the TNC as TNCs in the service sector were neglected. This thesis has shown, however, that there is convergence be-

tween the findings of this study in relation to Accenture, a company in the service sector, and Bartlett/Ghoshal's (1989; 1998) construction of the TNC. Accenture seems, in many respects, to exhibit similar characteristic features as the TNC in general as outlined by Bartlett/Ghoshal (1989, 1998). However, the case studies conducted for this thesis also revealed some important differences between Bartlett/Ghoshal's (1989; 1998) general conceptualization of the TNC and the two TNCs. This suggests that a more sophisticated view of the TNC as a differentiated and integrated network may be advisable as the mode of differentiation and integration of the network relationships in the TNCs may be different. Based on literature dealing with different governance mechanisms which seemed to be helpful to understand the different logics of organizational networks, the thesis argued that TNCs as differentiated and integrated networks may be different enough to warrant a subclassification so as to distinguish subtypes of TNCs. Hence, the thesis suggested a further differentiation between types of TNCs in addition to the existing conceptual differentiation between the TNC, MNC, INC and GLC in order to sharpen the analytical lens and add a tool to the toolbox available for organizational analysis. The proposed typology of subtypes of TNCs, which are given labels, rested on the assumption that the discussion of the two cases suggested that such a differentiation should be based on the distinction of the sector the TNC is operating in (service vs. goods) and the development history or path (M&A vs. organic growth). Therefore, this thesis proposed not only a differentiation between TNCs in terms of distinguishing between subtypes would make sense, but also a particular way of how this differentiation could be approached employing the popular 2x2 matrix approach to typology construction.

Moreover, the thesis linked literature focusing on organizational networks with the idea of a further differentiation of TNCs as the thesis suggested



that the logic of the integration mechanism may be somewhat different for various types of TNCs. It was maintained, drawing on Hollingsworth (1991; 1996), that the differentiated and integrated network in the case of DaimlerChrysler predominantly exhibited the monitoring logic as the primary network governance mechanism while the support logic is secondary. Contrary to this proposition, the case of Accenture demonstrated a reverse order, that is, the support logic is the dominating network governance mechanism while the monitoring aspect ranks second. In a very similar manner, the thesis applied Ritzer's (2003; 2004) distinction between the two subprocesses of globalization, that is, grobalization and glocalization, in order to highlight yet another aspect of difference between the two organizations analyzed. It was argued that the evidence presented in the discussion of the two cases, that is, DaimlerChrysler and Accenture, suggested that while both organizations experienced grobalization and glocalization processes, there appeared to be differences in the relative weight of both subprocesses. While DaimlerChrysler predominantly experienced glocalization processes within the organization while grobalization comes second, Accenture, on the other hand, was first and foremost characterized by grobalization processes and glocalization processes seemed to have ranked secondary.

I believe that this thesis contributes some new conceptual and empirical knowledge to the field of knowledge as it does not only suggest the consideration of further differentiation between types of TNCs as necessary for sharpening analytical capabilities but also highlights the specific differences between two subtypes. In this sense, the thesis is not only discussing idiosyncrasies of the two cases analysed and adding simply a thick description of some cases to the body of knowledge on TNCs, but also proposing a par-

ticular approach to theoretical generalization (Yin 2003) or a particular grounded theory (Glaser/Strauss 1966) for the field of study.

This thesis could, however, only explore and address some issues so as to enable researchers and practitioners to better understand the operational logics and peculiarities of the TNC. It is hoped that these results and suggestions may add some value to the body of knowledge in the field, contribute to the advancement of knowledge, and trigger new research and investigation into this topic. However, after having presented a summary of the thesis and highlighting its contributions to the field of knowledge have been stressed, it is important to note some inevitable limitations of the work.

## 8.2 Limitations

To better interpret the findings and results of this thesis, the inevitable limitations must be kept in mind. Some of those possible limitations will be briefly discussed in this section of the thesis. To rectify these limitations, some venues for future research are suggested.

