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## A Comparison of Managerial Structures in German Subsidiaries in France, India, and the United States

### Introduction

Despite the fact that sceptics like Montaigne (1533–1592) and Pascal (1623–1662) have very early emphasized the cultural contingency of laws of human behavior, organization theorists kept searching for general and universal organizational characteristics ever since the foundation of the theory of modern organizations by authors such as Fayol, Taylor and Max Weber. Under the influence of two new schools of thought – comparative management and open systems theory or contingency theory – cultural contingency of organizations was recognized more clearly, and numerous international studies of organizations were submitted since the beginning of the 1950s<sup>1</sup>. It is not quite clear, however, whether this change really introduced a new perspective, or whether only the most common approach was reinforced, which is to assume the *universality* of organizational structures and processes<sup>2</sup>.

Looking more carefully at the comparative management literature<sup>3</sup> it seems safe to say that the majority of studies has searched for *similarities* rather than *differences*. In those cases, in which differences were identified it was hypothesized that these differences would disappear (convergence theory). Culture as predictor of managerial and organizational structure received new attention when studies following either the open-system paradigm or the contingency paradigm were replicated in different countries. Although researchers do not deny the importance of cultural variables they tend to extrapolate their findings from one culture to another without providing any justification for this generalization. This approach, which is called *culture-free thesis* does not claim, however, that organization and management structures are culture-free; it rather assumes that relationships between context and structure are stable across different cultures.

In criticizing the culture-free perspective we can join Maurice by saying that those “studies are based on concepts and indicators that by nature are universal – thereby precluding any testing of the impact of national or cultural variables in which such studies express interest<sup>4</sup>”. We can also join Hofstede by saying that both, comparative management and contingency theory, suffer from a vagueness of the concepts of culture used<sup>5</sup>. There is a lack of a general theory of culture, a problem which has been approached only recently by Hofstede<sup>6</sup>.

In our own study<sup>7</sup> where this article is taken from we followed a rather pragmatic line in operationalizing culture. Taking the Farmer-Richman taxonomy of macro-environment, we viewed the socio-cultural component of the macro-environment as a system of constraints, and asked our respondents – senior managers in Germany, France, India, and

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United States – what kinds of aspects of their socio-cultural environment they perceive as important for doing business in that respective country. In order to operationalize the socio-cultural elements of the macro-environment respondents were asked to rate the impact of these elements on decision-making according to certain dimensions like relevance, implications, etc.<sup>8</sup>.

The *data* presented in this paper were collected in extensive personal interviews conducted in six German MNCs of the chemical industry and fifteen foreign manufacturing subsidiaries, located in France, India, and the United States. The six headquarters represent about 80 % of the total sales of the German chemical industry, and can certainly be considered to be representative for their industry. According to sales, the subsidiaries studied were the most important foreign operations of the respective MNC in the particular country. In headquarters, members of the executive board, regional units, and product divisions were interviewed. In the foreign subsidiaries, top executives, including members of the finance and planning departments as well as product divisions were interviewed<sup>9</sup>.

The final purpose of this paper is to explore differences in the level of effectiveness of the foreign subsidiaries. We, therefore, decided in favor of a so called “most different systems design<sup>10</sup>”. More specifically, this article tries to explore similarities and differences of the internal structure of the management systems, and to relate the differences identified to intrasystemic and extrasystemic, i. e. cultural factors. It is also attempted to relate the various structural patterns to the organizational unit’s effectiveness, in order to find out, whether there is one effective organizational design strategy, or whether and to what extent effective design strategies are dependent upon host environmental conditions. Therefore, some new light is shed on the controversial question of whether organizational phenomena are culture-free or culture-bound.

### Operational Definition: The Dimensional Structure of the Management System

Management is the goal-oriented harmonization of the operational structure of the business firm with respect to both internal and external environmental conditions. At the heart of the management system is the structural *delegation of decision-making* – which also serves a framework for the identification of organizational tasks, functions and processes. From the differentiation of decision task emerges the problem of coordination, involving the harmonization of management goals and activities. This aim requires the implementation of institutional and instrumental forms of coordination to prevent from unnecessary conflicts. In terms of organizational theory, these two dimensions constitute the *Differentiation-Integration-Paradigm*, and for us are recognized as elements for the management system. In other words, these two components describe the *task* aspect of the management system<sup>11</sup>.

These dimensions provide only a partial description of the managerial structure. Management is most certainly a group phenomenon, oriented toward influencing the social interaction of individuals within the organization<sup>12</sup>. To insure the effective functioning of the management system, it is imperative that each manager has the necessary *autho-*

ity in his area of operation<sup>13</sup>. From the view-point of the subordinate, the question arises, as to the fundamental legitimacy of the claim to authority. This problem is the focal point for research concerning the sources of authority and the consequently differing forms of leadership<sup>14</sup>. Whether norms are written or otherwise accepted, the authority dimension represents a third category of descriptive factors for the management system.

