

CHAPTER 8: CONCLUSION

In this chapter we will discuss major findings, limitations and a brief outlook for further research. The discussion of findings mainly concentrates on the question whether the theoretical framework and associations posited are appropriate, can be confirmed/rejected or have to be revised.

8.1 DISCUSSION

The goal of this project was to identify the hybridization profile of the production systems of four automobile MNEs' subsidiaries in India and to explore whether and how possible variations in these profiles can be related to *both institutional and strategic distance* as well as to the *systematic variation in strategic choices* on the corporate and subsidiary level. Derived from earlier research different hybridization outcomes were conceptualized as the combined effect of different transfer scenarios, (mis)fits/recontextualization pressures and recontextualization modes.

The first crucial addition to hybridization research was to consider the effect of both strategic and institutional distance on transfer scenarios and recontextualization requirements and thereby on hybridization outcomes. Key questions for exploration were therefore: 1.) Are both strategic and institutional distance relevant for hybridization outcomes? 2.) Are institutional and strategic misfits respectively, more relevant for the hybridization outcomes on certain dimensions of a production system? And, 3.) what do empirical results suggest as to how institutional or strategic misfits impact hybridization outcomes?

The second crucial addition to hybridization research was related to the question how different strategic choices – at the corporate and the subsidiary level – impact hybridization outcomes. Specifically, what is the link between strategic choices and the triad of transfer scenario, (mis)fit/recontextualization pressure and recontextualization mode and consequently the hybridization outcomes? And, whether and how specific strategic choices – the *generic strategy of the MNE* as well as *establishment and equity modes* – interact with transfer scenarios, institutional and strategic misfits induced recontextualization pressures as well as recontextualization modes to constitute hybridization outcomes?

EXPLORING THE FIRST ASSOCIATION: DO INSTITUTIONAL AND STRATEGIC (MIS)FITS MATTER?

The empirical analysis of the four cases showed that both institutional and strategic distance have a distinct explanatory value for understanding hybridization outcomes of the produc-

tion systems of international automobile companies' subsidiaries in India. The study suggested that strategic distance – different task profiles and different supply and demand market conditions in different contexts – as well as institutional distance – different institutional conditions and demands have a substantial impact on the hybridization outcomes. We saw in the case study that the strategic distance between different MNEs' sites has a profound impact on the definition of transfer templates (in MUL and FIPL), their use and on the recontextualization pressure, where the strategic distance was too great. For example, both SMC and Fiat developed and defined transfer templates because the modest strategic distance between different sites created incentives to do so. However, in both cases the strategic distance in supply market conditions was too pronounced to transfer all aspects of the foreign parent templates. Low labor costs in India – and in the FIPL case additionally lower market demands – disallowed a full transfer of templates and suggested, instead, a transfer restraint, a recontextualization of the original template and customized solutions with regard to the sites' technical configuration. Similarly, institutional distance proved to have an important explanatory value for understanding the hybridization outcomes. Institutional distance also impacted the transfer scenarios, recontextualization pressures and even modes of recontextualization. In the MUL case, for example, the institutional distance was a core reason why SMC was invited and pressed to transfer its template. For host institutional conditions in India were partly rated as so obstructive that a foreign parent template transfer was sought as a deliberate alternative to host context conditions. Cases in point were transfers of the work organization and labor relations. However, in the very same company and on the same dimension of the production system, some institutional patterns between the home and the host context were so distant that the transfer of certain concepts was not even attempted. An example was SMC's consensual approach to decision making, which was ruled out by extreme hierarchical socio-professional demarcations in India. Conversely, based on institutional distance, a number of local/host institutional practices in the DCIPL case came under recontextualization pressure from the foreign parent side impacting the hybridization outcome. In contrast to the proposition posited, the research showed that contextual distance not necessarily implies a transfer restraint. The opposite may also be true. A foreign parent may decide to transfer a template simply because the local/host strategic context conditions are so adverse that there is no way to work with them as they are. Thus, contextual distance can lead to both a triggering of foreign parent transfer or demands where no transfers or demands were originally intended; and a transfer restraint where a transfer was originally intended. An example for the former was the DCIPL case where German expatriates found local institutional patterns in the work organization unacceptable. The latter we saw in FIPL where adverse local institutional conditions prevented Fiat from transferring high involvement elements of the work organization. Thus, the analysis showed that both institutional and strategic distances may lead to contextual misfits, which impacts transfer scenarios and recontextualization pressures and thereby hybridization outcomes.

