The incompatibility of worlds within a multinational corporation: The experience of a French expat in a Mexican factory

Michel VILLETTE
Centre Maurice Halbwachs, ENS/EHESS/CNRS
François FOURCADE
ESCP Europe

[French version: September 2016 - n°126]

Introduction
This ethnographic account of a managerial situation is a contribution to the new institutionalist studies of MNC based on the testimony of an expatriated French engineer in a Mexican factory. We try to make an in-depth analysis of the gap between what needed to be done in the Mexican context to make the factory profitable, and the good practices prescribed by the financial, technical, and legal services of corporate headquarters. Our analysis supports the theory of incompatible worlds (Lebenswelt) that multinational corporations often bring together. We highlight the translation-betrayals and deceptions that an expat has to accomplish, including whilst presenting the accounts, in order to avoid any obstacle caused by the incompatibilities that could jeopardize the factory’s smooth operations. We emphasize the arrangements the engineer had to negotiate to avoid, for example, the well-intentioned paternalism of a powerful potentate or the “tax” paid to local police in the name of an exogenous conception of law and ethics.

First important theoretical fact: the “censorship” that F.F. experienced for more than 20 years. As a managing director in a multinational corporation, it was inconceivable that he testifies publicly about what he lived through in order to draw useful lessons. Too many details were scandalously inconsistent with the accepted ideas of management. Too many details went against the laws, norms and rules for a company like CostKillers Company and an upper level manager could risk their reputation, for the truth.

Later, when F. F. quit in order to undertake a PhD in management and recyle himself in academia, he was advised to commit himself to less onerous tasks. The analysis of his experience was thus perpetually put off and almost never came about.

Yet, all of the aspects of the business world do not concord with the management logos. In other words, what managers cannot conceive, what is unmanageable is essential for theorizing management.
The second fact that fosters interrogations: the flaws of the intellectual tools used by corporate headquarters in order to govern at a distance. These tools, these “management mechanisms” (Berry, 1983) are supposed to “train”, then “supervise” the expatriates sent to far-off countries. François Fourcade shows that this viaticum can be an epistemological obstacle and impediment to adapting on the ground. He also demonstrates the unrealistic nature of most of the financial accounting tools used by headquarters in order to evaluate the situation. It is a question of convenient narratives, simple “conventions” that provide a rational aspect to processes that are neither known nor understood nor mastered, but simply certified as conforming to standards by a “management bubble” that names them without truly grasping them.

Third theoretical element: the political dimension of the experience. We discover that the factory does not only belong to long-distance managers and stockholders, but also, informally, to those who take on local political responsibilities, the leaders of local mafias, and union bosses with whom they must negotiate if they want the factory to work.

The orthodox remedies spelled out by the Parisian headquarters jeopardize the factory’s profitability and precipitate its closing, while the local elites, both formal and informal, legal or illegal are very attached to their factory. They need it; they have a direct interest in its prosperity. They contribute to it through uncommon channels, but it is necessary to withhold judgement in the light of the mental categories used in the power centers of globalized capitalism.

In sum, it can be said that Mexican bigwigs, allied with a few adventurous expats, do what they do locally and in their own way, to save “their” factory from the absurdity of the management dictates of a distant and absent owner that does not understand what is happening on the ground and probably does not want to know too much about it.

The question is, how to connect the study of this case with the academic literature on multinational corporations (MNC) and particularly with the new Institutionalist studies on multinational companies?

**Subsidiary management responses to local and headquarters pressures**

A long-standing research tradition on MNC has focused on the headquarters/subsidiaries relations (Zeira, 1975; Belanger, 2009; Bartlett and Ghoshal, 1992-2011; Becker-Ritterspach and Dörrenbächer, 2011; BazejeWSi and Becker-Ritterspach, 2011) or, more specifically on subsidiaries’ behaviour (Gupta and Govindarajan, 1999; Kostova and Roth, 2002; Olivier, 1991). Expatriates’ behaviour was also a topic of study (Mendenhall and Oddou, 1985; Naumann 1992, 1993; Birdeseye and Hill, 1995), as well as intercultural management (Trompenaars and Hampden-Turner, 1998; D’IriBarne et al., 1998, 2009). In a psychological perspective, some researchers have focused on expatriates’ adaptation to the host country (Newman, Bhal Bhatt and Gutteridge, 1978; Jun, Gentry and Hyun, 2001; Haslberger, 2005). More recently, a new trend in economic sociology following Granovetter’s tradition endeavoured to get a better understanding of the social embeddedness of multinational companies (Heidenreich, 2014). In sociology of law, another trend studied how a MNC manages to conform to the diversity of national rights in its multiple subsidiaries (corporate compliance, Parker and Nielsen, 2011; Villette, 2014b), whilst other sociologists investigate on management transgressions on the workplace (Babeau and Chanlat, 2008; Courpasson and Thoenig, 2008).

