

ORGANIZING
THE
MULTINATIONAL
ENTERPRISE

— An —
Information-Processing
Perspective

William G. Egelhoff

ORGANIZING THE
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AN INFORMATION-PROCESSING
PERSPECTIVE

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ORGANIZING THE MULTINATIONAL ENTERPRISE

**To William H. Newman,
Teacher and scholar**

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PREFACE

There is a twofold purpose to this book: (1) to review and extend conceptual theory about macro organizational design and strategic management and (2) to develop a more comprehensive model of strategy and organizational design for multinational corporations (MNCs). The first is important because without better conceptual theory there is a serious limit to our ability to model a wide variety of organizational phenomena, including the strategic management of MNCs. Because it is more abstract and general, conceptual theory serves to integrate the many operational theories and models that make up a field of study. Without it, operational theories cannot be compared or aggregated to build a more complete understanding of the field.

The second purpose, developing a more comprehensive model of strategy and organizational design for MNCs, is important because the various features of organizational design (structure, centralization, staffing) always exist together in organizations, and their impacts on organizational performance are usually not separable in practice. While these features are conceptually separate, theories and models are more useful if they can provide a common denominator for integrating the impacts of these features on organizational functioning and performance.

There are two distinctive characteristics of this book that make it different from previous books and studies that have addressed similar subjects. First, it uses an information-processing perspective to concep-

tually develop contingency relationships between five important features of organizational design (structure, centralization, control, staffing, planning) and twenty-two aspects of MNC strategy and environment. Second, it develops a two-level model of the parent-for-foreign subsidiary relationship. Eight of the twenty-two aspects of strategy are elements of company-level strategy while fourteen are elements of subsidiary-level strategy. Organizational design at the parent-subsidiary level of analysis is related to both levels of strategy.

The operational model and hypotheses are tested with data from a sample of fifty large, successful MNCs (24 U.S. and 26 European). Data was gathered through structured interviews in the international headquarters of the firms, and ninety-four specific parent-foreign subsidiary relationships were studied (generally two in each firm).

This book is primarily addressed to researchers and students interested in organization theory, strategy implementation, and MNCs. The conceptual ideas and literatures discussed come from all of these areas. In this book I have attempted to explicitly discuss some of the critical issues surrounding structural contingency theory research and to provide useful references for those interested in further exploring an issue. These issues include the impact of the population ecology and strategic choice perspectives, the measurement of organizational performance, the notion of fit in organizations, and the use of information-processing concepts in developing organizational models. Many of these issues are surrounded by controversy. While the study takes specific stands on these issues—as operational studies must do—the style of the book is intended to invite evaluation and criticism.

To facilitate this, I have tried (1) to make explicit the assumptions and weaknesses associated with the approach taken, and (2) to provide enough of the data and analysis that the reader can critically evaluate the conclusions drawn from the study. While the book is written with a conclusive tone, the intention is to sharpen debate more than to convince. The underlying idea is that many of these issues need to be more actively debated and that the throwing of stones is more constructive if there are clearly defined targets.

Like most research projects, this one was heavily influenced by other people. William H. Newman provided encouragement, insight, and excellent advice throughout the study. William K. Brandt, James M. Hulbert, and Michael L. Tushman also played major early roles in developing my interest in the subject and influencing the way I think about it. Numerous colleagues at New York University Graduate School