Worlds colliding: The translation of modern management practices within a UK based subsidiary of a Korean-owned MNC

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Abstract

This article explores the factors that served to dislodge an espoused strategy of quality management with 'soft' HRM within a British subsidiary of a Korean owned multinational company. Accounts from British and Korean managers revealed competing sets of tensions at three levels: external organisational, intra-organisational and internal workplace. The case is important for a number of reasons. First, research on UK based subsidiaries tends to have focused upon American and Japanese owned companies, with less evidence from MNCs from later industrialised economies. Secondly, evidence suggests that MNCs from Korea, Taiwan and Singapore have been experimenting with western influenced high-performance work systems—but there is less evidence about how these are actually translated into the workplace. Thirdly, there is a growing literature that suggests that the transfer of management practices in MNCs can be partly understood as a 'negotiated process' (Ferner & Tempel, 2006), whereby organisational actors contest the meaning and function of such practices. This article offers further support for this

contention and offers insights into how these processes affected day-to-day management of the workplace and undermined the espoused strategy .

Keywords: Multinationals; HRM; Quality Management; Management Experiences; Translation of Practices

Introduction

There is a growing body of literature that focuses specifically upon the management practices of MNCs (for example, Belanger & Bjorkmann, 1999; Ferner et al., 2003; Kostova, 1999; 2001; Tayeb, 1996). This article is drawn from a study of a British subsidiary of a Korean owned MNC and captures managers' accounts of their experiences of trying to implement an espoused strategy that appeared to be a sophisticated blend of Japanese style quality management (QM) and western influenced 'soft HRM' (that centred on training, involvement and a participative management style). We draw from the stream of literature known as the 'new institutionalism' as it provides valuable insights for understanding the dynamics of the study presented here. Ferner and Tempel (2006) observe that the new institutionalism is distinctive in that as well as acknowledging the importance of coercive or regulative pressures for institutional compliance, it also emphasises the importance of normative (including values and norms) and cognitive (shared understandings) mechanisms. This approach brings social actors to the fore in that it 'focuses on the modes of rationality, beliefs, and value systems that shape actors' behaviour' (Ferner and Tempel, 2006:19). Of particular relevance for the study that follows is the notion of the 'negotiated process' where multiple actors compete over 'the interpretation of the (management) practice's meaning and function' (Ferner and Tempel, 2006: 31). An analysis of these processes helped explain how and why an espoused strategy became dislodged and the workplace implications that followed and it is upon these issues that the discussion centres. Consequently the main focus of this paper is upon micro-organizational dynamics.

The structure of the article is as follows: First we discuss what has been referred to as a new 'geography of investment', with increasing interest in newer industrialised and developing countries as outward investors. Second we explain the development of Korean multinationals so as to place TechCo in context. We then examine the case company and the methods of research. Finally we discuss our findings and the wider implications of the research.

A new geography of investments: Four waves of MNC development

Historically, research on MNCs has been on those from advanced developed countries establishing subsidiaries either in other advanced economies (e.g. Japan to the USA or the UK) or into lesser developed (e.g. the USA into Latin America). US firms invested in Europe from before 1939 (for example Singer), but the major push came after World War 2. (Ferner 2003) Japanese MNCs began to locate in advanced economies particularly in the 1980s(Delbridge, 1998; Garrahan & Stewart, 1992; Smith *et al.*, 2004). There has been a rich stream of MNC research on advanced – advanced (especially US-Europe or Japan-Europe, for example, Smith et al., (2004) or advanced – less developed (for example, (Lowe *et al.*, 2000)). However, there has been relatively less research on newer industrialized – advanced (e.g. Taiwan to the UK or South Korea to the UK).

The United Nations Conference on Training and Development (UNCTAD) observe that a 'new geography of investments' seems to be emerging. Whilst most MNCs come from the world's top five economies, a growing number are from developing and newer

industrialised economies. UNCTAD splits developing economies into those such as Korea, Taiwan and Singapore who are newer industrialised and have an established track record as outward investors and those such as China, India and Brazil that are rapidly developing. Indeed FDI from these countries is growing faster than that of developed countries. For example, Hong Kong China had a larger outward FDI stock than Sweden in 2003 and Korea and Singapore are home to some of the leading transnational corporations (UNCTAD, 2004 10/8/04).

While FDI has a long history one could argue that there have been four major waves of MNC investment in the UK. The first wave came in the late 1960s and was largely from USA. (Dunning 1998). The second wave came in the 1980s mainly from Japan, (Oliver and Wilkinson 1988) and the third wave came in the late 1980s from Korea and Taiwan. The UK is starting to experience a fourth wave of investment as MNCs from countries such as China and India come on stream (see for example, the recent acquisition of large parts of the Rover business by Nanjing Automobile).

Evidence suggests that MNCs from Korea, Taiwan and Thailand have been attempting to adopt western influenced high-performance work systems (Bae *et al.*, 2003a)—but there is less evidence about how these are actually translated into the workplace in practice (Rowley et al., 2004) and about the (sometimes problematic) relationship between plants and corporate headquarter functions and of how this affects the management of the workplace (Barton and Delbridge, 2004). Evaluating the management approaches and practices of MNCs from newer industrialized and developing economies is likely to

remain a key research issue for the next decade given the speed of economic development and the increasing influence and numbers employed by such companies.

