Agents Caught in Structure: Organizations, Globalization, and Inequality

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Abstract Globalization is a hotly debated empirical phenomenon. Two aspects of globalization are discussed particularly frequently: The extent to which globalization leads to convergence, and the impact of globalization on inequality within and across countries. This chapter argues that it is worthwhile to look at firms in a disaggregated manner to address these research problems. So far, globalization research has mostly looked at firms as an amorphous mass of actors. This can be traced to the two classic schools of thought, Marxism and liberalism, which both conceptualize capitalism as a single and expanding system, ultimately leading to convergence. As corollary, companies are regarded as mostly sharing dominant strategies and practices. This renders them uninteresting for research. In contrast, versions of capitalism in the plural, as developed in comparative capitalisms literature, maintain that there is continued diversity between countries as well as between firms. Such arguments are supported by empirical evidence in management and international business studies. This suggests paying closer attention to firms in a disaggregated manner to understand globalization processes. This chapter proposes to conceptualize organizations as actors caught in structure: Firms are agents in today's globalized world, but at the same time they face strong and often contradictory pulls exerted by the different contexts in which their activities are embedded. The emerging picture reveals firms situated within the complex and dynamic interdependence of structure and agency. The way this materializes is far from determined, yet highly relevant in answering issues of convergence and inequality, and thus provides a promising agenda for globalization research.

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A. Lenger, F. Schumacher (eds.), *Understanding the Dynamics of Global Inequality*, DOI 10.1007/978-3-662-44766-6_13

1 Introduction

Globalization is arguably *the* macro-trend of the past and current century. People, economies, political systems, cultures, social movements, ideas – they all are increasingly interconnected and interdependent. These different spheres are also increasingly aware of each other, and of their complex relationships (Guillén 2001). Two issues are hotly debated in academic and public discourse alike: First, do globalization processes lead to convergence? And second, what are their implications for inequality?

This chapter intends to address both of these research problems, albeit in a brief and selective manner. It does not aim to provide definite answers to either one of the points raised. Rather, its key argument is more conceptual in nature, claiming that globalization research would benefit from paying more careful attention to organizations as relevant actors in processes of globalization. Organizations matter. Importantly, they are not all the same; rather, their practices and strategies vary in relevant and meaningful ways. This heterogeneity arguably has implications for the two issues mentioned at the outset: convergence and inequality.

Thus far, globalization research has mostly neglected organizations as relevant actors in describing and explaining globalization processes and their outcomes. Of course, Transnational Corporations (TNCs) or Multinational Enterprises (MNEs) are often discussed in globalization discourse, but are largely regarded as an amorphous mass of actors more or less identical in objectives, strategies, and practices (Ohmae 1990). This is surprising, since globalization research tends to stress the dynamic tension between global pressures and local resistance, and how global processes are being adapted in local- and culture-specific ways (Hannerz 1992; Pieterse 1994; Robertson 1995). This perspective is strangely absent in the discourse on organizations. I argue that this puzzling homogenizing view on companies can be traced to the two classic schools of thought in globalization literature: Marxism and liberalism. Both – strangely – agree that capitalism is a singular and largely unidimensional, that is economic, phenomenon. If the capitalist system is regarded as singular, there is no reason to look at firms more closely, as they are basically seen as *capitalist* organizations, and thus are said to behave very much alike. It is only if capitalism is understood in its plurality, i.e. as comprising different versions of capitalism, that relevant differences at the firm-level come to the fore.

I argue that the economic reasoning shared by both Marxism and liberalism makes followers of these schools blind to observing important differences in the socio-political framework of nation-states (Polanyi 2001 [1944]).[1] It is these differences in the socio-political sphere which put limits on convergence.

[1] This is not to say that there might not be good reasons for this somehow selective perspective. Theoretical approaches need to decide what to focus on, and what aspects of a certain phenomenon to disregard. They also always are stylized in one way or another. One can make the case for looking primarily at the economy. However, this comes at a certain cost. What I argue in this chapter is that this cost is rather high for globalization studies, as a more fine-grained analysis could potentially yield interesting and relevant insights into global processes.

Moreover, by structuring the relationships between firms and their stakeholders in an economy, the socio-political context matters for shaping form and level of inequality within and across countries, too. To provide an obvious example, differences in the corporate governance regime of a country impact – amongst other factors, of course – the wage inequality in that particular country (Aguilera and Jackson 2003).

Importantly, a socio-political approach makes visible particular comparative institutional advantages of nations and firms (Hall and Soskice 2001; Hollingsworth et al. 1994; Whitley 1999). This, in turn, draws attention to distinct firm competencies and capabilities, again related to collective supplies. In contrast to ideas of best practices and single equilibria, which both are at least implicitly present in classic Marxist and liberal readings of globalization, socio-political approaches stress functional equivalents and multiple equilibria (Jacoby 2004). In these approaches, firms are not regarded as more or less identical in their strategies and practices. Rather, their competencies, capabilities, and practices differ in relevant ways, depending to some extent on the particular institutional environment in which they operate (Fligstein 2001; Jacoby 2004). It is therefore imperative to take a closer look at firms in order to understand and explain processes of globalization, particularly with regard to the issues of convergence and inequality.

In this chapter I proceed to make the three following lines of argument. First, I briefly show how Marxism and liberalism share the idea of capitalism in the singular, based on an economist understanding of global processes. Secondly, I employ comparative capitalisms literature in arguing that socio-political frameworks structure market economies in particular ways by defining and institutionalizing the relationships between firms and stakeholders. This perspective is sensitive to differences in firm-level strategies and practices, indicating a fruitful link to business and management literature (Nelson 1991). This insight is then taken up in the third line of argument in which I focus on the role of organizations under conditions of globalization. In this, I draw on empirical evidence to show that firms continue to behave in different ways in both home and host countries, lending support to comparative capitalisms approaches. For example, research in international business frequently finds a country-of-origin effect when analyzing the behavior of MNEs in foreign countries (Harzing and Sorge 2003). I also argue that this has some important implications for our understanding of convergence and inequality under conditions of globalization.