This paper is in line with the new institutionalist studies of multinational companies which tell us that subsidiaries are faced with institutional duality and are pressured to conform to parent company practices as well as to the local institutional environment in which they are based. Oliver (1991:162) argues that where organizations face incompatible and competing demands from different constituents, conformity may be impossible because the satisfaction of one constituent often requires to ignore or defy the demands of another. Acquiescence to parent company pressures can mean the avoidance of local institutions. Compromises with local institutions can mean the defiance of parent company practices. Kostova and Roth (2002) argue that the multinational subsidiary is in a situation of institutional duality. On the one hand, it is pressurized by the headquarters to adopt a particular set of the firm’s “traditional” practices as used at “home”; on the other hand, the subsidiary is pressurized by its host context to follow the local practices. Ferner (2000); Geppert et al. (2006) and others, identify subsidiary management knowledge of the local institutional environment as an important resource. They argue that subsidiary managers can derive resources from their role as interpreters of the local environment for a parent company management who may have difficulties understanding it. Kristensen and Zeitlin (2005) show that dependence on the local environment may also stem from the close relationship between subsidiary management and local stakeholders such as governments, trade unions or work councils which have the power to constrain subsidiary management action.

Using a qualitative and case studies methodology, Tempel, Edwards et al. (2006), concentrated their study on how HRM outcomes emerge in subsidiaries as a result of an interaction between the subsidiary management and the internal and external pressurizing constituents. “Such interaction is not a one-off event, but a continuous process”. Consequently, they conclude that “the complexity and dynamics of the processes by which institutional pressures and interdependence with pressuring constituents shape human resource management outcomes in subsidiaries cannot be captured with quantitative methods alone, yet such methods continue to dominate in new institutionalist studies” (Tempel, Edwards et al. 2006, p. 1565).
Similarly, Birkinshaw, Yoko Brannen and Tung (2011, p. 575) argue that “Research on knowledge in MNCs has typically failed to distinguish between simple (codified, explicit, binary, universal, unambiguous) knowledge that can be researched using traditional quantitative methods and complex knowledge (tacit, implicit, systemic, endemic, context dependent) that requires more ‘up-close and ghouled’ qualitative types of methodologies”.

Methodology

Researchers in social sciences do not pay sufficient attention to the empirical situations they use to justify their arguments. An article published in 1988 by Erwing Goffman suggests these situations are too often “neglected”. Howard Becker wrote in 1966 that “sociologists love to talk about the function of processes, but their methods do not allow them, in general, to concretely appropriate the processes of which they so abundantly speak.” (See also VAN MAANEN,1979). These affirmations remain true today, in sociology as in management sciences.

The case presented in this paper, is one of a series of investigations currently run about subsidiaries management of European MCN based in eight different countries (Mexico, Brasil, UAE, Morocco, China, Poland, and Russia). We deliberately chose to present one unique case so as to explore it in depth. It was also a methodological choice to make F. F., our main informer, co-author of this article. 17 years have passed since these events took place and we reckoned that, after a successful career change, F. F. was no longer a management practitioner but rather someone able to put his experience into perspective. Since he proved to be fit for an intellectual analyze in retrospect, he therefore deserves to be fully considered as a research partner.

Following Tempel, Edwards et al.’s suggestion to use a qualitative approach to study the interactions between the subsidiary management, the local institutions and the headquarters, this article is based on the narrative of a management situation as defined by Girin (1990), who says that a situation becomes a management situation when “the participants are brought together and must accomplish, in a set time, a collective action leading to a result that is subject to external judgment” (GIRIN, 1990, p. 142). It is exactly in this framework of constrained action that the expatriate finds himself. We shall try to understand how he manages to deal with an emerging, dynamic and indeterminate situation, which always tends to escape the manager’s control.

In this testimony, the given situation is simultaneously whole and singular. Following Dewey (1993, p. 128-129), we can say that it is an experience in which there are neither isolated objects nor events. An object or event is always a portion, a phase or a specific aspect, a surrounding world of experiences, “a diffused whole”. The qualifier of “diffused” is used by Dewey to link constitutive elements of a whole between themselves. Each situation is a unique and indivisible case in which a narrative can be only told in a both incomplete and partial way, no matter the degree of sincerity of the witness and the efforts made by researchers to elucidate the situation.

The radical methodology used in this paper was inspired by both l’approche ethnographique des entreprises (VILLETTE 2014b) and the microstoria traditions illustrated in particular by Carlo Ginzburg (see REVEL, 2010, for an overview). It allows to challenge a singular case with the multiples concepts of academic literature and to focus on the very concepts that can be invoked to explain the situation.