First of all it is important to highlight that only employees of one national organizational entity (subsidiary) despite the supranational nature of the companies were interviewed. In both companies, only managers from Germany are represented in the study. This was mainly the case due to resource limitations. The results could be, theoretically, somewhat distorted by the fact as, for example, managers of the same company in other countries may

have responded differently to the same questions. For that to happen, the perception of the organizational context for each national organization unit must be very different. It would be interesting to see if employees at Accenture in other countries would allow reconstructing a very similar or very different conceptualization of their company as a TNC. This, however, has not been the research question of this thesis and must be left for later work. The same, of course, applies to DaimlerChrysler, but since the company no longer exists as such, it would be difficult to address this limitation in future research.

Additional information collected for other research may allow for the modification of the theoretical generalizations in this thesis. Even though the information gathered and interpreted so far would remain valid, additional mental constructions of social reality (Berger/Luckmann 1966) could be added.

Second, it should be kept in mind that the interviewed managers were all employees of the corporation on a lower hierarchical level and none from top management. This sampling may be considered as a limitation because it could be claimed that what matters, at the end, are the sense-making attempts by top management as the ultimate decision making authority. Nevertheless, as argued earlier, today's lower level managers may be the future's top level managers of the same corporation. Hence, it may be of even more relevance or at least of the same importance to investigate the sense-making of those lower level managers when it comes to the questions posed. Finally, complementing information gathered by investigating top management, as done by Bartlett/Ghoshal (1989, 1998), with information gathered from lower level managers may allow for a comparison of general differences in their constructions of the TNC. This comparison, however,

was not the research interest of this thesis, but, nevertheless, seems worth mentioning and may be investigated by future studies.

Moreover, as only one company served as the model for the two proposed TNC subtypes, the results may feature idiosyncrasies and not necessarily aspects one could find as a pattern in other companies within the subtypes. Despite the fact that there remains such a possibility, this is, once more, not of major concern for this thesis because the question of the generalization of the findings to an organizational population is not of importance at this point. What is of importance is whether theoretical generalization of the empirical material in terms of deriving a concept or 'grounded theory' (Strauss/Glaser 1966) is possible. This generalization, however, is possible even though research involving other corporations which could be allotted to the two dimensions used for categorization may in the future suggest some modifications of the conceptual results of this study when it comes to the characterization of those TNC subtypes. Adding more cases to each category would help, nevertheless, to improve the empirical foundation of the conceptualization of the subtypes, and hence, the reliability of the constructions as Yin (2003) underlined. However, this contribution to the field must be left for further studies.

Moreover, the proposed typology derived from theoretical generalization suggested (due to the two dimensions employed to determine the fundamental rationale for the 2x2 matrix) the possibility of four different TNC subtypes, to distinguish among four different subtypes of TNCs, however, only two of these theoretically assumed four subtypes could be tackled in detail. The remaining two fields of the proposed subtypology of TNC remained at this point empty. This matter could also be addressed by future research as such studies could, based on theoretical sampling, investigate

companies which would be allocated to these empty boxes (i.e. a company in the service industry which underwent M&A and an organization in the manufacturing sector featuring organic growth) in order to fill the remaining gaps.

Last but not least, the metaphors and the images of the TNC discussed in this thesis can not be tested employing a strict true-or-false framework or the idea of falsification (Popper 2002). Any kind of metaphor or image, as long as some group considers it as useful or viable (Bunge 1999), may have some value in the context of the interpretative paradigm (Morgan 1980; Burrell/Morgan 1979) as it adds possibilities for investigators to understand and explore the TNC as a complex social entity. Each image generated and metaphor used highlights different aspects while, at the same time, shadowing others. Morgan (1986) has, therefore, argued that seeking plurality in metaphors, rather than seeking a single approach, is of advantage. Moreover, this approach suggests that other groups may have very different ideas or images concerning the TNC and invites the input of others in the field. Morgan/Collinson (2009) recently provided a collection of articles highlighting different features, and therefore constructing different images of the supranational corporation in general. For example, alongside to the discussion of the supranational company as an instrument of exploitation and domination (Mir/Sharpe 2009), other images like the supranational corporation as the major promoter of economic development (Collinson 2009) may be explored. However, most of the attempts collected in Morgan/Collinson (2009) have, except of Morgan/Kristensen's (2009) contribution, focused on the supranational corporation in general and not on the TNC in particular. Consequently, there are more possibilities for research and opportunities to promote new kinds of images of the TNC based on the investigation of other groups. For example, politicians and social movement activists

may help to create additional, supplementary or even conflicting images of the TNC which – taken together – would help to be better able to make sense of the TNC and to interpret and understand it as both a vehicle and an object of globalization. The various images, however, must be evaluated on their effectiveness to create a rather strong or weak image, a rather appropriate or inappropriate image, of the particularities of the TNC. In any event, rather than feeling uncomfortable about this limitation and attempting to reveal the “truth” about organizations, it may be necessary to accept this limitation of research on organizations. In the words of Morgan (1989: 341):