Up to this point, the discussion has focused upon factors which bear direct influence on the behavior of individuals within the organization. However, mechanisms which are oriented toward an indirect influencing of decision behavior also play an important role in the effectiveness of the management system. The individual needs and motives of decision makers can serve as the basis for certain behavior, which is consistent with or even supportive of management goals. In this way the effectiveness of the structure in regard to the harmonization of the system is enhanced<sup>15</sup>. Prerequisite to directed behavioral influence is an understanding of the *motivation and need structure* as well as the *effect of need-satisfaction* on individuals.

Identification of the relationships between motivation and action can then be interpreted as an implicit system of order within the management structure.

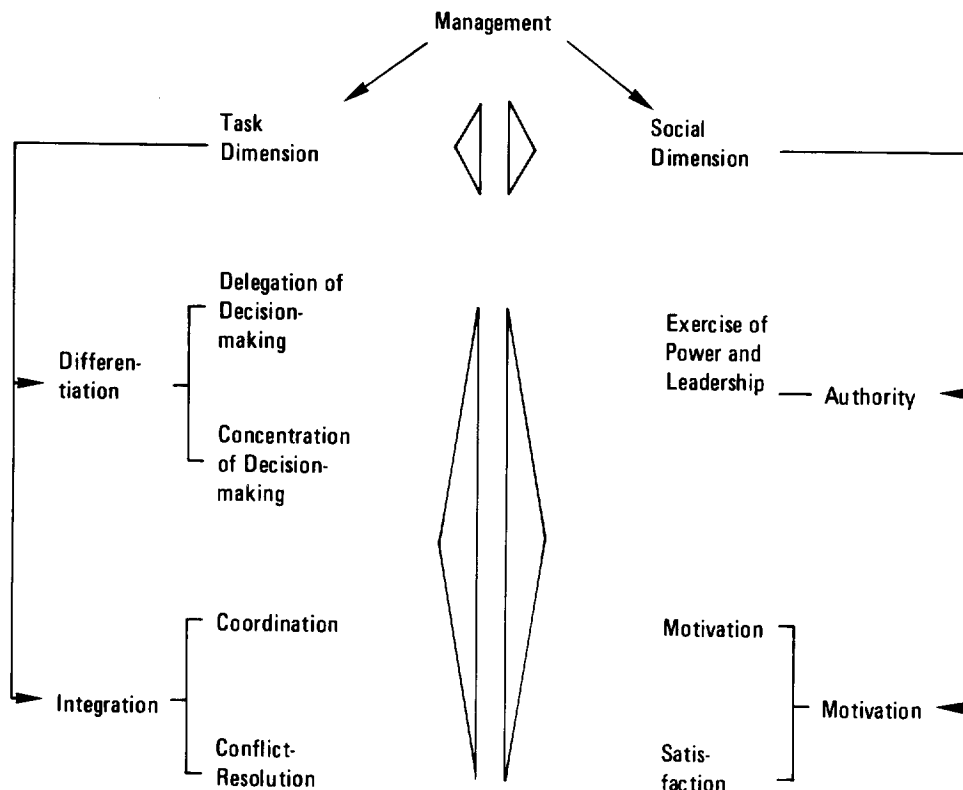


Illustration 1:  
 Conceptualization of the Structural Dimensions of the Management System

### Description of Structural Dimensions of the Management System

The central question this paper focuses on is whether subsidiaries, located in different countries can be organized and managed according to the same principles as their parent companies, or whether the given conditions specific to host countries exert such a strong influence on the structure and process of the firm that it is necessary to adjust the structural principles in order to assure organizational efficiency. This question, which is of practical relevance for the activities of multinational corporations, is to be viewed against a backdrop of different theoretical perspectives<sup>16</sup>.

Traditional management and organization theoreticians postulate an universal validity of organizational principles which exist independent of the country or culture in which the organization is located. Phenomena such as specialization of labor, standardization of bureaucratic rules and procedures, and the ubiquitous nature of hierarchical differentiation in organizations are seen as generally valid and regularly occurring in organizations as goal oriented entities. The universality hypothesis has been tested in the discipline of organization theory by authors who explicitly base their work on Max Weber's bureaucracy theory<sup>17</sup>. The postulated general validity of organizational models – where cultural or societal peculiarities are assumed to be negligible, is expressed clearly by McMillan: “. . . an organization in one country performing basically similar activities to an organization in another country will have the same bureaucratic structure<sup>18</sup>”.