The structure of this chapter is as follows. The next section revisits the core arguments of Marxist and liberal proponents of the convergence hypothesis which basically posits that globalization processes have a homogenizing effect on countries and cultures. Following this, the contrasting view of continued difference between national economies in spite of – or perhaps even because of – globalization pressures is discussed. Section 4 deals with the respective implications of these two perspectives for the way organizational behavior is understood and explained. Based on evidence showing that organizations differ in their strategies and practices in some important respects, Sect. 5 then discusses the role of organizations in today's processes of globalization. Given the strong interrelatedness of organizational practices and institutional environments, it is suggested to picture organizations as actors caught in structure. The way these complex dynamics materialize has implications for the issues of convergence and inequality. In this context, four propositions are developed in section 6, which could guide future empirical studies. In the concluding section, I argue that examining organizational behavior in greater detail is a very promising agenda for future research on globalization processes. In this context, the rise of the Global South promises to introduce new and complex dynamics worth examining, again including some relevant implications for the issue of inequality.

2 Capitalism in the Singular: The Unlikely Proponents of the Convergence Hypothesis

The convergence hypothesis used to be – and probably still is – the dominant viewpoint in social science research on globalization, even though it is far from uncontested (Dobbin 2005; Guillén 2001). This is particularly true in terms of the economic and business sphere. Both classic schools of thought, Marxism and liberalism, agree that capitalism can be adequately described as one single system which is expansive in nature, albeit for different reasons and driven by different processes.

Marxists have always adhered to the singular nature of capitalism (cf. Hollingsworth et al. 1994: 3). They are not blind to differences between countries, but – and in line with historical materialism – they disregard those differences as merely illustrating different stages on a common trajectory from capitalism to socialism. One key argument in Marxism is the continuous expansion of the capitalist system (Brewer 1990; Marx 1973 [1857–1858]; Scholte 1997). This expansion is not limited to territorial dimensions though; rather, an increasing number of domains of social life are being commodified over time. Marxism argues that the expansion process of capitalism is instrumental in overcoming recurring crises of accumulation. This process is assumed to be driven by a number of mechanisms, including surplus accumulation, which is often regarded as a key factor driving globalization (Scholte 1997). Importantly, Marxism has a very dynamic and conflict-laden understanding of capitalism, in which class conflicts together with falling rates of profit ultimately lead to the collapse of the capitalist system. In this respect it differs markedly from world-system theory. While informed by Marxism, world-system theory stresses stability and persistence of the capitalist order (Wallerstein 1974). Conceptually, this more conservative reading of historical developments rests on the introduction of the semi-periphery as intermediate position, mediating class struggle between periphery and core. Again, however, capitalism and its logic is said to be ultimately global in scale.

Liberal scholars have their own version of convergence theory. For them, convergence is driven by competitive market pressures and the diffusion of

Table 1 Capitalism in the singular: Liberalism and Marxism

School of thought	Perspective	Diagnosis	Explanation	Mechanisms
Liberalism	Economist	Expanding singular capitalist system	Yields greatest benefits to people	Competitive market pressures
				Deregulation
				Free trade
				Information technology revolution
				Liberalization
Marxism	Economist	Expanding singular capitalist system	Expansive logic of the system	Crises of accumulation
				Dependency
				Power
				Surplus accumulation

Source: Own overview

technology (Bell 1976). Liberalism and its successor, neoliberalism, exercise an obvious economist reasoning in making sense of global processes. In their most radical versions, socio-political institutions and cultural differences are merely seen as interfering with competitive market forces; it is inscribed in the logic of the system to gradually substitute them with markets. Scholars in the liberal tradition argue that capitalism is spreading to an increasing number of places and people because it yields the greatest benefits (Bhagwati 2004; Dollar and Kraay 2002; Ohmae 1990). This argument is prominently rooted in the notion that division of labor and specialization increase productivity and efficiency (Smith 1979 [1776]). Competitive market pressures, free trade, information technology, and the deregulation and liberalization of markets are commonly regarded as drivers of convergence. Oftentimes, scholars make the link to supporting structures in the political sphere, coined liberal democracy (Fukuyama 1992).

Convergence is said to derive also from a ‘race to the bottom’, as pressures from business push countries to deregulate and be more accommodating to business (Collingsworth et al. 1994), for example by lowering labor and environmental standards. This argument is based on the premise that capital is more mobile than labor. As such, a race to the bottom can be seen as both an outcome and a mechanism of the process in which countries become ever more liberal as they compete for production market share. Again there is some agreement on the existence of this empirical phenomenon between Marxist and liberal scholars; yet the interpretation varies. While liberal scholars tend to champion these developments – not in the sense of a final outcome but rather as a necessary step on the road to increasing competitiveness and development – Marxists too see in this a destructive yet perhaps necessary phenomenon, as it will ultimately lead to the collapse of the capitalist system.

Table 1 below provides an overview of the argument that Marxism and liberalism share an economist reading of global processes which makes them agree on the expansive nature of capitalism in the singular, although the explanation for and the assumed mechanisms driving this process differ markedly.

This classic debate on the question of convergence is taking place in sociology too. World-society research, for example, claims that world models are highly rationalized and universal (Meyer et al. 1997). Individuals, nation-states, and organizations merely enact universal scripts. The alleged outcome is isomorphism, a process through which organizations and nation-states are becoming increasingly similar (Meyer and Rowan 1977). Paradoxically, actors such as firms are not really agents as they are merely subject to those overarching forces. Other scholars disagree, arguing that the relationship between global and local forces is more complex, interdependent, and dynamic. For example, in his excellent review of key debates in globalization research, Guillén (2001) makes the case for a comparative approach that pays close attention to interest and resistance. Importantly, there is generally greater stress on the issue of agency in this latter literature.

