

# **DOES CULTURE SHAPE THE BALANCE OF POWER IN MULTINATIONAL COMPANIES? THE CASE OF THE EADS GROUP**

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## **Abstract:**

This article examines the impact of culture on the evolution of power relationships in multinational companies. The empirical study is based on a longitudinal analysis of the EADS Group (European Aeronautic Defence and Space Company), which resulted from the merger of French company Aérospatiale-Matra, German company DASA and Spanish company CASA. The findings show that the balance of power depends not only on contextual factors and individual strategies, but also on cultural factors. The analysis highlights the importance of mutual understanding and cooperation for the success of intercultural management.

## **Keywords:**

Intercultural management, Franco-German management, power relationships, multinational companies.

Power relationships concern the influence, persuasion and dependency within social systems as organisations and play a crucial role in multinational companies (MNC), notably in international mergers, associating companies marked by different cultures (Gertsen *et al.*, 1998; Søderberg and Vaara, 2003). There exists a remarkable variety of theoretical perspectives in the literature: most authors describe how power is distributed within organisations (Ghoshal and Bartlett, 1990) using approaches like institutional theory (Gepper and Matten 2006a), social network theory (Freeman 1979) or organisational learning (Forsgren and Pedersen 2000).

Research on MNC with a focus on power concentrates on the relationship between headquarters and subsidiaries, where the headquarters use this power in a hierarchical sense to stimulate change, innovation, and growth within their corporate networks (Bouquet and Birkinshaw, 2008), but also to demonstrate strength and control (Barmeyer and Davoine 2007a). Few articles take into account the social embeddedness and sociopolitical issues of international management (Geppert and Williams 2006b).

The success of intraorganisational collaboration within MNC often depends on a certain balance of power between the associated entities. However, power relations are likely to change over time: relatively balanced relationships can become seriously unbalanced and vice versa (Barmeyer and Mayrhofer, 2008). The objective of this paper is to understand the evolution of power relationships and how it is shaped by national culture within operations combining stakeholders from different countries. The empirical study is based on an in-depth analysis of the EADS Group (European Aeronautic Defence and Space Company), which has experienced an important crisis six years after its creation. Several questions can be raised: has the balance of power been unequal since its creation in 2000? How can intra-organisational events and the divergent behaviour of French and German stakeholders be analysed? Can we observe an evolution from bi-national to more multinational compositions

of governance systems and power relations? The empirical data collected is mostly obtained from secondary sources (annual reports of the Aérospatiale-Matra, DASA, CASA and EADS companies, internal EADS documents, press review), completed by interviews with EADS managers. The first part of the article examines the evolution of the distribution of power within the EADS group; the second part presents an analysis taking into account contextual, individual and cultural factors.

## **THE EVOLUTION OF THE BALANCE OF POWER WITHIN THE EADS GROUP**

Created in the year 2000, the EADS group combines the activities of French company Aérospatiale-Matra, German company DASA and Spanish company CASA. The success of a merger is generally based on the existence of a common project and depends on a certain balance of power (Gertsen *et al.*, 1998). It is important that stakeholders understand the benefits associated with merger and strive to achieve the objectives together. It has been observed that the issue of power relationships is more sensitive in a multicultural context than in a monocultural context (Barmeyer and Mayrhofer, 2008).

### **The distribution of power following the creation of EADS: a balanced relationship?**

In light of the respective size of the Aérospatiale-Matra and DASA companies, the merger was primarily designed based on a Franco-German axis. It was founded on shareholding parity between France and Germany, which can be explained by the influential role of public authorities in this business sector, more specifically in the defence and aeronautical sectors, where national interests play a crucial role. The history of the partner companies, the strong

involvement of the State and the influence of European, national and even regional policies were dominant factors which affected the organisational structure of the EADS group.

To comply with the Franco-German capital parity, the EADS group adopted the principle of symmetry in its managerial team. This symmetry was reflected by the appointment of two chief executive officers: France's Philippe Camus (former CEO of Aérospatiale-Matra) and Germany's Rainer Hertrich (former CEO of Daimler Chrysler Aerospace, DASA). The new company had a single head office in Schiphol, Netherlands, but was split between two sites: strategy and marketing services (headed by the French) were located in Paris, while finance and communication services (headed by Germans) were in Munich. To avoid duplication within the group, each function and each operating division was managed by a single person. Compliance with the balance of nationalities and skills resulted in relatively significant staff relocation.

It is interesting to analyse the divisional and functional EADS organisation charts from the perspective of the balance of power. For the day-to-day management of the company, both Chief Executive Officers are assisted by an Executive Committee made up of the operating division directors and directors of the company's three major functional departments. The Executive Committee is composed of eleven members (see table 1).

**Table 1: Composition of the EADS Executive Committee in 2000**

Philippe CAMUS (F):	Chief Executive Officer
Rainer HERTRICH (G):	Chief Executive Officer
Axel ARENDT (G):	Financial Director
François AUQUE (F):	Space Division
Thomas ENDERS (G):	Defence and Civil Systems Division
Francisco FERNANDEZ (S):	Military Transport Aircraft Division
Noël FORGEARD (F):	President of Airbus
Jean-Louis GERGORIN (F):	Strategic coordination
Jean-Paul GUT (F):	Marketing
Gustav HUMBERT (G):	Airbus Operations Director
Dietrich RUSSELL (G):	Aeronautics Division

It should be pointed out that, in 2000, the Airbus and Space operating divisions were managed by the French, Aeronautics and Defence and civil systems by the Germans and the Military transport aircraft division was entrusted to the Spanish. At first glance, the power seemed to have been evenly distributed between the French, Germans and Spanish. Table 1 suggests a certain coherence, but in fact the Chief Executive Officers and members of the Executive Board were based in their country and company of origin. This geographical dispersion was likely to reinforce “national” mindsets to the detriment of the emergence of a “transnational” mindset. Conversely, the unifying projects implemented by the human resource department facilitated exchanges between intermediate hierarchical levels.

The realisation of the merger led to the reorganisation of the three companies’ subsidiaries, divisions and alliances into five operating divisions: (1) Airbus, (2) Aeronautics, (3) Defence and civil systems, (4) Space, and (5) Military transport aircraft. Table 2 indicates the importance of the different EADS operating divisions in 2000. From a strategic perspective, the Airbus division, which accounted for 64% of the turnover and made the largest profits of

all the operating divisions, seemed the most important. In this context, it should be noted that Airbus was headed by a Frenchman, Noël Forgeard.