Referring to the works of the new institutionalist studies of MNC allows us to identify some of the specificities of this case:

- The worldwide headquarters are located in a developed European country whereas the subsidiary is located in a developing country, which means that “the institutional distance between home and host country institution is large”. (KOSTOVA 1999);
- The plant is considered to be unprofitable and non-strategic by the HQ and is therefore exposed to shutting down or reselling. The power ratio between HQ and subsidiary is thus highly unbalanced and unfavorable to the latter;
- On the day of his arrival in the foreign country, the expat had neither experience nor training in management and was totally uneducated in academic literature on the subject. However, his training as an engineer who graduated from a French Grande École predisposed him to self-confidence and a “subversive strategist”’s behaviour instead of that of a “boy scout ” (DELANY, 1998);
- The multinational managers and the local stakeholder’s demands are incompatible (OLIVER, 1991), yet “the local stakeholders have the power to constrain subsidiary management action” (KRISTENSEN and ZEITLIN, 2005).
- Relations between expat, HQ, and local stakeholders could be analyzed “in terms of ‘micro-politics’ in which the drive from the MNC headquarters towards isomorphism is undermined by the capability of local actors to pursue different interests.” (DORRENBACHER and GEPPERT, GEPPERT and MAYER, 2006).
- In addition to this list of specificities, two other characteristics of the case have not been theorized by new institutionalist studies of MNC but by both corporate compliance literature (PARKER and NIELSEN, 2011) and management transgression literature (BABEAU and CHANLAT, 2008; COURPASSON and THONIG, 2008):
  - The local actor’s demands are illegitimate and even sometimes illegal according to both home and host countries regulations. However, they are tolerated and unspoken of since there is a tacit agreement between subsidiary and HQ management as long as it contributes to the economic success of the subsidiary.
  - The decisions made by the subsidiary management to save the plant are incompatible with the current multinational policy but are tolerated and unspoken of.
By telling the story of an expat who forms an alliance with the local political forces, thereby transgressing many HQ prescriptions in order to save a factory, we aim at focusing the academic research on the experience on the ground. We base this approach on the phenomenological tradition (SCHULZ, 1945) and on the fact that scientism in social sciences has been the object of numerous critics (HAYEK, 1952). In doing so, we take into account Jack, Callas et al.’s remark (2008) which reads: “The international management field seems to have engaged in a continuous disavowal of epistemic reflexivity and a critical trajectory for theory development.”

**Ethnographic account of the management situation by François Fourcade**

Following a master’s in business administration, I was 26 years old when this story began in 1991 after a Telecommunications Engineering Degree; I answered an ad: “Urgent: CostKillers Company is looking for a VSN volunteer for Mexico to occupy the job of deputy to the management controller in a factory.”

I was interested in Mexico because I love surfing, and there are beaches with fantastic waves. I pretended to know everything an industrial management controller should know. I insinuated that I spoke Spanish and it worked. Without a doubt, I was the least terrible of the willing candidates for such an adventure, and even the only engineer willing to live in the middle of a semi-desert.

The contract signed, I was inevitably going to show up in a factory producing car radiators for the American market. It is a product that is not very sexy in the eyes of automobile specialists, not very innovative, unsophisticated and produced at a low cost in a country in which labour is cheap. There, I immediately found a position with some responsibility, without experience in industry, in management control, in expatriation or in Mexico.

I will first present what I was taught in the 3 months I spent at corporate headquarters in the 17th arrondissement of Paris, in order to prepare my departure. Then, we shall see what I discovered once I arrived, and how I confronted the situation.

One might get the impression that I paint a dark picture of the corporate world, thus I must note that my story is a success story, both from a human point of view and from the strictly industrial and financial point of view. The factory was suffering heavy losses when I arrived. Headquarters was considering an imminent closing. When I left, thanks to the entire team, it had become profitable and still functions today. After this first experience, I remained for more than 10 years with the CostKillers Company group. I also made a lot of friends in Mexico with whom I am still in contact.

Despite this success, it has always been difficult for me to tell this story in a credible fashion. In spite of my efforts, the audience thinks that it is bad police fiction rather than a serious business school case study. The difficulty is to take what happened to me seriously, rather than regarding it as an atypical and pleasant adventure.

**Preparing for departure: the inculcation of management norms**

CostKillers Company is an automobile equipment producer, more internationalized than the automobile makers that are its clients. A radiator can be sold to any automobile maker in the world, so long as it is competitive in terms of price, conception and quality. In comparison to automobile makers, equipment builders are directly exposed to international competition.

CostKillers Company’s headquarters are responsible for coordinating worldwide operations and work on defining the standard processes for the conception, production and delivery of competitive equipment at competitive prices to automobile makers around the world. These processes are then supposed to be implemented in all factories throughout the globe.

During my training period, I learned to respond to these two main questions:

- What does headquarters require of the local factory?
- What kind of information does a factory send to headquarters?

We teach young managers hired by CostKillers Company that corporate culture is very strong, and that there are norms to respect: “total quality”, “customer service”, “constant innovation”, “personal implication”, “lean management”, “management control”, “supplier integration”, etc.

Becoming a member of corporate management depends on integrating those values and norms and promoting them.

In order to verify the implementation of the rules in all of CostKillers Company’s establishments around the world, commandos of auditors intervene regularly. They show up in teams of five in a factory, staying a week, verifying everything they can, in order to ensure that the factory is “in line” with the principles and values of the house.

Those norms that must be respected in terms of management control are defined in a "bible" translated into 18 languages and called the *Administrative and Financial Manual* (AFM). The management controllers of each factory are supposed to be the gatekeepers. They are asked to oversee that the factory strictly respects the AFM.

