Management and Organization Review

Management and Organization Review 11:4, December 2015, 795–805
doi: 10.1017/mor.2015.57

Dialogue, Debate, and Discussion

Business Management Practices: Converging in Some Aspects but Diverging in Others

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INTRODUCTION

The era of internationalization has involved more companies and people in businesses with global reach. Scholars across the world are interested in understanding how business management practices will evolve. To address this important question, Pope and Meyer (2015) envisage the rise of a 'global corporate organization' that 'tends to supersede national business contexts' (174) or at least renders 'the national institutional environment as less consequential' (176). Essentially, they propose a convergence thesis, namely, business management practices around the globe ultimately will conform to universalistic principles and therefore become isomorphic.

We present here our perspective on this issue, which is to some degree different from Pope and Meyer's. We agree with them that a trend of convergence exists in some aspects of management practices, particularly the operations of business in pursuit of efficiency and accuracy. However, Pope and Meyer's view is one-sided by emphasizing only the convergence while neglecting the divergence in management practices. We argue the forces for convergence and divergence are simultaneously at play and therefore management practices across companies demonstrate both similarities and differences.

As Pope and Meyer (2015) have highlighted the convergence aspect, with which we partially agree, we will focus on the divergence aspect. We posit that the divergence is not only inevitable but also reasonable due to two forces. First, the different business contexts require the companies to design their management practices accordingly to fit the contexts. Second, different business leaders have their own incentives and capacities to exert influences on management practices.

In what follows, we first discuss why Pope and Meyer's analyses are one-sided. Then, we explicate our perspective in two parts, highlighting the impact of business environment and leaders' choices respectively on management practices. In addressing the divergence based on environmental factors, we focus on companies owned by the same parent companies but operating in different countries, i.e., international subsidiaries of the same multinational corporations (MNCs). We demonstrate how and why these subsidiaries inevitably differ in their management practices in some aspects due to their business environments. In addressing the divergence based on leaders' choices, we focus on companies operating mainly within a single country, i.e., China.[1] We discuss how companies within the same national environment also differ in many respects because of the characters of their major leaders. As both the national environments and leaders' characters are not likely to converge in the foreseeable future, the two types of forces, putting together, make differences in business management practices a long-lasting phenomenon, supporting our argument that goes beyond Pope and Meyer's thesis.

THINGS ARE MORE COMPLEX THAN POPE AND MEYER'S ANALYSES

To support their convergence thesis, Pope and Meyer (2015) offer four sets of evidences. First, international corporations operating across national borders are increasing in their total numbers, geographical reaches, as well as global distribution of their shareholders. Second, a process of standardization results in 'universalistic principles of management' (174), indicated by 'international ubiquity of highly similar organizational logos, mission statements, slogans, executive board structures, executive compensation schemes, annual meetings, sustainability reports, standardized job titles, and so on' (174). Third, international corporations have embraced the corporate social responsibility (CSR) movement 'to a much a stronger extent than one might expect' (176). Fourth, 'the universalistic managerial, social and organizational principles' (174) are supported and reinforced by Westernized management education, academic journal publications, and international business forums.

Pope and Meyer highlight the similarities but neglect the differences of business management practices. The one-sidedness of their analyses can be rendered evident by the following four distinctions.

The first is the distinction between international corporations and the large majority of other companies. Pope and Meyer (2015) focus their discussions on the international corporations whose management practices are often seen as similar, but neglect the large majority of other companies. Despite the rapid growth in number, i.e., 'from 500 in the 1600s to 3,000 in 1914 to more than 63,000 at the turn of the millennium' (174), international corporations are still a special species with a very small population, compared to the vast number of ordinary companies in the world. For example, in China, about 99.7 percent of all enterprises are micro, small and medium-sized (Wang, 2012). Among these companies, only a very small fraction has extended globally and thus becomes international corporations. Similarly, in

https://doi.org/10.1017/mor.2015.57 Published online by Cambridge University Press

the US, only 17.7 thousand businesses hire more than 500 employees while 28.2 million businesses hire fewer than 500 employees (Small Business Administration, 2014). Most of these small companies operate mainly locally, hire mainly local people, and contribute more to the local economy and tax incomes than global companies.