3 Towards Capitalism in the Plural: Varieties of Capitalism and Globalization

I argue that Marxism and liberalism both agree on the fundamentals of globalization because they share an economist reading of the underlying processes. They largely disregard the socio-political fabric of countries. Comparative capitalisms literature, in contrast, puts emphasis on the socio-political framework in which economic activities are embedded (Granovetter 1985; Polanyi 2001 [1944]). Based on this more thorough perspective on economic processes, comparative capitalisms research finds continued diversity of national economies, as opposed to convergence (Crouch and Streeck 1997; Hall and Soskice 2001; Whitley 1999). Instead of capitalism in the classic singular understanding, this body of literature argues for varieties of capitalism (Hall and Soskice 2001).

In their influential conceptual framework, Hall and Soskice (2001) develop two broad ideal types of national economies: Liberal market economies (LMEs) and coordinated market economies (CMEs). Whereas firms organize their business activities predominantly through arm's-length market relations in LMEs, coordination takes a more strategic and non-market form in CMEs. The United States is considered the prime example of an LME, while Germany is usually regarded as coming closest to the ideal type of a CME. Hall and Soskice derive this broad typology by taking firms as unit of analysis. The core argument is that firm capabilities are ultimately relational, thus raising the issue of coordination problems. This strand of literature identifies five spheres in which firms need to resolve coordination problems: industrial relations, vocational training and education, corporate governance, inter-firm relations, and employee relations. Market economies can be arrayed along a continuum depending on the extent to which firms coordinate their activities in these spheres either via market relations or through non-market forms of coordination. What is more, differences between national economies are considered to be very stable over time due to complementarities between institutions (Hall and Gingerich 2009). For example, the education system in the U.S. is said to provide general and transferable skills (Estevez-Abe et al. 2001). This type of skill regime is complementary to the hire-and-fire approach associated with the American labor market. In Germany, in contrast, skills tend to be more industry-specific and less transferable, which nicely matches the long-term employment prevalent in this type of economy. These kinds of complementarities resist convergence, instead resulting in continued variety of forms of capitalism. This approach has also something to say regarding inequality across countries. For example, using a similar typology of countries, Rueda and Pontusson (2000) make the observation that countries differ significantly in terms of wage inequality. More importantly, they also find that the effect of certain variables is dependent on the institutional context. To give an example, they find that while female labor-force participation has an egalitarian effect in coordinated or social market economies, in liberal market economies increasing levels of female labor-force participation actually has the effect of rising wage inequalities.[2] The single most important variable explaining the observed patterns of wage inequality, however, is union density, a dimension in which countries are known to differ markedly to the extent that their industrial relations systems are different from each other.

By taking a socio-political perspective, comparative capitalisms literature identifies the way relationships between firms and their different stakeholders are structured and institutionalized within market economies. This is due to the relational perspective drawing attention to the necessity to solve coordination problems. Nation-states have developed rather idiosyncratic ways of dealing with these various coordination problems. For example, in the area of vocational training, Germany has a highly institutionalized and regulated system which defines and governs the relationship between firms, vocational schools, federal agencies, and other relevant actors. Through this system, Germany ensures that set standards and obligations are met. In contrast, the United States follows a very different approach. In the U.S., vocational training occurs in very flexible arrangements, with very low levels of institutionalization and regulation (Bailey and Berg 2010). The relationships between the various actors, such as firms and community colleges, are largely governed by arm's-length market relations.[3]

Importantly, comparative capitalisms links different institutional configurations to particular comparative advantages at both the national and firm level. Germany,

[2] Rueda and Pontusson (2000) struggle to explain this finding; in particular, the egalitarian effect in social market economies is somewhat puzzling (cf. Rueda and Pontusson 2000: 375).

[3] It is important to remember that these are ideal-typical conceptualizations. In empirical reality, one will always find a certain mix of different forms of coordination.

for example, with its strong vocational training regime is commonly associated with comparative advantages in incremental innovation patterns, leading to strengths in such areas as the automotive sector (Jürgens 2004; Streeck 1991). In contrast, the U.S. economy is said to enjoy comparative advantages in radical innovation as instanced in Information Technology and biotechnology, which could explain its dominant position in these sectors. This is not least because of the well-developed financial markets in the U.S. which provide sufficient levels of capital to entrepreneurial enterprises; this is yet another crucial difference in kind in comparison to Germany where patient capital is playing a much bigger role (Hall and Soskice 2001).

This supply side perspective on economic activity is very useful in that it draws attention to functional equivalents.[4] If measured at the aggregate level, there seem to be many equally good approaches to the organization of business activities, as opposed to a single best way. Empirical analyses show that the institutional configuration of coordinated market economies yields equally good aggregate performance as the more market-driven approach of liberal market economies (Hall and Gingerich 2009).