Antithetical to the cultural universality thesis is the cultural contingency theory. In the context of different cultural, institutional, or organizational conditions, similar mechanisms, processes, and structures are assumed to adopt strongly differing functions and meanings. Goldschmidt<sup>19</sup> has designated this problem as “*Malinowskian Dilemma*”. Malinowski, a highly respected anthropologist, has emphasized that every culture has to be understood within its own context, and likewise every institution as a product of its culture, can only be explained in terms of the culture from which it originates. This would naturally also apply to a subsidiary located in a foreign country. From Malinowski's arguments we must conclude that an intercultural comparison of organizations is by no means admissible because incomparable objects would be compared. The cultural contingency theory is obviously not suited to the aims of this study.

Instead, we have chosen, to adopt a position between the extremes of the universality theory and the Malinowskian Dilemma. Universal and culture-specific factors are considered to be independent and capable of influencing the organizational structures, processes and functions<sup>20</sup>. The internationalization of the economy has brought with it the need for international comparative studies. It is imperative for an internationally operating firm to be aware of the universality or specificity of the above mentioned structural dimensions which characterize the management system. The justification for such a comparative study rests upon the observation that empirical data neither substantiate nor discredit either of the positions mentioned.

We will now examine the empirical results of the study: Because of the space limitation, we will restrict our discussion to the task component of the management system.

**Delegation of Decision-making**

In Table 1 mean values are given for French, Indian and American subsidiaries, as well as their corresponding reference divisions. These values reflect the concentration and decentralization of decision-making.

*Table 1: Mean values for delegation of decision-making in foreign subsidiaries and their respective German reference divisions (calculated with program CONDESCRIPTIVE of SPSS. See Nie, H. H. et al. 1975, pp. 185)*

	Decentralization of decision- making $\bar{x}$	Concentration of decision- making $\bar{x}$	
1. France			
a) subsidiaries	2.33	1.14	(N = 5)
b) German reference divisions	1.63	1.50	(N = 5)
2. India			
a) subsidiaries	2.26	1.38	(N = 3)
b) German reference divisions	1.38	1.33	(N = 5)
3. U.S.A.			
a) subsidiaries	2.33	1.76	(N = 5)
b) German reference divisions	1.70	1.43	(N = 5)

max = 3.75      max = 4.00  
min = 1.00      min = 0.00

**Decentralization of Decision-making**

This variable reflects the distribution of policy decisions, such as sales policy, product-mix, and selection of management personnel. A comparison is drawn between the determined values for the executive management (head office) on one hand, and values for the general management of foreign subsidiaries and their respective reference divisions.

We notice immediately that the mean values for France, India, and the USA, are nearly identical. In all three cases a medium degree of decentralization is exhibited, (highest value 3.75 = maximum decentralization, lowest value 1.00 = minimum decentralization). Nevertheless, reference divisions in each and every case show a lower value, indicating a higher degree of decentralization regarding corporate policy decisions. How may these results be interpreted?

One explanation for the higher degree of decentralization of German reference divisions is found in the *structural relationship* between the foreign subsidiary and reference partner. De facto, the subsidiary does not occupy the same hierarchical position as the division. Instead, the corporation may perceive the subsidiary as occupying a somewhat lower level in the hierarchy and would therefore demand a higher degree of centralization – as indicated in our study by the higher value for the dimension, decentralization



of decision making. Furthermore, it is conceivable that the closer *geographical vicinity* of the division to the head office allows for more intensive supervision and control on part of the executive management. A stronger integration into the firm's control system serves to reduce the risk of more extensive delegation within the reference division. The delegation risk is substantially larger in the case of the foreign subsidiary.

We now turn to an explanation of the empirical results concerning the *decentralization of decision-making in foreign subsidiaries*. The nearly identical mean values appear to strongly support the universality hypothesis, and are consistent with the findings of McMillan et al. In their study, no difference was found in the degree of delegation between British, Canadian, and American companies. It is plausible that the necessity for rationality and control within the organization results in the standard formation of structural characteristics including the delegation of decision-making<sup>21</sup>. McMillan's argumentation, however, becomes doubtful when we consider that their study is limited to a comparison of anglo-saxon and industrialized countries, whose socio-cultural conditions are strikingly similar.

Because our comparison includes India, a developing country, where vastly different socio-cultural conditions exist, we would expect our results to accordingly reflect these differences. Negandhi and Prasad maintain that in Indian firms a lower degree of delegation is found relative to American firms<sup>22</sup>. This finding is substantiated by reference to the Indian management style, which they characterize as centralized and person oriented. The origin of this characterization is found<sup>23</sup> in the Indian "Management Agency System"<sup>24</sup>. In a closer analysis of their data, Negandhi and Prasad conclude that about one third of the Indian firms exhibit a strongly similar decentralization pattern to American subsidiaries located in India. They attribute this finding to the progressive management philosophy of these companies<sup>25</sup>.

