

THE INFLUENCE OF CULTURAL DISTANCE OR INSTITUTIONAL CONTEXT ON THE ADOPTION OF A BEST PRACTICE IN MNCs' SUBSIDIARIES: An extreme case.

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1. Introduction

MNCs are known to spread best practices all over the world. In addition to technological transfers they seem to participate in the international convergence of management practices (Quintanilla & Ferner, 2003: 364).

An international best practice that is often referred to is Quality Management (QM). Developed by Joseph Juran and Edward Deming in Japan after the Second World War, QM participated strongly to the recovery of the Japanese

economy and proved to be efficient for the sustainability of successful international organizations (Pojasek, 2007). The recent version of ISO 9000:2000 proposes a recognized international standard for the practice of QM. ISO 9001:2000 certifications are often required by customers and are continuingly increasing in number, (ISO, 2007).

When an MNC settles a greenfield subsidiary abroad, sends expatriates, chooses and trains its local employees and transfers the technological and management knowledge, it seems that best practices, such as ISO 9000 standards, have the best chance to be correctly implemented in this local organization.

However, culturalists, on the one hand, state that, depending on their national values, employees in the subsidiaries may adopt the above practices, but for different motivations, compared to the parent company. Also, local personnel may implement these management tools badly because they may not fit local social norms or values. Some employees may even completely reject the practices (Hofstede, 1980: 253-278). Culturalists insist on the role of cultural distance and on the difficulty of transferring such practices (Bhagat *et al.*, 2002).

On the other hand, the new institutionalists argue that the above culturalists' approach "*juxtapose realities that are encapsulated in their specificity*". (Maurice *et al.*, 1992: 77). At the same national level, these authors offer an

alternative to the measures of country-level effects influencing the implementation of practices : systemic models issued from the institutional context and in regard to a specific practice such as HRM (Tayeb, 1995), innovation (Whitley, 2000), or Quality Management (Kostova, 1997).

This paper proposes to test the influence of cultural distance on the implementation of ISO 9000:2000 thanks to the extreme case of the Chinese subsidiaries of Danish MNCs. Also it proposes to weigh the influence of the institutional context as perceived by those who implement the practice, compared to the perceived role of culture, thanks to semi-structured interviews and observations in different subsidiaries and institutions in China.

2. Theories and hypotheses development

2.1. ISO 9000:2000, a standardization of QM best practices.

Few international management authors deal with the recent version of ISO 9000: 2000, few authors even neither mention which version was in application at the time of their survey nor define the precise content and objective of the applied standard. As we want to study the implementation of this norm in different countries we should be careful about its possible different representations. That is why we prefer to dedicate the following lines for an explicit definition of the norm as defined by ISO 9000:2000 published standards.

ISO 9000 is probably one of the most famous and mostly used international family of standards related to systems of management.

ISO 9000:2000 is a family of standards; three of them are generic standards: ISO 9000:2005, ISO 9001:2000 and ISO 9004:2000. ISO 9001:2000 is the only one to give access to certification; it is based on ISO 9004:2000 and ISO 9000:2005 which define the terminology and the eight principles of QM. Versions 2000 and 2005 were applicable at the time of our survey in 2007, in the meantime ISO 9001 has been revised in November 2008 (ISO, 2009). Without deep change, the new version has just clarified some concepts and emphasized the compatibility with ISO 14001 and sector-specific as well as other standards (De Arrascaeta F., 2008). While in 2000, the new version was a deep re-foundation of the family ISO 9000: comparatively the last version, ISO 9000:1994, was a quality control system that could be implemented for only a part of the activity of the organization – traditionally, and essentially, the production activity with ISO 9001:1994 –; ISO 9000:2000 family of standards became the international standard for QM, involving the entire activity and even the partners of organizations, from the top management to the lowest staff level.

