



NATIONAL BUSINESS ENVIRONMENTS:  
A PROPOSED FRAMEWORK

Javier Quintanilla\*

*RESEARCH PAPER No 417*  
*May, 2000*

\* Professor of Personnel Management and Labor Relations, IESE

**Research Division**  
**IESE**  
University of Navarra  
Av. Pearson, 21  
08034 Barcelona - Spain

Copyright © 2000, IESE  
Do not quote or reproduce without permission

## **NATIONAL BUSINESS ENVIRONMENTS: A PROPOSED FRAMEWORK**

### **Abstract**

Research into countries' business patterns –a highly relevant subject in current circumstances– would not be reliable without an appropriate framework to sustain it. This paper is intended to be useful to both academics and managers, as it offers a model for analysing the different features of countries' business systems. The purpose is not only to present a theoretical model, however. More importantly, the paper aims for a deeper understanding of the societal, political and economic factors within countries that influence companies. A further interest is to contribute to progress in the field of national business systems (Whitley, 1991, 1992; Lane, 1989, 1994 and 1995). The present findings should constitute an important preliminary stage for these purposes.

*Keywords:* National business systems, cultural and socio-economic patterns, country of origin, theoretical framework, multinational.

## **NATIONAL BUSINESS ENVIRONMENTS: A PROPOSED FRAMEWORK**

### **Introduction**

The aim and organisation of this paper is twofold. Firstly, to review the academic literature on the different models for analysing societal and business features in different countries, in order to provide an understanding of the major debates in this area. Secondly, to explain why it is important to take country level analysis into account in studies of the behaviour and managerial practices of companies, especially of related multinational companies (MNCs), which are the key agents in the current globalisation of the economy. In doing so, the role of the nation state is especially highlighted.

The paper starts from the premise that firms and MNCs must be seen as organisational institutions embedded in different national states. Previous studies (Ferner and Quintanilla, 1998) have pointed out the scarcity of studies analysing the role and influence of the country of origin and country of operation on the managerial decisions of MNCs and the configuration of their HRM policies and practices.

### **The country level analysis**

It is a commonplace that specific national factors play an important role in explaining differences in business organisation. At country level, certain nationally dominant socio-economic configurations, including behaviours and attitudes, persist over long periods (Clark and Mueller, 1996).

Durable national institutions and distinctive ideological traditions, as Pauly and Reich (1997) argue, still seem to shape and channel crucial corporate decisions, such as those relating to corporate governance, finance and R&D matters. Therefore, the underlying nationality of the firm remains a vitally important determinant of the way MNCs adapt to a very dynamic international market.

The country or nation state includes the essence of the concept of the 'multinational company'. Without the reference to 'countries', the concept MNC (Vernon, 1966) does not exist or make any sense. In a pure sense, a transnational company would no longer be based in any one predominant national location (as is the MNC) but would service global markets through global operations. Thus, the transnational, unlike the MNC, could no longer be controlled or even constrained by the policies of particular national states (Hirst and Thompson, 1996). However, it is impossible to find companies –transnational or global– in the world today that are not rooted in or constrained by the direct policies of a particular nation.

Despite the different terms used in the literature and by international organisations to denote MNCs –transnational, international, global, etc.–, most authors seem to agree that the specific characteristic common to all such companies is that they have direct operations in two or more countries. As Dunning (1993: 3) says, “a multinational or transnational enterprise is an enterprise that engages in foreign direct investment (FDI) and owns or controls value-adding activities in more than one country”. Others define a multinational enterprise as “a firm which adds value in more than one national economy” (Buckley and Casson, 1985).

A nation state is a juxtaposition of many different tangible and intangible elements. The tangible elements encompass everything from formal institutions to borders and symbols. The intangible ones range from shared values and common beliefs to traditions and cultures rooted in that particular heritage. Many of these elements are difficult to conceptualise and even more difficult to analyse with any precision. The final result of this mix of elements throughout its history is an idiosyncratic national culture.

The concept of the competitive advantage of nations (Porter, 1990; Dunning, 1992) implies that the success of many international companies is rooted, to a large extent, in this mix of national resources and tangible and intangible features. Kogut (1991) argues that firms exploit internationally what they have developed domestically, reflecting partly their own capabilities and partly the institutional strengths of their countries of origin. Canals (1995) describes country-specific advantage, for a firm that competes internationally, as the advantage that is available to all firms operating in that country by the fact of being there.

Country-of-origin effects and country-of-operations effects refer broadly, in this context, to the way the social-institutional framework and national and business cultures influence the behaviour and managerial responses of the firms that come from or operate in particular countries (Young *et al.*, 1985; Whitley, 1992; Dunning, 1993).