This explanation may allow us to clarify the contradictory empirical results. In order to interpret such findings we must ask if it is possible to compare contextual conditions; i. e., size, industry, dependency on the parent firms, environment, etc. Because this is usually not the case, a multivariate analysis must be employed. For instance, with a stepwise multiple regression, we can first determine the influence of contextual factors which are not held constant. Then the socio-cultural effect of remaining factors may be analyzed. This method of analysis operates under the assumption that organization and management structures on one hand, and the contextual influencing factors on the other, are subject to the same patterns of relationships<sup>26</sup>.

In order to prove this hypothesis for our own study, we analyzed the contextual conditions of the subsidiaries in more detail<sup>27</sup>. Without going into details of this analysis, it can be emphasized here that the contextual conditions were not the same. This should have caused differences in decentralization of decision-making, assuming that predictions of contingency theory are correct.

The mechanistic orientation of comparative organization research has been subject to the criticism of Child and other scholars<sup>28</sup>. They assert that this approach ignores the role of managerial decision-making discretion. If one adopts this position, then the *strategy* of the parent company could be responsible for like degrees of decision-making decentralization which are experienced despite widely differing socio-cultural contexts existing in various countries. This explanation strongly suggests that the empirical findings reflect exclusively management decisions – corporate policy decisions –, whose

hierarchical distribution between parent companies and subsidiaries is instrumental for the executive of coordinated corporate policy. This indicates that corporate policy issues have absolute priority over influences specific to the host country and its socio-cultural context. The data consequently reflect a *managerial ethnocentrism with respect to strategic decision-making*.

We are interested to see if the same ethnocentrism applies to the concentration of decision-making.

### The Concentration of Decision-making

A comparison between the mean values of the individual country pairs with the t-test, did not show statistically significant differences. This would lead us to reject the hypothesis which states that the degree of concentration of decision-making varies dependently on the host country. So far, our results agree with the findings of Inkson and others<sup>29</sup> for the USA and Great Britain, as well as McMillan and others<sup>30</sup> for the comparison between the USA, Canada, and Great Britain. The degree of autonomy parent companies formally assure their subsidiaries, appears to be constant among the countries which are being considered. McMillan and others attribute this homogeneity to the influence of administrative rationality within the bureaucracy<sup>31</sup>.

A more thorough inspection of our data show, however, that differences – even if they are not statistically significant – are worthy of further interpretation. The American subsidiaries are most strongly decentralized, the French companies least decentralized, while the Indian subsidiaries occupy a middle position, but tend toward stronger centralization. How can these differences be explained?

In considering that the largest firms were represented in the American subsample, we are led to suppose that *relative size* – the size of the subsidiary compared to the size of the parent company, is an influencing factor. The larger the relative size, the greater the autonomy of the subsidiary<sup>32</sup>. This could also be confirmed in our multivariate analysis<sup>33</sup>.

At this point it must be noted that *relative size does not* account for the very similar degree of centralization found in French and Indian subsidiaries. In both countries decision-making is more centralized than in the USA, but for different reasons. In India some decisions (for instance: the introduction of a new product, selection of suppliers, determination of product prices) are regulated by government agencies, resulting in a lower measured value for the degree of decentralization. In the case of French subsidiaries, however, socio-cultural factors (i. e. lack of readiness on part of middle management to accept responsibility, and an overall less qualified management) and a stronger dependency on the parent company appear to be responsible for a higher degree of centralization<sup>34</sup>.

Evidently the factor “corporate strategy” does not weigh as heavily as in the case of decentralization of decision-making. The explanation for this lies in the nature of the decisions. The degree of concentration of decision-making measure includes many operative decisions which must be made “on location”. A high degree of centralization would impair the flexibility and responsiveness of the subsidiaries’ management. For this reason, influence factors specific to the subsidiary must play an important role in decision-making.

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The pattern of delegation practiced in German multinationals is now clear; centralization of strategic headquarter-specific decisions independent of host country, decentralization of operative decisions in accordance to the local contextual situation of the host country. This pattern is absolutely understandable and rational from the perspective of global coordination and control by the parent company.

### Coordination

The values determined for the intensity of different coordination forms are given in Table 2.