The work also showed that recontextualization pressures induced by contextual distance and misfit can operate in different directions. For instance, just as foreign templates and demands in subsidiaries can come under recontextualization pressures in distant and incompatible with local/host context – as we saw in FIPL and even MUL – so can local/host templates originally used in subsidiaries – as we saw in DCIPL – come under recontextualization pressure, if too distant from or incompatible with foreign parent context demands and conditions. This finding is very much in line with the work of New Institutionalists (e.g. Kostova and Roth, 2002) who have stressed the double embeddedness of subsidiaries in foreign parent and local/host institutional contexts. The findings add, however, to insights from New Institutionalism that in addition to the impact of institutional distance we need to look at the impact of strategic distance on transfer processes in MNEs. Broadly, speaking this suggests adopting a more complex perspective of subsidiary embeddedness, placing them in institutional and strategic contexts as well as in parent company and host country contexts.

The findings also suggest that some dimensions of a production system are more severely affected by institutional distance and others more by strategic distance. For example, while the hybridization outcomes of functional differentiation and technical configuration appeared to be mainly affected by strategic distance, hierarchical differentiation, labor/industrial relations and certain aspects of work organization appeared to be more prominently affected by institutional distance. However, although some dimensions (and even some aspects within certain dimension) appeared to be more ‘institutional-context-sensitive’ and others more ‘strategic-context-sensitive’, it would be wrong to suggest that strategic and institutional distance can be neatly separated in their effect on specific production system dimension as has been suggested by some (e.g. Pil and McDuffie, 1999). Indications were that both of them almost always play a role or play together in affecting hybridization outcomes. A case in point was the establishment of DCIPL’s work organization. In this case, it was essentially the strategic distance – lower volumes and labor costs – that deterred the transfer of a home plant group-work concept because its application only financially paid off in a high volume and a high wage context. Simultaneously, the much more pronounced socio-professional demarcation in India rendered the transfer of the very same group concept – implying substantial equality among group members – not a viable option. Similarly in the SAIPL case, the Czech expatriate perceived a problematic institutional distance between the qualifications and skills of human resources available in India and those he was used to from the home context. Yet, given the low volumes of the Indian site, the strategic distance to the home plant context, there was no possibility to set up an alternative training program and to adapt the local human resources to foreign parent institutional standards. Thus, no matter whether there is an institutional fit or misfit, if there is a strategic misfit; it may be simply not possible to transfer a certain template. Conversely, there may be a strategic fit to transfer a template but institutional conditions may be too adverse to

transfer it. The research evidence suggests that both contexts need to be considered in combination. While one may take the prominence over the other and may be more relevant on certain dimensions the other context in the background always matters.

Now, what contextual distance cannot explain, or at least only partly predict, is *in what direction* it will impact transfer scenarios, misfit perceptions/recontextualization pressures and why a certain recontextualization mode kicks in. Clearly, when distance is low and there is little misfit and recontextualization pressure, no recontextualization is required in the first place. However, strategic and institutional distance in isolation, without considering the constraining and enabling conditions of specific firms' contexts and strategic choices, on the one hand, and the constraining and enabling conditions of a specific local/host context conditions, on the other, cannot explain: When distance leads to a transfer restraint? Under which conditions contextual distance translates into a perceived misfit? When a perceived misfit translates into recontextualization pressure? And finally, in what way contextual distance impacts recontextualization mode choices?

How the institutional and the strategic distance impact the transfer scenario, the misfit/recontextualization pressure and what kind of a recontextualization mode is chosen, depends on a host of intervening factors – such as the entry mode and time, overall generic and transfer strategy, if distance is rated positively or negatively, how it effects the bottom line of business, the willingness to invest resources as well as the local/host context resilience – and cannot be derived from the contextual distance alone.

EXPLORING THE SECOND ASSOCIATION: STRATEGIC CHOICES AND HYBRIDIZATION OUTCOMES

GENERIC STRATEGIES AND HYBRIDIZATION OUTCOMES

The second mayor research objective was related to the question: Whether and how strategic choices – the generic strategy of the MNE as well as entry modes – are related to transfer scenarios, contextual (mis)fits/recontextualization pressures, modes of recontextualization and consequently hybridization outcomes?

With regard to generic or global product strategies it was expected that particularly the cases featuring a *combination of cost leadership and focus strategies* – such as SMC and Fiat – would be more likely to define and transfer a foreign parent templates, to face comparatively less strategic misfit and recontextualization pressure, to be more determined to adapt the local context to the foreign template and to feature, as a result, higher degrees of imitation. Conversely, it was expected that cases with an element of differentiation in their generic strategy would be more likely to face strategic distance between different sites, less likely to define and transfer a foreign parent template, more likely to experience strategic misfit induced recontextualization pressure, should a transfer occur, and more flexible in

adapting their templates or demands to the local/host context. In short, these firms were expected to feature higher degrees of local, hybrid or customized outcomes.