The transfer of management practices in MNCs

Taylor et al., (1996) observe that MNCs are becoming 'increasingly important players in the global economy' and are characterised by complex networks of subunits and resourcing arrangements. One set of research questions are concerned with exploring the issues associated with the transfer HR practices across borders within MNCs. As Martin and Beaumont (1998) observe 'any form of diffusion has to take into account the local cultural and institutional context and the ability and incentive of local managers to implement best practice'. Implicit in this are the study of relationships between parent and subsidiaries (for example, the direction of diffusion (cf. Edwards and Ferner, 2004), the country-of-origin effect (Ferner, 1997; Schmitt & Sadowski, 2003), the implications of geographical distance between parent and subsidiary (Harzing & Noorderhaven, 2005), the impact of host national culture upon the implemention of global HR practices (Tayeb, 1998), the impact of work organisation on HRM approach (Wilkinson et al., 2001) and micropolitical issues such as the power of organisational actors (Elger & Smith, 2006; Geppert et al., 2003). These and other similar works illustrate the dynamic nature of the relationship between parent and subsidiary. These relationships determine how a subsidiary is managed, how much autonomy it enjoys, how much influence it can wield and what resources it can secure.

Pursuing the theme of relationships between parent and subsidiaries, Meardi and Toth (2006) discuss 'push' and 'pull' effects in hybridisation. The general argument is that MNCs may 'push' practices into subsidiaries in host countries, or may 'pull' practices. They argue that 'pull' has traditionally been taken to mean adaptation to local practices, but they regard this as too narrow. They argue that 'pull' activities could be planned by HQ and its nature can be influenced by powerful actors. Thus 'hybridisation was not something to be endured by the MNC: host-country conditions did not constrain the investor but on the contrary attracted it' and that 'host-country actors play an important role in 'pull' hybridisation' as managers draw upon local knowledge and public discourse to shape the centres view of the subsidiary. Hybridisation then can be understood not as the balance between home-country pressures and host country resistance, but the outcome of the firm's 'selective transfer strategy' (Meardi and Toth 2006, p. 159). In some respects, the case that follows seemed to contain evidence of 'pull' hybridisation, in that the UK was seen as a permissive business environment, with a non-union context which could offer a gateway to Europe. In addition the parent were going through a process of modernising managerial approaches and were drawing upon Japanese influenced QM and western influenced 'soft' HRM. In this way, their UK factories offered a conducive climate within which the new management techniques could be applied and nurtured. However, the workplace reality was far removed from the espoused strategy. The case evidence could be interpreted via the idea of transfer as a 'negotiated process' (Ferner and Tempel, 2006) whereby dislocation was at least partly due to the meanings that organisational actors were attributing to the strategy and the contestation that took place in respect of the suitability of the strategy and associated practices.

Kostovas' (1999) work provides useful insights into understanding the conditions that can lead to the dislodging of espoused strategies in the workplace. She suggests that three sets of factors at three levels (country, organization and individual) affect the success of transfer and that these reflect social, organisational and relational embeddedness. As such, the process of transfer is contextually embedded (Granovetter, 1985). She defines the success of transfer as 'the degree of institutionalization of the practice at the recipientunit' and 'institutionalisation is the process by which a practice achieves a 'taken for granted status at the recipient unit' (1999:311). Kostova makes a distinction between implementation (the degree to which the recipient unit follows formal rules implied by the practice) and internalisation (when the practice becomes 'infused with value' ie. is accepted and approved by employees). She suggests that higher levels of implementation of a particular practice is likely to lead to higher internalisation. The evidence that follows provides more empirical insights into the factors that inhibit the crossover from implementation to internalisation. However, before turning to the case evidence, the following section provides a brief overview of the South Korean context as this provides a basis for understanding some of the managerial dynamics that follow.

South Korea: Changing styles of management

This article is drawn from a study of a Korean owned MNC. The influence of Asian owned companies upon world business has long been recognised. Indeed, Buckley and Ghauri (1999) comment that:

"The most profound change in the world economy in the early post-war period was the emergence of successive waves of Asian 'newly industrializing countries' as key players, bringing new competition to Western nations and fostering the notion of a 'loss of competitiveness' in the developed countries, as well as changing the nature of FDI in the developing countries"

There has been a debate as to whether patterns of globalisation are leading to increasing convergence of employment practices, or whether divergence continues to persist (Belanger *et al.*, 1999; Benson & Rowley, 2003; Bjorkmann, 2002; Brewster & Tregaskis, 2006; Ferner *et al.*, 2006; Rowley & Bae, 2002)). Rowley et al (2004) observe that Korea, Japan and China as part of a 'regional cluster' in that they are geographically and culturally close and are open to similar economic pressures and on this basis one may expect to see an 'Asian model' of HRM within this regional cluster. However, their research indicated that whilst some convergence was apparent, one could not talk of a unique model of Asian HRM. This suggests that one cannot merely 'lump together' the Asian tigers and assume for example, that management approaches in Japanese-owned MNCs are likely to mirror those within Korean-owned. For this reason, detailed case studies are valuable as they can capture how HR initiatives are translated into the workplace. Whilst there is a rich stream of study of Japanese companies, there are fewer similar studies of Korean owned MNCs.

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The focus of this article is on a South Korean owned MNC. Kim and Bae (2004:23) observe that Korea had shown, 'the most remarkable rate of economic growth of the newly industrialised countries' and that growth rate averaged almost 10% during the 1970s and 1980s and over 7% from 1990-1996. The Korean economy was affected by the Asian crisis and Korea received a \$58 billion bail-out from the International Monetary Fund in order to prevent economic collapse in 1997 (Burton, 1999). However, the crisis was followed by recovery. GDP growth rates in 2000 and 2003 were 3.7% and 3.6% respectively (OECD, 2005). Whilst trade unions exist, the State has tended to limit their power, for example, by intervening in disputes. However, Kim and Bae (2004) observe the rise of an aggressive labour movement (ie the Great Labour Struggle in 1987 and the period following the financial crisis of 1997) and argue that the government have been pressed to seek alternatives to the traditional authoritarian policies. Korean MNCs and can essentially be regarded as part of the 'third wave' of MNCs in the UK. It is useful to briefly outline the Korean context in order to better locate the case study findings that follow.