### ***Theoretical discussion***

Different frameworks have been developed to analyse and explain how the social institutions, historical evolution and culture of different nations can influence firm behaviour. The debate over the level of national influence at firm level is an old one and is evident in both sociology and organisation theory. Nevertheless, the most important contributions in this field since the 1980s can be classified into two broad strands: the ‘institutionalist’ school and the ‘culturalist’ school. The ‘institutionalist’ approach concentrates on the social and institutional determinants of business organisation to explain the logic of the way business enterprises are organized and their competitive behaviour in different national contexts. A systematic emphasis for understanding the permanent interaction between firms and markets, on the one hand, and other socio-economic institutions, on the other, has been conceptualised in terms of national industrial orders (Lane, 1994) and national business systems (Whitley, 1991, 1992).

The ‘culturalist’ perspective focuses its attention on cultural distinctiveness in terms of the practices, beliefs and values shared by a community. Culture and values are associated with the national culture of a country as boundaries that allow interaction and socialisation within them. Scholars have analysed the influence of these national cultural attitudes and behaviours on business and management styles (e.g. Hofstede, 1980 and 1993; Laurent, 1986; Trompenaars, 1992). However, the movement of peoples across national borders and the preservation of particular groups with specific idiosyncratic customs, together with

differences in social and economic experience, mean that subcultures can co-exist in many countries.

The objective in addressing the debate in this literature is to show how elements of national business culture influence the organisational behaviour of MNCs. In other words, as Ferner remarks (1997: 25), the important analytical question is how far such national differences in business systems inform the behaviour of MNCs from different countries.

### *The Institutional perspective*

Institutional theory is based on the premise that action –in this case, business organisation action– is largely organised by institutions. It focuses on the environmental influence on decision making and formal structures (Lawrence and Lorsch, 1967; Zucker, 1977; DiMaggio and Powell, 1983). Institutions impose limits and constraints on the options that organisations can exercise; but through choice and action, organisations and individuals can expressly shape and modify institutions (Barley and Tolbert, 1997), because societies and institutions are socially constructed, across time and space, by action (Giddens, 1984: 164). This approach, therefore, looks first to the social context, focusing on ‘isomorphism’ within the institutional environment. Isomorphism can be defined, following Zucker (1977: 443), as “the adoption of structures and processes prevailing in organisations within the relevant environment”. This happens when organisations tend to adopt patterns that are externally defined as appropriate to their environments and that are reinforced in their interactions with other organisations (Westney, 1993).

Despite the large body of work within institutional and sociological theory, relatively few studies have been devoted to analysing the relationships between international business organisations and their environments. The study of MNCs is a particularly interesting field for developing institutionalisation theory because MNCs operate in many different institutional environments and provide a context in which the nature of isomorphic forces can be explored. One of the reasons why many authors choose an institutional approach is to avoid the extremes of cultural relativism and economic determinism. It has also been described as the most successful of all approaches in identifying the nationally distinctive features of business organisations (Lane, 1989).

Following Lane (1995), debate has become concentrated mainly in two strands: the organisational sociologist approach (Maurice *et al.*, 1986; Whitley, 1991 and 1992; Sorge, 1991; Lane, 1989 and 1992) and the ‘new institutionalists’ (e.g. P. Hall, 1984 and 1986; Thelen, 1991; Lane 1994 and 1995). Both approaches have emphasised the role of social actors and their influence and capacity to transform institutions, although the organisational sociologists, in particular, have made it a crucial element of their argument. All these perspectives agree that the economic rationale of institutions cannot be isolated from political and social contexts.

Whitley (1991) describes a business system as the sum of the general practices and values that characterise both the internal organisation of business units and their relations with their external environment. The result is dominant patterns of business organisation that may vary widely from country to country. Maurice *et al.* (1986) develop the so-called theory of societal effects, which aims to show how a nation’s social institutions decisively structure and co-ordinate relations at work. This approach postulates the existence of an overall structure in each society which is unique and which drives and organises other elements in the society.

However, the extent to which national economies are characterised by homogeneous and distinctive business systems clearly varies. Whitley (1992) argues that only when the institutions are distinctive and cohesive, within the boundaries of the nation state, do separate national business systems become established. The degree of cohesion and distinctiveness of national business systems can also vary according to specific features of key institutions in different industries and sectors. It is important to point out that the national specificity of business systems is also affected by the growth of international firms and markets, which have influenced the significance of purely national institutions. Consequently, the impact of internationalisation can also vary among societies and industries. For scholars of the institutional school, all these variations in the national homogeneity and distinctiveness of business systems and key institutions serve to emphasise the contingent nature of the national configurations. However, some authors think that business systems do not prevent change at the level of the individual business unit (Lane, 1992), while others believe that these business systems usually impose a set of limitations on such individual deviance (Whitley, 1992). Lane (1994) stresses how difficult it is to change business systems, arguing that institutional inertia is thus far more pronounced than innovation.