*Table 2: Comparison of coordination intensities for foreign subsidiaries and reference divisions (calculated with program CONDESCRIPTIVE of SPSS. See Nie, N. H. et al. 1975, pp. 185)*

	techno- cratic $\bar{x}$	person- oriented $\bar{x}$	structural $\bar{x}$	total $\bar{x}$	
1. France					
a) subsidiary	4.1	5.6	4.3	4.7	(N = 5)
b) reference divisions	5.5	5.8	5.8	5.7	(N = 5)
2. India					
a) subsidiary	4.4	5.0	6.2	5.2	(N = 3)
b) reference divisions	5.4	5.8	5.8	5.7	(N = 5)
3. U.S.A.					
a) subsidiary	5.4	5.0	6.5	5.6	(N = 5)
b) reference divisions	5.8	6.8	6.7	6.4	(N = 5)

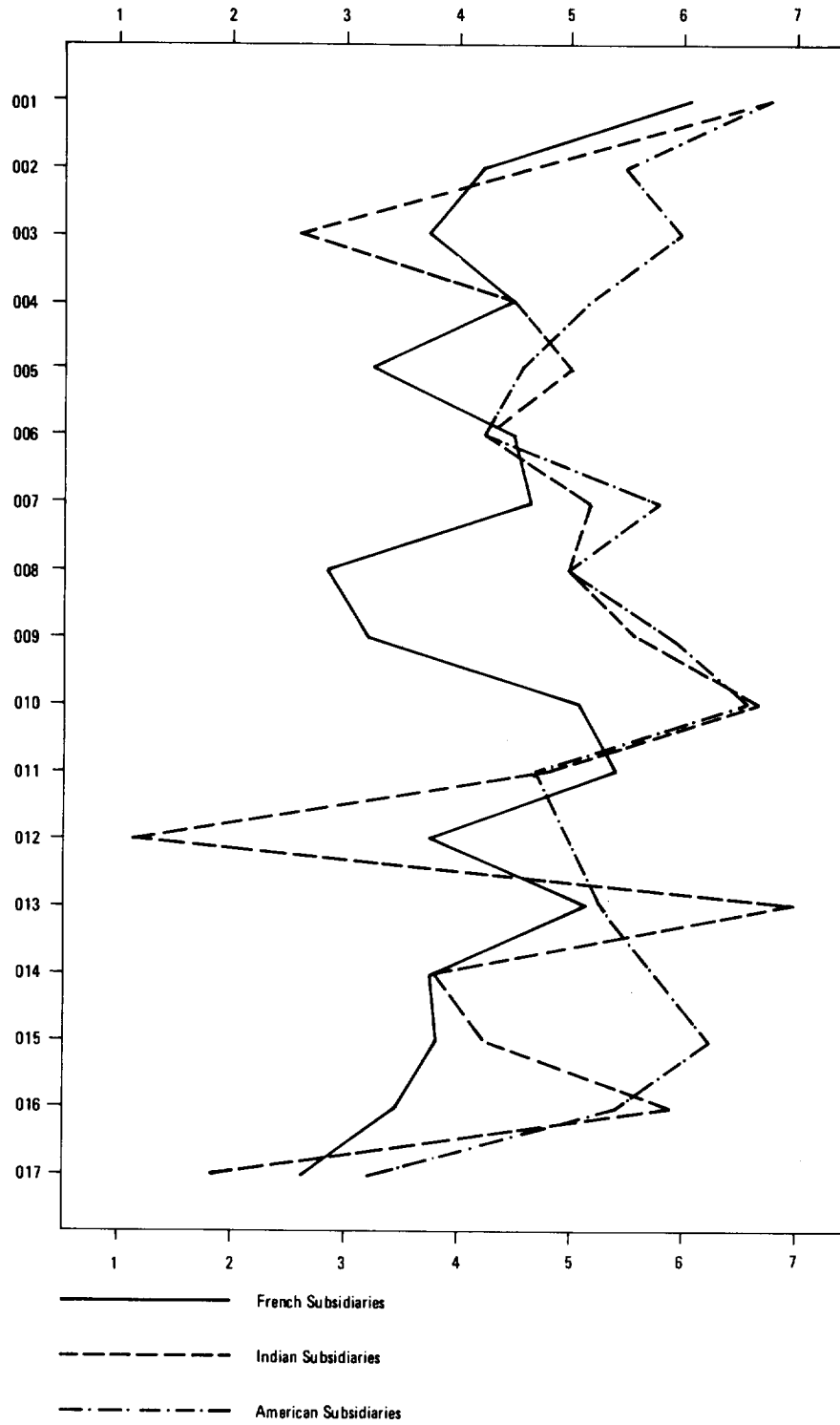
min = 1  
max = 7

The last column of the table gives a general indication of coordination – by showing the cumulative value for coordination intensity (composed of technocratic, personal and structural devices). In all cases reference divisions show a higher degree of coordination intensity as compared to foreign subsidiaries. Of the subsidiaries, those located in the United States show the highest value for coordination intensity, those in France display the lowest value, and the Indian subsidiaries occupy a middle position.