Stated in more conventional terms, there is a difference between the full and rich reality of an organization, and the knowledge that we are able to gain about that organization. We can know organizations only through our experience of them. We can use metaphors and theories to grasp and express this knowledge and experience, and to share our understandings, but we can never be sure that we are absolutely right.

Finally, the very construct of the TNC and its popularity, as well as empirical occurrence, may not be of long-lasting nature, but rather may be a temporarily existing manifestation of a particular organizational model in the context of an ongoing and unfolding evolutionary process when it comes to organizing cross-border business. This particular issue may be worthy of further consideration and a more detailed discussions to which I will turn in the next section. The next section will conclude discussing Doz et al.’s (2001) conceptualization of the Metanational Corporation. This conceptualization of yet another different type of supranational corporation above and beyond the TNC as suggested by Doz et al. (2001), may underline Westney/Zaheer’s (2001) and Westney’s (2009) assumption that suprana-

tional corporations are evolving entities and that the observable evolution of some of the cross-border operating companies into TNCs may not be the end of this evolutionary process.

### 8.3 TNC: The End of Organizational Evolution?

If the conceptual design of the TNC as described by Bartlett/Ghoshal (1989; 1998) and refined by others, including by this thesis, may be only one temporary “fashionable model” (Kieser et al. 1997) for structuring cross-border operating business, the question arises of what may be the next conceptual development in the field? As this thesis has shown, Bartlett/Ghoshal (1989) highlighted important key features of the TNC as a particular type of cross-border operating company. However, the image we are able to paint about the TNC should not be confined to the original work of Bartlett/Ghoshal (1989) as there are several other components which seem to be of great importance for managers in order to make sense of the TNC as, for example, this thesis has hopefully convincingly demonstrated.

Moreover, further conceptual elaborations and developments have been published since Bartlett/Ghoshal (1989) introduced the term TNC for labeling a particular type of cross-border operating company and distinguished it from other types. Shortly after Bartlett/Ghoshal’s (1989) book on the TNC, Doz et al. (2001) provided the field with an additional conceptual model and label for organizational designs of boundary-spanning organizations. Doz et al. (2001: 234) wrote:

Both global projectors and multidomestic companies have begun to move toward an ideal that C.A. Bartlett and S. Ghoshal termed the 'Transnational Solution' in *Managing across Borders*, their important book and the challenges of marrying global integration with national responsiveness. [...] Transnational structures may help to achieve the right balance between the global integration and national responsiveness within the network of day-to-day operations. But they should not obscure the important role of the sites and global operating units ... and a transnational operations network can never substitute for the sensing and magnet organizations that drive metanational innovation.

Based on their criticism of Bartlett/Ghoshal (1989) work, Doz et al. (2001) proposed a different formula which can and should be used in order to organize companies conducting cross-border business and enhance their likelihood to succeed in the new global and mainly knowledge driven economy. Doz et al. (2001) had conducted interviews with several CEOs and also top managers of major cross-border operating companies and developed a conceptual framework characterizing another ideal form of cross-border operating companies which they termed the "Metanational Company" (MENC). Doz et al. (2001: ix) wrote:

From this work, our concept of a 'metanational' emerged: a company that builds a new kind of competitive advantage by discovering, accessing, mobilizing, and leveraging knowledge from many locations around the world. Why another name? Aren't global, multinational, multifocal, transnational, and so on sufficient? Not really. We need a new name when we are trying to articulate a new model, a new paradigm. To the metanational, globalization is not about taking home-country know-how to new markets or projecting a formula it has developed in a single 'center of excellence' around the globe. It is about efficiently fishing for knowledge in a global pool, harnessing that knowledge for innovation, and then harvesting its value for its stakeholders.