Business organisations reflect the institutional features of the society in which they are located. In this respect, some studies have concentrated on a particular range of institutions that are perceived as having a significant and direct impact on business organisations, and seek to analyse the combined effect of such institutions on firms and markets operating at national level (Whitley, 1991; Lane, 1992). Lane has created a framework that systematises the influence of the strongest and most pervasive social institutions on business organisations. The institutions chosen are: the state; the financial system; the system of education and training; the trade associations and chambers; and the system of industrial relations. Further, she analyses the impact of the above institutions on four aspects of business organisation: the structure and development of firms; market organisation; co-ordination and control systems; and employment and personnel practices (Lane, 1992: 64).

Recently, a more pluralistic position (Thelen, 1991; Lane, 1995) has been incorporated into this debate, with the argument that it is unnecessarily restrictive to reduce institutional analysis to the predominant and effective patterns of organisation in particular business systems. Mayer and Whittington (1996: 93) propose a ‘societal-choice’ approach which is more sensitive to the different mixes of economic activity within particular national systems, an approach which “emphasises local institutional features but which also allows for more pluralistic motives and results within a particular country”. They argue that in many societies there exist other actors, such as families or entrepreneurs, who exert a critical influence beyond that of economic effectiveness.

### *The Culturalist perspective*

In recent decades, scholars have shown a growing interest in the influence of cultural attitudes and behaviours on business and management styles (Crozier, 1964; Dore, 1973; E.T. Hall, 1976; Hofstede, 1980; Adler, 1986; Laurent, 1986; d’Iribarne, 1991; Trompenaars, 1992). The concept of ‘cultural effect’ means that societies vary in the arrangements of which their institutions and organisations are composed, and these variations reflect their distinctive traditions, values, attitudes and historical experience. Under these parameters, culture can be described as the “crystallisation of history in the thinking, feeling and acting of the present generation” (Hofstede, 1993: 5). Bartlett and Ghoshal (1989: 42)

suggest also that the history, infrastructure, resources and culture of a nation state permeate all aspects of life in the country, including the behaviours of managers in its national companies. Traditional national cultural values affect managerial processes and organisational behaviours that affect economic performance.

An important strand of the cultural perspective is based on Hofstede's 'four dimensions' of the consequences of culture (1980). The four dimensions he postulates in his examination of dominant value patterns across countries are: power distance; uncertainty avoidance; individualism/collectivism; and masculinity/femininity. He suggests that culture patterns are rooted in the value systems of substantial groupings of the population and also that they are stable over long periods in history. This notion can be useful for analysing and understanding managerial behaviour and reactions. It means that managers have engraved in their mind cultural differences which reinforce particular values and guide managerial actions and choices. In short, all national cultural factors can be regarded as potential influences on the way managers take decisions and see their roles and what is expected of them within a society. Nevertheless, Hofstede has been highly criticised (d'Iribarne, 1991) not only for the limitations and constraints of his four dimensions, but also because the dimensions are basically statistical constructs based on clusters of responses, without any in-depth understanding of the process behind the culture configuration. Thus, the limitations of his dimensions do not allow one to grasp the richness of the national environments. He has also been criticized for his insistence on the persistence of national cultural features over time.

Another important contribution (E.T. Hall, 1976) to the understanding of cultural differences focuses on the contrast between 'low context' and 'high context' societies. Hall (1976: 91) defines 'context' as the information that surrounds an event. In high context societies, the situation, the external environment and non-speaking behaviour are all crucial in the communication process. Examples of high context societies are the Japanese, Arab and Southern European cultures, where much of the meaning of communication is conveyed by paralanguage, facial expression, setting, and timing (Boyacigiller and Adler, 1991). Low context societies, in contrast, appreciate clearer, more explicit, written kinds of communication. Anglo-Saxon, Scandinavian, and in general Northern European cultures are examples of low context societies. The implications of these different cultural contexts for managerial attitudes and business organisational behaviour are evident. However, this approach fits much better within the concept of a culture, in the sense of a broad cultural community like that of Arabs, Latins, or the Chinese, than within the constrained boundaries of a nation state, where individual and organisational diversity allows a plural coexistence of both low context and high context under a common general tendency.