A first broad analysis of the empirical material confirmed this. MUL with its cost leadership and focus strategy had the highest degree of imitation. SMC had a foreign parent template and sought to transfer it. SMC met little strategic misfit and strategic context related recontextualization pressure. Similarly, Fiat had a foreign parent template, which it sought to transfer. However, despite having designed a template for similar – developing country environments – Fiat experienced a substantial strategic misfit as it had underestimated the strategic distance between its Indian and other World Car operations. Given this strategic distance, Fiat decided to adapt – deselect – some aspects of its template to make it fit the Indian strategic context of low demand and low labor cost market conditions. So in the SMC and in the Fiat case the availability of a foreign template and its transfer seemed to be related to these firms' generic strategies and the related low strategic distance between different global operations. On the other hand, the generic strategy seemed to be a weak predictor for the actual strategic fit/recontextualization pressures a template was facing in the host contexts. The FIPL case showed that even templates that were devised for developing countries only did not strategically fit all developing country conditions. The FIPL case disconfirms the Japanization literature's Lean Production wing in a particular convincing way because it shows that 'best practices', even those customized for specific business environments, are likely to face high recontextualization pressures.

Now, the cases of DCIPL and SAIPL showed that the generic strategy alone, without a combined attention to internationalization experiences and internationalization strategies of MNEs, do not suffice to explain foreign parent template availability and transfer. DC and VW/Skoda had a *differentiation and focus* and *differentiation and cost leadership strategy* respectively. A first overall comparison showed that these companies neither had defined/developed nor transferred foreign parent templates to their Indian sites and that they featured a higher degree of customized solutions. However, a closer look at their generic strategies suggested that it was not self-explanatory why these two cases came to such customized outcomes. After all, both companies featured no pure differentiation strategy and also had some incentive to develop templates. Particularly, DC's recent strategic reorientation towards Asian markets involved the set-up of a number of Asian CKD sites, with similar task profiles and strategic contexts, suggesting an incentive to develop and transfer a foreign parent template. Interestingly, such a template was at the time of research even in the making. Yet, when DCIPL was established as one of the first of the international CKD sites, DC had not defined such a template and probably lacked the experience to do so. Thus, when DCIPL was established this strategic shift was at an early stage and no such template existed. Instead, there was a vast strategic distance to home operations, no foreign parent template available and consequently little strategic (mis)fit/recontextualization pressure resulting from a transfer. Similarly, in the Skoda case one could have expected a tem-

plate transfer to SAIPL. Such an expectation was even more justified given that VW had a substantial internationalization experience and had a portfolio of low segment vehicles for emerging economies. What is more, Skoda had the strategic task of exploring emerging markets in the format of CKD operations. However, Skoda was acting rather independently in setting up the Indian site and didn't have the experience or corporate pressure to develop and transfer a comprehensive template to its infant SKD site. Skoda, like DC, had no specific template to transfer, had no defined transfer intent and faced a vast strategic misfit between the home and host operation. This ruled out using home plants as a template. Instead of using a foreign parent template, those dimensions strongly dependent on strategic contexts conditions were customized to the specific strategic demands of the foreign parent as well as host context strategic conditions and institutional demands.

The cases confirm that generic strategies have some relevance for the question as to whether templates are defined/developed and transferred or not. The findings seem to support that there is an association between companies combining both a cost leadership and focus strategy and the development and transfer of organizational templates. Clearly, the development and transfer of templates increases the likelihood of coming to imitation outcomes. For if nothing is being transferred or demanded from the foreign parent context, there is also no chance of coming to imitations as outcomes. Generic strategies of MNE play an important explanatory building bloc in understanding hybridization outcomes. However, even the isolated aspect of whether templates are defined/developed or transferred depends on the interplay with other crucial factors such as: internationalization experience, whether developed or developing markets have been mainly served in the past (i.e. are there import restrictions), unforeseen strategic misfits and institutional misfits as well as the relevance of other strategic choices at the subsidiary level. Moreover, generic strategies do not suffice to explain the difference across different dimensions of a production system within a particular case. The case analysis showed: a *cost leadership and focus strategy* does not automatically mean that a template covers all dimensions of a production system, that there is the intent or possibility to transfer all aspects of a template, that there are no strategic (or other) recontextualization pressures and that the adaptation of the local context will always be the dominant recontextualization mode. Even if there is a template for transfer, actual transfer may be very selective, given other intervening and interacting factors such as entry mode choices and/or institutional constraints and opportunities in the local/host context. There may be, for instance as in the case of FIPL, templates from the local/host context or from a local JV partner competing with the foreign parent template. What is more, even if there is a transfer of templates, they still may not perfectly fit with the local/host strategic and institutional context conditions. These misfits, in turn, call for recontextualization that can involve as much adaptations of the local/host contexts, demands and templates as adaptations of foreign parent templates. Whether one, the other, or both recontextualization modes kick in, depends not only on generic strategies but among other factors on the establishment mode

related resilience of a local context, wider host context resilience as well as the equity mode related ability to affect changes and the willingness to mobilize and invest resources on the part of the foreign parent. Thus, to understand the recontextualization mode found, company generic strategies only deliver a part of the explanation. While there were indications that companies where the foreign parent defined and sought to transfer a foreign template were also more willing to adapt the local/host context, there are a number of other intervening factors.