**Table 2: Relative importance of EADS operating divisions in 2000**

Division	Airbus	Military transport aircraft	Aeronautics	Space	Defence and civil systems
Management	Noël Forgeard (F)	Francisco Fernandez (S)	Dietrich Russell (G)	François Auque (F)	Thomas Enders (G)
% of turnover	64%	2%	16%	8%	10%

A company governed by Dutch law, the EADS group opted for a single structure, the Board of Directors, involving executive and non-executive members. This Board, responsible for company activities, is the second most important decision-making body after the shareholders' meeting. The Board of Directors is made up of eleven members, appointed and dismissible by the Shareholders' meeting. It includes an equal number of administrators proposed respectively by DaimlerChrysler and Sogade (Lagardère, with French financial institutions, and Sogade, a French State-owned holding company), one administrator proposed by SEPI (Spanish State-owned holding company) and two independent administrators. Table 3 indicates the composition of the EADS Board of Directors in 2000.

**Table 3: Composition of the EADS Board of Directors in 2000**

Manfred BISCHOFF (G):	Member of the DaimlerChrysler AG Executive Board, Chairman of the EADS Board of Directors
Jean-Luc LAGARDERE (F):	General Partner, Lagardère SCA, Chairman of the EADS Board of Directors
Philippe CAMUS (F):	Chief Executive Officer, EADS
Rainer HERTRICH (G):	Chief Executive Officer, EADS
Axel ARENDT (G):	Financial Director, EADS
Eckhard CORDES (G):	Member of the DaimlerChrysler AG Executive Board
Pedro FERRERAS (S):	President, SEPI (Spanish State-owned holding company)
Noël FORGEARD (F):	President, Airbus
Jean-René FOURTOU (F):	Vice-president, Aventis
Louis GALLOIS (F):	President, SNCF
Michael ROGOWSKI (G):	Chairman of the Supervisory Board, J.M. Voith AG

The analysis carried out reveals that the creation of the EADS group was underpinned by the principle of symmetry. This symmetry resulted in the equal number of shares between France and Germany, the appointment of two Chief Executive Officers and the composition of the Executive Committee and Board of Directors, which include an equal number of French and German representatives. However, a slight imbalance at the operational level should be pointed out, as the Airbus division was managed by a Frenchman. It is tempting to examine how the balance of power evolved in the years following the creation of the EADS group. To do this, we shall examine the distribution of power in 2005 – a year marked by several attempts at challenging the operating procedures initially decided upon.

### **Power within EADS since 2005: heading towards an unbalanced relationship?**

Shareholding parity between France and Germany, which was decided upon during the creation of the EADS group, has been maintained: in 2005, French shareholder, Sogade (50% of whose capital is owned by the Lagardère group and 50% by the French State) and German shareholder, DASA (owned by DaimlerChrysler), respectively held 30.28% of the EADS group's capital; 5.54% was held by the Spanish State and 33.9% was floating. Despite this balanced distribution of capital, challenges were being voiced concerning the balance of power within the EADS group.

At the beginning of 2005, Noël Forgeard, the powerful president of Airbus and close friend of the President of the French Republic, Jacques Chirac, announced his intention to replace the Chief Executive Officer of EADS, Philippe Camus. Following this statement, which surprised the staff of the EADS group as well as the media, and following lengthy negotiations, Philippe Camus would step down. Noël Forgeard also proposed replacing the dual leadership

system with a single leadership system – French-style. German executives and politicians were alarmed by this unilateral takeover suggestion: the Germans believed there was a significant risk of losing their influence over the strategy of this European project. German Minister of the Economy Wolfgang Clement said: “I wish to thank Noël Forgeard for waking us up”. This fear that German executives would lose influence seemed justified.

A few months earlier, French pharmaceutical group Sanofi had taken over Franco-German pharmaceutical group Aventis. Like ARTE and EADS, Aventis has always been a symbol of Franco-German intercultural complementarity and of the equilibrium of the European model (Eckert and Mayrhofer, 2005). Following this takeover, the German part of Sanofi-Aventis, resulting from German chemical giant Hoechst, was reduced to a production site of only a few thousand employees. After this experience, the German EADS shareholders, represented by DaimlerChrysler directors (such as Jürgen Schrempp and Manfred Bischoff) opposed Noël Forgeard’s project. The French eventually agreed with the idea of maintaining a Franco-German co-leadership and Thomas Enders (46) replaced his German counterpart Rainer Hertrich, thereby becoming co-Chief Executive Officer of EADS alongside Noël Forgeard.

However, Noël Forgeard continued to try and raise France’s profile within the group: he attempted to reinforce operating management by performing the joint functions of co-Chief Executive Officer of EADS and Airbus and proposing, should he be successful, the appointment of his French counterpart Gérard Blanc at the helm of Airbus. The Airbus boss had already been granted an exemption so that he could also sit on the EADS Executive Committee. This time, the Germans were opposed to Noël Forgeard jointly holding these two functions.

After lengthy discussions between French and German shareholders and managers, Germany’s Gustav Humbert became the new president of Airbus at the end of June 2005.



Gustav Humbert, an engineer, developed his professional skills in the aeronautical sector over twenty five years. He started his career with DASA before becoming vice-president of Airbus in Toulouse, working with Noël Forgeard. For the first time, the European aircraft manufacturer was headed by a German. This French concession was offset by Noël Forgeard's hierarchical supervision, as he was also appointed Chairman of the Airbus Shareholder Committee.

To comply with the principle of symmetry, the EADS group continues to be co-chaired by two Chief Executive Officers: France's Noël Forgeard and Germany's Thomas Enders. Both Chief Executive Officers, appointed for a five-year period, are assisted by the Executive Committee which is made up of the operating division directors, the directors of the major functional departments and the director of the North American subsidiary of EADS (see table 4). The composition of the Executive Committee reflects the shareholding parity between France and Germany: there are four French and four German members (instead of five French and five Germans in 2000). As with the creation of EADS, one Spaniard (representing CASA) also sits at the Executive Committee. It should also be pointed out that the Executive Committee now includes an American and a Finn. Does this change reflect the group's increasing openness and an evolution from a Franco-German to a transnational company?