The Korean economy is dominated by *chaebols* (large diversified conglomerates) who have historically enjoyed strong support from the state. At their height, there were more than 60 chaebols and by the 1990s the top 5 (Samsung, Daewoo, LG, SK Hyundai) accounted for 9% of GDP and the top 30 for 15% of GDP (Bae & Rowley, 2003b). Whitley (1999) argues that the growth and diversification of the *chaebols* was influenced by the requirements of the State. There was a desire to expand rapidly and to 'catch up' with Japan and as a result the *chaebols* grew and diversified rapidly. The *chaebols*

developed heavy engineering and chemical production in the 1970s due to the military threat from North Korea. Korean management style was typically 'authoritarian' and this reflected the influence of the military after the Korean War (Whitley, 1999). The traditional approach to management in the chaebols was typified by a scientific management with jobs broken down into narrowly defined tasks, workers were closely supervised and an authoritarian management style tended to prevail (indeed Burton (1999) found evidence that this remained the case in some chaebols in recent times).

The *chaebols* were regarded as contributing to the financial crisis in 1997 by activities including cross-shareholding and the accumulation of corporate debts. Whilst most *chaebols* survived the crisis relatively unscathed, the crisis was followed by waves of organisational restructuring and downsizing (Rowley *et al.*, 2002). Kim and Bae (2004) identify the rank order of cheabols over a period covering 1960 – 2002. From 1979, Samsung, Hyundai and Lucky (LG) were consistently ranked in the top three, with Samsung ranked first in 2002. They argue that until the mid 1980s, chaebols tended to concentrate on low skill/low cost production as a route to competitive advantage, but more recently have been shifting this focus to include high value added/high skill operations (Cin *et al.*, 2003).

Modernising management and HR practices in the cheabols

There is evidence that the chaebols have been modernising their management and HR practices (Bae *et al.*, 2003b; Kim *et al.*, 2004; Kim & Briscoe, 1997), indeed Kim and

Bae (2004:33) comment that since the financial crisis Korean HRM 'has become increasingly Americanised'. Furthermore it is suggested that management approaches (in rhetoric at least) are becoming more sophisticated reflecting wider business and production strategies. For example, Gamble et al's (2004) study found that Korean MNCs were more likely to adopt a low-trust/ low investment approach within developing countries such as China and a high-trust approach within more advanced countries such as Japan. On the surface, this study seemed to confirm this pattern, ie. the adoption of a high-trust approach in a developed country. However, as we shall see, the espoused strategy did not transfer into the workplace and workplace experiences were in sharp contradiction to this ideal.

Kim and Bae (2004) observe that 'personnel or human resources are considered the single most critical factor ensuring organisational success' in Korea. As indicated, recent research suggests that Korean companies have been experimenting with western-influenced high-performance work systems, including an emphasis on training and development, appraisals, empowerment, pay-for performance, flat structures, team systems and flexibility (Kim *et al.*, 2004; Kim *et al.*, 1997; Rowley *et al.*, 2002). This approach contrasts to the traditional approach to HR within the chaebols, for example, where rewards were traditionally based upon seniority, posts tended to have a minimum tenure before an employee could be promoted to the next level and bonuses were normally linked to the overall performance of the company. Performance appraisals were not widely used (partly because managers preferred not to give critical feedback) and most employees would retire by the age of 55 (Kim *et al.*, 1997). Furthermore,

management style was traditionally authoritarian. Therefore, there is a clear contrast between the 'old' and the 'new'. However, Rowley and Bae (2002) make the important observation that the language of High Performance Work Systems is inherently ambiguous, that meanings are often contested and in Kostovas (1999) terms, that there is often a gap between the implementation and internalisation of practices and it is here that the focus of this article lies. Rowley and Bae (2002) make a second, general observation that in some senses Korean firms have moved away from 'high investment' (characterised by high employment security and training investments) to 'under investment' (characterised by high numerical flexibility) and that 'one difficulty may be the discarding of the merits of traditional Korean-type factors, while simultaneously blindly adopting systems (and importing problems) from other countries' (Rowley and Bae, 2002). As highlighted, there is a gap in literature in relation to how HRM practices are translated into Korean-owned subsidiaries and of how these affect 'the 'day-to-day' work of employees and managers' (Rowley et al., 2004). This article seeks to help fill this gap.

Case Description

TechCo was a large Korean-owned MNC that had business operations in Asia, Europe and the United States. The Head Office was in Korea and the company had had enjoyed three decades of business growth. In common with other Korean-owned MNCs, TechCo announced that they would embark on a programme to modernize their management

systems in the early 1990s. Essentially, this encompassed three key areas: the adoption of Quality Management systems and thinking (for example, the Six Sigma programme allowing employees more autonomy for quality decisions). Secondly, focusing efforts upon customer satisfaction. Thirdly, a more participative management style and an emphasis on encouraging employee involvement. In order to preserve anonymity, the pseudonym 'TechCo (UK)' is used for the case study plant and some details have been kept deliberately vague in order to shield identity.

TechCo (UK)

TechCo (UK) was a British-based subsidiary of a Korean-owned multinational company who manufactured electronic products. The case study was chosen as the company were willing to give high levels of access to employees at all levels – and this was critical given that the object of the study was to trace how new management initiatives were translated into the workplace in a Korean MNC environment. In return, the research team presented the findings of the study to employees (again at all levels) via presentations and reports.