While a *cost leadership and focus strategy* does not automatically imply template availability and transfer, low strategic distance, fit and local/host context adaptation as a recontextualization mode; a *differentiation strategy*, especially when it is not a pure one, does not automatically mean no foreign parent transfer intent or the absence of demands, strategic distance, misfit across all dimensions and adaptation of foreign parent templates or demands as the dominant recontextualization mode. Again, just as focus and cost leadership strategies do not automatically mean foreign parent template transfers, low recontextualization pressures and adaptation of local contexts; so do a differentiation strategies not automatically mean no foreign parent template transfers across all dimensions or absent demands, generally high recontextualization pressures and the adaptation of foreign parent contexts demands/templates as the prevalent recontextualization mode. For example, even if a foreign parent lacks a comprehensive template or decides not to transfer certain aspects of a template, there still may be configurational demands vis-à-vis the local site's production system. Such demands can be part of globally defined corporate policies or direct foreign parent reactions to local/host institutional or strategic conditions through expatriates. Strategic and institutional distance may trigger foreign parent transfers or demands like in the case DCIPL, although there was initially no defined transfer intent. A locally existing template may not be in line with foreign parent context expectations and standards. To what extent such foreign parent demands are raised, strongly depends on the formulation of global policies and on the presence of expatriates on site, which is related to the overall staffing policy. Moreover, like in the case of a foreign parent template transfer, foreign parent demands may be more or less distant or contradictory to the local/host strategic and institutional conditions and demands. In the empirical study we saw in DCIPL and SA IPL different recontextualization modes in response to such demands. One possibility is the adaptation of the local/host conditions or the rejection of local/host context demands. The other possibility is an adaptation of foreign parent context conditions or a rejection of foreign parent demands. Whether one, the other, or both recontextualization modes kick in, depends again not only on generic strategies but among other factors on the establishment mode related resilience of a local context, wider host context resilience as well as the equity mode related ability to affect changes and the willingness to mobilize and invest resources on the part of the foreign parent.

SUBSIDIARY LEVEL STRATEGIC CHOICES AND HYBRIDIZATION OUTCOMES

With respect to establishment modes, it was suggested that they impact all three components constituting hybridization outcome, i.e. transfer scenarios, contextual (mis)fits/recontextualization pressures and recontextualization modes. First, it was assumed that Greenfield sites are much more likely to receive foreign parent templates than Brownfield sites because they lack an existing configuration and because contextual distance is comparatively lower. Second, it was proposed that Greenfield sites either reduce or mediate contextual distance, which reduces the misfit and the corresponding recontextualization pressure in the case of a foreign parent transfer. Third, related to the second point, it was assumed that Greenfield sites render an adaptation of the local context to distant foreign parent templates and demands easier because of comparatively lower levels of institutionalization. As a result, it was proposed that Greenfield sites are more likely to feature higher levels of imitation than Brownfield sites.

With respect to equity modes it was also suggested that they impact all components constituting hybridization outcomes, including transfer scenarios, misfits/ recontextualization pressures and recontextualization modes. The argument was here that the equity mode has an influence on whose management controls the company and whose management can decide: What is or can be transferred or demanded? What is rated as an unacceptable contextual distance or misfit? And to what extent the foreign parent template/demands or local/host demands and conditions have to be responded to or can be rejected? It was proposed that the higher the foreign parent equity, the more likely are we to see the transfer of foreign parent templates or the influence of foreign parent demands, the higher the level of misfit/recontextualization pressure and the more likely an adaptation of the local/host context to foreign parent templates, demands and conditions would be the dominant recontextualization mode. Combining the two entry mode propositions it was suggested that we can expect wholly-owned Greenfield sites to feature the highest and Brownfield JVs the lowest degree of imitation. Related to our four cases this suggested SAIPL and DCIPL to have the highest incidence of imitation; and FIPL and MUL to have the lowest incidence of imitation.

Now, surprisingly the opposite was empirically found. How can we explain this? One important explanation was the generic strategy related availability and transfer of a foreign parent template in the cases MUL and FIPL. But there were other factors that played a crucial role. Let us take a closer look at the two propositions posited with regard to entry mode.

THE IMPACT OF ESTABLISHMENT MODE

How does establishment mode impact hybridization outcomes? The case comparison showed that the establishment mode has an impact on the transfer scenario because it implies the presence or absence of an existing local template. In our sample it was only FIPL,