It is also expected that management controllers exercise a counter power to manufacturers and salespeople. They oversee the factory director and keep him from getting out of control, such as for example, consenting to overly significant discounts to clients, salary increases to employees, or even succumbing to corruption, writing fake bills, selling to insolvent clients, etc.
Most of the information exchanged between headquarters and subsidiaries goes through the management controller. For this reason, very early on in its history, CostKillers Company developed excellent software, now integrated into its SAP system.

The corporation is well known for its capacity to reduce costs and obtain an acceptable profitability regardless of the circumstances. The norm is the amortization of any investment in less than 4 years: the average life span of a car. Additionally, it is accepted that costs on sold products should diminish by 30% every 4 years.

A beginner quickly needs to learn the corporate jargon. At headquarters, people speak in coded language. A typical hallway conversation goes something like « Have you done your IAP? », which should be understood as « Have you finished writing you request for investments? » otherwise known as the Investment Authorization Proposal.

CostKillers Company requires a strict respect of the financial reporting calendar from management controllers. Whatever happens, it is imperative that the information be sent within the deadlines, and it should always demonstrate that the budget has been respected. This is what guarantees to stockholders that the semester results will correspond to analysts’ expectations.

In order to always reassure the CFO of the group, (and, above and beyond him, the stockholders) the management controller acts as a "model student", always showing good results for his factory, no matter what the circumstances. On September 11, 2001, the sales of cars in the United States collapsed. CostKillers Company still managed to publish bi-annual results that corresponded with previsions. In other words, all of the factories’ management controllers invented expedients in order to minimize the visibility of incidents in the quarterly accounting. That is how they showed investors that CostKillers Company is a safe investment, a resilient corporation that sticks to its promises no matter what the hazards of the external environment. In addition, that is how share prices remain stable.

In the case of low revenues, costs are reduced by all means necessary, even if it means paying suppliers late (and even if they end up going bankrupt). As well, it means reducing the number of employees, despite possible adverse consequences on technical knowledge, stress and the morale of the personnel.

In order to deal with the unhappy surprises, the management controller also has to know how to disseminate the good ones. They constitute safety nets that allow expenses and/or revenues to be carried over from one semester to another.

Having spent 3 months at headquarters and thanks to discussions in hallways and the advice of more experienced colleagues, I had learned that in this kind of group, when one is a management controller, one should not confine oneself to the theoretical principals of accounting. He who reports disappointing numbers is a bad management controller. The factory that he controls will suffer the consequences and his career in the group risks being brief.

In a factory with numerous problems, such as in Mexico, with unreliable data, numerous disruptions and infringements of the rules, I would quickly learn that a lot of imagination was needed to always supply coherent data in accordance with the rules: the only data the software accepts to save. One very quickly learns the reflexes necessary to survive in a system that requires that the numbers always be correct right down to the decimal point, and moreover, they always have to be positive.

Aware of the fact that the factory regularly reported numbers well below global norms, I expected major problems. The Corporate Human Resources Director risked concluding that I was a terrible management controller.

**Adaptation in a Mexican Factory**

I still needed to learn Spanish, which happened during a one-month stay in Saragossa, Spain. My arrival in Mexico occurred on December 12th, 1991.

My first job as a trainee in the management control department, under the direction of the financial controller allowed me to discover some of the main problems faced by the 3 French expatriates in charge of the 500 Mexican factory workers.

Fridays, the workers are paid in cash. Under the protection of 6 guards armed with machine-guns, an armoured car conveys the money. One quickly wonders who are these armed men, who trained them and for whom they work.

Monday, absenteeism is at its pinnacle: those workers who were paid Friday got drunk. The factory functions at barely a 10% return and runs the risk of work-related injuries.

In the automobile sector, equipment makers are supposed to deliver their clients right on time, with a minimum amount of stock held by the assembly chains. The problem for the equipment manufacturers is delivering on time in order to avoid the enormous penalties detailed in the contract in case of delays ($20,000 per minute the client’s assembly line is shutdown).

At the factory of San Luis Positi, any excuse was feasible to stop working, no matter the urgency. If, for example, there was no space left to store the radiators being manufactured, the workers stopped working and played baseball in the courtyard while the foreman found a storage solution.

The factory invested in workers training. Unfortunately, as soon as they were trained, the Bosch plant nearby, which offered more attractive salaries, hired them. Consequently, the factory served as a local technical college, without anything in return.

Preventive maintenance is an unheard concept in Mexico where they prefer to fix machines after they break down. As a result, the factory lost a million euros following the breakdown of a machine. The personnel in...
charge of its maintenance considered that when 6 of the 8 oil jets were stopped up, there were still two to insure lubrication. The costly machine was finally out of order. The workers had thought they were doing the right thing by deactivating alarms so that the machine could continue to function despite the progressive deterioration of its lubrication system.

Right on time delivery also supposed resolving logistical problems including 1200 km of roads sometimes impracticable in winter, or chaotic Mexican railroads. Sometimes, the local mafia held up an entire train, or a delivery destined for Japan via the port of Acapulco on the Pacific Coast, ended up on Veracruz on the Atlantic.