A generally higher degree of coordination among the divisions also applies to the individual forms of coordination in almost every instance. India is the only exception, where the structural coordination intensity is higher in the subsidiary than in the reference division. This case can only be explained by referring to the interview situation itself. Indian respondents overestimated the value of profit centers and cost centers for coordination purposes.

A more in-depth examination of the data begins with a *comparison of French and Indian subsidiaries*. Concerning technocratic and personal coordination intensity, the data do





*Illustration 2: Coordination Profiles of Foreign Subsidiaries (N = 5)*

not indicate any meaningful differences. India, however, shows a substantially higher intensity value for structural coordination. Even when considering the above mentioned possibility of error alone, there appear to be deviations. French subsidiaries, while showing a medium degree of technocratic coordination intensity, seem to prefer personal forms. In contrast, Indian subsidiaries tend to adopt structural forms of coordination. We can now distinguish between the preference for coordination through personal interaction on one hand, and, coordination through goalsetting, limitation of responsibility and control based upon the degree of goal attainment on the other.

In comparing the *French with the American subsidiaries*, meaningful differences are noticeable in the areas of technocratic and structural coordination. American firms show substantially higher values of intensity for both forms. Differences in the degree of personal coordination are negligible.

If one compares the situation in *Indian versus American subsidiaries*, meaningful differences regarding personal and structural coordination intensity do not exist. However, American subsidiaries exhibit a higher value for technocratic coordination intensity.

The results of this comparison of coordination intensities, with regard to individual coordination items, are graphically summarized in the coordination profile (illustration 2).

It is now important to interpret these differences in terms of developing a theoretical context<sup>35</sup>. The *relative size* of the subsidiary is the first factor which enters into the explanation. A distinct trend is seen concerning the degree of total coordination intensity. Subsidiaries located in the USA show a markedly higher value of total coordination than is exhibited by comparatively smaller Indian and French subsidiaries. The relatively high incidence of technocratic coordination in American firms verifies the positive correlation between size and technocratic coordination. This was also seen to be the case in other studies<sup>36</sup>.

Kieser's observation<sup>37</sup> indicating that a stronger correlation between size and personal *coordination forms* does not exist is supported by our data. The smaller French subsidiaries show a higher degree of personal coordination than the larger American firms. The often postulated correlation between size and *structural coordination forms* (profit-center, cost-center)<sup>38</sup> also appears to be confirmed by our data. American subsidiaries and larger divisions range substantially higher in structural coordination forms than in the case of French firms.

A positive correlation between size and technocratic as well as structural coordination intensity supplies proof for the existence of a relatively consistent pattern of relationships which transcends national and cultural boundaries<sup>39</sup>.

Another explanation for differences in the degree of coordination intensity is to be seen in the *delegation of decision-making*. The theory of Blau and Schoenherr<sup>40</sup>, which Kieser<sup>41</sup> among others has verified, provides an insight into the reasoning behind the various forms of coordination. From the perspective of the executive management, the risk associated with delegation can be reduced by an increased employment of formalization and standardization – which corresponds to our variable “technocratic coordination intensity<sup>42</sup>”. This correlation is strongly supported by our data for the decentralization of decision-making in the divisions. This is also seen, to a somewhat lesser extent, in the case of French and Indian subsidiaries. In American subsidiaries this correlation is clearly expressed for the concentration of decision-making (see Tables 1 and 2). Such

bureaucratic management strategy appears to possess a certain degree of stability in the context of an international comparison<sup>43</sup>.

Because we observe exception to this relationship, other explanatory factors must be included in the analysis. For example, we notice that in American subsidiaries a high decentralization of decision-making accompanies a high intensity of technocratic coordination. This implies that *corporate strategy* carries more weight as a factor of influence. American subsidiaries play a more important role in determination of corporate policy relative to French or Indian subsidiaries. This may have caused parent firms to centralize more heavily and rely strongly on technocratic and structural forms of coordination, as shown in Table 2. In the Indian case, a similar pattern can be recognized. The *ownership pattern* may be of great importance here. 100 % ownership does not exist in India, perhaps causing insecurities and risks associated with local partners to be absorbed by the employment of such coordination forms.

Finally, an explanation oriented toward *cultural conditions* is offered. For instance, it is evident that French subsidiaries show a preference for person-oriented rather than technocratic or structural coordination devices. French employees have an aversion to bureaucratic structures which may restrict their individual scope of activities. Personal initiative is better accommodated in a relatively flexible, individually oriented management style. The strong adhesion to technocratic rules would block self-initiative and encourage resignation, leading to the development of an unmotivated bureaucrat. This explanation is based essentially upon the reasoning of French interview partners.