However, comparative capitalisms literature does suffer from four weaknesses. First, it argues on the nation-state level. While it is true that the nation-state accounts for a large number of differences in the coordination of business activities, overemphasizing the national level as a unit of analysis is inadequate. From this perspective, relevant differences within and across borders remain opaque (Lane and Wood 2009). Importantly, this macro perspective also entails looking at aggregate performance. That is, net returns and efficiency are measured at the national level, leaving aside the important issue of for whom outcomes are efficient. Secondly, while scholars in this tradition start from a relational view of the firm (Hall and Soskice 2001), they too quickly move to the aggregate level, thus partially losing sight of organizations as relevant actors in the political economy arena. Thirdly, and tangentially related to the second point, these scholars have demonstrated an underdeveloped understanding of institutional change, particularly against the background of internationalization of production (Deeg and Jackson 2007; Streeck and Thelen 2005). Overall, they exhibit an underdeveloped understanding of the role of agents (Jackson 2010). Finally, the parsimony of the framework with only two ideal-typical market economies comes at the cost of

[4] Comparative capitalisms literature is often accused of functionalism and economic reasoning. There is certainly some truth to this, in particular if compared to more sociological approaches of institutionalism which tend to put emphasis on legitimacy, as opposed to efficiency. And arguing on the basis of performance levels at the aggregate level overlooks significant patterns of inequality within market economies. However, seen in historical perspective, it was quite a normative argument to make in the late 1990s and early 2000s that a coordinated (or social democratic) form of capitalism delivers equally strong growth figures as the at the time much championed liberal form. In fact, the notion of complementarities suggests that CMEs should not implement liberal reforms in order not to lose their distinct comparative institutional advantage – a bold and quite political statement to make at the time, as CMEs were under intense pressure to implement reforms to further deregulate and liberalize their economies.

overlooking those economies not perfectly situated within either one of the two broad categories. In recent years, scholars have responded to this kind of criticism by attempting to broaden the typology and developing new groups of countries, such as the Dependent Market Economies of Eastern and Central Europe (Nölke and Vliegenthart 2009).

Despite these criticisms, both the varieties of capitalism approach and the greater body of comparative capitalisms usefully serve to highlight the relevance of the socio-political framework in determining the form and structure of economic activities. This perspective ultimately reveals differences in the organization of business activities at the level of both, market economies and firms.

Just as in the international political economy debate on the extent of convergence and homogeneity, the question of capitalism versus capitalisms is also being discussed in sociology. Participants in these discussions note that the collapse of the socialist alternative to capitalism has led to a shift in the attention of sociologists from an approach comparing the (social) forms of these two competing systems to a comparative approach paying attention to the diversity within today's dominant system of capitalism. Scholars differ in the extent to which they welcome these developments within their field. For example, Burawoy (2001) contends that comparative capitalism studies forget about capitalism. He replicates a Marxist line of argument with his assertion that plural origins still evolve into a singular system of capitalism (2001: 1119). Stark and Bruszt (2001) disagree, instead endorsing the notion of capitalisms, or capital in the plural. Their argument hinges on the claim that the combination of capitalism with a variety of democratic institutions has incited a heterogeneity which hedged the reign of the free market (Polanyi 2001 [1944]) and also resulted in various creative recombinations of elements. Again we are left with the idea of varieties of capitalism, just as in the previously discussed political economy debate.

4 Capitalism(s) and Its Implications: Bringing Organizations Back In

Whether one understands capitalism in its singularity or plurality has far reaching implications for the conceptualization of the role of organizations. Capitalism in its singular meaning posits some overarching logic structuring the behavior of relevant groups of actors, such as firms, individuals, capital, and labor – for example, efficiency. The supposed similarity of organizational strategies and behavioral patterns renders firms uninteresting for research on globalization. While they assume and maintain the important role of powerful carriers of capitalist behavior, their potential as objects of research is limited to their allotted space within the close parameters of a capitalist system. Scholars informed by Marxism would argue that capitalist corporations share many properties due to the underlying logic of surplus accumulation. For example, Brewer (1990) writes,

> By far the most important fact about multinationals is that they are *capitalist* firms. Both [national and multinational firms; J.F.] are subject to the same competitive imperative to minimize costs and to accumulate. Not surprisingly these circumstances, determined by the working of the capitalist system on a world scale, place close limits on their behaviour. (Brewer 1990: 261) [*Emphasis in original*]

Liberal scholars also fail to show particular interest in firms. This is because of their more general assumption that place as relevant category gives way to the market (consumer and capital markets alike) that penalizes inefficient business practices, posing clear limits on deviations from *best practice* (Friedman 2005; Ohmae 1990). Furthermore, as Nelson (1991) argues, economist perspectives – as opposed to a management viewpoint – consider firms both capable of recognizing available choice sets and able to correctly identify the best choice in a given situation. Correspondingly, liberal scholars assume that all firms will behave exactly the same way when facing the same conditions. These classic perspectives both predict an isomorphic population of capitalist firms as the outcome. Both schools of thought thus treat firms as black boxes, and instead choose to focus on other aspects: Marxists emphasize class struggle to explain historical developments and to predict future processes; and liberal scholars stress competitive market forces leading to convergence and development.

The notion of best practices is quite influential in management literature. For example, Womack et al.'s (1990) highly influential study claims that lean production is best practice in automobile manufacturing, an argument made amid the rise of Japanese management and work organization practices in the 1980s. Lean production comprises a set of interrelated practices, such as permanent improvement performed by all organizational members, the elimination of slack within the organization, decentralization of responsibility to production workers, and team work. The authors asserted that automobile companies worldwide must adopt lean production in order to avoid eradication by competitive market forces. This thus is clearly an example of an argument in the liberal tradition: competitive market forces make organizational practices converge over time as best practices emerge and diffuse. Subsequent research, however, identified two caveats. First, this latter research challenged the notion of lean manufacturing as universal best practice, and instead provided evidence that different functional equivalent bundles of practices exist in the real business world which proved equally successful (Freyssenet et al. 1998). Secondly, it argued that even if companies were to attempt to adopt lean production, profound differences in the socio-political framework of countries would put clear limits on the extent to which these practices could be successfully adopted in the first place (Boyer et al. 1998; Streeck 1996). Additionally, more management-oriented literature has frequently noted that firms tend to have extreme difficulties to imitate successful innovations of competitors (Nelson 1991). This is because adopting a successful business practice in one sphere requires changing activities in facilitating spheres as well. For example, to return to the idea of lean production, adopting the successful business practice of team work requires adapting the organizational structure to a significant extent. This might be inconceivable if it increases complexity to a prohibitive level. Or it might perhaps not be successful due to incapability for organizational change, as the literature on path dependence suggests (Sydow et al. 2009). For example, organizational inertia might be the outcome of existing complementarities between different functions at the organizational level. Also, to effectively implement lean production, perceptions of authority might need to be changed as well (Yoko Brannen et al. 1999), which can be reckoned to lie outside the managerial directive as it is largely a matter of culture (Hofstede 1980).