Independently from certification, the adoption of ISO 9000 is a voluntarily commitment to a QM system in which any kind of organization may engage in order to ensure its sustainability. This commitment implies embracing the eight

principles of QM defined in ISO 9000:2005 and ISO 9004:2000 (2000) which are:

N°1: The organization should meet customer's requirements and even exceed its expectations in balance with the satisfaction of the other interested parties

N°2: The leadership should define goals and promote internal communication.

N°3: Everyone in the organization should be involved and motivated by the above objective.

N°4: A process approach is recommended – defining objectives and needed resources of each activity.

N°5: This approach should be systemic – processes are considered in order to be effective and efficient on a global scale, not independently.

N°6: Continual improvement is a must.

N°7: Each decision must be based mainly on data and information, balanced with experience and intuition.

N°8: Finally the organization should establish mutually beneficial supplier relationships.

About one hundred countries, amongst which twenty-one are observers, take part in the ISO 9000 technical committee, TC 176, whose role is to develop and

improve this family of standards. These norms represent an international consensus from experts, on QM best practices.

Meanwhile, culturalists and new institutionalists question the universality of the implementation of ISO 9000:2000 across borders.

New institutionalists in particular, studied how the same practice may be implemented in a different way. Based on the work of Meyer & Rowan (1977), Kostova has surveyed the implementation of QM in different foreign subsidiaries of an American MNC, she identified two main degrees of implementation, the first is superficial, “ceremonial”, the second one is “internalized” when the practice is taken for granted in the organization (Kostova & Roth, 2002).

We propose that even if ISO 9000:2000 is a standardized form of QM, there may also be two levels of implementation due to the structure of the family of norms itself. A “ceremonial” adoption would occur when the company is essentially interested in the ISO 9001:2000 certificate that could be displayed to the different partners, ignoring totally or partly the principles of QM developed in ISO 9000:2000 and ISO 9004:2000. Such ceremonial adoption would imply a misuse of the ISO 9000 family of standards, because the QM principles are supposed to be the base of ISO 9001:2000 implementation and may not be separated from it. On the opposite, the internalization of ISO 9000 would not necessarily imply the certification, but would be evidenced by the

commitment of the organization to of the eight principles of QM, described above.

2.2. Cultural distance and difficulties in adopting best practices

Hofstede who is the most quoted author in intercultural management was the first one, to prove that in such a big and international group as IBM, with quite uniform practices, employees from worldwide subsidiaries differed from one country to another in terms of their national cultural values (Hofstede, 1983).

Hofstede discovered four main dimensions that allow the relative measurement of the cultural position of each nation and their respective distance to the other nations, in terms of individualism-collectivism, power distance, masculinity-femininity and uncertainty avoidance. According to the author, this national relative position on each of the four dimensions axes depends on the different national programming of the individuals' mind that takes place essentially during their childhood. When these individuals enter as local employees in a MNC such as IBM, they do not take off their values as they would do with a coat before hanging it at the coat rack, before adopting the practices in use in the MNC. Instead they interpret these practices through the lens of their national values and implement them accordingly.

We consider that wholly owned greenfield subsidiaries are at the cross-section between two national cultures: generally some managers are expatriated from the country of origin, the subsidiary has to report to the headquarter in the

country of origin, and most of the employees are very often locals and have to implement technologies, strategies and plans that are often initiated or decided at the headquarters, or by expatriates. We purposely eliminate Joint Ventures, alliances and non-greenfield subsidiaries from our study because they imply taking into account an additional culture: the local organizational culture with its own routines and practices that existed before the agreement or alliance with the foreign entity. The implementation of the studied best practice may not only be disturbed by the presence of two distant national cultures but also by the two potential conflicting organizational cultures.

According to Bagghat and Kedia (1988: 560), the distance between two national cultures combined with a disparity in economic development are the highest constraint in transferring knowledge from a parent company usually situated in an industrialized country to a subsidiary usually situated in a developing country. The authors (2002) propose that the most difficult situation for the transfer of technologies is when organisations come from two national cultures that are opposed concerning the vertical-horizontal and individualism-collectivism axes. These axes correspond to the combination of Hofstede's individualism-collectivism and power distance dimensions. These dimensions indeed play a big role in the organizations and for the implementation of practices such as QM because they refer to how people prefer to be motivated,

take decisions, organize their work, individually versus collectively and, in terms of their acceptance and use of hierarchy.