In their attempts to understand how national cultural features permeate and influence business organisation, many authors have pointed out that the cultural environment is not external to organisations but enters them. Crozier (1963: 307) argues that the mechanisms of social control "are closely related to the values and patterns of social relations" as manifested within organisations. Similarly, Scott (1983: 16) points out that "the beliefs, norms, rules and understandings are not just 'out there' but additionally 'in here'. Participants, clients, constituents all participate in and are carriers of the culture". This means that organisations and environmental culture interpenetrate. Child and Kiesser (1979) also comment that the enduring strain of culture is internalised as each new generation passes through its process of socialisation.

There is no real, rigid distinction between cultural values and institutional arrangements. Traditionally, scholars have tried to blend and probe the relationship between them. Dore (1973) points out how institutions are created or perpetuated by powerful actors

following their own interests and cultural orientations. Hofstede (1980, 1993) argues that culture reflects institutions. Whitley (1992: 269) suggests, within his dominant contingency institutional perspective, strong cultural features, arguing that institutions include cultural attitudes. He identifies two main groups of major institutions, 'background' and 'proximate', which constrain and guide the behaviour of business organisations. Background institutions are those covering trust relations, collective loyalties, individualism and authority relations. Proximate institutions comprise the political, financial and labour systems, etc. Whitley declares that "background institutions may be conceived as predominantly 'cultural'".

An important risk of culturalist approaches is the tendency to oversimplify national cultures and construct cross-culture comparative analysis on the basis of exaggerated cultural stereotypes. Child and Kiesser (1979: 269) argue that a methodological problem of the cultural variables is that they have not been incorporated into "a model that systematically links together the analytical levels of context, structure, role and behaviour". Despite the methodological problems of defining and measuring national culture, and the lack of consistency of some studies within the cultural perspective, any analysis of the business environment of a nation state must take cultural settings into account.

## **National Business Environments**

Following our review of the literature, the purpose of this section is to present a framework, called the *national business environment*, which will assist an understanding of the extent to which the national business features of countries influence the managerial responses of the companies operating in them.

This framework springs directly from the ideas and findings of the institutional school. However, in order to identify the distinctive features of countries we must also consider the contributions of the culturalist and societal-choice perspectives. Adopting this eclectic and pluralistic approach makes it possible to obtain a closer understanding of the real complexities of change and choice that face organisations and their managers operating in different countries.

The nation state is the central point of this analysis. This is because the boundaries of the nation state demarcate specific systems of finance, education, and corporate management, while national governments generate norms and social conventions and influence and shape a particular national managerial behaviour (Whitley, 1992). However, we cannot afford to ignore other meso-level and micro-level units, such as industries, sectors, regions, districts, etc., through which "collective action can be organised within a country, and sometimes across national borders" (Räsänen and Whipp, 1992: 47) and which may have a direct influence on national business organisations.

The *national business environment* consists of the social, cultural, economic, political and legal arenas in which business activity takes place. The basic idea is to take into account the variety of institutional and cultural factors that contribute to economic effectiveness and shape the behaviour of firms operating in a particular national business environment. The following paragraphs give a brief explanation from a historical perspective, using the study of the following social-institutional factors: the role of the state; the financial system; the system of education and training; and the system of Industrial Relations. The impact of these factors on the nature and structure of firms, corporate control and co-ordination systems, and the employment system and personnel practices, and the interaction between them, is also examined.

The *historical perspective* is important because the current configuration of nation states and their business environments is, in good measure, the result of the crystallisation of historical events in institutions which persist across time (Sisson, 1987; Crouch, 1993). The literature has examined how national economies and business patterns have been generated and have acquired their distinctive character during crucial episodes in the historical configuration, particularly during the early stages of the industrialisation process (Kerr *et al.*, 1960; Gerschenkron, 1962; Sylla and Toniolo, 1991). However, these patterns have developed and been adapted over time in response to broader economic and technological challenges as well as social and political pressures.

Values and institutions are seen as having been shaped by broader patterns of historical and social development. Whitley (1992) points out that social institutions are usually a product of the industrialisation process and frequently develop with the formation of the modern state. He also comments that when a society has a distinctive way of organising its economic activities, it is usually the result of more homogeneous and cohesive national institutions, and a faster and more centrally directed industrialisation process. Industrialisation in Europe took place at different times in different countries, and this accentuated the differences that already existed in language, values, customs, politics, religion and, of course, business organisation. Thus, for example, scholars have sought to explain differences between the British and the German structure of firms and markets by reference to differences in the pattern of industrialisation of the two countries (Crafts *et al.*, 1991).