In Mexico, as everyone knows, there is a strong tradition of corruption. Certain employees received propositions for large sums of money in exchange for blank invoices with the CostKillers Company logo that would have been used to buy supplies at the company’s expense. In France at the time, a good CostKillers Company factory generated a million Francs in income per employee. At my arrival in San Luis Potosi, the factory was at barely half of that. A trained operator could be replaced by his cousin, or even two of his cousins the next day; one that knew how to read, the other that knew how to pilot the machine. No factory could respect the criteria of a million in revenues per employee in such conditions. Consequently, the group threatened to close the factory down and refused all investments even vital ones, invoking our low productivity.

How could the factory be defended against the wrath of headquarters?

The idea came to me to adjust the numbers of employees declared in the country. The number of workers necessary to insure the running of the factory would no longer be paid directly by CostKillers Company, but by the company in charge of cleaning the factory.

Thanks to this accounting trick, our ratio of revenues per capita increased abruptly, while an increasing percentage of personnel costs fell into the accounting category of general costs. The corporate financial department quickly congratulated me for our spectacular gains in productivity, and the image of the factory improved slightly in the eyes of the corporate managers.

The factory used a copper supplier, which –we discovered later– belonged to the governor of the province who demanded exclusivity. On my arrival, reinforced by the teachings of corporate headquarters, I tried to apply the principals prescribed by the AFM, particularly the principle of the diversification of suppliers. I tried to have at least 3 suppliers for each type of supply. What a bad idea! The governor called me and gave me an appointment in the middle of nowhere. The helicopter arrived and took me to a hacienda. The police became very cooperative. They even brought police became very cooperative. They even brought assistance to a truck that broke down.

The fiscal gain realized was enormous.

A few months later, I was told that one of our drivers, exasperated, had refused a bribe, during a routine control by the highway police (Fédéral de Caminos). As a reprisal, the police alerted their colleagues by radio, and all of CostKillers Company’s trucks were immobilized at police barrages. In order to grasp the importance of this event, we have to remember the penalty of $20 000 per minute any time the client’s automobile assembly is stopped. It should also be kept in mind that the automobile factories in Detroit, some 4000 miles away, could get sick of working with a supplier that doesn’t deliver on time.

What to do?

I went to see the governor and asked for his help. He offered me tea and launched into a long, friendly conversation while I became increasingly stressed by the minute.

He proposed a tailor-made solution designed to pay the bribes suitable for the police. It was a sort of “provision for transportation risks”, an anti-blockade insurance of his own invention. I accepted, having no other choice, and within the half hour that followed, all of our trucks were moving again.

From that point on, I learned to consider the police as another supplier, which was difficult to explain to corporate auditors, come to verify the accounting. However, the result was evident. Once the system was in place, the police became very cooperative. They even brought assistance to a truck that broke down.

How could this local arrangement be implemented with the prescription of the AFM and global, corporate requirements? It was my turn to be imaginative. I invented a new, discrete “provision for transportation hazards”.

Of course, my arrangement with my friend, the governor, could not be communicated to CostKillers Company corporate headquarters nor to the auditors and certainly not to the French Embassy in Mexico.

I integrated into Mexican life. At the same time, my French expat colleagues left the factory one by one and I became director in 1995.

Having decided to save the factory that was still threatened with closing, I continued my attempts to create new gains in productivity. One day the governor told me “You know, François, when you go across the Rio Grande from the US to Mexico, with your famous trucks, you pay 44% in import taxes. You should know that according to Mexican law, if you put two guys on the Mexican side of the border, and that they open the doors of the truck and then close them just as fast, the merchandise can be considered Mexican, because they bring an added value to Mexican territory given that the men open and close a door to insure that the product is there. You create two new jobs and you only pay 5% in taxes”.

The fiscal gain realized was enormous.
World corporate headquarters considered that the factory had two years to show its profitability. If we did not reach this, CostKillers Company would close it and 500 employees and at least 2000 families would be unemployed. The provincial government was perfectly aware of the danger. We shared a common interest in making the factory work. It was thus better to participate in the forms of exchange in effect in the local economy and culture rather than remain fixated on the French conception of how to do business.

The *Administrative and Financial Manual* imagined by Parisian headquarters and translated into English, which became the global bible, contained around 400 words. The lexical poverty perfectly reflected the degree of simplification of reality in which this type of document resulted. Endowed with a very feeble description of reality, the text conveyed an overall thought supposedly comprehensive and applicable in 25 countries, but which is familiar only to business school graduates, other consultants, accountants and corporate lawyers. When it comes to negotiating with those who held another conception of the world, it was of little use. Too rigidly interpreted, it could even be an obstacle to any understanding, any negotiation and any efficiency in common action.

Having followed the Americans, CostKillers Company proved that the French were more concerned with the factory than its former owners. The Mexicans noticed that, little by little, CostKillers Company invested in the factory and really wanted it to work. Thus, they contributed to saving it, in their own way, assuring incidentally the defence of their own interests.

If in legal language, certain of those practices of which I spoke would be qualified as corruption, up to what point can we say that the advantages drawn by the local police, the governor or the director of the cleaning company are more illegitimate or more immoral than those advantages of faraway stockholders who do nothing more than buy and sell their property rights in one click? Could not we also say that customary rights of those people who contributed to the proper running of the factory should be taken into account in the same way as those of absent and distant owners, defended by lawyers and professional accountants, protected by a large amount of laws and norms designed for them?