In order to test the influence of cultural distance, we choose to study an extreme case, as far as cultural distance for these dimensions is concerned: we choose to study subsidiaries settled in a country that is positioned on the farthest away position on individualism-collectivism and power distance axes from the country of origin of these MNCs.

We make the hypothesis that subsidiaries encounter specific difficulties in implementing ISO 9000 in this extreme case. Some subsidiaries may fail to be certified ISO 9001 or to adopt ISO 9000 and 9004 because of cultural distance; otherwise subsidiaries may succeed in certifying ISO 9001 without being able to internalize ISO 9000:2000 properly. Actually, internalization of the norm implies a cohesive acceptance, interpretation and implementation of QM principles that may be hampered by tensions between locals and expatriates due to differences in cultural values. Such difficulties in adopting or internalizing ISO 9000:2000, if due to cultural distance, may not be encountered in local companies or subsidiaries with closer cultural background.

2.4. The influence of the institutional context

According to Gamble who surveyed the implantation of HRM practices in an MNC's Chinese subsidiary “ ‘Cultural Distance’ does not present any insurmountable barrier” (Gamble, 2003: 385), for him this concept is over-

simplistic and may not determine difficulties in implementing a practice at the national level. As for the authors in the new institutionalism stream, specific, national, complex, and multifactor contexts may favour a certain practice or not. Contrarily to cultural values that are independent from the practice itself, the variables composing these institutional contexts such as Whitley's Business Systems take into account the specificity of the practice (Whitley, 2000: 880-881). Similarly, Kostova proposes specific Country Institutional Profiles for QM and even tries to measure these CIP on ten different countries. Kostova's CIP are supported by the three institutional pillars identified by Scott (1995): the cognitive pillar composed of cognitive structures and social knowledge constructs the interpretation the people share of a practice ; the normative pillar including social norms and values determines the accepted behaviours concerning the implementation of the practice; the regulative pillar consisting of laws and rules encourages or constrains the implementation of the concerned practice.

Consequently, it seems that if we find difficulties in implementing and internalizing ISO 9000:2000 in our extreme case and if these difficulties are also found in our control sample, we have to consider institutional influences in China linked to cognitive, normative or regulative forces that may constrain the implementation of these standards.

After having determined the role of the extreme cultural case on the implementation of ISO 9000:2000 we propose to determine, at the country level, the role of the institutional context in the degree of implementation of the practice in foreign subsidiaries and to weigh the respective influence of the cognitive, normative and regulative pillars.

3. Methodology

3.1. Choice of the extreme case

We look for the extreme situation of subsidiaries that are settled in a culturally extreme distant country from the country of origin. Amongst developing countries, we select China which is the first country in terms of ISO 9001:2000 certifications in volume and in growth, in order to be sure that there are no legal, social or economic potential misfits (Kedia & Bhagat, 1988) in China concerning the implementation of the family of standards that was historically developed in Europe.

In order to find the industrialized country that is the farthest away from China according to the two dimensions of individualism-collectivism and power distance, we chose to refer to the result of the most recent international cultural survey, involving 170 scholars who surveyed around sixty countries during ten years : GLOBE (House *et al.*, 2004). Concerning the “Individualism-Collectivism” dimension which has been split into “societal collectivism” and

“in-group collectivism” in GLOBE, China ranks amongst the highest, North European countries amongst the lowest, and Denmark, especially, is the lowest ranking country for “in-group collectivism”. Concerning Power Distance, Denmark is the farthest away from China with the lowest Power Distance amongst industrialized countries (House *et al.*, 2004: 742).