Equally, the *societal context* should be taken into account in any analysis of national business environments. As Hofstede (1992) states, management, throughout the world, is about getting things done through people. This author studies the socialisation process that affects people before joining an organisation and the socialisation they receive at work. He refers to socialisation as “the way in which a person is conditioned by the environment. In industrial societies, the family, the school, the workplace, and the community are the main centres of socialisation” (Hofstede, 1992: 140). Management cannot be understood in isolation from the societies in which it originates and takes place.

In conclusion, business organisations and their people, from employees to top executives, are immersed in a societal context or background. Societal aspects and institutions such as religion, the community, the family, ideologies, etc. play a key role in the life of individuals and organisations.

*The Role of the State* The role of the state is seen to be particularly influential in shaping business systems, while exerting both a direct and an indirect influence on other institutions (Lane, 1992). The state, as the last resort for the legal framework, has a direct influence on the organisation of many of the crucial institutions which shape economic activity, such as the education system, the financial system, the Industrial Relations system, as well as itself constituting one of the major influences on the structure and behaviour of firms (Whitley, 1992).

As a key potential agent of industrialisation and development, the state can influence the economy of a nation in a variety of ways. On a broader level it can promote, or fail to promote, political and social stability, which may contribute to economic development by stabilising expectations and reducing the risks of private economic decision-making (Sylla and Toniolo, 1991). At the same time, the level of state integration and autonomy will influence business’s dependence on the state and the need for firms to co-ordinate their strategies with state policies. In Europe, historical differences in the structure of the state and its economic and political philosophies have determined the configuration of firms and the

market structure and orientation, as well as the values, attitudes and behaviour of the elites and managerial cadres, in each country.

*The System of Education and Training* It is a commonplace that the level of development, welfare and competitiveness of nations is directly influenced by the nature, scope and quality of their system of education and training (Becker, 1993; Kochan and Osterman, 1994). Therefore, the nature and quantity of skill possessed by a given labour force has direct repercussions on the overall efficiency of firms. There are major differences in the way countries structure their formal educational institutions and systems, and the way they are linked to labour markets. These differences have direct consequences for firms' personnel policies and practices, such as recruitment and training, and affect the work attitudes and behaviour of employees and managers. Maurice *et al.* (1986) have also emphasised the influence these national systems can have on the organisation and control of the division of labour.

Whitley (1992) classifies national systems of education and training as either unitary or dual systems. He suggests that in unitary systems the crucial criterion of selection for elite institutions is academic success. Traditionally, in countries with unitary systems the prestige of practical training is low and suffers from a lack of funding. The consequences of this are that employers are excluded from the formal system and companies must provide specific practical training themselves. France and Japan are examples of unitary systems. In dual systems, by contrast, technical and practical training is separated very early on from academic competences, and in collaboration with employers generates a wide range of practical skills. The German system is perhaps the best example.

A complete analysis of education and training systems will follow Lane's (1992) distinction between vocational education and training (VET) and management education. Vocational education and training will determine the quality, quantity and distribution of skill in a country's industry. Management education will be crucial for its impact on the level and nature of technical competence and for its influence on managerial identity and value orientations.

*The Financial System* Despite the rapid structural change the financial sector has undergone world-wide in recent decades, the distinctive character of national financial systems has persisted, directly influencing the behaviour of firms in every nation (Pauly and Reich, 1997). As Lane (1995) points out, the fundamentals of the German and the British financial systems and the structure of industry-finance relations in the two countries have remained the same since the end of the 19th century. Chandler (1990: 398) argues that in the economic realm the most important difference came in the financing of enterprise.

Zysman (1983) distinguishes three types of financial systems, each of which affects the relationships between banks, industries, and finance, and firms' strategic choices and risk management in a different way. They are: 1) a capital-market based system in which resources are allocated in competitive markets based on prices; 2) a credit-based system in which critical prices are administered by government; and 3) a credit-based system under the dominion of financial institutions. In capital-market based financial systems such as Great Britain and the USA, firms access capital in a variety of ways depending on costs and terms. Stock markets are highly developed and specialised financial institutions compete for capital and assets through market-priced transactions. The role of the state is predominantly regulatory. Financial institutions do not usually influence firms internally, and relationships between banks and firms are described as short-term oriented.