Doz et al. (2001) also proposed a typology of cross-border operating companies describing the “Metanational Company” as a qualitatively new type of cross-border operating company. The typology developed by Doz et al. (2001: 219) is quite similar to the one proposed by Bartlett/Ghoshal (1989); however, the newer typology stressed the importance for cross-border operating companies to develop into MENCs rather than TNCs. Doz et al. (2001) claimed that the TNC should not be the end of the evolutionary process of the development of cross-border operating companies. According to Doz et al. (2001), in the expanding ‘knowledge economy’ (Drucker 1993), successful cross-border operating companies will ultimately develop and display characteristic features which can be summarized by using the term “metanational”. In contrast to Bartlett/Ghoshal (1989), they claimed that the capability for worldwide innovation and knowledge is not a characteristic attribute of the TNC but this is an attribute of the MENC. The idea of the MENC is largely based on the distinction between “exploring” and “exploiting” of knowledge (March 1991; Levinthal/March 1993) and on the facilitation of worldwide learning and knowledge-management. The successful MENC is characterized by the ability to learn worldwide instead of only penetrating markets around the world (Doz et al. 2001: 1).

Doz et al. (2001) have outlined how this particular new model of cross-border operating companies looks like. Basically what the authors proposed is that within one company, two different types of units or areas will exist. That is, there are the traditional operating units concerned with producing products or services on a more or less world wide scale. These organizational units are concerned with harvesting (“exploiting”) new knowledge on a worldwide scale, and they are, according to Doz et al. (2001: 9) characterized by a logic which emphasizes efficiency, flexibility and cost effectivity. In other words, using the terminology of this thesis, these units follow the

monitoring logic (Hollingsworth 1991; 1996). In addition, however, there are other units in the organization which are widely spread around the world and which are primarily concerned with searching for new knowledge and creating new knowledge. These organizational units have a different role than the operating or producing units. They are sensing units concerned with identifying new market and product developments (“exploration”) while paying attention to developments in core markets and core subsidiaries as well as attention to peripheral markets and peripheral subsidiaries. Doz et al. (2001) wrote:

Building new sources of competitive advantage requires a sensing network that can identify innovative technologies or emerging customer needs that competitors have overlooked - a network that preempts the global sources of new knowledge. We term this battle ‘competing on the sensing plane’. The prevailing logic of sensing is discovery and reconnaissance.

Hence, the key difference between the “metanational solution” (Doz et al. 2001) and the “transnational solution” (Bartlett/Ghoshal 1989) is that in the latter there may be in some geographical areas centres of excellence focusing on particular tasks while other organizational units are only implementers. This may cause the company to overlook important developments of strategic relevance in such organizational units or important developments in their markets. By contrast, in the MENC, any organizational unit will be properly monitored by a network of sensing units (in addition to a network of producing units) in case an organizational unit, which could be anywhere in the world, develops into a centre of excellence in a certain area or task. This development may be the case for organizational units in the core mar-

kets and core subsidiaries or it may be the case for relatively unimportant “black holes” subsidiaries in periphery markets<sup>79</sup>.

Hence, the differentiation between different types of subsidiaries as proposed by Bartlett/Ghoshal (1998: 323), may be dangerous and misleading, at least as long as one perceives the various organizational units and their allocation to a particular role type as rather static. According to Doz et al. (2001), this perception of stasis is a dangerous assumption as at any time, at any place, new crucial innovation and production of knowledge may take place – even in previous “Black Holes”. For this reason, the organization must pay attention to all organizational units, and all geographic markets, being central or peripheral to the organization in terms of past and current revenue, and past and current market share, in order to avoid missing important opportunities. It is the role of special, worldwide sensing units to pay attention to these developments everywhere in the company.

Last but not least, there are also organizational units which act as “magnets” as they attract and integrate isolated and emerging knowledge and capabilities worldwide within the organization in order to explore newly emerging market opportunities or to pioneer new products and services. Doz et al. (2001), however, did not specify how these “magnets” may look but wrote:

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<sup>79</sup> Bartlett/Ghoshal (1998) have distinguished – as outlined earlier - between “Black Holes”, “Implementer”, “Contributor” and “Strategic Leader” as subsidiary roles. The strategic leader is an organizational unit or subsidiary which, supported by contributors, can lead a particular business on a worldwide basis. Implementers are organizational units which do only implement strategies and products and use technologies invented elsewhere in their local market.