Following the recommendation of Collier et Mahoney (1996: 77), in order to prevent a potential selection bias, the extreme case has not been chosen according to the dependent variable but according to the explaining variable, respecting the condition that the explaining variable is perfectly exogenous compared to the dependent variable. We insist on the fact that we measured the cultural distance thanks to two dimensions that have not been proven to be more or less favourable to the implementation of ISO 9001:2000:

- High individualism allows empowerment of the employees, but high collectivism favours cohesion amongst them – QM principle N°3,
- Low power distance eases knowledge sharing, as high power distance allows managers to act as leaders and models for the others – QM principle N°2.

3.2. Surveyed sample and collect of data

Our research sample is composed of the total number of greenfield wholly foreign owned companies from Denmark in the North of China according the directory of the Danish Trade Council, DTC (2005). This zone includes Beijing, the capital of PRC, the Tianjin Economic and technical development zone and

Shandong province where FDIs are mainly situated, plus wide territories including to Mongolia towards the North and Xingjiang towards the West.

We choose the North Zone because this is the area where we had more probabilities to find greenfield wholly-owned-enterprises (WOE) because of the biggest concentration of Danish multinationals is in this zone. Compared to the other two zones surrounding Shanghai and Guangzhou, the North zone is quite balanced in terms of presence and commercial flux - which shows that Danish MNCs have not concentrated administrative settlements in this zone. From the Danish Trade Directory we sorted twenty-one greenfield WOE, whose headquarters are situated in Denmark. We surveyed nineteen of them, two were not available.

In order to check the influence of the extreme cultural case, we also constituted a control sample built randomly and according to the theoretical sampling method based on data saturation (Voynnet Fourboul, 2002: 23). We surveyed four ISO 9000 certified subsidiaries from Great Britain, France, and Japan, one German Joint-Venture (JV) and one state-owned Chinese company. Compared to Denmark, their countries of origin are positioned at a lower, variable, positive or negative distance, on the power distance and individual-collectivism axes.

Moreover, we interviewed three experts from two international certification bodies, plus one Chinese and two Danish consultants. In addition, we made

observations in different supermarkets and media present in Beijing, interviewed fifteen middle class people about their representation of ISO 9000:2000 and consulted and analysed the Chinese laws and regulations on the issue.

As a whole, we collected information through fifty-six direct or phone interviews as well as visiting eleven companies' websites.

The aim of the qualitative semi-structured interviews was multiple: to apprehend the degree of internalization of ISO 9000 – in order to know the motivation for adopting the standard and the difficulties in implementing some of the eight QM principles, to weigh the role of culture in the lack of internalization, to evaluate the influence of the institutional context, and to weigh which of the normative, cognitive or regulative factor were predominant.

4. Results and analysis

4.1. Results and influence of the extreme cultural case

Quantitatively, we found that amongst the twenty-one targeted Danish subsidiaries, thirteen subsidiaries are neither certified nor in the ISO 9000 process, six are certified, two could not be contacted by phone and did not respond to our e-mails.

The first conclusion that could be drawn from these figures is that the extreme cultural distance did not impede some Danish companies from obtaining the

certification. None of the certified companies mentioned any specific difficulty in obtaining the certification in the scheduled time.

While looking more closely at these results an unexpected typology appears:

- The contacted non-certified subsidiaries are exclusively commercial or service subsidiaries in sectors such as transit, transport and banking, they are not in the ISO 9000 process. We noticed that two managers from these non-certified companies plan to apply for certification if they create production lines in the future.

- The six contacted certified subsidiaries are exclusively industrial subsidiaries, four of them are production subsidiaries – their products are sold through a commercial subsidiary or thanks to a representative bureau – ; and two are integrated subsidiaries that are only partly certified, mainly for the production lines ; the financial and the commercial departments are systematically excluded from certification.