This is precisely what proponents of capitalism in the plural understanding would expect. Their supply side perspective draws attention to the way organizational practices and strategies differ to the extent that institutional environments vary. Organizational practices here are understood not as organizational per se – rather, they depend on a supporting institutional infrastructure in the socio-political sphere, which does not only offer certain critical collective inputs but also grants legitimacy to certain sets of behaviour (and not to others). By first decentering organizations and emphasizing the institutional environment of firms, comparative capitalisms scholars paradoxically bring organizations back in, because their approach makes enduring differences between firm-level strategies and practices visible. Comparative capitalisms successfully re-centers organizations this way by emphasizing the notion of comparative institutional advantage. Varieties of institutional configurations equip firms with distinct comparative advantages in particular industries and fields. This is in line with more business and management oriented research (Porter 1990), as management research also argues against universal best practices. For example, evolutionary theory claims that firms are unable to calculate what would be best practice in a given condition (Nelson 1991). Instead, firms do have idiosyncratic competencies and capabilities through which they ensure their survival (Barney 1991). What a comparative capitalisms perspective contributes here is that it argues that these competencies are institutionalized features of firms. In other words, a comparative capitalisms approach suggests equifinality, as opposed to one-size-fits-all.

Empirical research supports the claim of continued differences at the organizational level (Doremus 1998). Pauly and Reich (1997), for example, compare the behavior of multinational enterprises from three different countries: the U.S., Germany, and Japan. They find that companies differ in corporate governance, financing, and R&D activities, as well as in their investment and trading strategies. They trace this to institutional and ideological legacies of historical experience (1997: 4). In a similar vein, Aguilera and Jackson (2003) show how firms from different countries differ in the area of corporate governance. They argue that this is because stakeholders define their interests in particular ways depending on their institutionalized relationships with each other in a given market economy. Management literature also provides evidence that firms differ. For one, there is lots of research on core capabilities and core competencies which set firms apart from their competitors (Leonard-Barton 1992). The firm-specific development of capabilities explains heterogeneity of resources, routines, and behavioral patterns of companies (Helfat and Peteraf 2003). What is more, inertia and path dependence can prevent organizations from being able to adapt to environmental changes and respond to

Table 2 Notions of capitalism and its implications

Perspective on capitalism	Interpretation of economic activities	Underlying logic	View on organizations	Firm behavior
Singular	Disembedded	Single equilibrium	Capitalist organizations	Best practice
Plural	Embedded	Multiple equilibria	Embedded in varieties of capitalism	Functional equivalents

Source: Own overview

innovations by competitors (Sydow et al. 2009), thereby potentially exacerbating firm-level differences.

Table 2 above provides a stylized overview of the argument developed in this section. The emerging picture is one of enduring differences of organizational practices and strategies. These differences are partly explained by particularities at the firm-level; and partly by the institutional context in which firms are embedded (Fligstein 2001). In fact, there is evidence to suggest that it is precisely the complex interaction of these two levels that explains firm behavior. As will be discussed in the following section, organizations can thus usefully be conceptualized as agents caught in structure.

5 Agents Caught in Structure: Organizations, Globalization, and Inequality

In the context of globalization, a supply side perspective on firm activities suggests two related hypotheses. First, companies internationalizing their production will try to transfer significant parts of their strategies and practices to their foreign subsidiaries in order to exploit their institutionalized comparative advantages. For example, German companies do have a strong incentive to transfer their vocational training practices in order to defend their competitive edge in diversified quality production (Streeck 1991). This process, however, raises the second and related hypothesis, which is that firms will encounter difficulties in transferring their practices due to the distinct institutional configuration of their particular host economy (Streeck 1996). Again referring to the example of German companies attempting to transfer vocational training practices, a number of barriers can be identified. For instance, the dual vocational education and training system of Germany relies on well-established standards and certification processes, which are both absent in foreign countries due to the idiosyncrasy of the German model comprising a complex kind of skill regime. Also, vocational schools are generally missing abroad, leaving the task to the companies to privately build up this kind of institutional support, a process which might entail prohibitively high financial and human resource costs. And at a cognitive level, one can think of barriers to transfer due to the unfamiliarity with key concepts in the host economy. For example, foreign countries might not be familiar with the very concept of vocational training or apprenticeships. Also, the notions and meanings might differ quite substantially. For example, while apprenticeships have a high reputation in Germany, they often are stigmatized in the United States, which refers to the normative aspect of organizational practices.

When considering the first hypothesis, it is important to remember that these practice transfer attempts do not need to be rationalized to the point that firms have carefully weighted expected costs against expected benefits. Quite the contrary, there are good reasons to assume that an organizational practice which is efficient in the home country is inefficient abroad, as the host country is very likely to offer vastly different institutional conditions. Misfits between institutional environment and organizational practice are the likely outcome (Kostova 1999). This is related to the second hypothesis which draws attention to the particular institutional environment of the host economy, an environment typically very stable over time (Jackson and Sorge 2012). Practice transfer attempts are thus somewhat puzzling from a business standpoint, and therefore have often been explained by referring to institutional legacies and similar concepts (Morgan and Quack 2005), meaning that company behavior abroad is less driven by efficiency considerations, but more by shared experiences of how a certain business activity is organized in a particular firm at home, which often translates into more normative conceptions of how certain business activities ought to be coordinated, irrespective of location.