**Table 4: Composition of the EADS Executive Committee in 2005**

Noël FORGEARD (F):	Chief Executive Officer
Thomas ENDERS (G):	Chief Executive Officer
Jean-Paul GUT (F):	Chief Operating Officer (Marketing, International Affairs and Strategy)
Hans Peter RING (G):	Chief Operating Officer (Finance)
François AUQUE (F):	Space Division
Fabrice BREGIER (F):	Helicopters Division
Ralph CROSBY (USA):	North America
Francisco FERNANDEZ (S):	Military Transport Aircraft Division
Gustav HUMBERT (G):	Airbus
Jussi ITÄVUORI (Fin):	Human Resources
Stefan ZOLLER (G):	Defence and security systems Division

The principle of symmetry was also maintained in operating divisions. However, the management of several divisions was replaced (see table 5). For example, Germany's Gustav Humbert replaced Noël Forgeard at the head of Airbus. In light of the predominant weight of the Airbus division (60% of the turnover), it should be stressed that the operating power which was formerly controlled by the French, now shifted to the Germans.

**Table 5: Relative importance of EADS operating divisions in 2005**

<b>Division</b>	<b>Airbus</b>	<b>Military transport aircraft</b>	<b>Helicopters</b>	<b>Space</b>	<b>Defence and security systems</b>
<b>Management</b>	Gustav Humbert (G)	Francisco Fernandez (S)	Fabrice Brégier (F)	François Auque (F)	Stefan Zoller (G)
<b>% of turnover</b>	60%	4%	12%	8%	16%

The principle of symmetry was also respected on the Board of Directors, made up of five French, five Germans and one Spaniard (see table 6). Compared with the Board of Directors elected in 2000, one important change needs to be emphasised: unlike his predecessor, the new president of Airbus, Gustav Humbert, did not sit on the EADS Board of Directors. This decision could be explained by the desire not to upset the balance of national powers.

**Table 6: Composition of the EADS Board of Directors in 2005**

Manfred BISCHOFF (G):	DaimlerChrysler manager for the aerospace branch, Chairman of the EADS Board of Directors
Arnaud LAGARDERE (F):	General Partner, Lagardère, Chairman of the EADS Board of Directors
Noël FORGEARD (F):	Chief Executive Officer, EADS
Thomas ENDERS (G):	Chief Executive Officer, EADS
Hans Peter RING (G):	Chief Operating Officer for Finance
Jean-Paul GUT (F):	Chief Operating Officer for Marketing, International Affairs and Strategy
Rüdiger GRUBE (G):	Member of the Management team, DaimlerChrysler
Louis GALLOIS (F):	President, SNCF
François DAVID (F):	President, Coface
Michael ROGOWSKI (G):	Chairman of the Supervisory Board, J.M. Voith AG
Juan M. EGUIAGARAY UCELAY (S):	Associate Professor, University Carlos III, Madrid

To monitor the balance of power, the principle of “cross-reporting” was imposed by the Germans: a French director of an EADS subsidiary must report to the German Chief Executive Officer; similarly, the activities of a German director of an EADS subsidiary are supervised by the French Chief Executive Officer. This two-headed system is designed to improve communication within the group and facilitate the decision-making process. It is based on the German concept of co-determination (*Mitbestimmung*). Spain is represented by one person only.

Technical delays in the production of the A 380, caused by the delayed implementation of wiring harnesses and associated with the dispersion of production sites in several countries, were announced in June 2006. Combined with internal power struggles, they triggered an unprecedented crisis within the EADS group. The loss incurred due to the delay in the delivery of the A 380 undermined the trust in the group’s technical ability, which resulted in a 30% drop in its share price. A few weeks before this drop, several executive managers, including Noël Forgeard, sold significant amounts of stock options, thereby negatively affecting their credibility. This crisis reflects EADS’s organisational complexity and the instability of power distribution, increased by the different perceptions of power and the coexistence of public and private interests within the group.

After this analysis of the evolution of the balance of power, it is necessary to present the current situation in terms of who occupied the influential positions in the EADS governance system. The composition of the Executive Committee was radically altered after the departure of Noël Forgeard, forced to resign from his function as co-Chief Executive Officer of the EADS group and replaced by Louis Gallois, formerly President of SNCF (see table 7). To regain the trust of the shareholders and the general public, Gustav Humbert, the German

president of Airbus for only one year, also announced his departure. The Executive Committee, with eleven members in 2005, was made up of twelve people in 2006, which is still the case in 2010: France's Jean Botti joined the Executive Committee to occupy the position of technological director. The number of French members (five) increased, but the number of Germans decreased to four managers. It should be noted that Louis Gallois jointly holds two management functions: that of EADS Chief Executive Officer and that of President of Airbus (where he is assisted by Fabrice Brégier, the former director of the Eurocopter division, as a Chief Operating Officer).

**Table 7: Composition of the EADS Executive Committee in 2010**

Louis GALLOIS (F):	Chief Executive Officer EADS
François AUQUE (F):	Head of EADS Astrium
Lutz BERTLING (G):	Head of Eurocopter
Jean BOTTI (F):	Chief Technical Officer
Fabrice BRÉGIER (F):	EADS Operational Performance / Airbus COO
Thomas ENDERS (G):	Head of Airbus
Jussi ITÄVUORI (FIN):	Head of Human Resources
Marwan LAHOUD (F):	Chief Strategy and Marketing Officer
Sean O'KEEFE (USA):	Head of EADS North America
Hans Peter RING (G):	Chief Financial Officer EADS
Domingo UREÑA-RASO (S):	Head of Airbus Military
Stefan ZOLLER (G):	Head of EADS Defence & Security

The composition of the Board of Directors (see table 8) has changed a little but seems to counterbalance the changes in favour of French directors in the Executive Committee: Louis Gallois, already present on the Board of Directors in 2005, replaced Noël Forgeard; Fabrice Brégier, Chief Operating Officer of Airbus, does not sit on the Board of Directors. The total

number of members of the Board of Directors is eleven. The number of French members is equal to those of the German managers (each 4). It became more multinational and balanced with three managers from other countries: Great Britain (1), Spain (1) and India (1). The shareholder Lagardère Group is now present with two members.