Sectors are very diverse and cover compressors, medical appliances, windows, engineering in the pharmaceutical and biotechnological industry and paints

- One of the Danish companies that we could not contact publishes on its website an international certificate indicating that sales subsidiaries as well as production subsidiaries in China are certified. The displayed certificate states that it covers development, production and sales and gives the list of the covered subsidiaries including sales offices in Guangzhou and Shanghai plus

the production subsidiary in Tianjin and the headquarters in Beijing. Despite the fact that we could not contact anyone in the company and check if the eight principles of QM are really internalized, this case proves that internalization through the integration of all the activities in the ISO9001:2000 is possible in China for Danish companies even if most of them did not do so.

All of the other contacted Danish MNCs have engaged in the ISO 9000 process only when they manufactured – or in one case offered industrial engineering – in China, and/or only for the production activities. This is against principles 1, 3, 4, 5 and 8 of QM implying a global and systemic engagement of the organization in the process of continuous improvement in order to satisfy the customer in a broad sense: producing quality product is only one part of the global process toward customer satisfaction including sales – in contact with customer – as well as the other administrative departments. The ISO 9000:2000 family is used only in a partial way: by complying only with certain ISO 9001:2000 requirements that permit to obtain the certification without engaging in a global QM process for the whole activity, these subsidiaries adopt ISO 9000:2000 in a “ceremonial” way, in order to gain an external image of quality towards the customers without internalizing QM through a general commitment to the eight ISO 9004:2000 QM principles.

This leads to the question: is the revealed non-internalization of ISO 9000:2000 in the contacted Chinese subsidiaries of Danish MNCs due to the extreme cultural distance between Denmark and China?

In fact, in our control sample, we found the same results amongst the subsidiaries for which the cultural distance of their country of origin is closer to China: the Japanese, the British and the French wholly-owned subsidiaries, as well as the German JV and the Chinese State owned company have only certified the production activities and have not internalized the QM process implied by the adoption of ISO 9000:2000.

As a consequence, we can conclude that the extreme cultural distance does not determine the lack of internalization of ISO 9000:2000 in most of the Danish subsidiaries of the North zone of China.

Moreover our interviewees have systematically denied any particular cultural constraint in the implementation of QM principles in China, even though they knew that we were trying to assess the role of culture in the implementation of such best practice and showed interest about these questions. The explanations given by both expatriates and local managers concerning motivation, advantages and difficulties in implementing ISO 9000:2000 were very coherent and did not show any disagreement or potential conflicting representations concerning ISO 9000.

As a conclusion, despite the scrupulous choice of the extreme case, we could not demonstrate that cultural distance has any influence in the non-internalization of ISO 9000:2000 found in the great majority of Danish subsidiaries settled in the north zone of China: the same lack of internalization as well as the same typology of certified subsidiaries have been found in our control sample, which corroborate the perception of our interviewees who deny the influence of cultural distance in this situation.

4.2. The institutional context

The cultural cause of the non-internalization of ISO 9000:2000 family in the Danish subsidiaries has been eliminated thanks to the use of the extreme case and our control sample. Nevertheless, thanks to the deep analysis of our interviews, it seems that the situation of the Danish subsidiaries is strongly embedded and may be explained by the institutional context that favours a ceremonial adoption of the ISO 9000:2000 family, through the ISO 9001:2000 certificate.

4.2.1. The cognitive context

Once in China one could not ignore the general awareness for quality products and we have paid very much attention to the potential influence of this cognitive context on the implementation of QM systems such as ISO 9000. Day-to-day quality awareness was especially sensible when we conducted our

survey, one year before the Olympic Games took place in Beijing and seemed to attract the worldwide eyes scrutinizing for any mishap. The local news were monopolized on the case of Zheng Xiao Yu, the Chinese top official for sanitary control of pharmaceutical and food products who had just been executed on July 10 2007, only six weeks after been convicted to capital punishment for corruption in certification of products causing injury and death to consumers including infants.