In the above typology there are two types of credit-based financial systems, which differ in the role played by the state. In some cases the state becomes an active player, with different degrees of intervention, as in France or Japan. In other cases, such as Germany, a limited number of financial institutions dominate the market, independent of government intervention. In both cases capital markets are weaker. In the latter type most investment credit is provided by banks, which in some cases also own significant amounts of their client firms' shares. This encourages risk-sharing between banks and firms, and usually provides companies with a more long-term business strategy.

The distinctive features of, say, the British and German financial systems play an important role in shaping their firms' strategic choices. This influence goes far beyond purely financial aspects and directly affects companies' behaviours and attitudes.

*The System of Industrial Relations* Industrial relations (IR) systems, as key components in national business environments, are also affected by the pressures of internationalisation. Such pressures are more evident in Europe, under the influence of the transnational activities of large MNCs and the regulatory initiatives of EU institutions. Despite evidence of convergence in IR patterns in Europe, persistent differences remain in institutional IR structures in different European countries. As Ferner and Hyman (1992: xvi and 1998) state, each system has, over a long period, acquired "a distinctive coloration, adapted to the idiosyncrasies of national socio-economic structure, national political regimes, and perhaps also national temperaments".

National systems of IR influence business organisation both through their structural relations and through the tenor of their underlying employer-employee relationships (Lane, 1992). The intervention of the state and the role of labour law, together with the structure and strength of labour organisations, have a direct influence on companies' managerial practices and ways of structuring employee relations (Whitley, 1992). The result is distinctive national systems of IR that place constraints on the strategic choices that firms can adopt. At the same time, these constraints serve to promote or preclude particular approaches to IR (Marginson and Sisson, 1994).

*The Nature and Structure of Firms* The aim here is to analyse the interaction between previous socio-institutional complexes and the nature and structure of firms. The following issues need to be analysed: the key features of the way the market is organised; the nature and structure of firms; the organisation of work; corporate governance structures; and patterns of expansion abroad.

*Corporate Control and Co-ordination Systems* Different kinds of control and co-ordination, and different control and co-ordination mechanisms –from work organisation to budgetary process– are spread around firms in order to manage actions, capabilities, and behaviours that interact to achieve organizational objectives and expectations. Forms of control and co-ordination vary greatly from country to country, most of them being based on the distinctive national patterns of corporate governance structures. For example, the highly developed financial function of UK/US firms reflects these countries' external capital markets (Whitley, 1992).

*Employment System and Personnel Procedures* Whitley (1992: 17) identifies two basic approaches to employment policies: market-based and organisation-based. In the market-based approach, employers rely primarily on market criteria for recruiting and retaining employees, as in the British case. In the organisation-based approach, firms "use to establish long-term connections with their core workforce and develop distinctive patterns of skill and job organisation". Examples are the Japanese and German pattern.

Some personnel and HRM policies and practices are more affected than others by national industrial relations and employment systems. Generalising, we can say that policies such as non-managerial pay, job design, participation and consultation are likely to be more constrained by national influence and institutions, while issues such as management development and performance appraisal are more susceptible to the individual organisation's strategic policy choices. Some issues are more affected by national legislation, such as retirement, holidays, participation and consultation, etc.; others are constrained by collective bargaining –for instance, non-managerial pay, job design, promotion, etc. (Marginson and Sisson, 1994).

## **Conclusions**

This paper highlights the crucial importance of country-level analysis when investigating the behaviour and management of companies, particularly MNCs.

Study of the literature shows broad agreement between authors regarding the relevant role of specific national factors in explaining differences in business organisation. National particularities are unquestionably a critical factor in shaping the competitive advantage of firms and industries. Indeed, the origin of many successful industries lies in national, not firm-specific, attributes. What also emerges from our review of the literature, however, is the lack of agreement on how a nation's specific characteristics can be analysed and typified with theoretical rigour.

We may conclude that countries cannot be examined, and the differences and dynamics of their national business systems cannot be understood, without a pluralistic and eclectic framework that uses elements from both the institutional and the culturalist approach. However, a systematic guide can only be provided through institutional analysis. That is why in this paper we propose the use of a “national business environment” framework to discover how national features influence companies' managerial decisions, policies and practices. □

*Acknowledgements:* I would like to thank Anthony Ferner for his helpful comments during the elaboration of this paper, and Marta Portillo for her useful remarks and assistance.