TechCo (UK) was set-up in the mid 1990s. The impressive greenfield site development included a multi-million pound training centre and represented a major investment for an economically depressed area. TechCo also owned a factory on a brownfield site nearby and this came under the umbrella of TechCo (UK). TechCo (UK) had more than 1000 employees. The organisational structure comprised three factories, nine departments and

six grade levels. TechCo did not recognise trade unions, but had a functioning, elected consultative committee. TechCo (UK) adopted the company espoused strategy which combined Japanese style quality management (QM) and western influenced 'soft' HRM (Bae et al., 2003; Storey, 1992) that included an emphasis on employee development and involvement. The official policy was that a system of internal customers and suppliers would ensure quality standards were met. In addition, the strategy was to develop close working relationships with suppliers and the training centre was designed to provide a focus for TechCo (UK) to develop their suppliers in order to ensure that they met TechCo standards. Table 1 details the QM and linked HR practices that were used within TechCo (UK):

Quality management and	
linked HR practices	Usage
Customer orientation	Yes
Process orientation	Partial
Continuous improvement	Partial
Improvement tools	Yes
Measurement systems	Yes
Quality Policy	Yes
Just in Time	Yes
Kanban Systems	Yes
HR Director	Yes
Specialist HR Dept.	Yes
HR staff have relevant	Yes
qualifications	
Joint consultative committee	Yes
Formal appraisals	For managers
Attempts to increase employee	
involvement in the last 3 years	Yes
Quality circles	Partial
Team briefings	Yes
Regular workforce/management	
meetings	Yes
Management chain used for	
communication	Yes
Profit related pay	No
Food available to all	Yes
Sick pay available to all	Yes
Pensions available to all	Yes
Pay disputes procedures	Yes
Health and Safety procedures	Yes
Unions recognised	No

Table I: The quality management and linked human resource management practices that were present within TechCo (UK) (based upon categories developed by Wilkinson et al., (1998:13-14) and Guest and Hoque (1994).

The list demonstrates that TechCo (UK) were utilising a high percentage of QM and 'western-influenced' HR practices which included an emphasis on training and involvement. The Managing Director of TechCo (UK) summed up the official policy as consisting of 'a strong team spirit and commitment to achieving and exceeding customer satisfaction has been established through training and a continuous self-improvement programme. If we are to become competitive we must have the best people to drive the business forward to make, deliver and sell our products. As a result of our wholehearted support to achieving Investors in People, we are committed to improving the individual competitiveness of all employees working at every level. A fully trained, flexible and motivated workforce is good business practice and essential for TechCo to achieve quality and speed and become a world-class manufacturer'.

In summary, the parent was beginning to experiment with 'modern' management practices that contrasted with the 'traditional' Korean approach (Whitley, 1999). Therefore, operating in the UK presented an opportunity to test these practices in a permissive environment – in other words rather than the host-country being seen as a constraint, it may have appeared very attractive. Initially, the TechCo (UK) senior management team were Korean expatriates. However, TechCo changed this policy after production problems emerged that the expatriates struggled to solve and UK nationals were recruited for senior posts. There was a perception that managers with local knowledge were needed as 'interpreters of the local environment' (Ferner et al., 2003). The new UK senior managers came from a range of large, British and foreign owned manufacturing companies. Part of their remit was to stabilise production and quality and

to improve plant performance. At the time of study, a skeleton staff of Korean managers remained – but importantly these managers were all in key positions (for example, the Divisional Director was Korean). Whilst light on numbers, the Korean managers were perceived as having a high degree of influence due to their close ties to the parent.

Overall, the opening of the factories created high expectations (Hallier and Leopold, 1996; Wilkinson and Ackers, 1995) in the local area. On the surface, it appeared that TechCo (UK) belonged to an exemplar group of 'good' non-union companies (Guest and Hoque, 1994) and employees were initially led to believe that the company would offer good training and career opportunities.

Methods

This paper draws upon managers' accounts of their experiences of working for TechCo (UK). The case study approach was deemed as particularly suitable, in that it allowed (via multiple sources of data collection) an understanding of experiences within the employment context within which they occur (Eisenhardt, 1989). Data were collected via semi-structured interviews, questionnaires and documentary evidence. This paper draws from the qualitative data, as the spoken accounts give richer insights into the translation of management practices at TechCo (UK) and of the factors that undermined what appeared to be a good example of a Korean company utilising new management techniques by melding Japanese influenced QM with Western- influenced HRM (Bae et al., 2003; Kim and Briscoe, 1997).

Interviews were carried out at all levels of the organisation. Some interviewees were identified because of their work roles (for example, key managers and employee representatives) and the rest were selected randomly from the payroll. Eighty interviews were conducted of which; forty-three were from with shopfloor workers (including operators and advanced operators) and the remainder were managers. The objective was to get an even spread of interviewees from different grades and departments. Therefore, the thirty-seven management interviewees represented all departments (for example, the HR Department, manufacturing, engineering, sales etcetera). As explained, the actual numbers of Korean managers on site was small, but they were all in key influential positions (half of the Korean managers were interviewed). Interviews lasted approximately 1 hour on average. The interviews were taped and transcribed.

Findings

As explained earlier, the espoused strategy was that QM would be aligned with an HRM strategy based upon a high trust/high investment approach (Gamble et al., 2004). Structures and resources had been put in place to support this strategy, for example, the structures for direct participation and the multi-million pound training centre. Therefore, one could not argue that the espoused strategy remained a pipe dream, as certain aspects of the strategy were realised. However, the outward appearance of a sophisticated company approach belied workplace realities. Production was regularly in chaos, there were problems with product quality and employees felt demoralised. Essentially, the espoused strategy was undermined by tensions that could be traced back to relationships

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that were located at three levels: external organisational, intra-organisational and internal workplace. The tensions converged and created multiple pressures upon the workplace. The findings that follow draw upon managerial accounts and reveal the challenges of managing within the subsidiary of a multinational company, in a mature but fast changing market Furthermore, the data gives insights into the way that organisational actors competed over 'the interpretation of the (management) practice's meaning and function' (Ferner and Tempel, 2006: 31) and of the issues underpinning the gap between implementation and internalisation (Kostova, 1999).

