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Multinationals, social agency and institutional change; variation by sector

Editorial

Multinational corporations (MNCs) operate at a crossroads of countervailing influences. While headquarters are typically embedded in the institutional settings of their home country, subsidiaries tend to internalize regulative and cognitive frames in their own national and regional contexts. MNCs now frequently assume highly diffuse global structures, operating across regionally dispersed horizontal and vertical networks, thereby exposing them to a global mosaic of societal, institutional and socio-economic influences. Moreover, MNCs are subjected to regulative effects emanating from transnational regulation.

Recent departures in institutional theory have sought to recognise how local 'embedding' in the various geographical sites of operation of MNCs have rendered their structures and cultures pluralistic in nature (Morgan and Kristensen, 2006; Kostova and Roth, 2002). It is increasingly acknowledged by organizational theorists that viewing MNCs through a universalistic or unitary lens fails to adequately capture their inherent social and political complexity and neglects the reality of an internal anatomy which frequently comprises an array of 'cellular' and politically contested 'social spaces' (Geppert and Dörrenbächer, (2014), Hollinshead and Maclean (2007), Edwards and Bélanger, 2009) involving interplays of major actors in dispersed 'home' and 'host' contexts.

It may be argued that comparative institutionalist theories, which have placed a considerable emphasis on the influence of national institutional arrangements and exogenous structural factors in the moulding of international organization, have run the risk of asserting an over-deterministic linkage between the effects of various institutional features (such as industrial relations, educational and training and corporate governance systems) of various 'distinct types of capitalism' (Hall and Soskice, 2001; Whitley, 1999) and the internal ordering of the MNC. In positioning this Special Issue we aim to 'lower' the focal point of critical inquiry to bring to the fore the significance of *sector*, and sector specific actors, in the determination of the strategies, structures and behaviours of MNCs. Such a trajectory is designed to provide a more nuanced, disaggregated and 'inside-out' view of the realities of MNC organization and operation. The sector specific and actor centred view of MNCs we adopt (see also Geppert and Clark, 2003) is prone to reveal that social agency and strategic choice are intertwined with corporate structures and orientations. It is evident and theoretically intriguing to observe, for example, that even within the same or similar sectors,

originating from geographically proximate regions, contrasting approaches are evident towards the principle and mode of organising international operations. While, then, industrial or service based sectors undoubtedly fall within the regulative ambit of supra national or national regulative regimes, it is also evident from empirical scrutiny of such sectors that *deviation* from prevalent institutional or cultural norms is commonplace, and that a myriad of institutional configurations may be observed to co-exist within particular national or regional 'business systems' (Whitley, 1999) or particular type of capitalism (Hall and Soskice, 2001). It is the purpose of this Special Issue, therefore, to explore the potential for variability in sector specific strategies and observed behaviours and to cast light on patterns of capitalist diversity as well as 'diversity within capitalism' (Lane and Wood, 2009).

In lowering our analytical position to place a primary focus on the level of the sector, certain organizational or institutional phenomena, which perhaps remain obscure from structuralist and comparative institutional perspectives, are thrown into sharper and immediate relief. Firstly, following Edwards and Kuruvilla (2005), the 'constituent anatomy', or internal division of labour, impinging upon clusters of enterprises assumes prominence. This notion relates to the capability of the multinational concern, both in manufacturing and service provision, to stratify productive activities into discrete functional 'platforms' and to relocate each into appropriate geographical regions. The concepts of *global commodity chains (GCCs)* (Gereffi, 1999) or *global value chains (GVCs)* (Kaplinsky, 2001) provide valuable insights into why certain firms 'touch-down' in particular localities, and, more generally, how the internal functions of international organizations may be both disaggregated and co-ordinated. Rapidly shifting configurations in the international division of labour, both within and across sectors, serve to separate them from each other, and also render a degree of detachment from the mainstream 'variety of capitalism' of which they form a part. The contribution by Taplin (2014) to this Special Issue, which captures a shifting configuration of international production in the apparel industry to cater for volatile customer demands epitomises the variable and transient qualities of contemporary GCCs

Secondly, embedded within each sector, are the ranks of social agents whose rational, or less bounded, decisions establish courses of action for enterprises, which may comply with broader normative or institutional systems, or run counter to them in an idiosyncratic fashion. Taking a sectoral level perspective confirms that social actors are hardly institutional or cultural 'dopes' (McSweeney, 2002), but rather that autonomous, or negotiated courses of action formulated by major stakeholders, including management and employees, may manifest a significant degree of strategic choice and 'extend the boundaries' of predictable behaviour within institutional and normative systems. Such institutional deviation as a product of social agency is evident in the article

by Geppert, Williams and Wortmann (2014) in this issue which examines how a household- name UK retailer is apparently engaging in participatory employment practices more commonly associated with 'social partnership' approach as witnessed in parts of continental Europe and Scandinavia

Thirdly, when the observer focuses fully on the level of the sector -the full significance and starkness of institutional embeddedness or 'path dependence' is realised. It is arguably from a grounded position within the sector, rather than from the more elevated platform of the nation state or region, that the -institutional and organisational effects of 'the pull' of history and geography can be appraised. The sectoral perspective we advocate therefore promises to offer more finely grained insights into the impact of *context* on organization than has typically been associated with macro level analysis. Various contributors to the current issue allude to a dichotomy in the international organisation of production within sectors, with 'higher value' functions being grounded in the advanced economies, and more routine activities prone to physical location in developing global regions. While such separation in the composition of international value chains is subject to flux and moderation, its origination may only be understood with reference to pervasive geo-political factors including the lasting effects of colonial influence, war and cycles of poverty impacting the erstwhile 'third world'.