Management practices of small- and medium-sized companies differ sharply from large companies such as MNCs due to their small size, limited resources, narrow market focus, and early stage of development. For example, Cardon and Stevens (2004) contend people management within new ventures may not clearly map to management within more established companies. While more established companies tend to converge in some aspects of their management practices, the small and medium-sized companies may have a long way to go before the process of convergence starts.

The second is the distinction between appearance and substance in management practices. Pope and Meyer focus their discussions on the appearance of management practices such as standardization that are convergent, but neglect the substance that often remains different. Although many companies have publicly adopted different sorts of international standards, they may not rigorously comply with these standards (Somers, 2001). Ironically, in some situations, it is the actors least able to comply with institutionalized scripts who are most likely to adopt these scripts (Meyer, 2010). Adoption of international standards can also be based on window-dressing purpose (Hafner-Burton & Tsutsui, 2005). For example, some companies may use standard certification as a marketing tool without substantially adapting their actual management practices to the standards (Marquis & Yang, 2014).

Take ISO 9000 quality management standards for example. China has been ranked No. 1 in terms of the number of ISO 9000 certificates received for many years. However, applying and receiving the certificates does not necessarily mean that the actual practices in the certified Chinese firms have been substantially changed, given the fact that some people 'obey publicly and defy privately' (Hwang, 2000: 172). Even in Japan where quality control is a serious issue, the ISO 9000 standard is only 'formally complied with' because many Japanese managers see the certification with ISO 9000 as only 'an empty shell' (Storz, 2007: 229). As Timmermans and Epstein (2010: 69) point out, we are living in 'a world of standards but not a standard world', in which 'standards are ubiquitous but underappreciated tools for regulating and organizing social life in modernity' and there are 'resistance to standardization'.

The third is the distinction between general principles and specifics in management practices. Pope and Meyer focus on the general principles that are convergent, but neglect the specifics that remain different. Although more and more companies have embraced the 'general principles of social responsibility' (Pope & Meyer, 2015: 174), these companies likely have very different ways of implementing CSRs. For example, almost all companies in China claim that they

https://doi.org/10.1017/mor.2015.57 Published online by Cambridge University Press

care for their employees, but the ways of caring for employees significantly differ. Some companies build their own houses for employees, and some others give cash allowances for housing, still others help employees to get discounts by so-called collective buying (Ma & Tsui, 2015; Zhang, 2015). To help employees balance work and life, some companies allows flexible working hours, and some others provide company-owned or company-subsidized nurseries for the kids of their employees, and still others grant longer maternity leave than legally required (Ma & Tsui, 2015; Zhang, 2015). In addition, some companies might talk about CSRs for window-dressing purpose; also, some companies may suspend their CSR initiatives due to pressures from their shareholders (Liu, Feng, & Li, 2015).

The fourth distinction is between the academic world and the world of business practice. Pope and Meyer focus on the former and observe convergence, but neglect the latter that exhibits convergence as well as divergence. Even though business school education and academic journal publication demonstrate a high degree of standardization (or Americanization), strong criticisms against them have emerged in many countries, including the US. The critics lament that business school education and research are becoming increasingly irrelevant to real business practices due to the prioritization of academic rigor over practical relevance (Bennis & O'Toole, 2005; Daft & Lewin, 2008). This may partly explain the rapid growth of corporate universities around the world that could pose a threat to traditional public universities in the future (Blass, 2005).