With the recent affluence of consuming products, local and foreign brands entering the Chinese enthusiastic consumer market, quality problems and associated awareness arises. Since the end of last century, because of regular local scandals and because the Chinese have been isolated from the ‘mystified’ Western world and merchandises for such a long time, middle class consumers are often fascinated by foreign brands (Zheng, 2002b) and supposed associated management skills. In the same way international standards such as ISO 9000 have quickly gained credibility and are never referred to in their Chinese transcription – GB/T 19000-2000 : GB/T abbreviation of *Guójiā Biāozhǔn* (国家标准) : *Guó Biāo* “national standard”, T means *tuījiàn* 推荐, “recommended” as opposed to “mandatory”. And, the use of ISO 9000:2000 standard which is restricted to the Business to Business area in Europe, has become very familiar to urban, middle class consumers in China. As the interviewed auditor of one

international certification body says, ISO 9000 is very “popular” in China: this representation is very widely shared and as we could observe, many advertisements on TV or posters mention the obtained number of ISO 9001 certificate. Packaging also refers to the certificate. Randomly interviewed middle class consumers generally assimilate ISO 9000 to a quality product certificate. Mazza et Alvarez (2000) showed how such QM practices in Italy acquired legitimacy not only through professional media, but because they became popular. We propose that managers who live in China, expats as well as local employees are cognitively influenced by the popularity of the misinterpreted family of standards ISO 9000.

As we could observe in many supermarket premises, on packaging and advertisement in Beijing, ISO 9000 has become a marketing tool assimilating certification to quality product guarantees even though ISO clearly recommends not to display ISO 9001:2000 “marks of conformity on products, product labels, or product packaging, or in any way that may be interpreted as denoting product conformity” and not “to give the impression” that ISO 9001:2000 is a product certification or a product guarantee (ISO, 2005).

By analysing carefully our interviews and observations, we clearly found that the non-internalization and misuse of ISO 9000 is strongly influenced by a strong cognitive misinterpretation of ISO 9000, widely reduced to a quality control system or even a simple product guarantee.

4.2.2. The normative context

Under this global cognitive context a normative influence on practices has been developed by mimetic isomorphism amongst companies in China, including foreign subsidiaries (DiMaggio & Powell, 1983). Actually, the typology we found amongst Danish companies is not specific to these subsidiaries, nor to foreign subsidiaries in general and is coherent with the typology given by Zheng (2002a): Chinese companies can be classified according to three categories depending on the way they implement the standards : those who “really implement the standard, those who have a dual functioning” – that partially implement the standards and those who use ISO standards as “an illusion”. The term “illusion” refers to certification that could be displayed in order to give a good external image of the company as well as of its employees, regardless of whether the certificate has been properly issued, counterfeited or illegally obtained. In all of our interviews, the ISO 9000:2000 family is closely and mainly identified to the ISO 9001:2000 certificate, none of our interviewees mentions the ISO 9000:2000 family as a global QM process, independently from certification. If not counterfeited the certificate is issued by a certification body that is more or less trustworthy; international certification bodies are supposed to be amongst the most serious ones, while Chinese certificates have the reputation to be sometimes issued by an obliging auditor in a local certification body. The certification bodies may have normative

influence in the observed misuse of ISO 9000. On the one hand they are only interested in the ISO 9001:2000 certification for which their intervention is necessary; but on the other hand, if MNCs decided to certify not only their production subsidiaries but also the commercial subsidiaries and their representative bureaux, a new important market would be opened for audits and certification.

Only one of the foreign subsidiaries we visited obtained the certification from a local Chinese certification body, the others applied for certification to an international certification body.

From the two in-depth interviews with two sales persons for the North zone of China and one auditor, representing two of the most famous international certification bodies of European origin, we retained that (*verbatim*): *“the key reason is that ISO 9000 is mainly focused on the value-added chain of the product. It is not a big issue for MNC only for sales and marketing, logistic is may be a different scenario, but for marketing and sales they certify independently apart from the manufacture. They do not have enough motivation, because the persons in the market they realise how to produce, it does not concern marketing and sales, but how good is the product; the demand of the market, it depends on the market the customer, but not how good you are at the marketing and sales. Many focus with the value added chain with the products, so, many certify the production lines.”*

Through such statement we understand that the partial certification of the production activities and the implied non-internalization of the ISO 9000 family is not only recognized but accepted by the certification bodies themselves. According to the interviewed auditor the main reason for this misuse of ISO 9000:2000 is that *“they want to show their capabilities in quality insurance to their customers, especially some overseas customers, [...]”*.