A successful metanational therefore needs a set of structures (which may be virtual, temporal, or both) to translate new knowledge into innovative products or specific market opportunities. These new structures (the evidence suggests that existing operating units and systems will seldom do the job) need to mobilize knowledge that is scattered in pockets around the corporation and use it to pioneer new products and services, sometimes with the help of lead customers. [...] We call these structures 'magnets'. They attract dispersed, potentially relevant knowledge and use it to create innovative products, services, or processes, and they then facilitate the transfer of these innovations into the network of day-to-day operations. We term the battle to design and operate a better set of magnets than your competitors 'competing on the mobilizing plane'. The driving forces here are entrepreneurship and mobilization.

However, the description or image provided and created by Doz et al. (2001) is very similar to the idea or image of the ambidextrous organization proposed and developed by Tushman/O'Reilly (2002) and O'Reilly/Tushman (2004). According to O'Reilly/Tushman (2004), the ambidextrous organization will be structurally separated into two parts, one part consisting of organizational units predominantly focusing on the production of existing products emphasizing the need of cost reduction, efficiency increase, and marginal innovation and the other part consisting of units focusing on breakthrough, fundamental innovation. Marginal innovation can also be considered as "exploitation learning" proposed by March (1991). On the other hand, breakthrough innovation can be considered as "explorative learning" (March 1991). Doz et al.'s (2001) concept can be neatly related to the concept of the "Ambidextrous Organization" as this structural separation between operating units and sensing and mobilizing units is a key part of their conceptualization of the metanational corporation. Of course, Doz et al. (2001) emphasized the importance for a company

to be present in various markets worldwide as this enhances its diversity and access to knowledge.

It is, nevertheless, questionable if Doz et al. (2001) really introduce a significantly different conceptualization of cross-border operating companies because their concept of the MNEC is largely comparable to Bartlett/Ghoshal's (1989; 1998) description of the TNC. Bartlett/Ghoshal's (1989; 1998) highlighted the need and the capability of the TNC to draw rather easily on knowledge and leverage this knowledge generated at any place and any corporate unit in the company. But Doz et al. (2001) highlighted Bartlett/Ghoshal's (1989; 1998) concept differently, focusing predominantly on the idea of static roles of subsidiaries:

Transnational structures varied across individual companies, such as Asea Brown Boveri and 3M, repositioned themselves toward the top right-hand quadrant [i.e. the TNC in a typology of four quadrants]. Some subsidiaries would act purely as implementers of the strategies and formulas developed by headquarters or dominant sister subsidiaries. The strongest subsidiaries would become 'strategic leaders', building core advantages that the transnational would project around the world. Transnationals are still international projectors. They are more sophisticated ones in the sense that they project competitive advantage from lead subsidiaries as well as from headquarters. Having shifted key operations abroad – often to diverse locations – to take advantage of competencies and economies outside their home countries, some firms established specialist units or centers of excellence with a mandate to absorb and disseminate local skills and know-how. But what about potentially valuable knowledge that is scattered around the small, peripheral subsidiaries of a traditional multinational?

It is important to note that the idea of the MENC by Doz et al. (2001), however, does not seem to be so much different from the TNC since their idea

tackles more in depth one attribute already highlighted by Bartlett/Ghoshal (1989) as a characteristic feature of the TNC. It is, therefore, hard to see the value of adding the MENC as proposed and described by Doz et al. (2001) as a completely different and new concept or conceptualization of an organizational model.