#### **The Degree of Correspondence of Management Systems Dimensions as an Explanatory Factor for Organizational Effectiveness**

More recent empirical research has shown<sup>44</sup> that the relationship between certain variables, rather than individual variables alone, often provides a more reliable prediction of the expected success of a business organization. For Khandwalla, this is known as the *consonance hypothesis*, which serves as a basis for his further work. More successful results would be expected in the case where a fit between differentiation and integration has been realized as opposed to the case where such a fit has not been attained. A problem of this kind is known as *correspondence analysis of the second type*<sup>45</sup>.

Analogous to Khandwalla, and also Kieser who, with data from 51 manufacturing firms in North-Rhine-Westphalia carried out a replication of Khandwalla's study<sup>46</sup>, we have formulated the following correspondence hypothesis:

The stronger the correspondence between differentiation and integration variable within the framework of the task component of the management system, the greater the efficiency of the subsidiary. The lower the correspondence between variable of differentiation and integration, the lower the efficiency of the subsidiary.

In order to test their structurally compatible hypotheses, Khandwalla and Kieser proceed to group their samples into successful and less successful cases and then calculate correlations for the independent variables of the partial samples. Khandwalla concludes that his hypothesis is supported by the observation that the correlations between the characteristics differentiation and integration, and the organizational reaction variables, are distinctly greater for successful firms as opposed to unsuccessful firms. Wollnik very convincingly argues that it is not sufficient to merely compare correlations between

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successful and unsuccessful cases when searching for characteristic constellations that lead to successful management<sup>47</sup>.

Wollnik suggests that mean-value ridge analysis (Mittelwertgrat-Analyse), which does not interfere with the need for correspondence, can be considered as a suitable method for this problem. The problem is to locate those mean values which display an exceptionally high average rate of success.

If these mean values form a type of ridge across the table, showing a correspondence between rows and columns of variables, then the correspondence of these independent variables can be interpreted as an influencing factor for those variables whose mean values were determined from the partial sample<sup>48</sup>.

In order to be able to examine our data with the help of a mean value ridge analysis, the independent variables – the dimensions of the management system, were dichotomized along the median value of the total sample. A “0” indicates a low occurrence of the characteristic and a “1” means the characteristic appeared to a greater extent. By employing the *Crossbreak Routine*<sup>49</sup> the mean values for efficiency, (return on investment and management-satisfaction), were calculated for the different constellations of task components and social components of the management system. One could speak roughly of economic and social efficiency measures – for French, Indian and American subsidiaries. The most important results of this analysis are to be presented and interpreted here. To begin with, a few of the results regarding the formation of task components and their relation to efficiency will be discussed.

From Table 3 it may be deduced that a positive correspondence between delegation of decision-making and technocratic coordination is the reason for a lower than average profitability in the case of French subsidiaries. In a similar way, low differentiation together with low integration lead to a lower than average degree of success, as does a high degree of differentiation in combination with a high degree of integration.

*Table 3: Mean-values of profitability for different differentiation and integration constellations of task components in French and Indian subsidiaries (calculated with program CROSSBREAK of SPSS. See Nie, N. H. et al. 1975, pp. 264)*

	France			India		
	0	1	row total	0	1	row total
Differentiation 0	77.3	115.0	86.8	0.0	79.7	79.7
Delegation of Decision-making 1	0.0	62.0	62.0	84.0	0.0	84.0
Column total	77.3	88.5	81.8	84.0	79.7	80.8

The task combination (0,0) and (1,1) form a ridge – although in this case it is more appropriate to speak of a valley, indicating below average mean value results for the dependent variable return on investment.

In the case of Indian subsidiaries, a negative correspondence between task differentiation and task integration leads to an average, or rather above average value for economic efficiency. In other words, a positive correspondence would lead to below average efficiency. Because the table is partially incomplete, care must be taken in drawing conclusions.

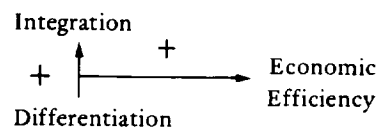
However, it may be said that classic bureaucratic control strategy – characterized by delegation of decision-making, while at the same time employing bureaucratic mechanisms to minimize the delegation risk<sup>50</sup>, is responsible for lower than average economic success in French and Indian subsidiaries.

For the case of India, however, this conclusion must be qualified. Here we see a positive correspondence between delegation of decision-making and problem-oriented conflict resolution resulting in above average profitability<sup>51</sup>. Obviously personal integration mechanisms are better suited for efficiency than technocratic integration forms<sup>52</sup>.

The French differentiation-integration findings remain to be explained. These findings, as opposed to those just mentioned, are not consistent with the hypothesis originating from the study of Khandwalla<sup>53</sup>. French subsidiaries show the highest degree of economic efficiency when a small amount of delegation is accompanied by extensive technocratic coordination. This finding agrees well with the explanation of Crozier<sup>54</sup> regarding the phenomena of French bureaucracy.