I left on a 14-month contract and I stayed in Mexico for 7 years. The factory developed, modernized and became one of the most profitable factories for CostKillers Company. I had the immense satisfaction of developing the factory and I remained good friend with the Mexicans who had welcomed me.

How can the testimony of François Fourcade be interpreted?

The notions of law, accounting and management used by decision-making centers of global capitalism had little force in the Mexican province of Western Sierra Madre in the 1990s. An expat that would have wanted to apply them in spite of it all, adopting an ethnocentric posture (PERLMUTTER and HEEMAN, 1974; ZEIRA, 1979) would have almost certainly failed. The testimony of François Fourcade proves that the efficiency imperative, so dear to engineers and financiers, can not be obtained by classical means, applying managerial prescriptions determined by headquarters or even by a translation or *loose coupling* of these same prescriptions (ORDON and WEICK, 1990). It requires a methodical work of separating these worlds, through translation-treason and disinformation, including accounting and legal information. This type of behaviour falls under a form of transgression (BABEAU and CHANLAT, 2008) that we call "functional transgression", given that in the end, it contributes to realizing the goals expected by financial markets.

Managing the incompatibility between multiple realities

While not the first to discuss the subject, William James is, without a doubt, one of those who most clearly formulated the way in which our sense of reality is constituted. For him, is real what awakens and stimulates our interest. Reality is thus not a state of fact, but a relationship. Saying that something is real signifies that it is in relationship to us. Our first impulse is to immediately affirm that all that we perceive is real, as long as it is not contradicted. It follows that infinite realities probably exist. Everyone tends to consider the universe in which they find themselves an evidence and to doubt the reality of experiences foreign to them.

The incompatibility between distinct *Lebenswelt* (SCHUTZ, 1945) should not be taken lightly and should be considered as an epiphenomena of a psychological nature. It is a fundamental social phenomenon with serious consequences. Robert Jackall (1988) sums it up when he writes that in organizations, "details are pushed down and credit is pulled up", a formula which perfectly resumes the processes by which the world experienced by the leaders always tends to differ from the one experienced by the managers responsible for executing the details.

The head of a large multinational corporation can thus chose to ignore the statements transmitted by subsidiaries over which he avoids making any judgements, even if it is because he does not have the time (MINTZBERG, 1973; DELPEUCH and LAUVERGEON 1988; RIVELINE, 1991).

A leader can intellectually admit the diversity of points of view and the way in which to do business. However, given his position, he cannot allow himself to develop symmetrical and egalitarian relationships with those he is supposed to manage. The boss must be protected from his juniors since he is supposed to be the guarantor of the integration of individual behaviours in the perspective of pursuing the superior interest of the stockholders and the respect of the law.

As a result, the relationship between parent company-subsidiaries will tend sometimes towards transparency, other times towards opacity in order to
avoid compromising the politically correct reality of corporate headquarters with the daily experience of the subsidiaries’ employees.

Decoupling between corporate reality and reality in the factory in managing the incompatibilities

Managerial literature acknowledges that the role of headquarters, considered in relationship to operational units, is to insure coordination, control and cohesion. It is also seen as obvious that communication between the different levels of the organization must be as fluid and transparent as possible. The ideal, both for managers and a large majority of researchers in management, is to insure an optimal coupling between the strategy, conceived of by directors and experts at headquarters, and the running of operations in industrial and commercial establishments.

What the Anglo-Saxons call alignment is obtained through many different means: computer systems, planning, management control, reporting, audits, executive committees and transversal projects.

The management tradition affirms that no one should be left to act in accordance with his free will, in order to avoid running the risk of multiplying pockets of inefficiency. The behavioural alignment with good practices, modelled by consultants and experts, appears necessary to achieve significant performances. In theory, company employees are agents in the service of the principal (stockholders), suspected of lacking both loyalty and hard work. These control systems express mistrust. The incentive salary formulas (bonuses, stock options…) are supposed to motivate agents through the lure of gain.

In reaction to this normative managerial tradition, critical authors contribute corrections to the notion of loose-coupling (ORDON and WEICK, 1990), elasticity in the rules of the game (RAYNAUD, 1989 ; PARKS and GALLAGHER, 2010) or the concept of organizational slack, which finds its application in multinationals in the article of Nitin Nohria and Ranjay Gulati (1997). These authors, like others who possess a double competency in management sciences and sociology, believe that corporate governance must avoid excess control and allow base units sufficient autonomy.