External organisational relationships: The power of the customer

The first set of tensions were created by relationships with external customers. At a macro level, electronics was a very competitive sector, with many potential suppliers and fast changing products. Managers within TechCo (UK) were very aware of the competitive nature of the environment in which they were operating. One of the themes that emerged at interview was of the power of customers and the pressures that they exerted upon the subsidiary. TechCo (UK) supplied large corporate customers and managers reported that contracts were negotiated that allowed the customers to change their requirements at short notice. These flexible contracts were a response to the competitive climate and were developed so that TechCo (UK) could win new customers and retain existing customers. However, last-minute changes were difficult to manage, indeed one manager commented that, 'if they (the customer) change their minds, you know you have just got to bend over to satisfy your customer or you are knackered'.

Whilst contracts allowed flexibility for the customer, (ie. allowed scope for last-minute changes), there were tight specifications for build quality. Managers explained that tight specifications were leading to many instances of rework, 'for example, for some customers if there is a little scratch on one product, the whole batch has to be reworked. (then) all your profits have gone on that batch of units'. The tight specifications left little margin for error. If a customer raised a query about the quality of products that they had received, TechCo (UK) managers would have to conduct an immediate investigation, 'we had to send an engineer out on Tuesday to Holland because there was the concern with some of the products that we had despatched. So he had to drop everything he was doing and go straight out to try to resolve these issues. So we have got to be at the beck and call of customers all the time'. In short contracts were negotiated in such a way that they weighed heavily in the favour of the customer and as a result, TechCo (UK) was unable to cope with the simultaneously flexible/tight contracts that it had negotiated. This led to tensions for the management of the workplace. As we shall see, these business pressures had direct consequences for the management of the workplace (Tayeb, 1998) and helped explain how the espoused high trust/high involvement strategy became dislodged.

Intra-organisational relationships: HQ - subsidiary and subsidiarysubsidiary relationships

The second set of tensions were created by intra-organisational relationships. These included; the relationship between HQ and TechCo (UK) and relationships between TechCo (UK) and other subsidiaries in the group.

Barton and Delbridge (2004) have drawn attention to the (sometimes problematic) relationship between HQ and plants. At TechCo (UK) tensions were created by a combination of geographical and institutional distance (Harzing *et al.*, 2005; Kostova, 1999; Tayeb, 1998). Initially, the senior management team at TechCo (UK) was populated by expatriate Korean managers. The motivation for this was to ensure that the companies investment was protected, as the loyal, home-grown managers would set up the new factories and implement systems for management, control and coordination (Harzing, 2001). However, production and HR problems emerged and subsequently UK nationals were recruited to senior positions. Thus the senior management team included both Korean and British managers.

The Managing Director (MD) was British and he revealed the problems encountered in respect of exerting influence at HQ:

The first key challenge for me is to try and educate senior Korean management back in Korea that local managers do have a wealth of experience and if they allow them to manage, and trust, then things will gradually improve. I think that anybody running an overseas facility needs to participate in the corporate strategy. I am a great believer that action strategies should play a part in the corporate strategy. And that is very difficult because if you have a meeting full of say 30 Koreans and 1 European and dialogue and all paperwork is in Korean, you know your chance of influencing things is low.

The process of negotiation with HQ (Ferner et al., 2003) was made difficult by the geographic distance (Harzing *et al.*, 2005) which meant that regular trips to Korea were not practical and exacerbated the problems of building relationships, developing credibility and influencing HQ decisions. Language formed another barrier to the development of relationships with peers and superiors in Korea.

The problematic relationship between HQ and the subsidiary was well illustrated by the centralised system by which production targets were set. HQ consistently set targets that were seen as unrealistic for TechCo (UK). However, it also emerged that these largely went unchallenged. Production planning was mainly populated by expatriate Korean managers and the MD believed that the production planners had been unwilling to question HQ targets due to the cultural issues associated with 'losing face' (Whitley, 2000). Unrealistic targets increased the pressure in TechCo (UK) as managers and team leaders desperately attempted to achieve them. The combination of the unrealistic targets, flexible contracts and tight specifications meant that the subsidiary consistently 'failed' to meet the expectations of HQ – fuelling coercive comparisons (Martin *et al.*, 1998).

The second set of intra-organisational tensions were created by subsidiary – subsidiary relationships. The TechCo group had its own internal customer/supplier relationships and tensions emerged in respect of the relationships between TechCo (UK) and its Koreabased sister plants. Many components were supplied by Korean sister plants, but there

was a six-week shipping time to the UK and delivery schedules were unreliable. As TechCo (UK) were operating a quality management system that included just-in-time, TechCo (UK) managers complained that shipping times created problems and that these arrangements did not suit a business that supplied fast changing products. Another problem was that deliveries often contained defect components – indeed some managers believed that their Korean sister plants were knowingly offloading defects supplies in order to meet local targets. One TechCo (UK) manager commented that:

We have a lot of problems with incoming material from other companies, for example, we get products from (a sister factory) in Korea that looks like their 'cast offs'. Stuff that they can't use, we are expected to use, and if we can't do it we are slagged off by the Koreans saying 'you are no good, TechCo (UK) is no good'. But in actual fact, it is their gear that we can't use. (Manager, TechCo (UK)).