In sum, a pure convergence thesis is one-sided because it neglects the distinctions above, and our position is that there are simultaneously convergence (similarities) and divergence (differences) in management practices around the world. The differences are due to variations in business environments and organizational strategic choices (Child, 1972). The two factors are explained by the institutional theory (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and the upper echelon theory (Hambrick & Mason, 1984; Hambrick, 2007), respectively. We explicate our perspective in more detail in the next two sections.

DIFFERENCE DUE TO BUSINESS ENVIRONMENT: THE CASE OF MNC SUBSIDIARIES

Organizations often depend on resources controlled by external stakeholders (Pfeffer & Salancik, 1978). Thus, organizations need to adapt to environment in pursuit of legitimacy for survival and long-term sustainability. MNC subsidiaries operate in different host countries that often have very different institutional environments. Although the MNC headquarters often implement globally consistent policies, the institutional theories point out that the subsidiaries of the same MNCs need to adapt to their respective local institutional environments. Hence, even though MNCs are used as an example of isomorphic management practices (Pope & Meyer, 2015), their subsidiaries often have to adjust practices

https://doi.org/10.1017/mor.2015.57 Published online by Cambridge University Press

from the headquarters locally (Bartlett & Ghoshal, 1998; Prahalad & Doz, 1987).

We agree with Pope and Meyer that some aspects of the management practices of global corporations are converging. For example, researchers already found that the safety regulations and policies across different countries are similar across MNCs (Janssens, Brett, & Smith, 1995). When a Japanese foreign exchange trade company extended its business to New York, the New York branch performed better when its practices more strictly followed its Japanese headquarters' (Earley & Singh, 1995). A worldwide survey found that the quality control criteria are applied universally in all countries surveyed (Bemowski & Stratton, 1995). Global corporations follow the original 'templates' exactly because the templates help them transfer knowledge across national borders (Jensen & Szulanski, 2007).

However, this conclusion errs if convergence is said to cover all aspects of management practices among global corporations. In fact, not all aspects of management practices of MNCs are converging. Many studies found that some aspects of management practices in global corporations have to be localized to be functional. When dealing with local stakeholders, the universal and effective practices used in the MNCs' headquarters often do not work in the local environment. For example, US salespeople secured a higher amount of sales when they used some Japanese or Thai communication norms in those local contexts (Pornpitakpan, 1999). Japanese automobile companies operating in the UK tried to establish highly interdependent relationships with their parts suppliers but failed, because their UK suppliers did not support the practice as their Japanese supplies did (Turnbull, Oliver, & Wilkinson, 1992).

Not only local customers or suppliers, but also local employees tend not to accept the globally universal management practices. For example, in an intensive study of 249 US affiliates of foreign MNCs, Rosenzweig and Nohria (1994) found that human resource management practices of MNC subsidiaries often reflect strong differences from their home country headquarters'. Most MNCs adjust their human resource practices at subsidiaries in different countries (Ferner, 1997). A worldwide survey of executives found that although convergence on human resource policies did occur, divergence across countries are necessary to reflect the requirements of the cultural and institutional differences (Sparrow, Schuler, & Jackson, 1994).

These differences identified in the literature have been summarized to be caused by the different natures of the managerial tasks completed by business managers (Ma, Chen, & Zhang, In press). According to a recent study by Ma and colleagues, the convergence of management across different subsidiaries in MNCs covers only the technical or operational tasks such as job security management and standard operation procedures in productions. However, when dealing with local stakeholders such as customers, government, supplies, and employees, the subsidiaries located in different countries, though supervised by the same MNC headquarters, tend to use at least part of localized practices to adapt to their environments.

The literature has pointed out that embeddedness of these tasks underlines the different functional choices (Ma et al., In press). The operational tasks in MNCs tend to converge because these tasks, such as achieving operational efficiency, follow the same physical or economic laws across countries. Thus, the operational tasks are embedded in the local countries' environment to a lower degree. These practices, as Pope and Meyer point out, tend to be universal across the globe. However, when dealing with managerial tasks with local stakeholders involved, MNCs have to adapt to be functional. These tasks, such as management of customer relationships and design of employee incentive policies, are more deeply embedded in the local countries' environment. When discussing management practices on these tasks, the convergence thesis is unlikely to hold.