## References

- Adler, N.J. (1986) *International Dimensions of Organizational Behaviour*, Boston: PWS Kent.
- Barley, S. and Tolbert, P. (1997) "Institutionalization and Structuration: Studying the Links between Actions and Institution", *Organization Studies*, 18/1, 93-117.
- Bartlett, C. and Ghoshal, S. (1989) *Managing Across Borders. The Transnational Solution*, London: Century Business.
- Boyacigiller, N.A. and Adler, N.J. (1991) "The parochial dinosaur: organizational science in a global context", *Academy of Management Review*, 16, 2, 262-90.
- Buckley, P.J. and Casson, M. (1986) *The Economic Theory of the Multinational Enterprise*, London: Macmillan.
- Canals, J. (1995) "Country-, Industry- and Firm-Specific Factors in Global Competition", in Thomas, H.; O'Neal, D. and Kelly, J. (eds.), *Strategic Renaissance and Business Transformation*, Chichester: John Wiley and Sons, 107-133.
- Chandler, A.D. (1990) *Scale and Scope: The Dynamics of Industrial Capitalism*, Cambridge, MA: Harvard University Press.
- Child, J. and Kiesser, A. (1979) "Organizational and managerial roles in British and West German companies: An Examination of the culture-free thesis", in Cornelis, J. and Hickson, D. (eds.), *Organizations Alike and Unlike. International and inter-institutional studies in the sociology of organizations*, London: Routledge & Kegan Paul, 251-71.
- Clark, P. and Mueller, F. (1996) "Organizations and Nations: from Universalism to Institutionalism", *British Journal of Management*, 7, 125-39.
- Crafts, N.F.R.; Leybourne, S.J. and Mills, T.C. (1991) "Britain", in Sylla, R. and Toniolo, G. (eds.), *Patterns of European Industrialization. The Nineteenth Century*, London: Routledge.
- Crouch, C. (1993) *Industrial Relations and European State Traditions*, Oxford: Clarendon Press.
- Crozier, M. (1964) *The Bureaucratic Phenomenon*, Chicago: University of Chicago Press.
- D'Iribarne, Ph. (1991) "The Usefulness of an Ethnographic Approach to International Comparisons of the Functioning of Organizations", Paper presented to the EGOS Colloquium, Vienna, July, 15-17.
- DiMaggio, P.J. and Powell, W.W. (1983) "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, 48, 147-160.
- Dore, R. (1973) *British Factory, Japanese Factory: The Origins of National Diversity in Industrial Relations*, Los Angeles: University of California Press.

- Dunning, J. (1992) "The Competitive advantage of countries and the activities of transnational corporations", *Transnational Corporations*, Vol. 1, 1.
- Dunning, J. (1993) *Multinational Enterprises and the Global Economy*, New York: Addison-Wesley.
- Ferner A. and Quintanilla, J. (1998) "Multinationals, national business systems and HRM: the enduring influence of national identity or a process of 'Anglosaxonization'", *The International Journal of Human Resource Management*, 9:4, 710-731.
- Ferner, A. and Hyman, R. (1992) "Introduction: Industrial Relations in the New Europe", in Hyman, R. and Ferner, A. (eds.) *Industrial Relations in the New Europe*, Oxford: Blackwell, xvi-xxxvii.
- Ferner, A. and Hyman, R. (1998) "Introduction: Towards European Industrial Relations?", in Ferner, A. and Hyman, R. (eds.), *Changing Industrial Relations in Europe*, Oxford: Blackwell, xi-xxvi.
- Gerschenkron, A. (1962) *Economic Backwardness in Historical Perspective*, Cambridge, MA: Harvard University Press.
- Giddens, A. (1984) *The Constitution of Society. Outline of the Theory of Structuration*, Cambridge: Polite Press.
- Hall, E.T. (1976) *Beyond Culture*, New York: Anchor Press/Doubleday.
- Hall, P. (1984) "Patterns of economic policy: an organizational approach", in Bornstein, S.; Held, D. and Krieger, J. (eds.), *The State in Capitalist Europe*, London: Unwin Hyman, 124-138.
- Hall, P. (1986) *Governing the Economy*, London: Oxford University Press.
- Hirst, P. and Thompson, G. (1996) *Globalization in Question*, Cambridge: Polite Press.
- Hofstede, G. (1980) *Culture's Consequences: International differences in work-related values*, London: Sage.
- Hofstede, G. (1993) "Intercultural Conflict and Synergy in Europe. Management in Western Europe", in Hickson D.J. (ed.), *Society, Culture and Organization in Twelve Nations*, New York: Walter de Gruyter, 1-8.
- Kerr, C.; Dunlop, J.T.; Harbison, F.H. and Myers, C.A. (1960) *Industrialism and Industrial Man*, London: Heinemann.
- Kochan, T.A. and Osterman, P. (1994) *The Mutual Gains Enterprise: Forging a winning partnership among labor, management and government*, Boston: Harvard Business School.
- Kogut, B. (1991) "Country capabilities and the permeability of borders", *Strategic Management Journal*, 12, 33-48.
- Lane, C. (1989) *Management and Labour in Europe. The Industrial Enterprise in Germany, Britain and France*, Aldershot: Edward Elgar.