In addition, TechCo (UK) could not create debits notes for faulty parts:

One of the biggest problems from a profit and loss viewpoint are the Korean parts. We don't create any debits or any reject notes for any obsolete parts that we get sent. So we have to foot the cost for these parts. What happens, is that if we find a problem, it is very rarely sent back to the (Korean) suppliers to correct - and very rarely would we stop a line for it. What happens this we actually use the products. This means that we are 100 percent slower on the production line. So

what is happening is that our production lines are acting as quality control for our suppliers. So we are inspecting the quality of their work. I do not think that this should be the job of our production line, it should be pushed back to Korea (Manager, TechCo (UK)).

What emerged were problems of internal politics and gamesmanship between the TechCo (UK) and its sister factories in Korea. Rather than a seamless relationship between internal customers and suppliers managerial behaviours appeared to be based upon factionalism and the protection of local interests, reflecting micro-political tensions – in this case between subsidiaries (Ferner et al., 2003).

Unreliable supplies made planning difficult and regular 'changeovers' (i.e. changing from one product to another) led to an increased downtime, which in turn made the centrally set targets virtually impossible meet. The UK MD was attempting to deal with these issues and had begun to challenge unrealistic targets, but was finding that the TechCo (UK) Korean production managers were unwilling to follow suit. These factors contributed towards the volatile production climate within the factories. However, there was a lack of consensus as to what management approach was most appropriate. It is to this issue that we now turn.

Internal workplace relationships: Different managerial perspectives and approaches

The third set of tensions were generated by internal workplace relationships. The discussion that follows focuses particularly upon differences that emerged (predominantly) between Korean and British managers about how TechCo (UK) should be managed. As explained, the espoused strategy within TechCo (UK) was that quality management would be aligned with 'soft' HRM. Structures and resources to support this strategy were in place, but there was a major divergence of opinion about the suitability of the strategy and this contributed to the poor implementation of it. Interestingly, HRM was the one area of strategy where local autonomy was allowed. When questioned about the degree of autonomy that the subsidiary had, the MD commented that:

MD: Autonomy is a big word. I have got some autonomy in terms of day to day operation, I have got some autonomy in terms of production results and quality results. If you are talking about the autonomy of actually running a business I would say zero.

Interviewer: ... in terms of your human resource strategy, if you wanted to make changes to that, would that have to be okayed centrally?

MD: No. I think in terms of human resource strategy much of it is autonomous.

Therefore, TechCo (UK) were given some latitude to adopt an HR strategy that was appropriate to local circumstances. As explained, the TechCo group had been experimenting with Japanese influenced QM and 'Western-style' HRM. As such, the espoused strategy, HR structures and associated resources all indicated that TechCo (UK) had intended to adopt a high trust/high involvement approach to the management of the subsidiary. In this way, they would have been an example of a 'good' non- union greenfield site employer (Guest and Hoque, 1994) and had they been successful, could have potentially been regarded as a centre-of-excellence within the company (Bartlett & Ghoshal, 1989) and at the vanguard in terms of implementing and institutionalising the new management practices (Kostova, 1999).

However, as intimated, there were problems translating this strategy into action.

Divisions in internal workplace relationships form the third level of explanation for the dislodging process that was occurring as we reveal now.

Two management groupings: 'High- involvement' versus 'command and control'

Broadly speaking, managers fell into two main groupings, those who believed in a high-involvement approach and those who believed in a 'command and control' approach.

The 'high-involvement' group included the British senior managers that had been recruited when problems emerged in the subsidiary. They supported the espoused strategy and were working hard to reorientate the management approach back towards the espoused strategy. They saw the future of TechCo (UK) being under threat as a result of poor performance, and believed that the draconian system of discipline that had become

endemic within TechCo (UK) was counter-productive, fuelling low morale and stifling problem solving and learning. This grouping were very vocal and were lobbying hard to pull all managers in that direction. The 'command and control' group included expatriate Korean and some British managers. This grouping also recognised that performance in TechCo (UK) was poor, but did not believe that the way forward was to implement the espoused strategy. However, rather than openly disagreeing with the high involvement group, they continued to adopt their preferred approach to management, which tended to be characterised by strict supervision. The following sections elaborate these themes.

Turning first to the 'high involvement' grouping who were active on a number of fronts. Firstly, they were lobbying other managers about the need to adopt a more participative management style,

I like tea and bun sessions. Get 10 people every week, just sit them around a table for an hour and a 1/1, cup of tea and a bun, and say what is the state of the nation. You know what things are you worried about? What is good about here? What's bad about here? You have got an opportunity to speak to me. Every manager should do that...But when you are taking people out of a process you impact the process. We have got to be big enough and strong enough to allow ourselves to do that. So if that means we can spare people that you put in there while you are taking people off line we have got to do that. And I have got to convince Korean management that to be successful here that is what we are going to have to do. We either do that or we go the exact opposite way and say. Right,

you put in a very tough regime, you don't give a shit about people, you just manage the hell out of them. And if we have got to go that route then I will certainly go and work somewhere else. (Manager, TechCo (UK))

Secondly, this group were trying to convince workers that they were committed to a more participative approach, for example, by encouraging problem solving groups (PSGs).

The Operations Manager had led a PSG initiative and explained:

I mean to me that's one (PSG groups) of the most important initiatives. Because what I have got to do is I have got to rebuild morale, because if I have got a totally demoralised workforce I am never going to hit the numbers, it's not going to happen. So I have got to build the morale and I think that's one way through it. I can't do anything about giving anybody a pay rise, we lose money every month, we lose millions of pounds every month. So I can't give anyone a pay rise it is just not going to happen.

Effectively, the high involvement grouping were attempting to use the PSG initiative as a form of non-financial reward, working on the principle that employees are likely to respond well if they feel valued, that morale would rise and that business benefits would flow from this approach (including hitting targets).