Many other studies also support this conclusion, which we believe is more balanced than the convergence thesis and offer supports to both the convergence and divergence arguments. For example, Japanese companies in the UK worked well on their headquarters' quality assurance, but had to change a lot on their personnel policies (Murata & Harrison, 1995). Two studies found that Toyota's plants in the US worked well with the Japanese ways on tasks such as job classifications and quality control circles, but had to change significantly on personnel policies (Adler, 1999; Besser, 1996). More generally, management theories developed in the US were found to work well in other countries if the theories focus on technological aspects, but did not apply to a large degree if the theories focus on organization and its environment (Kiggundu, Jorgensen, & Hafsi, 1983).

In short, we agree with Pope and Meyer that some management practices of MNCs are converging – practices relevant to operations. However, we believe that some other management practices of MNCs are not converging, but represent the requirements of the local business environment. The business environments in different countries are not likely to converge in the foreseeable future; thus, we believe that the management practices of these MNC subsidiaries tend to remain different for long.

DIFFERENCE DUE TO BUSINESS LEADERS: THE CASE OF CHINESE LOCAL FIRMS

While external environment impacts management practices, companies are 'not slavish copies of the surrounding institutional system' (Donaldson, 1995: 126) because business leaders have the power to direct their organizations by making strategic choices (Child, 1972). Business leaders differ in managerial ideology and demographic characteristic. According to the upper echelon theory (Hambrick, 2007; Hambrick & Mason, 1984), business leaders view their companies' strategic and operational situations through their own highly personalized lenses, based on which they make different judgments and strategic choices, which result in different management practices.

https://doi.org/10.1017/mor.2015.57 Published online by Cambridge University Press

In his study of Overseas Chinese business networks, Redding (1990, 1996) points out that Overseas Chinese entrepreneurs share similar managerial ideology which influences their ways of organizing and managing business. In contrast, in Mainland China, there are multiple sources of fodder for business leader's managerial ideology, including the Western influence, traditional Chinese philosophy, and the practices of socialism in the past decades (Zhang, 2015). We agree with Pope and Meyer that the international corporations' management practices have impacts beyond their organizational borders. Chinese business leaders have learned from international corporations, mainly Western multinationals, about how to manage modern enterprises, contributing to the convergence of management practices in China (Zhang & Zhang, 2014). Yet, generational and regional differences also exist among Chinese business leaders in terms of the exposure to the Western influences (Ralston et al., 1996; Yang & Yu, 2015), contributing to the divergence of management practices adopted by them.

Among the traditional Chinese philosophical schools, Confucianism, Legalism, and Daoism have the most substantial impacts on Chinese business leaders' beliefs (Ma & Tsui, 2015). These philosophies 'constituted Chinese cultural tool box for practice and even became taken-for-granted values and habits' (Zhang, 2015: 208). Based on coding of interviews of multiple business leaders, Ma and Tsui (2015) conclude that the prominent Chinese business leaders are influenced by the three major schools to different degrees, guiding them to implement different practices in their companies. Chinese business leaders who are influenced by Confucianism are more likely to practice transformational and paternalistic leadership with individualized consideration toward subordinates. Leaders who are influenced by Legalism are more likely to initiate structure and practice transactional and bureaucratic leadership. Leaders who are influenced by Daoism are more likely to empower subordinates and practice laissez-faire leadership.

Chinese business leaders are also influenced by the Chinese Socialism to different degrees (Zhang, 2015). Even though the socialist management practices have different and sometimes paradoxical elements, parts of the core ideology include egalitarianism (Zhang, 2015), whole-hearted service to the people, hard work and self-sacrifice (Tsui et al., 2004), sometimes need-based distribution of welfare among employees, and collectivism and commitment as daily behavioral guidelines (Zhang & Zhang, 2014). The socialist legacy has been inherited by some companies by preparing lunch for employees with only a nominal fee charged, providing employees company-built apartments, or running kindergarten for employees' children. However, many other companies simply avoid these practices to make the employment relationship not to be thought of as an iron-rice-bowl (Ma & Tsui, 2015).