**Table 8: Composition of the EADS Board of Directors in 2010**

Bodo UEBBER (G):	Chairman of EADS
Louis GALLOIS (F):	Chief Executive Officer of EADS
Rolf BARTKE (G):	Chairman of Keiper Recaro Group
Dominique D'Hinnin (F):	Chief Financial Officer of Lagardère SCA
Juan M. EGUIAGARAY UCELAY (S):	Director of Studies at Fundación Alternativas
Arnaud LAGARDÈRE (F):	General Partner and CEO of Lagardère Group
Hermann-Josef LAMBERTI (G):	Member of the Management Board of Deutsche Bank AG
Lakshmi N. MITTAL (IND):	President and Chief Executive Officer of ArcelorMittal
John PARKER (GB):	Chairman of National Grid
Michel PÉBEREAU (F):	Chairman of BNP Paribas
Wilfried PORTH (G):	Member of Board of Management of Daimler AG

Concerning the evolution of the balance of power in the Executive Committee of the EADS group, two observations can be made (see table 9): first of all, the Franco-German parity effective from 2000 to 2005 – in terms of numbers – does not exist anymore. The French have the majority with five members compared with four Germans. Secondly, the Executive Committee has become more international since 2005, in light of the fact that EADS changes slowly from a Franco-German to a multinational company.

**Table 9: Evolution of the composition of the EADS Executive Committee**

Year	Members	French	German	Others
2000	11	5	5	1 Spanish
2005	11	4	4	1 Spanish, 1 American, 1 Finn
2010	12	5	4	1 Spanish, 1 American, 1 Finn

At the same time, two observations can be made regarding the composition of the Board of Directors since 2000, which alleviate the German public's fear of a French takeover (see table 10): Firstly, as with the Executive Committee, there is no longer a Franco-German parity

– in terms of numbers. In 2010, France and Germany are represented by the same number of top managers (four) in strategic power positions. Thus, the group is hoping to ensure the balance of power by counterbalancing the French influence in the Executive Committee. Secondly, the group’s internationalisation is now more reflected in the composition of the Board of Directors than in 2005. We can therefore observe over time an evolution from bi-national to more multinational compositions of governance systems and power-relations.

**Table 10: Evolution of the composition of the EADS Board of Directors**

<b>Year</b>	<b>Members</b>	<b>French</b>	<b>German</b>	<b>Others</b>
2000	11	5	5	1 Spanish
2005	11	5	5	1 Spanish
2010	11	4	4	1 Spanish, 1 British, 1 Indian

## **ANALYSIS OF THE EVOLUTION OF THE BALANCE OF POWER**

The power struggle within EADS (which involved French and German business executives and politicians) created significant deadlocks in the management structure and caused the group’s most serious crisis since its creation. For a better comprehension of the EADS case and of the strategies and behaviour of French and German stakeholders, a multi-level analysis of the balance of power was carried out.

### **Factors influencing intercultural management situations**

Discussions have been going on for several decades about the institutional and societal approach (Maurice and Sorge, 2000; Whitley, 1999) and the cultural approach (Hofstede *et al.*, 2010; D’Iribarne, 2009), but also about the individual strategic-actors approach of micropolitics with individual interests and hidden “agendas” (Crozie and Friedberg 1981;

Mintzberg 1983) to analyse and understand management processes in multinational companies. The cultural approach is often criticised for being too narrow-minded, determinist, based on mono-causality and ignoring other influential factors (Barmeyer and Davoine, 2007b). The institutional approach does not consider implicit assumptions, values and interpretations of individuals and groups. The strategic-actors approach is criticized to be decontextualising and a-historical (D'Iribarne, (1994).

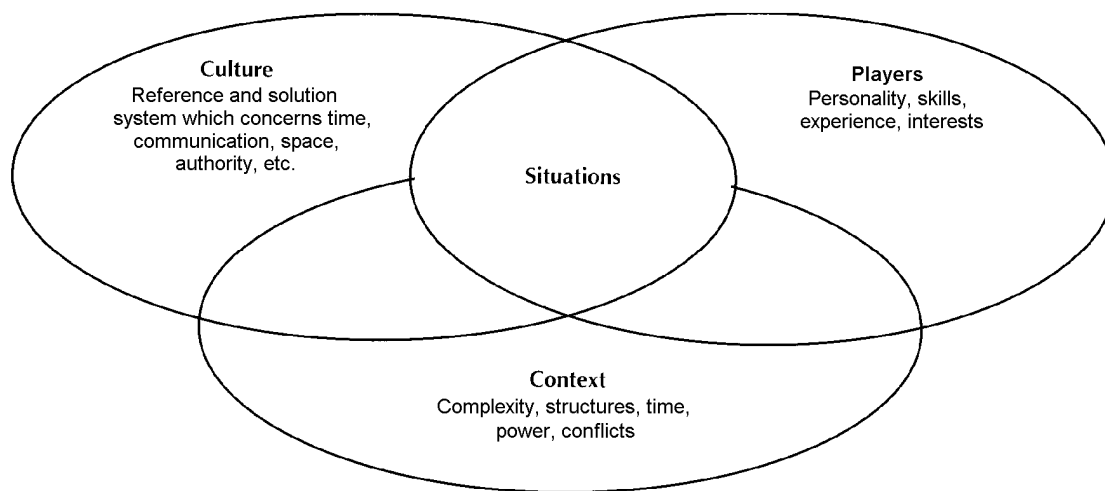
Mayrhofer (2004), Sorge (1996) and Whitley (1999) propose a combination of the institutional and cultural approaches, taking into consideration political, social, economic and cultural institutions, using 'national business systems' and 'societal effects' approaches, seen as creating alternative paths of organising businesses and management (Geppert and Williams 2006b). The authors underline the interconnection of macro- and micro-levels, that is the 'embeddedness' of managerial practices in national systems.

The different approaches are fairly complementary: the comprehension of consultation practices and hierarchical relationships within the company requires knowledge of the legal framework which governs corporate governance, co-determination and training systems. In addition, the history of a country, its identity and related set of values constitute a framework of reference which conditions and gives meaning to the stakeholders' social practices, even within the organisation (D'Iribarne, 2009) and its actors.