The theories of the supranational firm, that is, explanations why cross-border-operating firms emerged and how they developed over time as different ways of how to organize this cross-border business, will certainly continue to develop<sup>80</sup>, too, and probably neither Bartlett/Ghoshal's (1989; 1998) nor Doz. et al.'s (2001) conceptualization of cross-border operating firms will be the last ideas proposed in order to highlight certain characteristic features of a particularly unique type of a cross-border operating company. Moreover, attempts to provide a blueprint for managers who may wish to implement such a unique organizational model in order to change the organization of their cross-border operating company as they wish to establish a TNC, for example, may not be rare. Some models may become the latest fashion given the available portfolio of models and remain in vogue for some time (Kieser 1997) as long as they are described as being useful for improving the competitiveness of a cross-border operating organization because the model enhances competitive advantage when "competing by design" (Nadler/Tushman 1997) is important. Some models and their subsequent refinement may also help to further understand the "nature" of supranational organizations as they highlight specific characteristic features which were neglected by previous conceptual developments. In the

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<sup>80</sup> At this time, there are a few books available attempting to collect and integrate key work in this area. Examples include the books edited by Bartlett/Ghoshal (1995); Morgan/Kristensen/Whitley (2001), Bartlett/Ghoshal/Birkinshaw (2003), Ghoshal/Westney (2005), and Morgan/Collinson (2009).

later manner, this thesis provided some refinement of Bartlett/Ghoshal's (1989; 1998) concept of the TNC as it highlighted additional characteristic features of the TNC which suggested that a sub-differentiation of the TNCs into subtypes may be appropriate and this may help to sharpen the analytical lens organizational analysts can use.

## 8.4 Conclusion

As this thesis has demonstrated, distinguishing between various types of cross-border operating firm makes sense to most interviewed managers working in cross-border operating companies. It has also shown that the investigation of proposed conceptualizations of particular types of cross-border operating companies must be considered to be a fruitful field of inquiry. In order to make sense of concepts which are part of a typology, people draw on implicit images and ideas they have of certain types while trying to make sense of a particular label and distinguishing it from others. These implicit images or ideas could be reconstructed as the narrations generated by the interviews allowed to generate conceptualizations of the object of investigation: the TNC. However, as this thesis has also demonstrated, both similarities and differences between managers in different companies exist as they make sense of the challenge to consider their corporation to be a TNC. Much of this knowledge on the TNC seemed to be in line with what Bartlett/Ghoshal (1989) have proposed and focused on while explaining and describing the TNC as a unique and new type of cross-border operating company.

However, as also should have become evident there seemed to be some peculiarities in how TNCs are modelled as some characteristic features were described differently.

Nonetheless, the case studies presented in this thesis helped to broaden our understanding of the TNC, and the results showed that, in order to understand the TNC as a conceptually distinct and unique type or kind of cross-border operating company, we need to take more features into account than those originally proposed by Bartlett/Ghoshal (1989; 1998). We also see, however, that most of the managers being interviewed distinguished between different types of cross-border operating companies and could highlight important key aspects of the TNC. For most of them, the TNC is a particular type of cross-border operating company and the label originally proposed by Bartlett/Ghoshal (1989; 1998) makes sense to them. This thesis suggested, though, that an additional subcategorization of TNCs to TNC subtypes – a similar distinction to the distinction of various types of subsidiaries in TNCs – would add some theoretical and empirical precision to the analysis of TNCs and attempts to make sense of them.



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## Appendix

This appendix outlines details about the qualitative research conducted for this thesis which was not discussed in such detail in Chapter 4 which focused on more theoretical and conceptual methodological issues. In the first step, the procedure and theoretical underpinning concerning the selection of the companies and the interviewees will be discussed. In the next step, some details about the interviewees and how the interviews were conducted will be provided. This is followed by a presentation of the research questions being asked during the semi-structured interviews and a brief outline of the transcription process. Last but not least, the methodological Appendix also provides detailed information about the process concerned with coding and analyzing the transcribed interviews.

### A-1: Selection of the Companies and Interviewees

Since the purpose of the presented study was concept or theory generation in the tradition of the grounded theory approach (Glaser/Strauss 1967), it is more concerned with the issue of “theoretical generalization” rather than with “empirical generalization” at this stage. In this sense the sampling procedure was concerned with selecting companies which may be very likely to be suitable for the purpose of this study. Therefore, in the tradition of “purposive sampling” (Yin 2003), DaimlerChrysler was selected on the ground of being one of the world largest automotive producing company which also represents a company in the consumer commodity sector and was the result of a cross-border M&A. It was also assumed that DaimlerChrysler may be most likely to resemble a TNC rather than another kind of cross-border operating company compared to other large automotive pro-