Specialists of diverse management subjects have often criticized the centralization of decisions and controls, as well as the abuse of procedures. Computer systems specialists denounced the abuse of transparency in the exchange of data between units and the general direction (PAVÉ, 1989). Researchers in Sociology of work and Human resources management insisted on the positive role of autonomy left to the teams on the ground for workplace motivation (EMERY and TRIST, 1960; VELTZ, 2008; GETZ, 2012). Researchers in management control insisted on the necessity to avoid overly frequent and too detailed reporting in order to leave managers the necessary time to correct the differences in relation to previsions (DRUCKER, 1954; ANTHONY, 1988; SIMONS, 1995)

The testimony of François Fourcade highlights the pertinence of all these warnings. It echoes the well-known work of Goldratt (1984) and allows the formulation of an even more radical thesis according to which an incompatibility exists between the reality of the world in headquarters and in the factory. Thus, the person responsible for the interface must, at his own risk and peril, organize a disconnection, a complete decoupling. He must attempt to implement hermetic walls in order to avoid a crisis.

This is what F.F. remarks during a conversation regarding his experience:

“Headquarters knew. At least certain people knew what was happening at the factory, but the rule of the game was blinkers to allow things to happen. If the affair became public, it was the local manager that would have been accused, obviously.”

Or:

“The expat is a translator. He shouldn’t throw out information about what he understands in the host country without taking precautions. That would do damage. Reciprocally, the application of procedures and values from headquarters doesn’t work in country without considerable efforts to translate, and in this translation, there is a good portion of treason.”

If it was not only known, but recognized, this incompatibility would cause a crisis in the organization and would arouse concern, which would have disastrous effects on the company’s reputation. It would appear as incoherent, unserious and immoral, because it would deem them incapable of respecting the rules and principles that the most developed societies require. More fundamentally, the corporation would no longer be able to satisfy the rationality requirement that Nils Brunsson (1985) showed was both indispensable to the legitimation of organization in our contemporary societies, and practically impossible to maintain in numerous circumstances.

Prescribed work, real work and transgression at work

The idea that the work undertaken by workers goes above and beyond what is prescribed dates. Roy (1954) described how workers in a factory fought to save time with the benevolent complicity of foremen. If the gap between prescribed work, real work and the transgression of official norms was first theorized regarding workers, it equally applies to management and engineers, even if academic literature was late to realize it. Babeau and Chanlat (2008) remind us that transgression could be a forgotten dimension of organizations. Girin and Grosjean (whom they do not quote) already treated the issue (1996). Courpasson and Thoenig (2008) write that a “hegemonic management confronts its subordinates with impossible challenges. Nonetheless, the tie-wearing dissenters are constructive”. Thus, rebellion can be a creative process, bringing new methods of production (SINGHAL, 2009).
the impromptu replacement of a work by his cousin—a number of rules confront each other, each claiming possibly legitimacy. We observe the classic opposition between formal and informal rules, or the conceptual distinction proposed by Jean Daniel Reynaud (1989) between rules made by management that seek to reduce moral hazards and “autonomous normative” rules born of efforts by members of a work group in order to live together and insure production.

Faced with the complexity of the situation, F.F. explains his behaviour:

“If a worker is replaced by his cousin, what can be done? Should his behaviour be sanctioned? The answer is no. This local practice needs to be accepted and accompanied. First, tolerate it, and then try to encourage mutual training between workers, so that the tenured worker trains his replacement. Medium term and little by little, we manage to modify behaviour but only if we start by admitting it.”

Different ways of following a rule exist, according to the activity in which one is involved and the local circumstances. At the Mexican factory, the attitude of the engineer is entirely guided by the concern for efficiency. He has a consequentialist approach to the application of the rules and also a pedagogical view that we understand only if we take into account the length (seven years) of the “indeterminate, emergent and dynamic (DEWEY, 1993)” situation in which he is involved.

We could also see in his behaviour a realistic adaptation to a local balance of power. Caught between a corporate rule whose respect is required by some faraway headquarters, and an arrangement approved by the provincial government, we can consider that human resources fall more under the jurisdiction of the local mob boss than an abstract rule written in English by far off technocrats.

Should any gap between the actions taken and the text of the rules be treated as a transgression or worse, as a breach or trickery?

Following a procedure is conforming actions with texts, schemas and software. Yet, it is unnecessary to invoke Freud or Lacan to remember that the relationship between action and its representation is often problematic. An action is unique, circumstanced, situated (SUCHMANN, 1993). The text is either too general to know what to do, or illegible, or inapplicable if he tries to envision all imaginable cases. It is thus logical that people at work showcase their quality as intelligent human beings when faced with anonymous rules. This improvised intelligence is not only at the service of egocentric interests as noted by Crozier and Friedberg (1980); its “positive deviance” (SINGHAL, STERNIN and DURA, 2009 ). It can also be at the service of “technical solidarity” to use the expression proposed by Nicolas Dodier (1995).

Technical solidarity to make the factory function

Considering what was happening in the factory, Dodier (1995) shows how the operators (engineers, technicians, HR, maintenance workers, production agents) comprise a group that devotes itself to making the socio-technical system in which they are involved and over which they want influence, work. They are all more or less stricken with the “Bridge Over the River Kwai syndrome” and finish in one way or another by doing everything to make sure that “it works” despite it all, and whatever happens.

The testimony of F.F. offers a good example of this technical solidarity concerning the factory of San Luis Potosi. The need to reconcile all of the allies needed to make the factory function is a perfect illustration of James March’s theory (1962) according to which a corporation is above all a “political coalition”.