Based on this observation, the analysis of the EADS case can be carried out using a model which helps structure and analyse intercultural situations in a more balanced manner, taking into account cultural and institutional factors. Defélix (2001) proposes, following Pettigrew (1995), a "contextual analysis" which includes three variables: (1) the context, which concerns the environment of the organisation and its internal characteristics, (2) the content, which relates to its activity and (3) the process, which highlights the individuals' action upon the evolution of the system. To analyse the EADS case, we shall use a similar approach, based

on the model proposed by Kinast and Schroll-Machl (2003), which underlines three factors influencing intercultural management situations: *context*, *players* and *culture* (see figure 1). These three factors interact and influence each other. Given the predominant influence of France and Germany in the development of EADS, we shall focus on these two countries.

**Figure 1: Factors influencing intercultural management situations**



### **A multi-level analysis of power relationships**

The first factor and element of the analysis is the **context**. Stakeholders live in an area linked to political and economic institutions, constructed by history (D'Iribarne, 1994; Hall and Soskice, 2001; Hancké, 2009; Hofstede *et al.*, 2010; Whitley, 1999): ideas, strategies, intercultural interactions and work experience are at the origin of the EADS group, notably developed during a long cooperation phase between the aeronautical companies of the three countries. These companies have different notions of the role of the State in economic systems.

In the German capitalism model, for example, established after the war, markets are “politically instituted” and subject to “society’s regulation” (Streek, 1996), in accordance with



Ludwig Erhard's concept of social market economy (*soziale Marktwirtschaft*) (Hall and Soskice, 2001). This concept was inspired by the ordoliberalism doctrine of Walter Eucken and the Freiburg School, whereby economic and social order guarantees the smooth functioning of the markets and the State plays a central regulatory role to institute and maintain this order. However, the State must not get involved in corporate decisions (Bourgeois, 2005; Sattler, 2003). This is why the German State was not an EADS shareholder, unlike the French State which has been part of the group's capital since its creation. In contrast to German stakeholders whose career does not alternate between the State's political sphere and the private sphere of companies, French stakeholders are very closely linked to the State (*pantouflage*) and can therefore defend social and political interests.

EADS is also a group with a European origin and identity, whose purpose has been since its creation to counterbalance the power of US competitor Boeing. Since Russian interests acquired 5% of EADS's capital via the purchase of the Vnechtorgbank shares in the summer of 2006, managers and politicians – even in Germany – have been careful not to lose their influence over the group's strategic decisions. As a symbol of Europe and synergy enabling cooperation, EADS finds itself at the centre of economic and political interests and reflections.

The context also concerns political and social, even geographical aspects: the important number of production sites of EADS in Europe does not facilitate cooperation and coordination. Not only are the different parts, of aircrafts for example, often transported from one site to the other, but the site itself is a central location for job creation and security. The Toulouse and Hamburg sites have significantly benefited from the Airbus dynamic. The final assembly of the A 380 is carried out in Toulouse where a large number of jobs have been created. In light of the political and social issues, each country strives to attract as many

projects as possible to stimulate the reinforcement of the industrial fabric, the foundation of a region's economic and social well-being. National choices sometimes override a coherent and efficient industrial logic.

Due to logistical problems in the production of the A 380 model, which resulted in delayed delivery and extra costs, the context has become more difficult for EADS. Political and economic pressure weighs upon the group and its executives. The closing down of certain plants, job losses and the reorganisation of the group are delicate discussion topics. This difficult context affects Franco-German cooperation and intercultural management. It should be noted that specific cultural characteristics pose little problems in a favourable context but become problematic when there is a divergence in interests, opinions or objectives (Hampden-Turner and Trompenaars, 2000). The issue of influence and power arises in these situations.

How does the political and economic dimension of the context manifest itself? The EADS group, as a European and above all Franco-German microcosm, embodies different concepts of power via its employees: it was implicitly agreed that France would have the political and strategic power while Germany would hold the economic power. The fall of communist countries, the extension of Europe and globalisation recently upset this balance. Since the failure of the referendum on the European Constitution in 2005, France has lost some of its political power; Germany, for its part, is losing some of its economic power, partly because of the costs incurred by the reunification process. Due to the economic success of EADS, more specifically of Airbus, the German shareholders involved (DaimlerChrysler) are taking an increasing interest in this company which has traditionally always been managed by the French more so than the Germans. Furthermore, a new generation of German executives, with international training and experience (often in North America) and an easier relationship with power than the previous generation, has taken on important functions in German companies. The negative experiences of Franco-German cooperation, such as Sanofi-Aventis, Siemens-

AREVA or Siemens-Alstom, have instilled cautious mistrust in the strategic mindset of certain German managers. Thus, the firm position adopted by German executives (like Jürgen Schrempp and Manfred Bischoff) is hardly surprising. Attempts by French executives to gain influence and power – notably through the management team and board of directors – have therefore been opposed by German executives.

German managers have adopted a new attitude vis-à-vis EADS: in the beginning of 2007, DaimlerChrysler reduced its shareholding from 22.5% to 15% but retained its voting rights. Thus, the balance of voting rights between French and German EADS shareholders is maintained. The shares were purchased by a consortium of fifteen investors, seven of whom are from the private sector (Allianz, Commerzbank, Deutsche Bank, Goldman Sachs, Crédit Suisse, etc.) and eight from the public sector (KfW - *Kreditanstalt für Wiederaufbau* - Credit Institute for Reconstruction, financial companies and credit institutions from several *Länder* such as Hamburg, Lower Saxony, Bavaria, Bremen and Baden-Württemberg). The German federal government, which refuses to get involved, welcomed this initiative which preserves the Franco-German equilibrium within Airbus and EADS.