ducers. Moreover, DaimlerChrysler was also selected for the practical reason as the headquarters of DaimlerChrysler in Stuttgart enabled relatively convenient access for face-to-face interviews. The HRM department of DaimlerChrysler agreed to support the proposed research for this thesis and e-mailed participants of their IMAP program informing junior managers about the study and invited them to participate. All those managers who responded to this invitation had been interviewed, which is a form of “convenience sampling” (Bryman 2008: 183). Bryman (2008: 183) emphasized that “convenience sampling” is very common in the field of organizational studies and, in fact, more common than random sampling.

Accenture was selected for the same reason as DaimlerChrysler as being one of the worlds’ largest IT consulting firm and it could be reasonably assumed that Accenture may be considered rather a TNC than another type of cross-border operating company as distinguished by Bartlett/Ghoshal (1989; 1998). Moreover, Accenture is a company in the service sector which in contrast to DaimlerChrysler grew organically without a major M&A. Accenture was also selected for the more practical reason as the author could establish access to the corporation by using a contact person willing to help to find further interviewees. This procedure concerning the selection of interviewees resembles both a “convenience” and “snowball sampling” (Bryman 2008: 183; 184) approach. In fact, for the purpose of concept, model, hypotheses or theory generation in the context of the “grounded theory” (Glaser/Strauss 1967) approach, this types of sampling procedures are commonly used by other researchers. Bryman (2008: 185) even mentioned that in the context of theoretical sampling, convenience sampling and snowball sampling is more in tune with the purpose of qualitative research than random sampling.

## A-2: Interviews and Interviewees

Overall 12 junior-managers working for DaimlerChrysler and Accenture were interviewed. All interviews except of three with some Daimler-Chrysler managers were telephone interviews. In fact, it turned out that most interviewees preferred the comfort of being interviewed by telephone at a place and time convenient for them. In the case of Accenture, conducting telephone interviews was the only feasible way of interviewing the junior managers who were, as consultants, during the time of the interviews located at various client organizations at different places in Germany.

Exhibit A-1: Overview over number of conducted interviews

	Number of Interviews
DaimlerChrysler	7
Accenture	5

Source: Own Figure

There are advantages and disadvantages of telephone interviews compared with face-to-face interviews (Bryman 2008: 198). One of the possible problems of telephone interviews may be seen in the fact that the length of telephone interviews tends often not to last longer than 20-25 minutes. For this reason, the interviewees were informed in advance that the telephone interview may take around 30 to 60 minutes. In order to ensure that the telephone interviews could last longer, phone calls were made by the author of this thesis at a time of convenience for the interviewees. It was also sug-

gested during the telephone interviews that the interview may be conducted instead during one long phone call in the context of two or three shorter phone calls. However, except of one interview there was no need to make two phone calls or more to complete the interviews. In fact, many interviews lasted approximately one hour or a bit longer. Hence, this problem does not seem to have caused an issue for this research.

Another problem of telephone interviews, mentioned by Bryman 2008: 198), may be seen in the fact that the interviewer cannot observe the reactions of the interviewees in terms of their gesture. For example, it is not possible to observe gestures of puzzlement during telephone interviews and therefore clarify problematic questions. For this reason, if there was any indication of misunderstanding, the interview question was rephrased in other words, or questions raised by the interviewees requesting a clarification of the meaning of the questions were answered. Other potential problematic issues related to telephone interviews in the context of qualitative research as mentioned in Bryman (2008) are not relevant for conducted research.

Since it was the purpose to generate images of the TNC by focusing on the particularities or characteristic features, interviewing junior managers working for an organizational entity of the cross-border operating company in one country (i.e. Germany) enabled to control for possible cultural differences and differences in organizational context. In other words, the *national culture* and the *organizational context* of the subsidiary were held *constant*. Interviewing managers at DaimlerChrysler and Accenture working, for example, for the US subsidiaries, may have generated different images due to the different organizational context and different national cultures. It was beyond the scope of this thesis to interview junior managers of the two



companies in other subsidiaries and to compare the images of the TNC based on the interviews with the respondents in other countries. However, due to the constructivist perspective of this thesis, the created image does not claim to be *the* only possible and appropriate image of the TNC. Instead, it is only one possible image of the TNC created by interviews with a particular group of interviewees. Interviewing people from other groups, for example, anti-globalization activists would have very likely resulted in a list of other key characteristic features of the TNC.