Thirdly, the high involvement grouping were trying to improve the effectiveness of communication. They realised that despite the fact the company had a range of

communication mechanisms employees felt that communication was poor. The high involvement group had been making tangible changes, for example, to improve top-down communication they had organised a system of monthly line meetings (which included an outline of key business issues and plans for the following month). However, they were also concerned about how to sustain the credibility of communication from these meetings given the production chaos, 'like I say, they (employees) could take it as a plan for the month and then the next day it would all be changed'. In an attempt to build credibility, the group were beginning to collect data to try to convince workers that the company was serious about communication:

The other thing we need to do is just keep the communication going. I mean they always say you don't communicate with us, you don't talk to us...I heard a really interesting statistic the other month, our second biggest reason for downtime last month was team briefings!... the fact that I have got some hard data that says, look this is how many minutes we spend with the lines stopped for briefings, it must mean something!

Therefore, the high involvement grouping were lobbying managers and workers and were making tangible changes (for example, to communication and involvement practices) in order to show that they were committed to reorientating the managerial approach.

However, the command and control grouping were simultaneously using their own preferred approach. On investigation, it became clear that the mainly Korean grouping

had very different ideas about the way that the factories should be managed and about discipline and control in particular. Many felt that control should be tighter and that British supervisors and team leaders were not enforcing strict enough control:

There are many line stops and the problem is sometimes the main line supervisor and team leader management problem. There is no outside problem but still there is not enough production because of the supervisor and team leaders. Management problem not control properly the operators, so they are chatting, sometimes the line stops continuously but they are not doing correct counter measure for that, that's the most unsatisfactory thing. (Korean Manager, TechCo (UK).

It was clear that some Korean managers were using Korean factories as a benchmark, and felt that in comparison, British workers were less committed than the Korean counterparts:

In Korea, five o'clock then the many people prepare for tomorrow's production and clean, without pay but here everybody looks at watches, 5 o'clock and they go...Here, six months ago, one year ago already booked their holidays, flights, so suddenly something happens (at work) I cannot ask the employee a to produce (come to work) during the holiday. It is difficult, in the case of the manager, but workers (it is) totally impossible. There is the difference of culture. (Korean Manager, TechCo (UK).

Some of the senior British managers had visited Korean factories and had also observed the differences articulated by Korean managers:

To understand (the Korean managers) you have really got to go and spend time in Korea and see what they do, how they manage people and how there is an acceptance about what people expect to happen, because they are married to the company for life... people go in at 7 o'clock in the morning and work until 7 in the evening. They work every second Saturday. They have come into an unnatural environment and they are struggling to change. 'They (think that the British employees) don't work very hard, don't work very long hours, they have got it easy.' And if you have been used to working in this (a Korean) environment and you come to the UK environment, I can certainly understand that.

The command and control grouping strongly believed that more discipline was the answer to the subsidiaries problems. The outcome was that almost simultaneously, high-involvement managers would be working on initiatives aimed at promoting a high involvement climate — and the command and control grouping would be tightening discipline. For example, at the same time that the SGI initiative was being promoted, the command and control grouping attempted to implement a 'no-chatting' regime on the production lines. The difference in managerial approaches had been noticed by workers. However, many felt that the real power lay with the 'command and control' grouping and

were sceptical about the ability of the pro-involvement managers to make a sustained difference to their experience of work:

The management we have now from when we first started is a lot better, and I think that they try. But in one aspect, I think their hands are tied behind their backs. You see, at the end of the day, it is the Koreans who pull strings. So I think the managements hands are tied in a lot of ways. (Shopfloor worker, TechCo (UK))

The high involvement grouping felt that the differences in opinion in respect of issues around discipline, control and motivation could be traced back to the *modus operandi* in Korea and felt that this had shaped Korean managers' expectations. The British managers felt that this problem was most acute with expatriate managers who had not had previous international experience (Shay & Black, 2004):

The ones that are fresh out of Korea on a first placement are usually really hard work, because they think they are coming into a mini Korea...I have said to them if you do not understand our ability and our environment you are a very dangerous person in this company. If you are thinking that's Korea out there and you are planning as if it is Korea, and your expectations are Korean expectations, you are very dangerous. (Manager, TechCo (UK))

However, this understanding of the problem did not help to move the high involvement agenda forward, because the command and control managers kept reverting to 'type' illustrating a breakdown in the tacit negotiation process between managers (Ferner et al., 2006) about the overall management approach and direction that the subsidiary required. The initiatives promoted by the high involvement group were in line with the espoused strategy and indeed, the structures and resources were already in place to support this strategy. Therefore, the high involvement group were trying to achieve the crossover from implementation to internalisation, where the practices became 'infused with value' and where employees accepted and approved of them (Kostova, 1999). Kostova suggests that internalisation is more likely when higher levels of implementation are in place. In this case, certain key practices were implemented (for example, line briefings, team briefings, problem solving groups in some areas etc) – but management style on the ground swung between (attempts at) 'high involvement' and 'command and control'. This shows that it is not only the frequency of implementation that counts, but also at the consistency of management approach.