which had entered – or was forced to enter – the Indian market within the format of a Brownfield operation. That Fiat was not very happy about the existing template at its site is another question, which also forms an important aspect of the transfer scenario. Over all, however, the case comparison showed that establishment mode alone is only a weak predictor for foreign parent template transfer. MUL, DCIPL and SAIPL were all Greenfield sites, yet, out of these, it was only SMC that transferred a comprehensive foreign parent template. FIPL in contrast, the only Brownfield site, did see a foreign parent template transfer. The findings indicate that although a Greenfield site implies a need for establishment, this configuration must not necessarily be based on a foreign parent template transfer or even strong foreign parent demands. Instead, indications were that whether a Greenfield site was shaped by a foreign parent template or subject to strong foreign parent demands crucially depended on the questions: 1.) Who (foreign partner vs. local partner; expatriates vs. host context nationals) has the configuration mandate on a specific dimension of a production system? 2.) Whether a foreign template is available and which production system dimensions it covers? 3.) And whether the foreign parent template fits the local/host strategic and institutional context? For example, Skoda had practically no transfer template for its Indian Greenfield operation. Skoda had not defined a template for SKD sites and the home plants were strategically too distant to be used as templates. If at all, we could call the Skoda Production System a very narrowly circumscribed template, which covered only a very limited range of production systems dimensions. Most importantly, due to its polycentric staffing approach, the configuration mandate of the site was in the hands of host country nationals who shaped many production system dimensions in line with host/local conditions and demands.

However, the establishment mode was not only proposed to impact the transfer scenario but also to mediate contextual distance – impact misfit/recontextualization pressure – and as having an influence on the recontextualization mode. In contrast to the establishment mode's proposed impact on transfer scenarios, there was more empirical evidence to support the latter two assumptions. Indications were that the transfer of foreign parent templates and the realization of foreign parent demands were substantially easier at the Greenfield sites as compared to the Brownfield site. Employees at the Greenfield sites had less preconceived notions working against foreign template elements and demands, causing lower levels of misfit. And even where host context notions were in contradiction with foreign parent demands or templates, the local context was easier to adapt to them. There was evidence to suggest that Greenfield operations rendered it substantially easier to adapt a local context to foreign templates/demands as compared to Brownfield sites. The contrast between MUL and FIPL served as a good example. These findings largely confirm earlier work that has shown the relation between establishment mode and transfer success (e.g. Sharpe, 1997). It should be noted, however, that while the establishment mode has an impact on a local site's contextual resilience, there are other factors that play into the question,

which recontextualization mode unfolds. For instance, the foreign parent's ability and willingness to invest resources and put through its demands and templates as well as the wider host context constraints penetrating into the local context are crucial. Thus, the establishment mode alone is hardly sufficient to explain recontextualization modes, as local context are embedded in wider host contexts and even Greenfield contexts are only partly resilient.

THE IMPACT OF EQUITY MODE

How does equity mode impact hybridization outcomes? The case comparison showed that the equity mode influences the transfer scenario by having an impact on the potential availability of a local template. In the sample it was MUL, DCIPL and FIPL who had a local JV partner and thereby the opportunity/constraint to draw on their local partner's templates or aspects thereof. By contrast, SAIPL as a wholly-owned operation, had no such opportunity. However, the findings showed that the equity mode not only impacts the availability of templates from local partners but also more generally, the use/transfer of available host/foreign parent templates. The equity mode seemed to impact the transfer scenario because it played an important role for the question: Who has the *configuration mandate* for the production system (local parent vs. foreign parent; host country nationals vs. expatriates)? For example, as Fiat was very quick to turn its JV into a wholly-owned subsidiary, it could relatively unilaterally decide to transfer its World Car template. This was not the case in DCIPL and MUL. SMC for example, which was throughout most of MUL's history the minority JV partner, was facing transfer limitations on certain dimensions of the production system. These were rooted in the equity mode and the corresponding division of configuration mandates across different dimensions of MUL's production system. This was also the case in DCIPL, which had put the configuration of a number of organizational aspects in the hands of its Indian JV partner (and later host country nationals) who used, for example, a host/local parent template for the hierarchical differentiation of the site. Thus, there is empirical evidence that the equity mode has an impact on the question whose management is responsible and has the mandate to configure a certain dimension of a production system and, as a result, whose templates or demands are more likely to be used/transferred or have a weight. However, the empirical material also suggested that the equity mode neither is sufficient to explain who has the configuration mandate (on certain dimensions of a production system) nor is the equity mode as such sufficient to fully explain whose templates or demands are more likely to be used/transferred. Even if a firm is in full control and even if it has a defined foreign parent template, it may still decide not to transfer such an available template or all of its parts because of a strategic or institutional distance. We saw this, for example, in the FIPL case, which only selectively transferred its template despite being in full control and despite having developed a template that was specifically tailored for developing country contextual conditions. More importantly, equity mode is not enough to