### A-3: Interview Questions used for the semi-structures Interviews

1. Sometimes a distinction between four qualitatively different kinds of cross-border operating companies is being made, i.e. between the Multinational, International, Global and Transnational Corporation. For the time being I assume that your company is most likely to resemble the type of the Transnational Corporation, but you may also allocate it to another of the mentioned types if you think that label would match better. Could you please name at least one company for each of the remaining three kinds of cross-border companies?
2. I would like to ask you now to tell me why you have allocated the mentioned companies to the four types by highlighting one by one the most important differences between the company mentioned to be a TNC and the remaining three other companies.
3. What do you think are the main reasons for the development of your company into the particular type of cross-border operating company it was allocated to?

4. How would you describe the core strategy of your company?
5. Can you briefly explain the structure of your company?
6. How would you describe the culture in your company?
7. How would you characterize the relationship between the corporate headquarters and the subsidiaries, and between the various subsidiaries in your company?
8. Can you explain the ethnic composition of the workforce in your company?
9. If you think about the following four organizational components, that is, structure, culture, strategy, and HRM, can you explain what kind of impact the globalization process had on these components in your company?
10. What kind of cooperation does your company have with other companies? Are there, for example, any strategic alliances? Can you please describe how you see such co-operations?
11. What are in your opinion the major challenges which have to be addressed by the management of your company in order to run it successfully in the context of corporate globalization?
12. How would you distinguish a transnational-oriented manager from a rather national-oriented manager?
13. Is there anything else which you would like to mention which you see as important for defining the type of cross-border operating

company your company seems to belong to and which sets it apart from the other types of companies previously mentioned?

#### A-4: Interview Transcription

The interviews were recorded with a digital voice recorder which was used for both, the face-to-face interviews, and the telephone interviews. The recorded interviews, all conducted in German, were saved as electronic files on the computer and with a special computer program (Panasonic IP) later on transcribed by the author.

#### A-5: Coding and Analysis

The coding of the data, which is a transcribed text, is of key importance for the analytical approach within the tradition of “grounded theory” and, as Bryman (2008: 542) has outlined, refers to a process “...whereby data are broken down into components parts, which are given names”. For the purpose of this thesis, three different types of coding procedures distinguished by Strauss/Corbin (1990) have been applied. In the first step, “open coding” has been used which is “...the process of breaking down, examining, comparing, conceptualizing and categorizing data” (Strauss/Corbin 1990: 61). Bryman (2008: 543) has described this process as a coding procedure which results in concepts which are later on to be grouped and turned into higher-level categories. Eriksson/Kovalainen (2008: 161) have highlighted that “*open coding*” practically means to find key words, phrases or sentences in the transcribed text which seem to relate to the research questions and help to find out more about the phenomenon in question. For example, in the context of open coding the transcribed interviews were analyzed while searching for key words, phrases etc. which outline why the interviewees

believed their company evolved into a TNC as a particular kind of cross-border operating company. In the second step, “*axial coding*” has been conducted which is, as Eriksson/Kovalainen (2008) and Bryman (2008) have outlined, an analysis of the data on a higher level of abstraction. The various interviews and the coded relevant patterns of speech were compared and, based on this comparison higher level categories were derived encompassing various lower level coded phrases or key words. In the next step, core categories were identified which relate to the research questions. This kind of coding has been termed by Strauss/Corbin (1990) as “*selective coding*” and was described as a “...procedure of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development” (Strauss/Corbin 1990: 116). Eriksson/Kovalainen (2008: 165) wrote that “selective coding is about integrating and refining the analysis, and from the major categories selecting one core category to form a larger theoretical scheme. A core category forms the focus around which all other categories are integrated”. In the context of the selective coding procedure, the core features mentioned by the interviewees helpful to characterize the TNC as a particular type of cross-border operating company were selected in order to build the grounded theory of the TNC. In this sense, the particular characteristic features of the TNC are the various categories which relate to this overarching core category.