- Lane, C. (1992) "European business systems: Britain and Germany compared", in Whitley, R. (ed.), *European Business Systems, Firms and Markets in their National Contexts*, London: Sage Publications, 64-97.
- Lane, C. (1994) "Industrial Order and the Transformation of Industrial Relations: Britain, Germany and France Compared", in Hyman, R. and Ferner, A. (eds.), *New Frontiers in European Industrial Relations*, Oxford: Blackwell, 167-196.
- Lane, C. (1995) *Industry and Society in Europe. Stability and Change in Britain, Germany and France*, Aldershot: Edward Elgar.
- Laurent, A. (1986) "The Cross-Cultural Puzzle of International Human Resource Management", *Human Resource Management*, 25, 91-102.
- Lawrence, P.R. and Lorsch, J.W. (1967) *Organization and Environment, Managing Differentiation and Integration*, Boston, MA: Harvard University.
- Marginson, P. and Sisson, K. (1994) "The Structure of Transnational Capital in Europe: The Emerging Euro-Company and its Implications for Industrial Relations", in Hyman, R. and Ferner, A. (eds.), *New Frontiers in European Industrial Relations*, Oxford: Blackwell, 15-51.
- Maurice, M.; Sellier, F. and Silvestre, J-J. (1986) *The Social Foundations of Industrial Power. A Comparison of France and Germany*, Cambridge, MA: The MIT Press.
- Mayer, M. and Whittington, R. (1996) "The survival of the European holding company. Institutional choice and contingency", in Whitley R. and Kristensen P.H. (eds.), *The Changing European Firm. Limits to Convergence*, London/New York: Routledge, 87-109.
- Pauly, L.W. and Reich, S. (1997) "National structures and multinational corporate behaviour: enduring differences in the age of globalization", *International Organization*, 51, 1, 1-30.
- Porter, M. (1990) *Competitive Strategy. Techniques for Analyzing Industries and Competitors*, New York: The Free Press.
- Räsänen, K. and Whipp, R. (1992) "National Business Recipes: A Sector Perspective", in Whitley, R. (ed.), *European Business Systems, Firms and Markets in their National Contexts*, London: Sage Publications, 46-60.
- Scott, W.R. (1983) "The Organizations of Environments: Network, Cultural, and Historical Elements", in Meyer, J.W. and Scott, W.R. (eds.) *Organizational Environments: Ritual and Rationality*, Beverley Hills, CA: Sage Publications, 155-175.
- Sisson, K. (1987) *The Management of Collective Bargaining. An International Comparison*, Oxford: Blackwell.
- Sorge, A. (1991) "Strategic Fit and the Societal Effect: Interpreting Cross-National Comparisons of Technology, Organization and Human Resources", *Organization Studies*, 12/2, 161-190.

- Sylla, R. and Toniolo, G. (1991) *Patterns of European Industrialization. The Nineteenth Century*, London: Routledge.
- Thelen, K.A. (1991) *Union of Parts: labour politics in Postwar Germany*, Ithaca, NY: Cornell University Press.
- Trompenaars, F. (1992) *Riding the waves of culture. Understanding cultural diversity in business*, London: Nicholas Brealey Publishing.
- Vernon, R. (1966) "International Investment and International Trade in the Product Cycle", *Quarterly Journal of Economy*, 80, May, 190-207.
- Westney, D.E. (1993) "Institutionalization Theory and the Multinational Corporation", in Ghoshal, S. and Westney, D.E. (eds.) *Organization Theory and Multinational Corporation*, Basingstoke/UK: St. Martin Press, 53-76.
- Whitley, R. (1991) "The societal construction of business systems in East Asia", *Organization Studies*, 12, 1, 1-28.
- Whitley, R. (1992) "Societies, Firms and Markets: The Social Structuring of Business Systems", in Whitley, R. (ed.) *European Business Systems. Firms and Markets in their National Contexts*, Sage: London, 5-45.
- Young, S.; Hood, N. and Hamill, J. (1985) "*Decision-making in Foreign Owned Multinational Subsidiaries in the U.K.*", ILO Working Paper No. 35, Geneva: ILO.
- Zucker, L. (1977) "The role of institutionalization in cultural persistence", *American Sociological Review*, 42, 726-743.
- Zysman, J. (1983) *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change*, Ithaca, NY: Cornell University Press.