In addition to managerial ideology, business leaders' demographic characteristics, such as age, value, experience, cognitive style, and social network, also impact choices of management practices. Chinese business leaders of different age possibly endorse different management practices in their companies. Age or

https://doi.org/10.1017/mor.2015.57 Published online by Cambridge University Press

generation impacts Chinese work values significantly (Ralston et al., 2006; Yang & Yu, 2015). For example, older leaders are more likely to embrace Confucianism than younger leaders while younger leaders are more likely to adopt Western approaches than older leaders due to their varying degrees of exposure to Confucian and Western values (Zhang, 2015).

Experiences also lead to different management practices the business leaders would like to endorse. For example, Lin, Lu, Li, and Liu (2015) report significant differences exist between local and returnee entrepreneurs in China in terms of their approaches to balance between formality and informality. Functional experience also makes a difference. Empirical studies have found that leaders with finance background are more likely to pursue diversification and acquisition (Finkelstein, 1992), while leaders with architectural or engineering background are more likely to adopt low uncertainty rather than high uncertainty, non-diffused innovations in home building industry (Toole, 1998).

Cognitive styles of different leaders lead to differences as well. Some Chinese are more holistic than others (Nisbett et al., 2001). As a result, some leaders practice paradoxical behaviors smoothly but others adopt different approaches because of their analytical mindset (Zhang et al., 2015). Some Chinese business leaders even rely on superstition in analyzing situation and making decisions (Tsang, 2004).

Chinese business leaders also adopt different management practices because they perceive social networks in different manners. Personal ties or *guanxi* is generally believed to positively impact on management practices such as innovation and therefore firm performance in China (Li & Zhang, 2007; Peng & Luo, 2000; Zhang & Li, 2010). Chinese business leaders differ significantly in their *guanxi* practice and quality (Bu & Roy, 2015). While some build business-to-business ties, others are keen on pursuing business-to-government ties. Still others are seeking two types of *guanxi*. Arnoldi and Villadsen (2015) further differentiate between ties to central and local governments. Li and Liang (2015) reports an increasing number of successful private-firm entrepreneurs in China pursuing political appointments in the People's Congress or People's Political Consultative Conference in recent years and attribute the different attitudes toward seeking political appointments to the different levels of aspiration among Chinese business leaders.

To sum up, management practices are not likely to converge across companies, even in one single country.

CONCLUSION

Pope and Meyer (2015) argue that business management practices tend to converge to a universalistic mode of what they call 'the global corporate organization'. In this paper, we discuss why Pope and Meyer's argument represents only a partial, but not comprehensive, picture of the management world. Our thematic argument is that Pope and Meyer raise an interesting question regarding the convergence or/and divergence of management practices across the world. We also applaud their effort in listing out factors and evidences showing the convergence aspect. However, we believe that a balanced viewpoint needs also to admit the divergence aspect – both among global corporations and local companies. The divergence is due to difference in business environment and business leader's strategic choice. As national environments and executive characteristics will not converge in the foreseeable future, the divergence in management practices will remain for long.

NOTE

The authors are grateful to the Editor Liisa Välikangas for the excellent editorial guidance and recommendations, and to the National Natural Science Foundation of China (Project No. 71372021, 71032001) for its research support.

[1] Here, we choose China as the context to anchor the analysis for two reasons. First, China's economy is rapidly growing, making its management practices more important to be understood by scholars and practitioners alike. Second, Chinese companies differ in many respects from the Western companies that are relatively more extensively studied in the literature, featuring more diverse comparisons and making the discussions regarding Pope and Meyer's thesis more relevant.

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