There is ample evidence supporting both hypotheses. With respect to the first, empirical studies often find a country-of-origin effect (Ferner et al. 2001; Harzing and Sorge 2003). In other words, firm behavior in a host economy can be explained to a significant extent by the home country of that particular organization. For example, in my own research, I find that German companies with production sites in the United States behave in a particular way in the sphere of vocational training and recruitment (Fortwengel 2014). Rather than following established practices governed by market relationships (Brown et al. 1997), for example by recruiting workers off the street and then offering them on-the-job training in usually very flexible arrangements, German companies frequently transfer their apprenticeship-based training practices to their foreign subsidiaries. The apprenticeship concept is largely unknown in the U.S., at least in its German version comprising high levels of standardization with detailed training and certification procedures (Bailey and Berg 2010). The empirical phenomenon that German companies transfer their apprenticeship model thus can be described as a case indicating the materialization of a particular institutional legacy. And while most of the country-of-origin effect literature has focused thus far on Human Resources, other research has found that environmental management practices, for example, also show a country-of-origin effect (Prakash and Potoski 2007).

The emerging picture is one in which firms possess institutionally conditioned features which translate into particular behavioral patterns abroad. However, it is less clear whether these transfer attempts are strategic corporate efforts to replicate comparative advantages, or whether they can be explained as the product of institutional legacies or perhaps even organizational path dependence (Sydow et al. 2009). This ambiguity arises partly because the resistance companies typically face in implementing organizational practices in a very different environment often makes for puzzling practice transfer attempts. There is empirical research that supports hypothesis two according to which companies face severe challenges when engaging in practice transfer. The previously mentioned book chapter contribution by Streeck (1996), for example, shows how the lean production practices so successful in Japan cannot be transferred to the institutional contexts of Germany and the U.S. He explains this phenomenon by arguing that the bundle of practices that together form the Japanese model of lean production relies on particular institutions for support absent in other countries. For example, American workers tend to stay at the same company for much shorter periods of time, running counter to ideas of corporate citizenship and firm commitment – the central tenets of lean production in Japan, which is supported and enabled by the institution of lifetime employment still common in Japan. This is one example illustrating how organizational practices are deeply intertwined with the institutional fabric of a given market economy. Similarly, the German companies I examine in my research face barriers to their apprenticeship practice transfer attempts. Due to the lack of supporting institutions in the United States, the German companies have to build accommodating institutional environments by themselves (Fortwengel 2014). For example, they often cooperate with local technical and community colleges to develop curricula together and then have the colleges administer the theoretical training. Coordination of a vocational training regime in an environment traditionally governed by market relationships in the area of recruitment and training is expensive and difficult. For example, German firms offering apprenticeships in the U.S. run the risk that their apprentice graduates will be lured away by poaching competitors offering a wage premium. This would illustrate a classic collective action problem. The larger point here is that institutional differences between countries make practice transfer attempts a puzzling empirical phenomenon.

Overall, MNEs appear to be confronted with two opposing forces (Rosenzweig and Singh 1991): For one, they intend to transfer successful (perceived or real) strategies and business practices; however, they also need to deal with the institutional framework given in the host economy. This might put very different and often competing pressures on the organization. In the literature, concepts such as institutional duality (Kostova and Roth 2002) and internal and external embeddedness (Meyer et al. 2011) have been developed to describe the phenomenon that MNEs need to reconcile often contradictory demands in order to gain legitimacy within the firm network and in a variety of institutional environments (Kostova and Zaheer 1999).

Organizations thus appear at once to be collective agents and subjects to powerful structural forces. Even abroad, they are continually influenced by their home-country institutions, as the evidence supporting country-of-origin effects and institutional legacies shows. Additionally, they face a distinct institutional environment in the host economy calling for some kind of response on their part (Oliver 1991). What is more, evidence suggests that firms are to some extent subject to more global forces. For example, Ferner et al. (2001), in their study on German MNEs, find two competing pressures at work – country-of-origin effect and Anglo-Saxonization. Anglo-Saxonization of HR practices comprises the introduction of performance-based pay and the use of mission statements and credos as strategic management tools, amongst others. Nevertheless, the multitude of influences and pressures at different levels on MNEs is likely to reduce the strength of each single one of them. Somewhat paradoxically, MNEs could actually enjoy more leeway than their non-multinational peers (Kostova et al. 2008), due to the often contradictory and ambiguous nature of the various pressures they experience at different levels and stemming from a broad set of factors.

Rather than convergence, the likely outcome of these processes is hybridization and creative recombination of diverse elements (Boyer et al. 1998). For instance, Brannen et al. (1999) have considered a company transferring Japanese Management System practices from Japan to the U.S., and found that these practices underwent some significant transformations – a process they refer to as recontextualization. More generally, the way these complex interactions between organizational agency and a diverse set of institutional structures materialize could have implications for inequality. Perhaps more importantly, though, we witness complex and sometimes contradictory processes in organizations too, and not just in cultures (Robertson 1995), for example. While we already know quite a bit about the latter thanks to decades of research on these issues, we still know very little about organizations under conditions of globalization, and the relationship between these complex processes and the issues of convergence and inequality.