determine who has the configuration mandate for setting up a production system's different dimensions. While the equity mode influences the configuration mandate, there are other influencing factors. These factors include: the product ownership, the local/host context capabilities, the capabilities of the respective partners on certain production system dimensions as well as the staffing policy. In this respect, MUL and SAIPL were two telling examples. The equity mode of these two cases suggested in SAIPL the most comprehensive configuration mandate for the foreign partner and its expatriates and in MUL the least comprehensive configuration mandate for the foreign partner and its expatriates. However, the opposite was the case, why? In SAIPL this was mostly related to Skoda's polycentric staffing policy, which implied that most configuration work was delegated to experienced host country management. It was equally linked to the host context capability – i.e. capable host country managers – which was available by the time Skoda entered the Indian market. Interestingly, such an availability of local/host capability was connected to Skoda's late market entry, allowing the company to head-hunt experienced Indian managers from other international Automobile companies – options early movers did not have. In MUL, in turn, local/host context capability – or better its absence – also played a key role in explaining SMC's comprehensive configuration mandate, despite being the junior partner in the JV. Given the lacking local competence – particularly in ailing MUL – as well as in other Indian automobile companies in the 1980s, the Japanese partner was asked to introduce products and processes for manufacturing. Despite being in the minority equity position, SMC's capability and product ownership earned it the comprehensive configuration mandate for most production related dimension of the production system. This allowed and suggested SMC to transfer its foreign parent template. Similarly, in DCIPL – which was quick, although not as quick as Fiat, to turn the JV into a wholly-owned company – the local capability played a crucial role for staffing its HR-function (throughout the company existence) with Indian managers, giving them the configuration mandate on core HR-issues. While with the equity shift all top management positions were staffed with Germans, HR was the only function where the host country management remained in charge. This was related to the Indian managers' intimate knowledge about recruitment, retention, redundancy procedures and industrial relations in India – capability German managers did not have and could not acquire at short notice.

However, the equity mode was not only proposed to impact the transfer scenario but also the occurrence of misfits/recontextualization pressures and to influence recontextualization modes. There was only weak evidence to suggest that the equity mode alone impacted contextual misfit/recontextualization pressure between the foreign parent templates and demands and local/host conditions and demands and vice versa. Rather than equity modes, *configuration mandates* had more explanatory power. Again, despite a foreign parent majority, the host country management may have the configuration mandate on certain dimensions of a production system. Under such a condition the misfit and recontextualization

pressure is lower because of a lower incidence of foreign parent template transfer or demands. (Moreover, even if there is a foreign parent template transfer from a distant context, the distance will be mediated by host country management, which may also defuse the misfit). A case in point was SAIPL: Despite being a wholly-owned subsidiary, the local set-up of the site did not trigger much misfit/recontextualization pressure from the foreign parent. There was little foreign parent template transfer and the locally designed configuration – which was institutionally very distant from the home configuration – did not cause much recontextualization pressure. In this case the absence of foreign parent transfer, misfit perception and recontextualization pressure had largely to do with the staffing policy of the site which translated into a *host country national's configuration mandate*. Thus, although the equity mode may have an influence on the configuration mandate – i.e. what kind of management is in control of or influences a site – and thereby on transfer scenarios, misfits and recontextualization pressures, the equity mode does not determine it. Finally, the equity mode has some influence on the recontextualization mode because it not only influences the configuration mandate, but because it ultimately determines the respective side's power and legal right to push for adaptations of local/host or foreign parent demands, templates and conditions perceived as misfitting. For instance, SMC management was probably not very happy about MUL's excessive hierarchical differentiation, which was very different from its own in Japan. This aspect of the production system was, however, difficult to change as long as SMC was the junior partner. Thus, the equity mode plays an important part in enabling and constraining the involvement and ability of different parties to adapt foreign parent templates, demands and/or local context templates, demands and conditions.

It can be summarized that equity modes impact transfer scenarios, the occurrence of contextual misfits/ recontextualization pressures and recontextualization modes. However, we have to look at how they interact with other factors discussed earlier to explain hybridization outcomes. Above all, we need to look at the distribution of configuration mandates across the different dimensions of production systems.

8.2 CORE FINDINGS AND CRITICAL REFLECTION

Firstly, this work, in line with basic proposition posited, has shown that hybridization outcomes are impacted by both strategic and institutional distance. Their primary influence on hybridization outcomes rest with their effect on transfer scenarios and inducing contextual misfit related recontextualization pressure. Moreover, it has found that while strategic and institutional contexts form distinct influences and take on different prominence in affecting certain dimensions of a production system, they should always be considered as interacting influences on any production system dimension. It would be erroneous to state that the hybridization of some dimensions of a production system only depends on strategic or institutional context and distance. Both contexts generally matter, albeit to different degrees.