Without judging who is wrong and who is right, what is ethical and unethical, without weighing himself down with technical, legal and moral concepts of some faraway Parisian headquarters, the expatriate is forced to build a coalition necessary to improve productivity. These allies are conscious of the necessity of avoiding the factory’s closing, in light of its utility. They contribute to the smooth running of the factory according to their own means and methods, which have little to do with management models.

Sociotechnical networks do exist and sustain themselves if “innovators” manage to align human and non-human behaviour mobilized to insure their smooth operation (CALLON and LATOUR, 2006). The governor—who is also a businessman and the head of a mafia organization—behaves in a number of instances as an innovator and his inventions contribute to making the factory productive. Workers who share the same job with their brothers or cousins can also be put in the same category of innovators once factory management was capable of developing their invention instead of reprimanding it.

Publishing these facts is also an opportunity to examine the contradictions of globalized capitalism, and the legitimacy of the condemnations regularly made of local arrangements. Certainly, an audit could have been undertaken in the factory, denouncing the corruption, blackmail, misuse of corporate assets, agreements between clients and suppliers and black-market labour. These judgements would have branded these local behaviours and customs as disgraceful.

Management sciences have difficulties integrating local arrangements into the analyses of the success and failure of enterprises. However, it is not by ignoring these phenomena that we can learn to properly interpret them. It is not with abstract conceptions of law and ethics that one can learn about the difficulties of practice, but rather in taking into account the diffuse, indeterminate and dynamic nature of management situations in a precise manner.
Conclusion

The new institutionalist theory of MNC has clearly established the duality of institutional pressures exerted on subsidiaries, and the impossibility for subsidiary management to comply to local and global demands. Should we conclude that this implies a lack of MNC legitimacy, as argued by Morgan and Kristensen (2006)? The F.F. testimony and other testimonies of expat middle managers suggest that MNC have developed efficient ways to maintain a sufficient amount of organizational hypocrisy (BRUNSON, 1991) to deal with the contradictions of the external environment worldwide.

In the end, F.F. appears to be the paragon of the expat who does "whatever is necessary for it to work". He is a functionalist acting towards one single goal, insuring sufficient productivity in the San Luis Potosí factory so that the bosses back at headquarters consider it a good factory. To do so, he does not hesitate to cut or sidestep all methods of communication that link the factory to headquarters, in such a way so that the heteroclite and incompatible realities that separate the Mexican province from the Parisian headquarters do not block what is most important to him: the emergence of a technical solidarity between those people who contribute to its operation, including the governor of the province, local police, railroad workers and truckers.

I suggest defining this expatriate ideal type not only as a "subversive strategist" according to the terminology of Delany (1998), but more precisely as an "arranger of incompatible realities in a management situation". The arranger should not be confused with the assembler, as he consecrates a good portion of his efforts on dissociating those whose meeting must be avoided at all costs. In order to better serve headquarters, he organizes it so that headquarters does not intervene in local business. He transgresses, but his objective is to better serve those whose rules he does not respect.

Managing does not simply consist of controlling, coordinating and integrating operations, but it also comprises making viable the contradictions between heterogeneous realities that coexist only at the cost of serious work to hide the incompatibilities. A large multinational corporation is an organization in which the contradictions of globalization are internalized. Searching for allies, leaders promise things to everyone. Given the heterogeneous nature of world cultures and the disparity in standards of living within each country, these promises are incompatible. Simultaneously satisfying the expectations of a billionaire stakeholder and those of a worker or poor peasant in a country of the South is not easy. Taking into account the demands of diverse politicians, union leaders, heads of NGO’s, plus the engineers and scientists looking for technical achievements, legal experts who desire rules and bankers looking for money-making deals, is a challenge. Internalizing all of these contradictory demands, without putting the organization in a situation of crisis, requires implementing strategies of avoidance, screens, short-circuits that organizational theory has not studied closely enough.

It is at the interface between the headquarters –where image is managed– and the subsidiaries –where operations take place– that the contradiction appears most intensely.

When the work-related stress of managers and leaders (DEJOURS, 1993) is evoked, we also refer to, without a doubt, the difficulty they have in separating the representation of the world in which they work, their Lebenswelt as referred to by Alfred Schutz (1945), and the representations produced given their functions in order to satisfy the different demands of their interlocutors. Giving the corporation an ideal image (VILLETTE, 1988, p.142-143; VILLETTE and D’INGUIMBERT, 2014a) adapted to each audience and appropriate in every circumstance requires constant vigilance. Hiding the proof of contradictions by subtle communication strategies is an anxiety laden task, and all the more difficult when management doctrines almost always present the corporation as a unitary actor, that is simultaneously rational, coherent, legalist and morally responsible.

It is thus understandable that François Fourcade, after having consecrated so many years to insuring that corporation’s function at all costs, and despite the managerial doxa, decided in the middle of his career to become an academic.

References


BIRDESEYE M. G. & Hill J. S. (1995), "Individual, Organizational/Work and Environmental Influences on
Michel VILLETTE  ET  FRANÇOIS FOURCADE