Most of our interviewees motivate the adoption of ISO 9000 in their company as an answer to the customers' demand. Sometimes the demand is explicit, sometimes it is just anticipated. Actually manufactures in China suffer from a bad quality image fostered by recent scandals internationally diffused by the media concerning consuming goods such as toys, toothpaste, baby powered milk...

As a consequence, the interviewed practitioners as well as the managers of the certification bodies naturally adopt a normative vision of a minimized representation of ISO 9000:2000 that instead of a QM best practice appears just as a quality control system or even a guarantee for quality products which has become a priority in China in order to keep customers and fight against low cost competitors.

The results of our observations and interviews show that even if our interviewees let us understand that they are more or less conscious of the

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misuse of ISO 9000, the wrong representation is so deeply and widely spread that it submerges the practitioners themselves who accept a compromising attitude between the requirements of the standard and the general practice. As an example, a Danish manager's answer to our general question concerning the motivation for certifying ISO 9000 was: *"You know the ISO 9001 now looks like an advertisement, a proof of the control and of quality, for common people it is a tool for quality. But the principal objective is to improve management; it is not a tool for controlling quality. It is a basis for improvement."...* *"Frankly speaking, the sales are still not apart from our QM certification, it is excluded from our ISO."*

As another example, facing our microphone the German Director affirmed that "in China as everywhere else the requirements are the same"; then he seemed interested when his young quality manager explained that the Chinese Directors were not concerned by quality – QM principle N°2 – and when she suddenly cried because she thought that for this reason the JV may not obtain the renewal of the certificate next time, because the auditor would interview everyone in top management. But, later, when it was time to say goodbye in front of the lift and as the quality manager left, the German director surreptitiously said that he trusted the JV to obtain the certificate renewal because *"even the Lloyds in China are not the same as in Europe"...*

As a conclusion, we can state that from our survey and the results obtained from our control sample, ISO 9000 is misused and is disconnected from the QM philosophy, limitedly and normatively considered as a quality control system for production activities or even a guarantee for products quality, in the Danish subsidiaries that we surveyed as well as in most of the other foreign subsidiaries and local companies certified by some of the main international certification bodies.

4.2.3. Regulative influence

Generally speaking our interviewees do not feel regulative influence from the Chinese or local governmental administration in their implementation of ISO 9000. However, we notice a possible indirect influence of the Product Quality Law of the People's Republic of China (Adopted February, 22, 1993 and enforced August, 7, 2000 (2009)). In the Chapter 1 article 6, manufacturers are encouraged to meet or even surpass the requirements of national standards as well as "advanced" international standards.

The consequences of this encouragement to enhance the quality of products and QM – which is assimilated to quality control in different articles of the Law – up to international standards is first compatible with the cognitive influence of the image of international products and standards as a guarantee of quality, and secondly helps to understand why some interviewees say that they had to

supply the ISO 9001 certificate or even the quality manual in order to obtain the licence or in order to answer to tenders to the Chinese administration. In the Decree N°440 of the State Council of the Peoples' Republic of China concerning the rules for the "Administration of the licence for the production of industrial products" in application since September 1st 2005, it is indicated that for certain manufactured consuming products the applicant should prove his ability to produce quality products thanks to the implementation of quality control systems, to respect security and health national standards as well as environmental standards : an ISO 9001 certified company is of course supposed to meet these requirements. Nonetheless, a Danish quality manager complained that the administration required a quality manual with all the quality procedures – in the spirit of ISO 9001:1994 – instead of the quality manual based on processes that met better the requirements of version 2000 of ISO 9001. Moreover the Law for Quality of products makes officials from every department of the State Council personally responsible for the application of the Law and supervision and administration of the quality of the products all over the country, it could explain why these officials are looking for as many guarantees as possible, and according to one of our interviewees, are reassured if you can provide a pile as thick as possible of documents stamped by all kinds of authorities, such as the tax office or international certification bodies, even if

they do not understand their meaning. The same remark has been made concerning officials in charge of tenders.