6 Organizations, Globalization, and Inequality

Socio-political approaches of comparative capitalisms literature make the argument that national economies continue to differ in important ways because the institutional fabric of a country shapes the way relationships are organized between organizations and their environment. These relationships, in turn, impact the form and level of inequality. The system of industrial relations, for example, is one arena in which not only relevant differences between countries were found to exist and maintain a remarkable stability over time; but also, these enduring differences have an obvious impact on levels of inequality (Rueda and Pontusson 2000). In the sphere of corporate governance, for example, stock option compensation schemes often found in U.S. firms and codetermination practices in Germany are also examples of institutionally conditioned organizational practices which structure the level of inequality within firms. These organizational practices, in turn, are again embedded within the institutional fabric. Based on this, Proposition 1 is formulated as follows:

Proposition 1 *Firms are likely to differ in non-random ways in the levels of inequality their strategies and practices induce.*

Linking this insight to international business literature, which posits that firms do have strong incentives to transfer their business practices to their foreign subsidiaries, is promising, as it suggests thinking of firms in a disaggregated manner. In other words, one could assume that not all firms have the same effect on inequality in host economies. For example, there is evidence to suggest that German companies transfer parts of their employment relations systems to their foreign subsidiaries (Jürgens and Krzywdzinski 2010). This can be hypothesized as having an inequality-reducing effect at the host locality. Looking at the region of Eastern Europe, for example, Krzywdzinski (2011) finds that German companies do allow unions in their plants. While there is little evidence to suggest large-scale transfer of codetermination practices, studies still find that German companies do have more cooperative industrial relations than companies from other countries (Ferner et al. 2001).[5] And U.S. firms are reported to transfer their diversity programs to their foreign subsidiaries (Ferner et al. 2005), suggesting that this might have a positive effect on gender equality, another relevant albeit often neglected dimension of inequality. This leads to the following proposition:

Proposition 2 *Because companies engage in practice and strategy transfer attempts, these non-random differences in terms of inequality are likely to be transferred to foreign subsidiaries and thus host-country environments to some extent.*

We know though that practice transfer attempts often fail, or at least tend not to be very successful. Oftentimes, this is explained in the literature by referring to the relative institutional distance between two countries (Jackson and Deeg 2008; Kostova 1999); the greater the distance, the less likely that a practice transfer attempt will be successful. It is frequently argued that the likely outcome of practice transfer across institutional distance is some form of hybridization (Boyer et al. 1998), which describes the creative fusion of elements from different contexts to create a new whole. For example, in their single case study, Almond et al. (2005) find that ITco, a U.S. MNE with a number of subsidiaries based in Europe, has locally adapted its industrial relations practices in the transfer process. More generally, organizational practice transfer can be assumed to often involve the recombination of 'old' and 'new' parts, leading to a hybrid outcome. This leads to Proposition 3:

Proposition 3 *Due to organizational and institutional barriers, practice transfer attempts are likely to result in hybrid outcomes.*

Even though practice transfer attempts are difficult and often fail, they might nonetheless introduce new elements into the host environment and resources actors can creatively draw from to coordinate their activities. Perhaps this can ultimately

[5] A concrete example is the recent attempt of the German carmaker Volkswagen to introduce a works council at its U.S. plant in Chattanooga, TN. The failure of this attempt, however, suggests the difficulty involved in transferring organizational practices across great institutional distance.

trigger slow and incremental yet potentially radical institutional change (Streeck and Thelen 2005). Importantly, this institutional change might occur in areas which are relevant in structuring the level of inequality in a particular host economy. For example, German companies are found to have adopted the shareholder value doctrine, albeit very selectively and in a genuinely German way (Fiss and Zajac 2004; Jürgens et al. 2000). This is anything but uncontested and smooth, yet it introduces new forms of inequality as it tilts the balance towards shareholders at the expense of other stakeholders.

There is another reason why differences in firm behavior could be relevant for host localities. Organizational theory often argues that companies tend to observe each other's activities and then potentially copy them. This is what neoinstitutional theory predicts, in particular in response to high levels of uncertainty (DiMaggio and Powell 1983). Once MNEs enter a particular country, the population of incumbent and local firms thus might be following the behavior observed in the foreign MNEs, if they belong to the same organizational field, as is for example the case in the relationship between a supplier and a original equipment manufacturer. Through isomorphism, the firm-level differences stemming from the MNEs thus could potentially be amplified in the process of institutionalization. This is most likely to occur at the local level, if at all, but it may still have very relevant consequences. Taken together, these considerations lead to Proposition 4:

Proposition 4 *While facing serious obstacles, these practice transfer attempts introduce new practices potentially triggering incremental institutional change in the local host environment.*

These four propositions are derived from existing theoretical and empirical literature in the field. In part they are somewhat contradictory. For example, while Propositions 2 and 4 emphasize the potential for practice transfer and change (however small and local) in host economies, Propositions 1 and 3 stress institutional stability and the powerful barriers to practice transfer and institutional change. In my view, this indicates that the relationship between multinational organizations and their multiple environments under conditions of globalization is not only highly contradictory and complex (Fortwengel 2011a), but also poses some very interesting and relevant research questions.

Conclusion and Discussion: The Emergence of a New Research Agenda

In this chapter I argue that globalization research would benefit from paying closer attention to the way firms differ in their strategies and practices. Such a firm-centered research agenda is very promising in studying two central questions in globalization research: Does globalization lead to convergence in business practices across countries and firms? And what is the impact of globalization on the level of inequality within and across countries?

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Globalization research has so far either taken what could be termed an *over-company-focused* perspective or an *under-company-focused* viewpoint.[6] That is, it has either focused on companies as units of analysis while disregarding much of the surrounding context, or it has looked at phenomena in the area of trade, international political economy, and FDI without really discussing the role individual firms play here. An example for a research stream with an *over-company-focused* perspective is the Global Value Chains approach (Bair 2005; Gereffi et al. 2005). With its emphasis on the (hierarchical) positioning of firms within a particular value chain, it tells us a lot about (new) forms of inequality between firms as production is increasingly spatially dispersed. It tells us much less, however, about the way Global Value Chains are embedded institutionally and socially (Fortwengel 2011b), and how this shapes levels of inequality between the various (collective) actors involved. Most FDI literature, in contrast, would fall in the camp of *under-company-focused* perspectives on global processes (Basu and Guariglia 2007). This is because this stream of literature tends to look at investment patterns in an aggregate manner, disregarding organizational positions, strategies, and practices. Striking a middle ground between the two extreme positions of *over-company* and *under-company-focused* research would be very helpful in enabling globalization researchers to ask new and relevant questions and provide novel and interesting answers.