Crozier has observed in two case studies the frequent occurrence of bureaucratic, impersonal regulations. Such regulations, which relate to our variable technocratic coordination intensity, appear to Crozier to further the independence and security of employees, and concomitantly lead to a reduction of interpersonal dependency relationships. The increased isolation of employees resulting in a loss of initiative, together with the greater degree of independence, has a devaluating effect upon the relationship between superiors and subordinates. "The power of decision-making in a bureaucratic organization is found exactly where the stability of the internal "political" system draws forth the realization of functional goals . . . if an atmosphere of impersonality is to be strictly maintained, it is imperative that all decisions, which are not reached within the context of an impersonal regulation structure, are made on a level where those who make such decisions are protected from those who are personally affected by these decisions<sup>55</sup>". Consequently, if strong pressure for impersonal regulations exists, then a tendency toward centralization cannot be avoided. This typically French context showing the relationship between bureaucratic rules and centralization is verified by our data.

For American subsidiaries, absolutely no correspondence could be observed between differentiation and integration as an influence on economic efficiency. These results force us to review our hypothesis with caution. Apparently the causal structure



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must be viewed in relation to its cultural context. It is simply not a “culture-free phenomenon”.

Finally a few qualitative remarks concerning *social efficiency* should be made. The mean-value-ridge analysis indicates as would be expected, that the strongest influence on social efficiency originates from social components of the management system. In each observed subsidiary proof was available indicating that a positive correspondence between distance of power (management style) and satisfaction with social goals leads to above average social efficiency. This result speaks for itself. Should satisfaction correspond to management style, then the “correct” management style has to be acceptable to both superiors and subordinates and chosen in such a way that subordinates perceive to be managed in a manner that they prefer<sup>56</sup>. Fulfilment of these conditions naturally results in higher values for social efficiency.

In contrast, a bureaucratic control strategy appears to often lead to be a below average degree of satisfaction. This relationship was clearly expressed in all three countries.

A dilemma then appears to be present in the efficiency suited organizational design. On one hand bureaucratic control strategies usually lead to above average economic efficiency, however, they tend to result in negative consequences for social efficiency. The structure of the task system precludes the possibility of the simultaneous realization of both social and economic efficiency. In this way, the social system gains importance as a conflict reducing instrument.

The relationships discussed above concerning task and social components represent a required condition for the attainment of both economic and social efficiency. The implications of these findings correspond to Argyris' theory which maintains that rational perspectives must be integrated with “human relations” perspectives<sup>57</sup>. An efficient organization must give equal consideration to *rational* and *human* aspects<sup>58</sup>. The validity of this theory transcends national and cultural boundaries. From the comparative analysis discussed above it follows that in the case of detailed strategy formulation culture-dependent factors have to be taken into account.

## Summary and Conclusion

The purpose of this paper was twofold. In a first step, similarities and differences with respect to the task dimensions of the managerial structure of the management systems of German reference divisions and foreign subsidiaries were explored. What *delegation of decision-making* is concerned, our data suggested that headquarter management is likely to choose a universal strategy with respect to the centralization of headquarterspecific decisions. With respect to operative decisions, however, a particularistic strategy was followed, i. e. the degree of centralization of operative decisions was adapted to the local circumstances of host environments. Various factors of the macro-environment, including socio-cultural factors, were identified to explain these differences. It was found that this delegation pattern was rational from the point of view of achieving a satisfactory degree of global coordination and control.

With respect to the *coordination mechanisms* employed by the various organizational subunits studied, we could also observe a number of countryspecific differences. Moving

from an intrasystemic to an extrasystemic level in explaining these differences, variables like relative size of subsidiary, corporative strategy, ownership pattern and last but not least cultural conditions were identified as explanatory factors. From these findings, it seems important to suggest that in the process of explaining differences in an internationally comparative design one should first look at the internal and external contextual situation of the organizational units very carefully, before a cultural explanation is attempted. Otherwise, there is a great danger of falling into the "culture trap".

In relating our findings with respect to the internal structure of the subunits to organizational effectiveness, our data suggest that a positive correspondence between differentiation and integration does not necessarily lead to above average effectiveness, as has been suggested by many scholars before. It seems to us that the relationship between differentiation, integration and organizational effectiveness must be viewed in relation to its cultural context. It is simply not a "culture-free phenomenon".

We must admit, however, that the limitations of our data do not allow to firmly reject the differentiation-integration hypothesis mentioned above. There is a great need for further studies avoiding the methodological mistakes we have criticized, and we have tried to suggest a better alternative. There is also a great need for studies following "the most different systems design", in order to be able to move systematically from one level of explanation to another avoiding to fall either in the culture-bound trap or in the culture-free trap.

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