According to our interviews and according to the analysis of Laws about the quality of products and business licence, it seems that QM is misunderstood, and is often assimilated to quality control and directly linked to the quality of production and of the products themselves. So we conclude that this vision of quality which is close to the old version of ISO 9001:1994 is also widely spread in the governmental institutions and amongst state officials who are reassured by step-by-step procedural quality manual concerning production methods and by an ISO 9001:2000 certificate issued by an international certification body that is supposed to guarantee the quality of production and of the products. Of course, the managers of both local and foreign subsidiaries have to comply with their requirements in order to obtain business licence and have a chance to be chosen for a tender. Consequently, we conclude that even if it is indirect and most of the time non-explicit, the regulative influence is real on the misuse and non-internalization of ISO 9000.

The normative influence imposed by customers, as the regulative influence imposed by state officials are impregnated by the cognitive influence of ISO 9000 labelled products, TV spots and everyday messages that use ISO 9000 as a marketing tool in order to reassure the local consumers who are more and more aware of the issue of quality in their day-to-day consumer behaviour.

5. Discussion

Following our observations and interviews, the way ISO 9000 is implemented in China, especially in the North Zone, is not influenced by the cultural distance between MNCs' headquarter and local subsidiaries, instead the local institutional context seems to play a big role in the superficial and ceremonial adoption of ISO 9000 which is reduced to a quality control certificate associated to the quality of products. This result is different from those of Kostova and Roth. They were unable to show the active influence of the cognitive and normative pillars on the ceremonial adoption of QM found in a large number of subsidiaries of their surveyed American MNC. They suggest that the coercive influence of both the regulative pillar at the national level and of the headquarters at the organisational level may restrict the active adoption and internalisation of QM practices: subsidiaries, if forced to adopt QM by either headquarters or regulatory environment, may lead to a negative attitude and lack of motivation for the practice itself. The authors admit that their results may be biased by the fact they chose an MNC where subsidiaries were highly dependent from the headquarters (Kostova & Roth, 2002). Of course, and it is a limit of the results presented in this paper, we choose to compare the influence of culture and institutions at a national level, a multilevel approach was out of purpose in this paper, but is to be considered in future research as, for greenfield WOE we do not eliminate the influence of the organizational

culture of headquarters. A multilevel approach not only takes into account the relational context that focuses on the relations of dependence, engagement and image between the subsidiaries and the headquarter that may differ from one company to another, but also the organizational context where the learning and absorption capacity of the local entity is to be taken into account especially for JVs and buy-out companies before transferring some knowledge. Another limit of our research comes from the choice of our field of research that excluded JVs and buy-out subsidiaries bringing an additional organizational culture to the headquarters culture.

Through a survey of thirty-five companies and institutions, this study demonstrates that extreme cultural conditions fail to explain the non internalization and misuse of ISO 9000. It appears that causes for this are deeply embedded in a systemic institutional context where the cognitive influence is very strong.

According to Maurice (1989) systemic institutional approaches allow to compare the incomparable, and we think that our results have a high explaining and comparative power. In India and Singapore, for instance, according to recent surveys implemented respectively by Chang and Chan (2002) and Mahadevappa and Kotreshwar (2004) it seems that the implementation of ISO 9000 did not lead the adoption of QM, it would be interesting to survey the local institutional context and compare with the one in China. Such comparison

could lead to the construction of a model of country institutional context that is not favourable to internalization of ISO 9000, and that could help to anticipate potential misinterpretation and misuse of the standard in different locations and times.

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