Secondly, this work has shown that strategic choices at the corporate and subsidiary level have a substantial impact on hybridization outcomes. Generic product strategies, for example, play an important role for the availability and transfer propensity of foreign parent templates, for the strategic misfit/recontextualization pressure and even affect the recontextualization mode although this last aspect requires further exploration. Similarly, this work has shown in the four cases researched that strategic choices at the level of the subsidiary affect transfer scenarios, misfits/recontextualization pressures, recontextualization modes and thereby hybridization outcomes. The work also offered some refinement with regard to the impact of strategic choices on hybridization outcomes. While generic strategies appeared to have an important impact on the availability and transfer of foreign parent templates, other factors were required to explain such template development and transfer. The findings suggested, for example, that internationalization experience and internationalization strategies of MNEs are of crucial relevance. Similarly, while establishment and equity modes do seem to impact transfer scenarios, misfits/recontextualization pressures and recontextualization modes, they need to be considered in interaction with other factors. Both establishment mode and equity mode do not suffice to explain transfer scenarios, misfits and recontextualization modes. It emerged in this context that configuration mandates – i.e. the question whether host country nationals or expatriates; local parent or foreign parent management is in control – play a crucial role to understand hybridization outcomes. Although equity modes have an important impact on such configuration mandates, they do not determine them.

Apart from its specific contribution to hybridization processes in MNE, this study has shown that a quasi-experimental research design involving rich array of cases, with great variation of combinations, allow us, if studied interactively in a procedural perspective, to establish refined patterns. The strength of such an approach is that it sensitizes us for complex interactions of factors that constitute processes and outcomes in MNE

LIMITATIONS

WHAT DETERMINES RECONTEXTUALIZATION MODES? The particular contribution of this work is that it has shown in the four cases that hybridization outcomes are systematically related to strategic choices at the corporate and subsidiary level. However, some points still remain unclear and some limitations of this work need to be addressed. First, the biggest remaining question of this work is what factors interact and determine a specific recontextualization mode, if there is a contextual misfit. While certainly the ability and willingness of the foreign parent as well as the resilience of the local/host context provide a superficial answer we need to develop a better understanding what factors determine foreign parent ability and willingness, what factors determine the local/host context resilience as well as how the former and the latter interact. Some of the relevant factors have been discussed here such as

strategic choices and contextual distance but their interplay remains still elusive. For example, what kind of local/host institutional patterns can be easily adapted and which are less resilient? Indications were that when efforts to adapt the local/host context hit the core of social-professional identities, affecting entrenched patterns of social stratification and power, they were most difficult, if not impossible, to achieve. However, this requires further exploration.

THE IDENTIFICATION OF HYBRIDIZATION OUTCOMES: One of the biggest challenges was the identification and determination of hybridization labels to the various dimensions of production systems. Apart from the fact that in some instances an in depth inquiry of the nature of a certain dimension was not possible as a result of time and access constraints, there are a number of definitional questions to be answered.

One of the problems of labeling hybridization outcomes has to do with different levels of aggregation and analysis. For example, how are we to label dimensions of production systems when sub-dimensions have different hybridization outcomes? Let us say for example the contractual features of the supplier relations of a production system have been imitated but its structural configuration take on a host contextual form. Depending on the level of aggregation we may either present supplier relations as a hybrid solution based on the combination of different outcomes on sub-dimensions (imitation + local = hybrid) or we may paint a more complex picture where supplier relations are presented as both imitation as well as localization. The question really is what level of aggregation do we emphasize and how should we label combinations of imitated, local, hybrid and tailored solutions occurring on one and the same dimension?

Yet another problem can occur when, on the same dimension, two functionally rivaling solutions coexist and it cannot be readily said, if one takes precedence over the other. For example, many MNE in India – also found in this study – have a double hierarchy structure. One flat structure is usually imitated and is said to represent reporting levels. At the same time, most firms have a very steep hierarchy of formal designations that are not without effect on reporting either. Again is the coexistence of functionally/institutionally rivaling solutions a hybrid one?

Another problem of labeling is related to the question where to draw the line between different hybridization solutions. One such challenge is: How are we to distinguish between hybridization and novel/customized? For it may be asked if hybridization, a mix of transfer and local/host origin, could also be perceived as something genuinely new, hardly reflecting a particular origin any more. Likewise, we may wonder whether the concept of a customized or novel solution, resembling neither a typical local organizational configuration nor a foreign one, is really thinkable. Is it really possible that an organizational form emerges that is bearing no trace of at least some kind of origin? Another question is how we define the difference between a customized and a local solution? For example, a firm may refrain from

transfer as local/host conditions are substantially different from home or elsewhere. It therefore sets up a production system that doesn't resemble any home operation and adapts or better tailors the site to local/host conditions. Now, is this adaptation to local conditions a local or a customized solution? Probably we can only call this solution truly local, if it draws or is based on existing local patterns. If, however, it is tailored to local conditions without drawing on local patterns we may call it novel/customized.

ARE STRATEGIC AND INSTITUTIONAL CONTEXTS JUST TWO SIDES OF THE SAME COIN? Let us turn to the explanatory dimensions of this work. It should be noted that institutional and strategic contexts, while analytically distinct, may be to some extent two sides of the same coin. For example, lacking or weak suppliers can be seen as a distant or an un-conducive institutional context. At the same time, they can be seen as a distant or un-conducive strategic context in terms of supply market conditions: supply market conditions that are not able to provide the right quality, quantity and price of input factors. The same holds true for other input factors, such as human resources. Based on institutional conditions, such as education and industrial training systems, human resources are equipped with specific qualifications, skills and work dispositions. At the same time, these institutional conditions play a crucial role in constituting markets for human resources, i.e. the quality, quantity, and price at which human resources are available. Or looked at the other way around, market conditions, for example demand for specific human resources, shape to some degree specific institutional profiles of the education systems.