The second element of the analysis consists of the **players** who are at the origin of EADS's political and managerial interactions, experiencing and mutually interpreting these interactions within networks (Crozier and Friedberg, 1981; Mintzberg, 1983). The French word for network is *réseau*. But where are important strategic networks built in France? Particularly influential are the elitist *Grandes Ecoles*, which exist besides the regular public universities. *Grandes Ecoles* are considered being the “talent hotbed” (*pepinières*) of the future elite in the fields of administration, management and engineering (Alexandre-Bailly *et al.*, 2007). The *Grandes Ecoles* are known for their strong links to influential political institutions and companies. In general, graduates from the *Grandes Ecoles* get easily

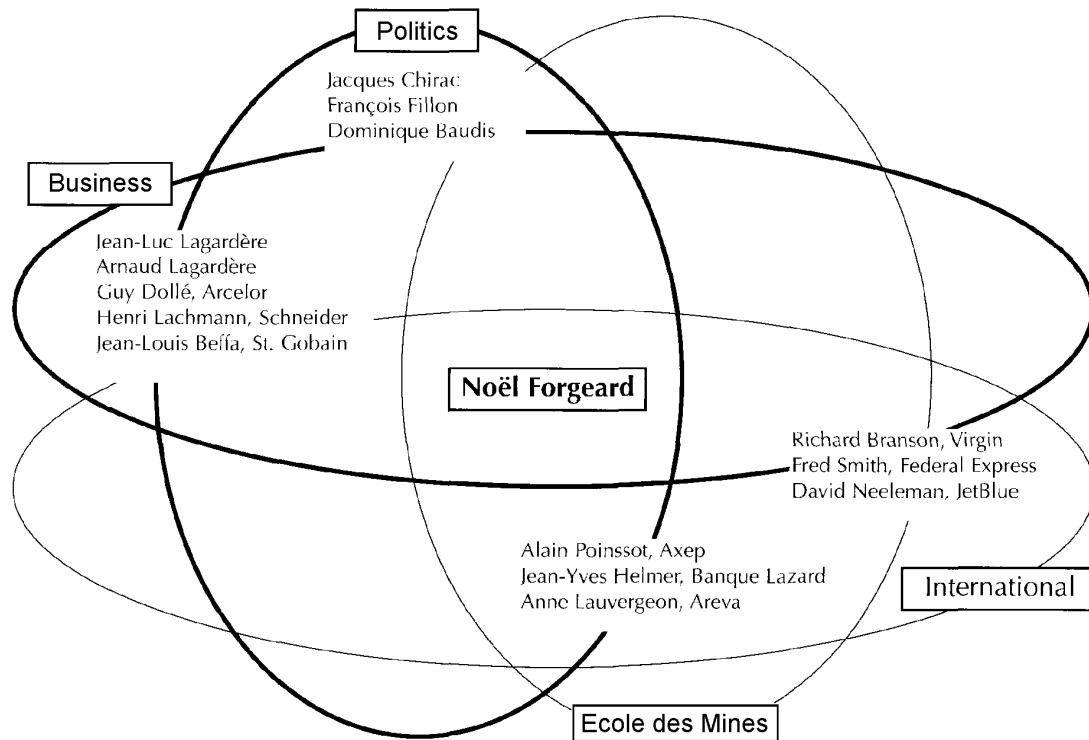
employed in public administration or companies at a relatively high position without having undergone the process of professional in-house socialisation - Bauer and Bertin-Mouroit (1996) compare this to “skydiving”.

At first glance, the main players are the managers who are part of the company’s management team, notably the members of the Executive Committee and Board of Directors. Noël Forgeard can be considered a key player in the evolution of the balance of power. As former Chief Executive Officer of Airbus and EADS, he is the strategic architect of the A 380 model. Noël Forgeard’s career (see table 11) is a typical example of top French managers, alternating between the political and business spheres, referred to as *pantouflage* (Bauer and Bertin-Mouroit, 1996), which makes it possible to create influential networks. Noël Forgeard graduated from a *Grande Ecole*, worked as a civil servant before joining a major industrial group as a member of the management team. During his career, Noël Forgeard met with eminent and influential personalities such as Jacques Chirac, Jean-Luc Lagardère and Philippe Delmas, former advisor to the minister of Foreign affairs Roland Dumas, author of *De la prochaine guerre avec l’Allemagne* (The next war against Germany, 1999). Figure 2 presents some of the players in Noël Forgeard’s network.

**Table 11: Noël Forgeard’s career**

Noël FORGEARD	
Born in 1946	
Education: <i>Ecole Polytechnique, Ecole des Mines</i>	
1972-1978	: Chief Engineer for the ministry of industry
1978-1981	: Technical advisor for the ministry of Transport and Defence
1981-1986	: Deputy Director of Usinor subsidiaries, in charge of strategic reorganisations
1986-1987	: Industrial affairs advisor to Jacques Chirac
1987-1992	: Senior Vice-president in charge of Space and defence activities for Matra
1992-1998	: Managing Director for the Lagardère group
1998-2000	: Chief Executive Officer for Airbus Industries
2000-2006	: Member of the EADS Executive Board and Chief Executive Officer of Airbus
2005	: Replaces Philippe Camus as co-Chief Executive Officer of EADS
2006	: Resigns from EADS

**Figure 2: Noël Forgeard's network**



Of course, there are also influential networks in Germany, but the links between the private sector and the State are much closer in France than in Germany, in particular because of the centralisation of network heads in Paris and the decentralisation of networks in Germany, the *Länder* having significant power (they are responsible for economic, cultural and education policy) and because of the dissemination of major companies throughout the country (Frankfurt, Stuttgart, Munich, Cologne, etc.). In these decentralised structures, it is difficult to create a single national network between managers and politicians.

What happened to the role of the players? Noël Forgeard is described by his friends and associates as an ambitious leader with a strong personality and firm sense of power. Encouraged by his success with Airbus, he claimed the position occupied by Philippe Camus at the helm of EADS. Philippe Camus and Noël Forgeard were “united” for a long time within the Matra group by their boss, Jean-Luc Lagardère. Tension between these two men became

apparent after Jean-Luc Lagardère's sudden death in 2003. They each used their influence with the government: Noël Forgeard was a close friend of Jacques Chirac; Jean-Louis Gergorin, who supported Philippe Camus, had known Dominique de Villepin since he was the Minister of Foreign affairs. The conflict escalated as Noël Forgeard bypassed Philippe Camus to deal only with the shareholders. The media revealed the existence of an anonymous letter ("the Clearstream affair") perceived as an attempt to damage Noël Forgeard. To put an end to the deteriorating internal situation, Arnaud Lagardère appointed Noël Forgeard Chief Executive Officer of EADS in 2004 and brought Philippe Camus back closer to him.

Following the sale of stock options in 2006, Noël Forgeard was forced to resign from his functions; before the general public was aware of the A 380 delivery problems, the French executive sold his stock options – unlike his German counterpart Thomas Enders –, although he claims that he sold them in March 2006 before he became aware of the problems in May 2006.