Discussion and conclusion

This article has examined a case study of a UK based subsidiary of a Korean owned MNC. It has sought to identify the factors that dislodged the espoused high trust/high involvement strategy and to explore why it failed to embed despite having associated structures and resources in place. It makes a number of contributions. Firstly, it offers detailed insights into the factors that affected the transfer of an espoused strategy within a

Korean owned MNC. Whilst much has been written about Japanese owned MNCs, there is less empirical evidence about workplace experiences of new management initiatives within third wave MNCs (Rowley et al., 2004). Secondly, evidence suggests that Korean MNCs are increasingly adopting more westernised approaches to HRM (Kim et al., 2004), and are differentiating managerial approaches according to host country conditions (ie. high trust approaches within advanced economies and low trust within less developed (Gamble et al., 2004). The evidence presented here suggests that the adoption and implementation of Western approaches within Korean MNCs is not necessarily straightforward and identifies factors that undermined successful implementation. Thirdly, at a broader level, the case study gives insights into the factors that can undermine the crossover from implementation to internalisation of practices (Kostova, 1999) and demonstrates the influence of the actors in this process. It affirms the value of conceptualising the transfer of practices as a 'negotiated process' and shows that this comprises of a mix of explicit and tacit understandings of organisational rules and practices. A number of conclusions can be drawn.

Firstly, the case evidence presented here provides some support to the observation that Korean MNCs are tending to adopt westernised approaches to HRM (Kim *et al.*, 2004) and indeed may apply high involvement approaches within developed economies. However, the case demonstrates the value of tracing whether espoused strategies and practices become realised, as the study of formal policies or even mapping the existence of certain practices would not necessarily reveal the extent to which (in this case, western influenced) practices become internalised (Kostova, 1999). Clearly, it is difficult to make

generalisations from one case, but further studies could usefully pursue the translation process not only in Korean MNCs, but also from others within the Asian bloc in order to evaluate the degree to which one can talk of the convergence of practices. Such work would also shed light on the extent to which the issues identified here are common either for Korean companies or more widely within Asian bloc MNCs. A related question is of whether the trend towards the westernisation of practices will persist, or if the problems reported here are common, whether we will see distinctive and different Asian variants emerging.

Secondly, this study offers support for the 'new institutionalism' (Ferner and Tempel, 2006) in that the tensions experienced in TechCo (UK) could only be fully understood when both macro and micro issues were taken into account and when organisational actors were placed firmly within the analytical frame. Managerial' accounts offered rich insights into the tensions created by the complex network of relationships located at different levels that typify managing within an MNC environment (Tayeb, 1998; Taylor et al., 1996). Furthermore, the case study demonstrates the contestation of meaning that can occur between managers in the workplace (for example, about the appropriateness of the espoused strategy and appropriate managerial approaches), between subsidiaries (about quality specifications), with HQ (about the setting of targets) and with customers (about the levels of customer service demanded). When these interactions are set within context (i.e. recognising country-of-origin effects, the nature of the host environment and company specific factors), the multifaceted nature of MNC life can be captured.

Understandings can be further enhanced 'by emphasising a more actor centred paradigm focused on strategies and power of different actors *within* MNCs and business systems' (Meardi and Toth, 2006 p. 160). The findings suggest that such an approach can fruitfully tease out and explain the roots of workplace tensions and of why HR strategies may fail even when resources and an infrastructure of practices are in place.

Thirdly, the article provides more empirical evidence about the factors that can inhibit the crossover from implementation to internalisation. Kostova (1999) suggests that higher incidences of implementation are likely to lead to greater internalisation. As highlighted in the article, certain practices were used on a regular basis - but did not become internalised. This was due to inconsistent managerial behaviours, with one group promoting 'high involvement' whilst simultaneously the 'command and control' grouping were tightening discipline. Effectively, the workers experienced mixed messages about management intent and action. These inconsistent behaviours could be traced back to fundamental differences of opinion about the managerial approach that should be adopted. Whilst these differences were not universally a case of British versus Korean management styles (ie some British managers were equally sceptical about the high involvement strategy and tightened discipline) there was no evidence that Korean expatriates were convinced by the advocacy of the espoused high involvement strategy. Korean managers tended to use Korean factories as a reference point, and it seems that despite the official rhetoric, scientific management was still the modus operandi in the home environment. The notion of multiple actors with multiple agendas is of great value as it allows one to capture the different groupings, and the concurrent micro political processes of persuasion and resistance.

In relation to implications for practice, the issues revolved around the challenges of managing in an unstable and complex environment. TechCo (UK) were becoming sucked into something approximating to a 'black hole' created by the convergence of pressures from external, intra-organisational and internal workplace relationships. We use the 'black hole' analogy to mean that TechCo (UK) were characterised by a swirling mass of negative forces and were failing to stabilise the situation. In these circumstances, the chances for implosion are high, as the subsidiary fails to meet targets and Head Office are more likely to make coercive comparisons (Martin et al., 1998). As a result, the subsidiary may eventually be downsized or closed. Lessons for practice are that a lack of consensus between subsidiary managers about direction and approach contribute heavily towards the process of deterioration. In these circumstances, an urgent priority is for senior managers to find ways of engaging with the management team so that managers internalise and accept the need to adopt certain practices and behaviours. Another issue to emerge from this case was the importance of effective expatriate development (especially for managers that were new to overseas assignments). The evidence indicated that some Korean managers found it hard to adjust to a UK setting and tended to revert back to the norms that were more typical within Korean factories, which ran contrary to the espoused strategy. The third implication is that when management pull in different directions, the workforce experience mixed messages and attempts to encourage high involvement practices quickly lose credibility. Fourthly, that local subsidiary managers can experience challenges in terms of trying to raise subsidiary influence at HQ, when subsidiaries are geographically and institutionally distant from the parent. In this case, language capabilities were an immediate barrier. However, even if this were not the case, it is likely that the local UK managers would have struggled to wield a high level of influence because they did not have long-standing social relationships (Granovetter, 1985) with colleagues at HQ. In these circumstances, expatriate managers may form an important bridge between HQ and the subsidiary (via their own network of social relations). However, this brings the argument full circle, as there needs to be a consensus regarding managerial approach and direction for the subsidiary – a major problem in this case.

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