Fourthly, sector specific institutions and organizations are profoundly subject to the effects of 'externalities' which may emanate from broader national or international regulative regimes, or from market forces. Accordingly, the deliberations and policies of institutions and social agency outside immediate sectoral boundaries may fundamentally impact the shape and sustainability of sectors. Most notably we would refer to the role of governments which can instigate an economic and socio/ political climate favourable to the flow of foreign investment, thus contributing to the international reshaping and shifting of sector specific value chains, or potentially acting as a magnet for the clustering of sectoral concerns within particular spatial zones. Athukorala (2014) in this issue, examines how pro-active policies enacted by the State of Penang in Malaysia over a period of decades have rendered this region a hub for global production sharing, specifically in the field of electronics.

Turning to the broader theoretical contribution of this Special Issue, we would argue that, in placing an emphasis on sector specific analysis, we begin to unravel new logics of international organization. Such logics pertain as cost reduction, competition and the demands of customers have become primary driving forces in the construction of international value chains, such tendencies being facilitated by new technologies. As service industry has risen to the fore, so patterns in the international division of labour have become more spatially and socio- economically dispersed, as

well as flexibly configured to meet the volatile demands of consumers head- on, this leading to fundamental alternation in power relations between primary stakeholders. In such circumstances arguably the conceptual armoury provided by time honoured *varieties of capitalism* analysis is losing currency, this having envisaged constituent institutional arrangements in relatively rigid, compartmentalized and objectified terms and having been most associated with 'mass production' as witnessed in manufacturing industry, rather than with 'mass customerization'. As Geppert, Williams and Wortmann (2014) suggest in this issue, self critical internal debates are currently being rehearsed amongst *varieties of capitalism* scholars, some of whom are suggesting that an alternative 'conceptual apparatus' (Bruff and Horn; 2002, 61) will be necessary in order to capture the new dynamics and related problems of management and labour in contemporary capitalism

The regional ambit of this Special Issue is wide, including coverage of Penang, Malaysia (Athukorala), the United Kingdom/ Europe (Geppert, Williams and Wortmann) and the United States/ developing countries (Taplin). The major sectors we embrace are retail, apparel and electronics. Turning to each of the contributions;

In their article, Geppert, Williams and Wortmann analyse a longstanding partnership agreement in the UK food retail industry. In doing so, they reveal the importance of sectoral diversity within a particular national business system in the light of increased internationalization. In the conceptual framework of *varieties of capitalism* this case may not have been predicted easily because it is assumed that there is only limited scope for employee and union involvement in ideal typical Liberal Market Economies (LMEs) such as the UK. However, a key interest of the company in establishing a longstanding partnership arrangement with one particular trade union was to increase employees' commitment to achieving operational and overall company goals, particularly the imperative of customer responsiveness. Given that a crucial outcome of this company's approach is relatively high and stable union membership, density and recognition, especially when compared with other large UK retailers, the study also highlights possibilities for new forms of union involvement in the growing British service sector.

Athukorala examines the development of a 'global production hub' in the state of Penang, Malaysia, which has occurred over a period of decades. Following reflection upon the principles of international division of labour underlying the case study, the article reveals that long term planning by the State, and the positive relationships nurtured between indigenous Penang agencies and inward investing multinationals, has been associated with the regional clustering of electronics producers and positive regenerative effects. Despite some erosion of lower level functional activities

due to Chinese competition, it is argued that the productive hub will be sustainable into the longer term and will be consistent with local vertical integration.

In a study of the 'Fast Fashion' industry, Taplin investigates how consumerist pressures from the West are leading to modifications in the structuring of GCCs. While the production of apparel items has increasingly shifted to emerging economies, utilising low cost and intensive labour, western retailers have increasingly imposed supply chain rationalization and channel integration to force manufacturers to be more responsive to cost, quality and speed of delivery requirements. The interaction between consumer identity formation and retailer strategies is discussed in detail, and the paper uses examples of two major retailers, Zara and H&M, to illustrate how strategic differences in the fast fashion model reflect variations in GCC restructuring.

In the reviews and positions section, and taking a somewhat different trajectory which focuses on the vitality and significance of social agency within the MNC itself, Park and Mense- Petermann explore the role of expatriate managers as international boundary spanners and problem solvers in promulgating knowledge exchange. Theoretical perspectives on agency, expatriation and MNCs are used to connect individual volition with expatriation interactions and organizational outcomes.

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