Crozier and Friedberg (1981) focused on players' strategies within organisations. Their studies show that the personal strategies and tactics of the players who wish to obtain and retain power and influence are often as important in the life – and survival – of organisations as so-called "rational" economic and financial strategies. Thus, power plays modify the organisation's formal framework and can even lead to malfunctions. The role of the players is not always well scripted; it tends to develop in uncertain and ambiguous areas which leave room for manoeuvre. Players keep their cards close to their chest and interpret the official rules of the game. Players are free to pursue individual objectives which do not necessarily match those of the organisation, even if common interests can exist. Power is a focal point of these strategic games. The behaviour of certain EADS managers and, above all, Noël Forgeard's attitude, correspond with the strategic behaviour described by Crozier and Friedberg. While this approach is heavily influenced by the French organisational context, the

notion of power involves a universal dimension, insofar as gaining power and influence can be considered crucial as part of the management of an organisation.

The **cultural** element completes the analysis of this balance of power and certainly plays a central role, as the players acting in a given context are heavily influenced by the cultural socialisation which has shaped the way they perceive reality, the way they think and act according to this perception (Geertz, 1973; D'Iribarne, 2009). Therefore, culture can be defined as an acquired system of orientations and references which underpins the values and habits experienced collectively by the members of a certain group or society, distinguishing them from other groups and societies (Hofstede *et al.*, 2010; Inglehart, 1998)<sup>1</sup>. Each culture constitutes a resource, which offers to its members the possibility to modulate their acts either collectively or individually, by transmitting the “good practices” from a generation to the other (Schein, 1986). As d'Iribarne (2009, 310-311) outlines, “*when national cultures are concerned, the aim is not to highlight the supposedly persisting characteristics of certain cultures. It is rather a matter of analysing how, within a given organisation, the encounter of people coming from different societies and with different habits leads to the emergence of a specific culture, understood as a common way of doing things.*” This definition integrates continuity and coherence aspects as well as dynamic aspects.

We refer to the “cultural school of thought” which represents one of the different strategic schools. This analysis, which includes institutional and cultural dimensions, facilitates the identification – without making any value judgements – of the players’ expectations, perspectives and behaviour, sometimes enigmatic in intercultural interaction (Barmeyer and Davoine, 2007b).

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<sup>1</sup> It seems important to note that this contribution does not focus on organisational culture, which can be seen as a subsystem of national culture: it constitutes a shared identity for members of the organisation, aids orientation and decision-making and shapes the actions of employees.

The most important institutional element for characterising the German management model is the professional relationship system based on which the dialogue between social partners was established. This system was implemented after the war, partly from the ordoliberalism theories aimed at providing an accurate definition of the regulatory framework required for major macro-economic and macro-social equilibriums, and partly from the desire to reinstitute democracy in German society, which required the promotion of an original form of industrial democracy. This multi-faceted institutional set-up resulted in a management method based on consultation and negotiated consensus. For years, this type of concerted management was regarded as one of the key success factors of the German model, ensuring a kind of social peace and the support of all employees for the company's strategic objectives (Bourgeois, 2005).



The link with the organisation can be made using the most common metaphor for the German management model, presented as a “well-oiled machine”, by contrast with the metaphor for the French model, described as a “pyramid of persons” (Hofstede *et al.*, 2010). This metaphor corresponds with a management model characterised by limited hierarchical distance and a significant reduction in uncertainty. The “well-oiled machine” is a particularly pertinent metaphor, not only because it conveys an instrumental and mechanical vision of the organisation. In the German organisation, control is not so much linked to hierarchy as to the strong compartmentalisation of responsibilities and efficient standardisation of work routines and processes (Child and Kieser, 1979). In addition, this organisation is characterised by collegiate relationships between the different hierarchical levels and a participation in and search for a consensus in decision-making processes. This concept of less pyramidal and more compartmentalised organisation can be analysed in different ways, using elements from the institutional context such as, for example, the vocational training system, the professional relationship system and the specific characteristics of the governance methods of Rhine capitalism, as well as using historical and religious elements based on which the notion of German culture becomes much more meaningful (Barmeyer and Davoine, 2007b).

A socio-historical and institutional perspective enables the development – at least partially – of this idea of a less significant thirst for power in Germany than in France. We should keep in mind that the notion of power is influenced by history and that French and German players do not share the same concept of power. In France, power in itself has no negative connotation. It is present in the collective consciousness and is dealt with by the media. In West Germany, after the tragic and traumatic Hitler period, power and all notions of power, such as authority, influence, elite, the cult of personality (hero), national symbols, centralism, etc. had a negative connotation for several decades. The democratic process in West Germany, the introduction of fundamental law by the Allies, the challenging of any form of authority after 1968 (*antiautoritäre Erziehung*) left its mark on the collective imagination and

behaviour of West Germans, a mistrust of power amongst other things (Brunstein, 2000). For years, the subject of power was the object of inhibition, even taboo. German institutions have been profoundly affected by this attitude (Lasserre, 2005): a vast number of laws stress the importance of a balance of power. The constitution of counter-powers is apparent, for example, in the laws governing the organisation of the State and government (with a president who only has a representative role), in the federal system with the *Bundesländer* which are very independent and autonomous, in corporate laws (with the notion of *Mitbestimmung* or co-determination and the governance system with an *Aufsichtsrat*, a supervisory board which leaves far less power to the *Vorstandsvorsitzenden* than to the French counterpart, the *PDG* - *Président Directeur Général*) or in participatory management practices (e.g. management by objectives, delegation principle).

As mentioned previously with the metaphors for the German (“well-oiled machine”) and French models (“pyramid of persons”), it should be reiterated that the representations (mental maps) of executives concerning organisations, power and leadership vary from one country to the next. As part of a survey conducted by INSEAD amongst the leaders of different countries, Laurent (1981) showed that the representations of power are not identical in all countries. For example, in Latin countries – including France – the matrix structure seems far less accepted than in Nordic countries. The survey reveals that, in Latin countries, internal communication is often at a deadlock, that French employees were disgruntled, sometimes even unmotivated, and that the objectives of the organisations using a matrix structure were not achieved. The aversion to a matrix structure is particularly apparent for managers: “*The idea of reporting to two bosses was so alien to these (French) managers that mere consideration of such organisational principles was an impossible, useless exercise*” (Laurent, 1983, p. 75). In this perspective, it should be noted that the French managers of EADS had – unlike their German counterparts – deemed the dual management structure inefficient.