The chapter did not provide definite answers to the highly relevant questions of convergence and inequality. Rather, I made a more conceptual argument here in favor of a differentiating perspective on companies under conditions of globalization. This argument began with the story of how Marxist and liberal views of capitalism in the singular were challenged by the body of literature on comparative capitalisms, which argues that national economies continue to differ in the way their business activities are organized. This shift was traced to fundamental differences in perspective of these two camps. Whereas both Marxism and liberalism stress the economic sphere, socio-political approaches of comparative capitalisms examine the institutional and cultural contexts in which business activities are embedded. The chapter then proceeded to show how the contrasting viewpoints of whether capitalism is a singular or rather plural system lead to very different conceptualizations of firm behavior. Whereas the notion of capitalism in the singular renders firms uninteresting because of the alleged similarities of their

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[6] These terms are meant to be somewhat similar in their terminology and meaning to those of oversocialized and undersocialized views of the economy as used in economic sociology (Granovetter 1985). In fact, it seems to me that this is yet another dimension of the highly relevant and popular debate about the relationship between the social and the economic lifeworld, in this case the one between organizations and their institutional environment.

strategies and practices, the idea of capitalism in the plural is sensitive to and interested in relevant differences at the firm-level. With reference to existing studies it was then briefly shown that the hypothesis of continued variety of firm behavior finds empirical support. It was also discussed how a differentiated view on organizations can contribute to our understanding of globalization processes. In particular, a more firm-centered perspective provides insights into the way convergence and divergence can occur simultaneously. It also helps in making sense of new forms of inequality, and how these might be shaped by different organizations in different ways. For one, inequality materializes in certain ways within and through organizations. For example, business practices in the sphere of corporate governance do have direct implications for inequality. In the context of globalization, this then raises the question of the extent to which these practices are transferred to foreign subsidiaries, including the level and form of inequality they entail, and to what extent the practices undergo relevant adaptations in the process to fit the local context abroad.

Globalization research is necessarily interdisciplinary. This chapter has attempted to illustrate some common research problems addressed by a variety of different academic disciplines. For example, the question of convergence of business systems and capitalisms is not only discussed in economics, but also in management, international business, international political economy, economic geography, and (economic) sociology. Some of these parallel debates were briefly touched upon in this chapter. A stronger and better integration seems both promising and necessary to make sense of today's globalization processes.

The emerging picture, in any case, is complex and kaleidoscopic. Organizations are important and powerful agents that try to engage in practice transfer, thereby impacting host localities in relevant ways. At the same time, organizations are subject to powerful influences from the institutional contexts of both home and host countries. Against this background, it was suggested in this chapter to frame organizations as actors caught in structure. The way these complex processes materialize is far from determined, yet arguably highly relevant for our understanding of convergence and inequality.

The process of globalization also entails the rise of new actors. It is not only nation-states playing a crucial role in shaping today's processes and, at the same time, being subject to global forces. In addition, networks, regions, and cities have joined them in being both agents and localities in which globalization processes materialize (Schwengel 2008). This suggests paying more attention to units of analyses below the level of the nation-state to make sense of the underlying processes. For example, sub-national regions are known to be important levels of economic activity. Another set of relevant

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actors below the level of the nation-state is the population of MNEs. This chapter has made the argument that we should understand MNEs in the plural too, just like we have come to understand capitalism in the plural – that is, not in terms of a plurality of numbers, but rather a plurality of types. Capitalisms and firms offer globalization research an exciting research agenda. This is even more so due to the rise of the Global South. The Global South is not only characterized by very distinct cultural, social, and political features (Rehbein 2010). But also firms from the Global South differ markedly from their counterparts from the traditional West (Lall 1983; Nölke 2011). As MNEs from the Global South increasingly internationalize their production, this opens up another exciting research field to study how this distinct population of MNEs simultaneously shapes and is shaped by and through globalization processes.

The purpose of this chapter was to argue in favor of a more organization-centric research program in globalization studies. Linking insights from comparative capitalisms and literature in the field of international business and management studies with globalization research is particularly promising. Focusing on distinct yet institutionally conditioned organizational competencies and practices can help make sense of the way organizations are powerful agents in globalization processes, while at the same time being subject to powerful structure at various levels. Moreover, organizations facing institutional duality and being characterized by a wide range of competing interests and varying power resources provide an interesting unit of analysis to study established concepts such as hybridization. At the same time, focusing institutionalized features of organizations also draws attention to the socio-political sphere, thereby raising the issue of the role of politics in mediating and shaping globalization forces. The role of politics in general, and that of the nation-state in particular, is another hotly debated issue in globalization research (Strange 1996). Yet it seems promising to examine the capability of politics to impact on economic processes through an institutional lens on firm behavior (Fortwengel 2011a). This seems a promising route to bring politics into the equation when analyzing convergence and inequality. For example, Campbell (2007) has argued that the question whether and how corporations behave socially responsible is a matter of the institutional framework which, in turn, is shaped by politics to some extent.

Against this background, the two basic questions of globalization research gain further in relevance: Does it lead to convergence? And how does globalization impact inequality? In answering these questions, a closer look at firms as agents caught in structure promises to yield interesting insights into the underlying processes and might offer unique explanations for observed phenomena.

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