STRATEGIC CHOICE: HOW MUCH CHOICE IS THERE REALLY? The terminology of strategic choice seems to suggest the free choice of firms to decide what kinds of generic strategies to pursue and what kind of entry modes to choose. However, this research project casts doubts over the assertion that there is actually much choice involved. Rather it seems that the strategic choices of firms in this case study are constrained by their path dependencies as well as by institutional and strategic contextual conditions and constraints that strongly structure their choices. For example, Fiat's generic strategy focusing on a small affordable World Car for emerging markets has to be understood against the background of tax regimes in Italy, the home country, which started during the Second World War and continued thereafter. Once this main path was created, it was difficult for Fiat to be internationally competitive in a higher market segment that had been strongly filled by other firms. Breaking with such a path is not impossible but very difficult due to established strategic contexts, prior investments made, and capabilities held with regard to a specific path. Similarly, the strategic choice at the subsidiary level regarding products and entry modes were strongly impacted by different contextual constraints at specific points in time. When SMC entered the Indian market, the segment it was focusing on, small cars for developing countries, was vacant. However, in the early 1980s only a company with such a product strategy stood a chance to

be accepted and successful in India, given the host context institutional and strategic conditions – high demands for low segment cars and high government intervention. However, while SMC had the chance to tap this unsatisfied demand first, through its early move into the market, it was facing serious restriction on entry mode choice. Equity modes involving majority equity for the foreign partner were ruled out by government regulation. Likewise, there was not much choice regarding the establishment mode and local partner. It was basically a take it or leave it situation for SMC. This whole scenario contrasted markedly with the one of Skoda. Skoda entered the Indian market late but was not facing fewer constraints with regard to its strategic choices. Being a late comer, Skoda/VW had a very narrow choice concerning the kinds of product to introduce into the Indian market. Most segments were already in the grip of other companies and it was practically ruled out to serve the lower market segments that were under strong control of SMC and Hyundai. So the existing strategic conditions in the host strategic context structured the choice for a niche segment, which differed markedly from VW's earlier move and success in China. At the same time, the late entry made it much easier for VW/Skoda – compared to early movers – to choose a wholly-owned subsidiary as an equity mode. Instead, choosing a JV as an equity mode or a Brownfield site/acquisition had become a difficult option because most local automobile companies had already entered into JV or had proven to be failures.

THE INFLUENCE OF AND ON PERFORMANCE: This work says little about the influence of subsidiary performance on hybridization outcomes and conversely about the influence of hybridization outcomes on subsidiary performance. While there was some indication, for example in the DCIPL case, that lacking performance (here in quality terms) can trigger foreign parent transfer or demands, the relationship between site performance and transfer scenarios, misfits/recontextualization pressure and recontextualization modes has not been explored in this work. Similarly, this work says little about the question whether and how different hybridization outcomes impact the performance of subsidiaries. On the one hand, it can be imagined that too much forced foreign parent transfer and imitation can bring about motivation and performance problems in subsidiaries. On the other hand, too many local solutions may also amount to performance problems, especially when there is a big technology or capability gap between the foreign parent and host context. Clearly the relationship between hybridization outcomes and performance needs to be explored in future.

METHODOLOGY CONCERNS: From a methodological viewpoint, the four cases are based on heterogeneous data sources. In some cases only secondary data was available to determine the hybridization outcomes of certain production system dimensions and the circumstances that brought them about. While a strong effort was made to avoid such a data-related bias, by employing data-triangulation as far as possible, some degree of data-related bias cannot be ruled out.

OUTLOOK: A final challenge this work was not able to address is the question how hybridization processes unfold at the micro-level between specific actors that are embedded in or originate from different strategic and institutional contexts. It involves asking: How specific hybridization outcomes have come about by taking a closer look at how actors are differently affected and able to shape such processes based on their systemic positioning in corporate and societal contexts? How hybridization processes are socio-politically constituted? What kinds of decision making processes constitute hybridization processes? Whether we should consider transfer processes as ‘translation processes’ or ‘dialectical transformations’, in which the transfer contents change the receiving contexts as much as the receiving contexts change the transfer content? As these questions require an embedded – ideally an ethnographic – micro-perspective for their exploration, they were beyond the theoretical scope and empirical access possibilities of this work. However, the author of this work has developed elsewhere (Becker-Ritterspach, 2006) a micro-level perspective on the ‘dialectical transformation’ of knowledge integration in MNEs. This micro-level perspective provides an alternative framework for future research in the field of organizational hybridization.