To understand managerial attitudes, it is necessary to resort to a historical analysis of French organisations. The *single line* hierarchical system in the structural organisation, very common in the culture of Latin countries, can be attributed to French executive Henri Fayol, while the Anglo-Saxon system characterised by several lines, based on the principle of the shortest path, originates from American Frederick W. Taylor. In 1916, Fayol referred to the “unity of command” in his famous book *Administration industrielle et générale*: “*For any action, an employee should receive orders from one superior only. Such is the rule of “unity of command”, arising from general and ever-present necessity and wielding an influence on the conduct of affairs which, to my way of thinking, is at least equal to any other principle; should it be violated, authority is undermined, discipline is in jeopardy, order disturbed, stability threatened...*” (Fayol, 1916/1956, p. 25).

This quote refers to the cultural continuity of centralism which characterises many domains in France. Centralism represents the most efficient form of organisation for the structuring of the environment and the stabilisation of the social system, by contrast with German federalism, marked by several decision-making bodies with identical rights (Fukuyama, 1996). The central and personified decision-making body of a French *Société Anonyme* (limited liability corporation) is the *Président Directeur Général* (PDG) who jointly holds the functions of Chief Executive Officer (CEO) and Chairman of the Board of Directors. To highlight the different attitudes regarding power, Laurent (1983) pointed out that “*the primary purpose of a hierarchical structure was to show everybody who had authority over whom*”. While the leaders of certain countries have certainly validated this assertion, those of other countries have been opposed to it: 45% of the French people interviewed approved this statement while most of the Germans interviewed rejected this principle (76%), believing that company hierarchy corresponds first of all with the need to organise functions and tasks.

It is interesting to create a link between the expectations and representations of leadership and organisational structures: even though social reality is more complex and differentiated, Amado *et al.* (1990) have detected two opposite models: (1) *the functionalist and instrumental organisation*, widespread in the Anglo-Saxon management model, German-speaking and Scandinavian countries and (2) *the personalistic organisation*, known in Latin countries such as France. The functionalist organisation, which is equivalent to a system of tasks to be accomplished, uses instruments encouraging participation, pragmatism and simplicity, such as the MBO (Management by Objectives) or the matrix structure. It aspires to a prioritised arrangement of the players' functional responsibility. A functionalist organisation operates consistently and uniformly when goals and rules have been made clear: it does not require the presence of an authority figure. Conversely, the personalistic organisation is influenced by an affective and social orientation of the organisation, mostly perceived as a group of people and relationships to be managed. Its purpose is to ensure order and efficiency via the hierarchical clarification of authority relationships. Quick decisions, which pay heed to context, compensate for delays in the "bureaucratic system". With regard to French management style and power relations, this means that procedures can be adapted as necessary to take account of current circumstances and problems.

To understand these differences, the factors explaining the players' behaviour and ideas must be studied. This is why value orientations play an important role in intercultural management research (Chanlat, 2005; Hampden-Turner and Trompenaars, 2000; House et al. 2002). The cultural dimension of "hierarchical distance", highlighted by Hofstede *et al.* (2010) provides an explanation: hierarchical distance is the precise perception of the degree of power inequality between the person who holds the power and the one who is subjected to it. Hierarchical distance relates to the level of centralisation of authority and level of

management autocracy. The members of companies in which power is unevenly distributed accept authority and dependence more easily. The studies carried out by Hofstede *et al.* (2010) and House *et al.* (2004) in the GLOBE-Project show that France is characterised by a greater hierarchical distance than Germany. The French notion of hierarchy is primarily based on status, a vertical dimension, and workplace dependence (D'Iribarne, 2009), which is apparent in the words *supérieur* (superior), *responsable* (manager), *subordonné* (subordinate) and *cadre* (executive). Conversely, the German idea of authority is essentially based on technical competence, a horizontal dimension, and factual autonomy, which is apparent in the words *Fachmann*, *Führungskraft* and *Vorgesetzter*. Therefore, the issue of power does not play a predominant role in Germany. However, according to the French perspective, the desire to “dominate” the EADS group may seem “normal” or “natural”.

It must be emphasised that culture is used as a descriptive and interpretative category in order to present generalisations, to illustrate features and patterns and to find new explanations for phenomena (D'Iribarne, 2009); otherwise, we would be dealing with a form of cultural determinism which disregards the particularities of contextual features (situation, history and constellation of participants), as Heidenreich (1995, p. 254) stresses: “*By no means can it be assumed, however, that national work cultures are an inherently consistent amalgam of patterns of interpretation and behavior, internalized by employees and subsequently characterizing their behavior at work.*”

## **Conclusion**

Since its creation in the year 2000, the EADS group has become Europe's number one and the world's number two group in the aeronautical, space and defence industry (Boeing being number one). Despite the evolution of power relationships, the company has realised several

ambitious projects such as the A 380 and has been able to achieve satisfactory performance. The analysis presented in this paper contributes to a better understanding of the balance of power in multinational corporations. The framework elaborated by the authors, focusing on contextual, personal (players) and cultural factors, allows to identify the underlying forces driving coordination processes within the EADS group. The evolution of power relationships over the past ten years does not solely depend on financial and political interests, but can also be attributed to the cultural origin of the partner entities. The characteristics of the French and German cultures can therefore explain different conceptions of power, leading to diverging behaviours.

The analysis also shows the difficulties faced by managers, coming from different cultures and with an incomplete grasp of the other culture, to act in a strongly politicised context. It raises the issue of dual leadership, with the nomination of two chief executive officers, which seems to favour tensions and conflicts. A single leadership system, as it is used by a majority of companies, seems to provide the organisation and its economic activity with more stability than a dual leadership structure. The principle of symmetry adopted by EADS may be questioned, since it appears to be difficult to preserve equal relationships over a certain period of time.

The empirical study highlights several research perspectives. It is necessary to examine the balance of power in other multinational companies to validate these tentative explanations. The analysis could thus be conducted in other cultural contexts. Furthermore, it would be interesting to observe the evolution of power relationships over a longer period of time. This concerns also the evolution and shift in governance systems and power positions from bi-national groups to more multinational groups. Finally, it would be interesting to assess the respective influence of the three analysed levels (context, players and culture) on the determination of the balance of power.

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